ESF2020-04

Mr. Phil Hogan
Member of the European Commission
Commissioner for Trade
European Commission
200, rue de la loi
BE – 1049 – Brussels

Brussels, 29 April 2020

Subject: ESF Recommendations to the European Commission on new EU Trade Policy

Dear Commissioner Hogan,

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

As we are still in the midst of the Covid-19 Crisis, we would like to draw your attention to and reiterate the content of the April 1st Joint statement of the Global Services Coalition, where ESF plays an active and leading role, calling on the EU and all governments across the world to take a range of critical measures to maintain resilience in the supply of essential services during this time of crisis. No critical medical equipment can reach those who need them without transport and logistic services or without maintenance and repair services. During the lockdown, no remote connections from doctors to patients, from teachers to students, from management to personnel in teleworking, would be possible without efficient telecommunications and IT services. The smooth cross-border flow of critical personnel, of critical data and of critical services is a must in times of crisis. At this unprecedented time, we call upon you and the Commission to always remember the importance of the services dimension in all trade activities, as elaborated below.

We welcome the constructive and active cooperation between EU Member States and the European Commission to find practical measures at the borders to overcome the unprecedented challenges created by the Coronavirus outbreak. However, we are at the same time concerned by the increase of measures imposing export and import restrictions or other trade barriers that are already disrupting stretched global supply chains, both within the EU and with third countries. Actions using the investment screening mechanisms of EU-Member States should follow the EU guidelines and not be a disguised excuse in the EU or elsewhere in the world to control or restrict the more than ever necessary, foreign direct investment. We call on you to ensure that the movement of goods and services within the EU and with our trading partners is not restricted beyond what is necessary, and that any restrictions are well-justified, proportionate, temporary, and removed once the crisis is over. We support the G20 Trade Ministerial Statement of 30 March, and your own active commitment in ensuring that the EU will take a leadership role in defending an open and rules-based global trading system.

Since you mentioned to the INTA Committee members on 21 April that the trade policy part of the Commission 2020 Work Programme will change due to the COVID19 crisis, and as you are still at the beginning of your term, we would like to take this opportunity to highlight the priorities of the European services industry in the EU trade policy. We would like to invite you to take them into consideration in the running of your tenure at the European Commission.

First of all, we would like to remind you of some facts and figures on trade in services, which are too often underestimated. The European Union (EU) is the largest exporter and importer of services in the world. The EU exported €961 billion of services in 2018 (extra EU) and imported €774 billion, which gives a positive balance of €186 billion. Trade in services represents a third of total EU trade. The EU is also the world's biggest investor (€11.5 trillion outward stocks in 2018 – 37.2% of global FDI) and recipient (€10.1 trillion inward stocks – 31.3% of global FDI) of foreign direct investment. **More than 60% of outward FDI is provided by European services companies and almost 90% of inward FDI is invested in the services sectors in the EU economy.** Finally, trade in services creates a significant proportion of jobs in the EU. Some 22 million of medium and high-skilled jobs in the EU are directly related to trade in services with many more indirectly supported. We would like you and your team to keep these figures in mind when leading and formulating EU trade policy.

You will find attached our detailed recommendations for trade policy strategy at the multilateral level, followed by our priorities at the bilateral level. I would like to highlight them here in this short summary:

WTO reform: The ESF calls upon the European Commission to pursue its work to ensure that the World Trade Organisation remains the core forum to negotiate further trade liberalisation, establish international trade rules, monitor trade policy developments, produce trade statistics, and resolve trade disputes. The European Union must continue to support these objectives and to take a leadership role.

WTO ongoing negotiations: ESF supports an ambitious outcome in the on-going negotiations of the WTO Joint Statement Initiative on **E-Commerce** that are currently taking place in Geneva. The discussions must continue to move smoothly and rapidly with a view to reaching an agreement as soon as possible. The same applies for the negotiations of WTO Disciplines on **Services Domestic Regulation** and for the discussions on a WTO Joint Statement Initiative on **Investment Facilitation** for Development. The EU should continue to play a critical leadership role in these talks.

Bilateral trade policy: EU FTAs should systematically aim for full liberalisation of service sector markets in all modes of supply, from cross-border trade in services to movement of business persons, through the removal of barriers that are hampering or limiting foreign direct establishments. At the time of the digital economy, we would like to highlight the particular importance of ensuring modern digital trade chapters in the EU FTAs, so as to cover all crucial aspects that are important to enable digitally enabled trade, including the cross-border movement of data; trust, security of personal and non-personal data; access to telecommunications networks and services; banning unjustified forced localisation; etc. in respect of current laws and regulations.

