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Ministry for Foreign Affairs
Department for International Trade Policy and the
EU Single Market

Towards ambitious rules for trade in services

Summary of proposals

- The growing importance of services and servicification for the EU and its position as a world leader in the export of services should be clearly reflected in the future EU trade and investment policy.
- We need ambitious commitments in our bilateral trade agreements to achieve improved market access for EU service providers. They should cover a broad range of sectors in all modes of delivery, including for the temporary movement of business personnel.
- We should promote international rules through plurilateral agreements, when multilateral rules are not possible, and strive for the conclusion of negotiations on domestic regulation, including a gender article, by MC 12.
- Services aspects should also be promoted in negotiations regarding broad sectoral trade agreements, such as the one on e-commerce and possible futures ones on trade and environment or trade and health.
- We need a further strengthening of the internal services market to improve EU competitiveness, for example through an EU policy with a clear focus on industry-related services.

Introduction

Sweden agrees with the Commission regarding the overall importance of international trade for the EU economy, its competitiveness and job creation. It is important, however, to stress the significant and increasing role played by services due to both an increased trade in services and to servicification. The servicification trend is also transforming the manufacturing industry. In fact, 44 percent¹ of the value of total EU exports are services around products, which is a higher share than that of our trading partners and a confirmation of the key role of services and its value-added for the manufacturing industry. The digital transformation will broaden the servicification trend to more companies, not the least SMEs and make the services input a more essential component of the

¹ OECD TiVA Database, Domestic value-added share of gross exports

business offer. The importance of services for the EU is further reflected in its position as a world leader in the export of services. We need to translate the increased role of services trade into the future EU trade and investment policy as a crucial element of sustainable growth, for trade, for global competitiveness and for job creation.²

We would also like to stress the paramount role of a dynamic internal services market. A well-functioning internal market will strengthen EU competitiveness and help our companies, including SMEs, increase or start exports on the world market. We are aware of the COVID-19 related overall decrease in services exports during 2020 and the specific challenges posed by measures such as travel restrictions, but remain convinced that the long-standing and overall trend towards a larger share of services in trade will resume after the pandemic.

Services in bilateral trade agreements

An important way to translate the growing role of services trade into improved and predictable market access for EU companies, is through ambitious services chapters in **EU bilateral trade agreements**. It is, for example, crucial to secure as broad a coverage as possible regarding rules for services, not least regarding cross-border services and establishment. The same is true for domestic regulations, which should build on a future plurilateral WTO agreement in this field (see below), and for sectoral chapters, which currently include sectors such as telecommunication services and financial services. The number of sectors covered can be increased in sectoral chapters and the rules further developed in order to facilitate for our service exporting companies. (*Digital trade is treated in a separate Swedish contribution.*) In order to improve market access and non-discrimination for EU companies in third countries, a high level of transparency and commitment from our negotiating partners should be secured. These commitments should at least be of a hybrid format i.e. negative listing for national treatment and positive listing for market access. Ambitious sectoral commitments should be ensured in key sectors, for example environment-related services, in support of the green transition.

Specific attention regarding rules as well as market access should be paid to the **temporary movement of business personnel**. This plays a crucial role, not only in facilitating other modes of services supply, but also for servicification and thus goods export as well as investment in non-service sectors. These movements include a variety of relevant activities, from attending trade fairs to delivering, installing and repairing goods and machinery and the foreign postings of personnel within multinational companies. The commitments on temporary personal mobility should include the elimination of quotas and other restrictions. These commitments should apply to as many sectors as possible with ambitious duration periods. EU bilateral trade agreements should further reflect EU gender values and modern family interests by seeking to include, at

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least with regards to intercorporate transferees, the rights of accompanying spouses to seek work regardless of the overall ambition level of the trade agreements in question.

A further tool in promoting and facilitating trade in services and goods is the **mutual recognition of professional qualifications**. The current framework for mutual recognition in EU trade agreements has so far not resulted in any mutual recognition agreement (MRA) and only one (regarding architects) is close to being established, under the CETA agreement. In the special context of the negotiations of a future agreement with the UK, Sweden has presented some ideas for a more effective facilitation of MRAs through reforms of the current framework, which in some regards could also be relevant for negotiations with other trading partners.

The implementation of the **EU Market Access Strategy** through its Market Access Advisory Committee, MAAC, is an additional instrument in securing effective market access for services, building on the rules and commitments on services in trade agreements.

Services in plurilateral or multilateral trade agreements

At the multilateral level, there is also a great need for further development of rules and commitments regarding services trade. The update of the GATS agreement through multilateral negotiations, however, has not shown any results. With this preferred avenue for progress closed, the remaining option is to advance international rulemaking through plurilateral initiatives. Sweden is therefore a strong supporter of the **ongoing plurilateral negotiations on domestic regulation** and encourages a continuing active EU contribution towards a successful outcome at the next WTO ministerial conference. The resulting rules and commitments concerning increased transparency and legal predictability in approval procedures for licencing and qualification constitute an important tool in gaining concrete market access for EU service providers in third countries. Sweden has been and remains a strong supporter of the inclusion of an article against gender-based discrimination in any final text which will secure that it benefits all service providers, regardless of gender. The EU could also consider, when the appropriate conditions are met, supporting the restart of the negotiations on a plurilateral agreement on services, TiSA which have been suspended since 2017.

The increased role of services makes it important to **include services trade in any initiatives or ongoing negotiations regarding broad sectoral trade agreements**. One example is the ongoing **plurilateral negotiations on e-commerce**, where Sweden strongly supports the EU's proposal to **include market access for e-commerce related services** (in addition to goods), through the accessions to the Information Technology Agreement ITA. Due to the challenge in finding a consensus on selected service sectors, one option

could be to focus on core services for e-commerce, such as telecom and computer services.

We welcome that the Commission has presented ideas on a possible trade and climate initiative in the WTO. In this context, we support **a restart of plurilateral negotiations on environmental goods (EGA), which should also include related services**. Such negotiations would make an important contribution to low emission development and green transition, by eliminating tariffs and trade barriers on green goods and services as well as the fulfilment of the global sustainable development goals. The EU should also keep an open door to possible multilateral negotiations on environmental services if the current initiatives gain enough traction in Geneva. Trade can contribute to the **efforts to tackle the COVID-19 pandemic**, for example through the EU Initiative Trade and Health in the WTO regarding the removal of tariffs and trade barriers for essential healthcare goods. The **removal of barriers for services** related to this initiative should also be promoted on a plurilateral or multilateral level in order to contribute to the post-COVID recovery.

Services on the European Single Market

Around 76 percent of all companies are service companies. Consequently, the EU should **enhance its efforts to increase and strengthen trade in services in the European Single Market**. As the manufacturing industry is becoming increasingly dependent on services in its processes and business models, there is a need for an EU policy with a clear focus on industry-related services as part of the new industrial strategy for Europe. The Commission should further analyse existing obstacles and barriers to trade in services and propose concrete measures for their elimination. Closely connected to the development of the service market is the growing importance of mobility of workers and recognition of professionals. The Commission should enhance its examination of the elimination of unjustified and disproportionate occupational regulations in Member States in order to facilitate the mobility of professionals and workers. An enhanced framework in this aspect would boost the potential of the service sector. Although global cross-border trade in services is already an integrated part of many EU firms' business models, there is room for improvement. Supporting the competitiveness of our European industries by using the EU's Single Market to develop the necessary tools and experience would serve as a steppingstone to the global export market.