



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



**WTO Public Forum – 2009**  
***GLOBAL PROBLEMS, GLOBAL SOLUTIONS***  
***Towards Better Global Governance***



## **SESSION 13: PROTECTIONISM - WHAT DOES IT MEAN FOR FOREIGN DIRECT INVESTMENTS? IMPLICATIONS FOR GLOBAL GOVERNANCE**

**Organized by: AmCham EU (American Chamber of Commerce to the EU)**

**Sub-theme 1: Finding global solutions to global problems: The way forward towards better global governance**

**Tuesday, 29 September, 11:15 – 13:15**

**Meeting Room: W**

**« The perspectives of European Services companies »**

**Pascal Kerneis – Managing Director**

**European Services Forum – ESF**



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ESF covers most services  
sectors, including:

- Insurance
- Banking
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- Professional services: legal services, accountants, architects, engineers
- Construction services
- Distribution services
- Postal & Express Delivery services
- Audio-visual services
- Energy related services
- Environmental services
- Telecommunication services
- Tourism
- Maritime Transport

But no members in  
**Education or Health  
services**

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# Services contribute to the largest share of FDI (1)

444,1 Bn € were invested in Services sectors by the EU in 4 years  
(63,6 % of total 697,5 Bn €) (extra EU)

## **Extra-EU FDI outflows\* by economic activity, 2001-2004, EUR mn**

	2001	2002	2003	2004	2001-2004
Mining and quarrying	17 221	1 242	14 200	17 197	49 860
Manufacturing	45 031	5 838	14 472	18 922	84 263
of which					
Food products	5 381	- 5 725	4 149	- 482	3 323
Textiles & wood activities	- 907	6 470	- 3 516	7 088	9 135
Petroleum, chemical, rubber, plastic products	6 498	4 218	7 501	9 657	27 874
Metal & mechanical products	5 869	4 887	1 597	2 313	14 666
Vehicles & other transport equipment	12 906	8 571	- 46	993	22 424
Services	191 858	119 485	80 316	52 473	444 132
of which					
Trade and repairs	6 877	6 815	7 768	- 464	20 996
Hotels and restaurants	- 972	- 2 065	- 1 314	- 54	- 4 405
Transport	2 165	1 222	- 171	- 1 948	1 268
Telecommunications	40 783	- 9 949	1 919	4 385	37 138
Financial intermediation	119 825	97 258	62 448	63 571	343 102
Business Services	28 342	20 031	4 541	- 16 414	36 500
Other Services	- 5 162	6 173	5 125	3 397	9 533
**Rest of the sectors	37 474	7 332	26 723	47 796	119 325
Total	291 584	133 897	135 711	136 388	697 580

\*Excluding reinvested earnings until 2001. Total outward FDI since 2002.

\*\*Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

## Services contribute to the largest share of FDI (2)

For the remaining partner countries, extra-EU FDI flows were characterised by a strong preference for *services*, with an average of 65 % for the cumulated flows.

**Table 4.5**

**EU-FDI outward flows<sup>29</sup> to major partners, 2001-2004,<sup>30 31</sup>**  
**EUR mn**

		2001	2002	2003	2004	2001-2004
Extra-EU	Manufacturing	15%	4%	11%	14%	12%
	Services	66%	89%	59%	38%	64%
	Other sectors	19%	6%	30%	48%	24%
	Total	291 584	133 897	135 711	136 388	697 580
*Other partner countries	Manufacturing	12%	18%	5%	13%	13%
	Services	69%	74%	71%	52%	65%
	Other sectors	19%	8%	24%	36%	22%
	Total	132 686	93 849	59 436	128 055	414 026
	% of extra-EU	46%	70%	44%	94%	59%

\*Other partner countries is the difference between extra-EU and United States, Canada, Japan and EFTA.