Among the priorities, ESF has previously called upon you to ensure that any agreement on the future relationship between the EU and the **United Kingdom** will include in depth commitments on trade in services (see here). The conclusion of a Comprehensive Agreement on Investment with **China**, which includes new market access opportunities for European services industries, is of paramount importance to ESF. The EU must continue close trade relations with EU major traditional partners, like the **United States** and **Switzerland**, which are respectively the first and second most important destinations of EU services trade. Enhanced access to the US and Swiss markets for services operators from the EU should always be at the forefront of any discussions with these partners.

The EU should negotiate ambitious services chapters and specific commitments in all the on-going bilateral trade negotiations, notably with **Australia**, **New-Zealand**, **Chile**, but also with ASEAN countries such as **Indonesia** and **Thailand**. Significant services components should also be part of the Deep and Comprehensive Free Trade Agreements (DCFTAs) with **Tunisia** and **Morocco**. Other trading partners are mentioned in the annex. The concluded talks with **Mexico** and **Mercosur** must now be ratified and implemented as early as possible. ESF welcomes the adoption by the EU of the new comprehensive strategy with **Africa** on 10 March 2020, but is disappointed by the fact that the importance of EU trade policy is mentioned only as a side issue. Trade in services with African countries will undoubtedly thrive in the forthcoming decade, but EU trade policy is not capturing these opportunities as presently constructed and will not do so in the future.

We have recently called on the Commission's Trade Directorate to provide much **better visibility** and enforcement strategy for the services provisions in EU FTAs. Indeed, one of the key challenges during your term will be communicating the benefits of the FTAs to services sectors. We would like to call on you to give equal attention to services companies as to goods and agri-food companies, with targeted communication materials like the development of a Guide for European Service Exporters and Investors.

Finally, the European service industries support certain horizontal priorities in EU Trade Agreements like ambitious **sustainable development** chapters; more relevant provisions for **regulatory cooperation** among the regulatory authorities of services sectors; and comprehensive market access to **public procurement for services**, with low thresholds and substantive coverage of all public institutions and entities, at all level of administrations.

We would welcome an opportunity to present these priorities directly to you in person and will contact your office in due time for such a meeting.

Wishing you continued good health at this worrying and dangerous time.

Yours sincerely,

Noel Clehane

Noel Clehane
ESF Chairman

April 2020

ESF RECOMMENDATIONS TO THE EUROPEAN COMMISSION ON NEW EU TRADE POLICY

I. Importance of trade in services for the EU economy

A. Services trade represents more than half of Total EU Trade in value added

The European Union (EU) is the largest exporter and importer of services in the world. The EU exported €961 billion of services in 2018 (extra EU), an increase of 70% since 2010, and imported €774 billion (being a total combined annual volume of €1735 billion). This represents 25% of global trade in services (extra EU), and also presents a positive balance of €186 billion in 2018, contributing to the strength of the EU economy. Taking intra and extra EU trade in services volume together, the EU represents an impressive figure of 43% of world trade volume in services[1].

The EU is also the world's biggest investor (€11.5 Trillion Outward stocks in 2018 – 37.2% of global FDI) and recipient (€10.1 Trillion Inward stocks – 31.3% of global FDI[2]) of foreign direct investment. Services are drivers of foreign direct investment. More than 60% of outward FDI is provided by European services companies to the rest of the world and almost 90% of inward FDI is invested in the services sectors in the EU economy [3]. For service companies, the establishment of a commercial presence abroad is the preferred way to operate internationally. Therefore, companies operating within the European services space need a robust EU trade policy with strong provisions for foreign direct investment.

The reality of trade has changed dramatically in the last 20 years. Services represent 75% of the EU GDP. EU exports of services represent 31.8% of the total exports (goods & services) of the EU in terms of Balance of Payment (BOP) in 2018. Furthermore, it is now well recognised that those BOP figures give a wrong perception of what is the real economy and the real international trade. An explanation to this dichotomy can be found by calculating trade not anymore in terms of balance of payment at the borders, but rather **in terms of value added**. The joint OECD-WTO data base called "TiVA – Trade in Value Added" indicates that there is a significant part of the services value added in the exports of manufactured goods, representing up to 34.5% of the value of EU exports of manufactured goods in 2016[4].This means that in fact **services represent 58% of total EU exports** in terms of value added. This indeed dramatically changes the perspective of the importance of services in trade, and the new European trade policy must take this into account.

