European Services Forum

ESF2026-04

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Director General
Directorate General for Trade and Economic Security
European Commission
Rue de la Loi 200
Brussels

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Subject: ESF call for a proactive EU trade policy

Dear Director General,

This is to congratulate you, on behalf of the European Services Forum, on your appointment as Director General for Trade and Economic Security.

The European Services Forum (ESF) is a private sector trade association that represent the interests of the European services industry in International Trade Negotiations in Services & Investments. 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, tourism and audio-visual services. Our membership is formed, directly or indirectly, of businesses of all sizes and associations from all EU member states. ESF values its role as the Commission's regular interlocutor on all trade in services related issues, and we look forward to offering you and your directorate our input and expertise, on behalf of the EU's services sector, as we have done for the past 25 years.

We are writing to you to call for a proactive EU Open Trade Policy. ESF believes that an ambitious trade policy with a strong openness and market access pillar is essential to supporting the EU's competitiveness. In these times when erecting new trade barriers has come back into fashion, it is worth repeating that trade openness drives economic growth and job creation, with 1 in 5 EU jobs relying on exports, more than half of them in services activities. Trade benefits consumers by increasing choice and attracting foreign investment, fostering growth and innovation in the EU. Additionally, diversification in sourcing and exports enhances resilience and the Union's ability to weather and overcome crises.

a) Services trade represents 36% of total EU trade

As an introductory remark, we would like first to draw your attention to the crucial importance of trade in services and investment for the European Union. In the context of the current geopolitical turmoil, it is natural that politicians and media focus their attention on trade in goods and the manufacturing sector, which are most clearly visible. But this must not deflect attention from the enormous impact of services trade on the European economy.

The EU's trade in services is now reaching an annual figure of € 3 trillion (1.6 trillion of exports and 1.3 trillion of imports in 2024). It has grown by +5000% in 25 years. EU exports of services grew by 8.9% in 2024, while EU GDP only grew by 1.4%. The EU is the biggest world exporter of services, representing 23% of world trade. **These exports represent 37.7% of total EU trade (Goods & Services)**. The EU has a surplus of €191 billion in trade in services with the rest of the world. We trust these figures are useful considering next steps in EU trade policy.

When considering international trade in services, it is equally important to bear in mind the foreign direct investment dimension, both outward and inward.

The EU is by far the world's biggest outward investor (US$ 13.3 trillion outward stocks in 2024 – 30.6% of global FDI[1]). According to Eurostat, in 2023, the EU services sector accounted for **79.2% of total EU Outward FDI**[2]. This is a reflection of the fact that one of the means by which EU services businesses export is to get closer to their customers by investing in 3rd countries. This is the main mode of supply of international services, also known as Mode 3 (commercial presence abroad) under the WTO General Agreement on Trade in Services (GATS). According to the WTO Database TISMOS, **57% of all extra-EU trade in services (representing €893 billion exports in 2024)** is carried out via **GATS Mode 3**. It is because of this intrinsic linkage between trade and establishment in a host country (whether investing in the local economy via a greenfield investment or via investing - through merger or acquisition - in an existing business) that EU policies towards exports of services and outward FDI need to be considered coherently.

Similarly, we want to highlight the importance of inward foreign direct investment for the EU economy, and in particular for the European services sectors. The EU is the second world's biggest recipient (US$ 11.5 trillion inward stocks in 2024 – 22.5% of global FDI[1]) of foreign direct investment. However, this figure has stagnated in the last five years, while the USA's share has significantly grown (+50%). According to Eurostat, in 2023, **79.6% of total EU Inward FDI was invested in services sectors**[2]. It is estimated that 16% of EU total jobs are in foreign controlled businesses; i.e. 34 million jobs in the EU depend on Inward FDI, around 70% of those businesses are services firms, a majority of them being SMEs. **The EU economy is very much dependent on the free flow of capital, which nourishes growth and innovation and allows the EU to remain competitive in an increasingly complex world**.

b) The need to adapt to a new world of trade

There is no doubt that the world trade policy has dramatically changed in the last decade, and the European Union, as the biggest world exporter, importer and investor, will have to adapt its own approach. Protectionism is on the rise globally, and multilateralism that was traditionally at the core of EU trade policy is clearly under threat. The EU has therefore equipped itself in recent years with relevant tools to show to its trading partners that access to its single market must be a matter of equal and reciprocal treatment. These efforts must continue. ESF has provided input on most of the EU's recent initiatives (see on esf.be) and will continue to monitor EU policies bearing on trade in services.