The importance of trade in services is proportionally greater for EU Member States than for the other high-income countries. World Bank figures indicate that "trade in services" represent 24.4% of the EU GDP, which is substantially higher than the average of 15.2 % of GDP that trade in services represents in OECD countries.

➔ The Commission should ensure that the importance of services trade for Europe's competitiveness is properly assessed and reflected in its future trade policy.

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[1] *Eurostat bop_its6_det and WTO Trade Statistical Reviews*

[2] *UNCTAD World Investment Report 2019 – page 216*

[3] Source: Eurostat (bop_fdi6_pos) - Extra-EU foreign direct investment positions, by economic activity, EU-28, 2017 - (% of all economic activities) – *See* here.

[4] Also known as "Mode 5" services, as discussed in this report on bilateral trade agreements, published by the European Parliament Think Tank:http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU(2018)603873

B. Trade in services create jobs

As well as supporting competitiveness in the European economy, trade in services also creates a significant proportion of jobs in the EU.

It was highlighted in the European Commission's report entitled "EU Exports to the world: Effect on Employment – 2018"[5] that the EU exports supported 36 million jobs, of which **61%**, some **22 million jobs**, were directly related to trade in services. In 2014, 20% of these jobs were high-skilled, 30% were medium-skilled, and 11% were low-skilled. The services sector is therefore a leading contributor to the creation of medium and high-skilled jobs within the EU. Future legislators in the European Parliament and Commission must be cognisant of these facts when designing trade policy fit for the 21st century.

The Commission's report highlights the fact that the EU exports of services creates jobs in the third countries. In 2014, the European services sector created 47% of the employment supported outside the EU through EU exports to the rest of the world. This is a significant increase compared to 2000, when it was 37%[6]. More than **9 million services jobs outside the EU are created by EU exports**.

➔ The EU's trade negotiators should use this positive job creation story as leverage to obtain more market access for the European services sectors into extra-EU markets.

Furthermore, the above-mentioned figures do not take into account the jobs created abroad through the foreign direct investments (subsidiaries and affiliates) made by European investors outside the EU. Although we have no detailed statistical data, Eurostat figures show at least that foreign affiliates of **EU companies employ 14 million workers outside the EU** (Outward FATS), and **nearly 8 million persons are employed in the EU-28 by foreign companies established in the EU** (Inward FATS)[7]. A significant number of these workers must be employed in services businesses, since approximately 60% of all outward EU FDI Stocks are invested by services companies, and more than 85% of all inward EU FDI Stocks are invested in EU services sectors[8].

➔ It is with this importance of trade in services in mind, that the European Services Forum call upon the European Union institutions to take into consideration the priorities expressed by the European service industries for the new EU Trade Policy.

II. The EU must remain the Leader of the multilateral system

A. WTO Reform

The ESF calls upon the European Commission to pursue its work to ensure that the World Trade Organisation remains the core forum to negotiate further trade liberalisation, establish international trade rules, monitor trade policy developments, produce trade statistics, and resolve trade disputes. The European Union must continue to support these objectives and to take a leadership role.

[5] *Source: Report "EU Exports to the world: Effect on Employment" - 2018*

[6] *Source: Report "EU Exports to the world: Effect on Employment" – 2018 – page 37. The manufacturing sector accounted for 30% of the employment supported outside the EU through EU exports to the rest of the world (37% in 2000) and the primary sector for 23% (26% in 2000).*

[7] *Source: DG Trade Statistical Guide – June 2018 - Eurostat (fats_g1b_08).*

[8] *Source: Foreign direct investment – stocks - Eurostat* (bop_fdi6_pos)

The multilateral system, established after the Second World War, has been the cornerstone of the development of the global economy. This system has been essential in the avoidance of major trade conflicts between nations and allowed economies to thrive, elevating millions out of poverty, creating millions of jobs, fostering innovation and growth, and providing greater choice for goods and services to consumers. This system must be preserved, and the only way to do so is through a reform of its Dispute Settlement mechanism, that will keep a strong and functioning double level system, correcting the valid critics and possible abuses.

Furthermore, the multilateral trading rulebook needs an urgent update. Rules and Commitments need to be strengthened to ensure that all countries will abide by the same provisions, with a level playing field, and negotiated exceptions must remain limited, not the norm.

B. WTO E-Commerce agreement

The European Union is the world's most data-dependent actor in the global trading system. The transfer of data from the EU to third country markets and from third countries into the EU is crucial to run the complex business operations necessary for value chains which cross many jurisdictions both at a regional and global level.

ESF closely monitors and supports the on-going negotiations of the WTO Joint Statement Initiative on E-Commerce that are currently going on in Geneva, gathering an impressive group of 83 countries, many of which are developing countries. ESF calls for the discussions to continue to move smoothly and rapidly with a view to reaching an agreement as soon as possible, with concrete progress registered at the next WTO Ministerial Conference in 2020.

The Agreement should enable inclusive international e-commerce and achieve a high standard rules-based environment that will enable fluid digital transactions, establish transparency and trust, facilitate cross-border data flows, improves rules in telecommunications, prohibit permanently duties on electronic transmissions and provide for efficient customs clearance by building on the WTO Trade Facilitation Agreement. A detailed Position Paper can be found here.

C. WTO Disciplines on Services Domestic Regulation and Investment Facilitation

The ESF represents the interests of European services sectors that are all subject to specific regulation adopted by domestic regulatory authorities. The ESF welcomed the Joint Ministerial Statement on Services Domestic Regulation, adopted by trade Ministers from 60 countries at the WTO Ministerial Conference in December 2017 in Buenos Aires.

Providing transparency to exporters and investors on the various licensing procedures and authorisation processes in a large number of markets will represent a major progress for services businesses that are willing to open or expand operations in third countries' markets. The ESF Position Paper on this issue (see here), urges negotiators to continue working in a positive vein in Geneva with an aim to reach an agreement by the Twelve WTO Ministerial in June 2020 in Astana (Kazakhstan).

ESF also follows the talks towards the negotiations of a WTO Investment Facilitation Agreement, a joint initiative that gathers the support of more than 90 countries, including many developing countries, recognizing the links between investment, trade and development. Our understanding is that the purpose of this initiative is somewhere similar to the disciplines on Domestic Regulation on services, i.e. to reach an agreement whereby signatories will commit to more transparency in licensing and administrative procedures for all investors. Given the significance of foreign direct investment for services (mode 3), ESF call on the European Commission to work constructively with the proponents towards an ambitious agreement in the years to come.

III. The pursuit of the bilateral trade policy

The ESF strongly favours multilateral or plurilateral free trade agreements over a bilateral approach. With this in mind, we deplored that the negotiations of the Trade in Services Agreement (TiSA) were put on hold at the end of 2016. ESF encourages the European Commission to look for possibilities of resuming these negotiations. Indeed, such an agreement will provide not only a much-needed new rules book for the services' trade, but also new market access commitments, which would possibly not be the case of the on-going E-Commerce negotiations.

The negotiations of bilateral free trade agreements are therefore only a second-best option, since they cover by definition only two countries. ESF is a strong advocate of concluding ambitious, deep and comprehensive free trade agreements with all trading partners that demonstrates a willingness to work towards a strong commercial relationship with the EU, built on high standards and respect for sustainable development. EU FTAs should systematically aim at reaching liberalisation of services sectors markets in all modes of supply, from cross-border trade in services to movement of business persons, through the removal of barriers that are hampering or limiting foreign direct establishments.

At the time of the digital economy, we would like to highlight the particular importance of ensuring modern digital trade chapters in the EU FTAs, so as to cover all crucial aspects that are important to enable digitally enabled trade, including the cross-border movement of data, trust, security of personal and non-personal data; access to telecommunications networks and services; banning unjustified forced localisation; etc. in the respect of current laws and regulations. Indeed, in addition of being the biggest global exporter, importer and investor in services, the European Union is the world's most data-dependent actor in the global trading system, illustrating the importance of enabling digital trade for the growth of the European economy. The transfer of data from the EU to third country markets and from third countries into the EU is therefore crucial to run the complex business operations necessary for value chains that cross many jurisdictions and that are regional and global. The majority of digitally enabled trade transactions are in fact business to business. The European Commission will have to always keep in mind the importance of the digital aspects of the new EU trade policy. In this regard, we take note of the proposals related to international dimension of the strategic papers "Shaping Europe's digital future" as published on 19th February 2020, including the Global Digital Cooperation Strategy that is scheduled for 2021.