The European Union's success has been built upon open trade with the rest of the world while ensuring a high level of consumer protection, and high-level respect of labour rights and environmental protection. These values have made Europe stronger and have positioned the EU as a solid and trusted trade partner. In turn, the Union has gained hugely valuable access to other countries' markets, generating exports, imports and investment that have brought growth and contributed to the creation of millions of jobs. EU trade policy must therefore continue to pursue supporting rules-based trade with trading partners outside the EU. By securing further market access, this will contribute to increasing the resilience of the Union.

The EU must also of course look inward and assess what are the best policies to ensure competitiveness and a level playing field conditions for all businesses, i.e. EU businesses and foreign competitors in the EU single market. To maintain a high level of innovation and competition, the EU must remain open to foreign direct investment, provided that inward investors abide by EU rules and principles. ESF therefore attaches importance to the various tools that the EU institutions and EU

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[1] https://unctadstat.unctad.org/datacentre/dataviewer/US.FdiFlowsStock

[2] See Eurostat - BOP_FDI6_POS: According to Eurostat, EU27 total outward FDI stocks in 2023 was €16.9 trillion; of which €13.4 trillion have been invested by the EU services sectors.

member states have established, such as a) foreign direct investment screening mechanisms to ensure the protection of EU security and public order; b) the international public procurement instrument to ensure some reciprocity in accessing procurement markets of trading partners; c) the monitoring of foreign subsidies of any kind, including in services sectors, to prevent unfair practices. At the same time, the implementation, enforcement, and updating of these new tools will have to be managed in a careful and balanced way so as to not put into question the level of openness of the European Union or trigger a reduction in inward investment detrimental to the EU economy. These economic security tools need to target high-risk activities and avoid creating unnecessary administrative burdens for companies that abide by the rules.

The COVID-19 crisis, followed by Russia's aggressive war on Ukraine and, even more recently, the Middle East crisis, have underscored the importance of secure and diverse supply chains, global collaboration and multilateralism. Faced with these challenges, ESF believes that the EU's resilience will lie in keeping world markets open with fair and non-discriminatory conditions. The EU economy is the largest player in global trade, and its resilience depends on continuing to export and import, and to invest abroad and to keep foreign investors innovating into the EU.

At the same time, ESF acknowledges that there are areas where trade defence instruments or innovative tools for economic security are also important for some services sectors where unfair competition practices already take place and could further emerge, such as distribution services and e-commerce services.

c) The need for a continued offensive EU trade policy

Alongside action to ensure economic security, the European Union must continue to pursue its trade policy objectives of **negotiating new market access and good regulatory practices** that are crucial for further development of the EU services economy. It is important to note that the share of trade in services in the EU GDP (31,8%) is higher than in other high-income countries (18%) and much higher than in USA (6.9%) or China (5.3%)[3]. The EU is therefore much more dependent of trade in services.

It goes without saying that, in addition to its obvious support for the multilateral trading system, the European Services Forum is a strong supporter of the EU's bilateral trade policy, which has brought about the implementation of many bilateral trade agreements. Taking recent months alone, the EU has concluded important deals with Indonesia, India, Mercosur, Mexico, Australia, among others, and is pursuing negotiations with Malaysia, Philippines, Thailand, and the United Arab Emirates (UAE). For all of these FTA negotiations, ESF has systematically provided in-depth input to the EU negotiators, and we will continue to do so.

The European Commission is rightly proud of highlighting the fact that the European Union currently has **45 preferential trade agreements** in place with **80 partner countries** and regions worldwide, making it the largest trade agreement network globally. ESF would nonetheless note that **the EU has FTAs with only 7 of its top 25 trading partners in services** (UK, Singapore, Japan, Canada, Brazil, South Korea, and Ukraine). True, this figure will grow higher when the FTAs with India, Australia, and Mexico enter into force. But it demonstrates that there remains scope for additional trade policy initiatives to secure further market access and legal certainty for international services providers. The remaining trade partners among the top 25 with whom the EU does not have trade agreements effectively covering trade in services issues include the **USA**, **China**, Hong-Kong, **Türkiye** (customs union but no services), **Israël** (trade association agreement but no services); **Saudi Arabia**; **South Africa** (EPA but not services); **Taiwan**; **Morocco** (association agreement but no services); **Egypt** (association agreement but no services). ESF encourages the European Union to explore deeper trade in services relationships with these partners.