A. The EU-UK Partnership

The United Kingdom has left the European Union in January 2020. In December 2020, the transition period will end special links with the EU, including on trade policy. Both parties have now started negotiations on their future partnership.

In light of the importance of trade in services for the EU27-ULK relationship, trade and investment in services will have to play a central role in the envisaged new Partnership. Services are the basis of both economies representing 74% of EU GDP and 73% of the EU labour force and 80.4% of UK GDP and 83.5% of the UK labour force.

Issues related to services trade are not often seen as decisive in trade negotiations, but in this case, they will have to form a significant element of the agreement. The EU-UK FTA should also be complemented by bilateral agreements enabling trade in services, such as **air and road agreements for transport service** providers to ensure continued connectivity between the EU and the UK. Each party will also have to decide unilaterally on the conditions for granting **equivalence**

on financial services, or granting **adequacy decision on data protection** tools to ensure continued smooth cross border data transfers.

As a reminder, the UK is the largest services exporter among the EU28 to non-EU countries, totalling some €184.7 billion, which represents 22 % of total EU28 services exports in 2017. According to Eurostat, the EU27 exported €91.9 billion services to the UK in 2017 and the UK exported €133.5 billion services to the EU27. This makes a significant surplus for the UK (€41.5 billion).

The EU27 and the UK trade in services are highly integrated as a result of progress towards the EU single market in services. Eleven EU27 countries are among the UK's top 20 services suppliers, and ten EU27 countries are among the UK's top 20 export markets for services. These figures underline the degree of interdependence between the EU27 and the UK in services business, and the need for an efficient and open future relationship between both. ESF has called upon the negotiators from both sides to ensure that any agreement on the future relationship between the EU and the UK will include in depth commitments on trade in services (see here). ESF will continue to monitor closely the negotiations and provide relevant technical and political input.

B. Comprehensive Agreement on Investment with China

China

China is mostly seen as a major goods exporter and importer, ranking respectively 1st and 2nd worldwide, with an impressive surplus of $351 billion. However, when it comes to services export and import, China is sometimes undervalued. In fact, China is ranked 3rd in terms of export of services, with $265 billion, and 3rd in terms of import of services with $521 billion in 2018, which makes a deficit of -$256 billion. The EU is already a key exporter of services in China (€51.8 billion in 2018). The EU imported €31.8 billion, which makes a benefit of €20 billion in 2018. However European businesses encounter significant trade barriers in exporting or in investing in China.

ESF welcomed the launch of the bilateral investment agreement's negotiations in 2013 with the objective of providing investors on both sides with predictable, long-term access to the EU and Chinese markets and to protect investors and their investments. ESF provided priorities of the services industries to the negotiators, which include a strong emphasis on the need to obtain further market access in China. ESF will come back to the Commission in the coming month with additional input on this matter.

We recognise that China has taken some unilateral actions to improve foreign direct investment opportunities. In Particular, we acknowledged the efforts made by the Chinese government in the previous Special Management Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (FTZs) in 2015 and 2017, progressively expanding the list of sectors where foreign enterprises were allowed to invest in FTZs. We also provided comments to the Chinese authorities in February 2019 on the new draft Foreign Investment law of December 2018, which will expand investment opportunities to the whole territory of mainland China, beyond the earlier pilot FTZs. This is a significant step forward in making China a more attractive destination for foreign direct investment. We of course recommended expanding even further the list of services sectors that will be granted access and called for vigilance in the implementation of the new law.

We encourage the Commission to inject new momentum to the negotiations. In particular, we call upon the negotiators to ensure that the market access granted by China to the USA through their Phase I Agreement of December 2019 will also be granted to European services companies, notably in the areas of financial services, professional and business services and IT and Cloud related services. The Commission must also work towards obtaining clarity around new Chinese investment law and how this could impact European business. In practice, in a more sophisticated digital Chinese economy, EU businesses are faced with complex and contradictory decisions by the Chinese administration, notably through the new Cyber security law's requirements. There is a need therefore to enter into regulatory cooperation with China in the bilateral investment agreement.