[3] https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS

There are a number of instances in which trade partners have an existing agreement with the EU that does not include a state-of-the-art digital trade chapter. We support the Commission's efforts to ensure that, in such cases, the EU negotiates an **in-depth digital trade agreement (DTA)** that can be annexed to the existing FTA. Examples are Japan (review of electronic commerce chapter of the EPA), Singapore, and South Korea. We welcome the EU's ongoing negotiations with Canada and encourage the Commission to identify other partners that could be interested in a state-of-the-art digital trade chapter, including, for example, Costa Rica, Panama, possibly Colombia, the Mercosur group of countries, and also Mexico (as soon as the EU-Mexico trade deal enters into force), as well as Turkey and South Africa.

Future commercial relations with **Africa** will be an important aspect of EU trade policy. ESF has noted the European Parliament's Draft Motion for an International Trade Committee (INTA) Resolution (13 April 2026) focusing on the "state of play of advancing EU-Africa trade and investment relations". As INTA Chair, Mr. Bernd Lange, calls for "the EU to turn its patchwork of trade deals with African regions into something far more ambitious — **covering services, investment and intellectual property, and pointing towards a single continent-to-continent agreement".**

The draft motion for a resolution also stresses that **memorandums of understanding are no substitute for legally binding trade agreements, as they offer neither legal certainty** nor enough parliamentary oversight.

The draft INTA Resolution echoes ESF's views as expressed in our Position Papers on the Commission's proposals for CTIPs and SIFAs (Sustainable Investment Facilitation Agreement). We agree with INTA Chair that "bringing these areas into the economic partnership agreements signed with groups of African countries would reassure businesses and investors about conditions in partner countries". ESF considers that the fact that these new types of agreement for most part take the form of MOUs and best endeavours, without any market access elements, represents a missed opportunity for the EU. The INTA Committee will vote on the Resolution in the coming months. We strongly encourage you to take these views into consideration for the new EU Trade Policy.

Going further, ESF has frequently expressed its disappointment that most of the Economic Partnership Agreements with African countries do not include any chapters or schedules of commitments covering services. We welcomed the recent conclusion of the EPA with four Eastern and Southern African islands (Comoros, Madagascar, Mauritius & Seychelles) in June 2026, where trade in services was covered. It is a good start that should be built upon. ESF regrets the EU did not negotiate to include some services components in the EU's agreement with Kenya of 2024. It is generally acknowledged that over the next two decades Africa will be a source of real economic growth; and the EU should work strategically to position itself on the African continent.

ESF and its members wish to work constructively towards the building of the new EU trade policy. Therefore, we would like to request a meeting with you. To this end, the ESF Secretariat will contact your office in coming days.

Yours sincerely,

Annette Meijer
ESF Chair

<u>List of members supporting the above position</u>

- Amadeus
- Amazon
- Apple
- Architects' Council of Europe –ACE
- BDO
- Bureau International des Producteurs et Intermédiaires d'Assurances – BIPAR
- BUSINESSEUROPE
- BUSINESSEUROPE WTO Working Group
- BSA The Software Alliance – BSA
- CISCO
- Danish Shipping
- DHL Group
- Digital Europe
- EK - Confederation of Finnish Industries
- EuroCommerce
- European Banking Federation - EBF
- European Express Association – EEA
- Fédération de l'Industrie Européenne de la Construction – FIEC
- FratiniVergano European Lawyers
- General Council of the Bar of England & Wales
- Google
- IBM Europe, Middle East & Africa
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Insurance Europe
- Irish Business and Employers' Confederation - IBEC
- Le Groupe La Poste
- Microsoft Corporation Europe
- Mouvement des entreprises de France – MEDEF
- PostEurop
- Svenskt Näringsliv (Confederation of Swedish Enterprise)
- TechUK
- TheCityUK
- UPS