Hong Kong and Taiwan

Hong Kong is already a very strong partner in trade in services[9]. It is the EU's 8th biggest partner for import and export of services, with a total €29.3 billion in 2017 (€14.5 export - €14.8 import - 28% of total trade BOP). Taiwan also poses good opportunity for European services companies, particularly in the area of business services, but barriers remain and trade in services represent only 16.7% of total trade between the two parties. ESF therefore calls upon the Commission to launch bilateral investment negotiations with **Hong-Kong** and **Taiwan**. Indeed, the "Trade for All" strategy of 2015 promised that "building on the investment provisions under negotiation with China, the EU will explore launching negotiations on investment with Hong Kong and Taiwan". Five years on, such negotiations have still not been commenced. Taking into account the progress made in the negotiations of the above-mentioned EU-China Comprehensive Agreement on Investment, it is now appropriate to launch such negotiations.

C. Continued trade relations with EU major traditional partners

United States

We call upon the Commission to monitor closely the EU-US relationship and ensure that, trade is services issues will be recognised at the level of their importance. The **United States of America** is a major trading partner of the EU in trade in services, with €257 billion exports and €236 billion imports in 2018, which leads to a EU surplus of €21 billion. ESF deeply regrets the suspension of the negotiations of the EU-US Transatlantic Trade in Investment Partnership (TTIP) in October 2016, and of the Trade in Services Agreement in November 2016, in which the US were playing a leading role.

Given the fact that trade in services represent 38.7% of the total exports of EU to the US, and 46.8% of the total exports of the US to the EU, services should not be forgotten as the EU advances possible trade talks with our transatlantic partner. We took note that in 2019, services were not on the agenda of the discussions, but the recent past showed us that the situation can evolves rapidly. We took note of the fact that US and Japan included an advanced Digital Trade chapter in their 2019 deal, and that commitments were also taken in financial services and iCloud related services in the US-China Phase I deal. These provide a possible competitive advantage to the interested services companies of these countries, to the detriment of the EU businesses and need to be properly taken into consideration.

Switzerland

The country is the second biggest trading partner of the EU for trade in services. The EU exported €120 billion worth of services to Switzerland in 2018, and imported €71.8 billion worth of services, resulting in an important bilateral trade surplus of €48.2 billion. Switzerland however does not have any trade agreement with the EU on services issues. WE acknowledge that there are many bilateral agreements between the EU and Switzerland, resulting into the approximation of the Swiss regulation in some services sectors that are close to the EU Single Market framework. However, these various agreements lack transparency and visibility. ESF welcomes the EU Council conclusions of 19 February 2019, which call on for an upgrade of the 1972 free trade agreement, which "is at the basis of our close economic relationship", and "has not been adjusted to

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[9] *Hong-Kong exported $114 billion in 2018 (8th rank worldwide), imported $81 billion (11th rank), surplus: +$33 billion*

developments in international trade rules since". ESF recommends that the Commission takes action on the Council's call for embarking on a path of modernising the agreements governing the trade relations between Switzerland and the European Union, in particular the free trade agreement. ESF shares the view that enhanced access to the Swiss market for operators from the EU, notably in services sectors, should be urgently addressed.

D. On-going trade negotiations with ambitious services chapters

Australia, New Zealand and Chile

The ESF closely monitors on-going bilateral trade negotiations, and has already provided detailed feedback to relevant negotiators on the priorities of services sectors in markets such as Australia and New Zealand. We are positive that a quality agreement on services can be negotiated with these partners, based on the ambition demonstrated under the TiSA negotiations. Likewise, we remain optimistic that more comprehensive agreements on services sectors can be achieves as part of the revision of the EU **Chile** FTA.

ASEAN

ESF supports the strategy towards pursuing more trade agreements with **South-East Asia**, where economic growth remains high. The trade in services of ASEAN 10[10] is significant, and they are the third partner of the EU for export (€53.4 billion) and import (€44.4 billion) of services in 2018, which make crucial for the EU to negotiate with all these countries as quickly as possible. ESF welcomed the recent ratifications of the FTAs with **Singapore** and **Vietnam**, and will monitor their implementation. ESF is a strong supporter of negotiating a FTA with **Indonesia**, and we have previously provided the negotiators with our priorities. Indonesia is a vast country with the fourth largest population in the world. It is a country with significant opportunities for businesses and we hope that the FTA will allow new market access and provide legal security to our exporters and investors. The European services industry is very interested in the resuming of the trade negotiations with **Thailand,** following the improvement of the political situation in the country. Thailand is already a mature market in many instances, and already a major exporter ($84 Bio in 2018 – 11th world's rank) and importer ($55 Bio – 17th world's rank) of services. Similarly, ESF encourages the European Union to restart the trade negotiations with **Malaysia and Philippines** when the correct conditions would prevail**.**

India

ESF also encourages the Commission to restart, as soon as feasible, trade talks with **India.** Began in 2007, negotiations have reached an impasse in 2013. India is one of the world's major exporter of trade in services, ranking fourth in the world, with exports of $204 billion in 2018. However, access to the Indian market remains difficult for European services businesses, with a long list of trade barriers such as equity caps and other localisation requirements, notably for data, and opaque regulatory procedures. And these barriers tend to increase, and not decrease for foreign companies trying to do business in India. Although India is the 9th trading partner for trade in services, with the EU exports at €17.3 billion in 2018 and imports at €21.4 billion, such figures do not reflect the level it should reach, should barriers be removed or reduced.

Mediterranean neighbours and Middle East

The EU is also negotiating Deep and Comprehensive Free Trade Agreements (DCFTAs) with **Tunisia** and **Morocco**, both of which feature significant services components. ESF supports this course of action given that no commitments on services were made in the framework of negotiating the Euro-Mediterranean association agreements. ESF calls for faster progress in these negotiations.

[10] *The ten ASEAN Countries are: Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand & Vietnam.*

Negotiations with **Egypt**, which is the largest Arabic country and a fast-growing population, should also be considered once the political environment permits.

ESF had expressed its support and its priorities for an upgraded agreement with **Turkey**. European businesses encounter many barriers to trade and invest in Turkey, and the revision of the Custom Agreement would be a good opportunity to tackle these difficulties, notably by including trade in services commitments. The Commission should monitor the situation and start negotiations again when the appropriate conditions prevail.

The trade relations between the EU and the six countries of the **Gulf Cooperation Council – GCC** (*Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arabic Emirates*) are very important in volume, representing the fifth largest trading partner of the EU. EU Bilateral trade in Services with GCC countries amounted to €65.7 billion in 2018[11]. We understand that the FTA negotiations with these countries are stalled for a very long time. Hence, the EU should try to find a way to reopen trade in services negotiations with these important partners, which are in demand of diversifying their economies out the oil and gas products.

African, Caribbean and Pacific (ACP)

Finally, the ESF strongly believes that the **Economic Partnership Agreements (EPAs)** with the **African** and **Pacific** countries have been a serious missed opportunity to insert service rules and commitments in the relationship with these 36 countries. Indeed, trade in services have only been negotiated in the EPA with the 16 countries of Cariforum. Services are also not a sufficiently clear priority in the negotiations of the Post-Cotonou Agreement between the EU and the African, Caribbean and Pacific (ACP) countries, which is meant to provide an important opportunity for Africa and the EU to move closer. There is no reason to believe that the share of services in the GDP of African countries is different to the rest of the world. ESF considers that the lack of commitments in services sectors in the EPAs has further slowed down the necessary economic reforms that would help the regions to increase its value add in the local economy as well as in the international trade within the region. ESF strongly encourages the Commission to ensure that trade in services will be viewed as a crucial issue in the future relations between the EU and Africa.

In order to boost trade and investment and encourage the creation of regional value chains between the EU and Africa, ESF believes that the Revised EPAs should be used by the EU as building blocks to continental free trade in Africa. Many economic surveys indicate that the African continent will thrive in the coming decades and the high growth will create huge opportunities for trade and investment to contribute to the economical development. The African continental free-trade area that entered into force in May 2019 is an interesting tool that will contribute to unlock the tremendous development potential of intra-African trade. The EU must also participate to this move and ensure that the post-Cotonou agreement will provide non-discriminatory access to EU businesses, allowing them notably to face competition with state-owned companies of other trading partners with already a strong presence in the African continent like Chinese businesses.

ESF welcome the adoption by the EU of the new comprehensive strategy with Africa on 10 March 2020, but can only deplore that the importance of EU trade policy is mentioned only as a side issue in vague sentences like: *"Cooperation and dialogue, business partnerships along critical value chains, as well as deepening EPAs, and other EU trade agreements with African partner countries, are tools through which this can be achieved."(end of section b) page 8);* or *"Finally, trade agreements and investment provisions to attract, facilitate and support sustainable investment will also contribute to improving the business climate" (end of section c) page 9).* ESF would have like

[11] EU exported €43.7 billion of services to the 6 GCC countries in 2018, imported €21.9 billion, which result in a surplus of €21.7 billion.

to see much more commitment towards the negotiations of legally binding commitments that would be the only tools that will create the necessary improvement of the business climate.

E. A better visibility & enforcement strategy for the services contents of EU FTAs

ESF commends the work of the outgoing Commissions. Numerous trade agreements were agreed with partners around the world such as Canada, Japan and South Korea, Singapore and Vietnam, Colombia, Peru and Ecuador, as well as with Central American Countries, and with neighboring countries in Eastern and Central Europe. These FTAs do contribute significantly to the liberalisation of services with our trading partners, allowing new business opportunities and strengthening the legal security in doing business through binding rules of current regulatory regimes. The political conclusion of the EU-Mexico FTA revision and EU-Mercosur FTA are other important successes of EU trade policy. Nonetheless, the pace for the completion of the technical and legal details of the agreements should be accelerated for signature by the EU Council and ratification by the European Parliament.

A key challenge for the new European Commission's college is about communicating the benefits of the FTAs to service businesses, including the vast majority of SMEs, allowing them to better utilize the opportunities available under such deals. Negotiating agreements is of no value if those who are intended to benefit from them, are unaware of their advantages.

The European Commission has done excellent work to inform businesses in the manufacturing and agriculture sectors on the benefits of the FTAs for goods, in terms of reduction of tariffs, understanding the rules of origin, or standards and other non-tariffs measures. **The Commission must now give equal attention to services companies**, with targeted communication materials like the development of **a Guide for European Service Exporters and Investors** by the Commission, informing economic operators in these industries of the opportunities an FTA can provide for their business, and where to find the practical information (such as licensing requirements, investment opportunities, working permits, etc.). Since trade in services represent more than 30% of the total EU trade in terms of balance of payment and more than 55% of total EU trade in terms of value added, much more needs to be done in this area. Despite, the shares of text in EU FTAs dedicated to services, being from between 30% to 50% of the pages, almost nothing is dedicated to services industries when it comes to the implementation tools. This must be corrected. **Trade in services statistics should be systematically detailed by sector**, in all relevant publications, as is the case for trade in goods sectors. Information to help European services companies to better understand the agreements and how to export or set up a commercial presence should also be developed. The technical content of FTAs related to services needs to be explained in a digestible way for non-experts. ESF stands ready to cooperate and advise on such an undertaking.

IV. Horizontal Priorities

Furthermore, ESF would like to flag that the European service industries also support additional priorities at the horizontal level.

1) **Trade policy should be consistent and coherent with other EU policies**. That is why ESF strongly supports ambitious **Sustainable development chapter** in EU Trade Agreements, which would focus notably on:

a. Promoting a level playing field through common standards in labour and environment,
b. Improving relations between governments and with civil society, including business
c. Promoting sustainable trade an encouraging business projects that contribute to the United Nations Sustainable Development Goals

d. Ensuring responsible business conduct and the fight against corruption

2) **Regulatory cooperation** among the services sectors regulatory authorities is an important tool towards promoting smooth competitiveness in services trade. We believe that the relevant provisions in the EU Japan EPA are a relevant basis for paving the way for other FTAs.

3) **Public procurement** – European companies still face many barriers in this field in many countries. ESF urges the Commission negotiators to ensure that all trade negotiations should aim at reaching a comprehensive and genuinely reciprocal market access to public procurement for services, with low thresholds and substantive coverage of all public institutions and entities, at all level of administrations, committing the partners to remove any discrimination in the bidding by EU businesses. It is of crucial importance to increase access for services companies to all public entities that are using public procurement (sometimes labelled as "public investment") in their functioning. This is obviously true for the construction services (building, civil engineering, dredging) and construction related services, such as architecture and engineering services, urban planning, etc. All public administrations and entities also need for their daily activities to procure telecom and IT services, insurance and banking services, transport and logistic services, cleaning and catering services, legal and accounting services, etc. The Chapters on Public procurement should ensure transparency of the tender process and provide a portal for one single access of all tenders. Negotiators should also explore the possibilities to negotiate commitments related to Public-Private Partnership, which is of great interest to companies in construction, transport, environmental and energy related services. Furthermore, the EU should intensify accession negotiations to the plurilateral WTO Government Procurement Agreement (GPA), with a focus on China and Russia.