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**93% of the investment coming to the EU are  
done in the Services sectors;**

**EU-FDI inward flows <sup>33</sup> from major partners, 2001–2004, <sup>34 35</sup>  
– EUR mn**

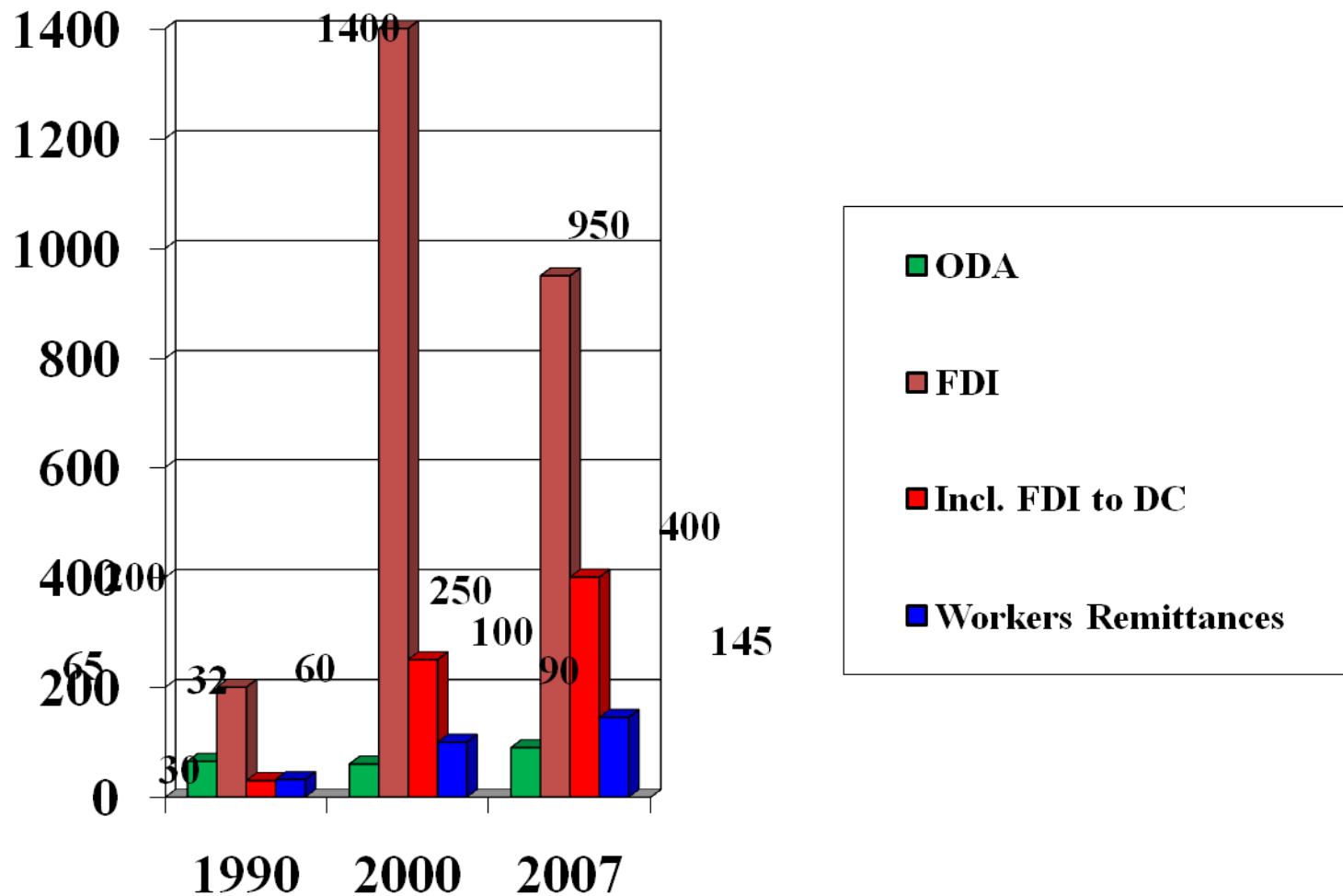
		2001	2002	2003	2004	2001-2004
Extra-EU	Manufacturing	12%	16%	14%	20%	15%
	Services	106%	76%	83%	65%	86%
	Other sectors	-18%	7%	2%	15%	-1%
	Total	123 778	126 567	123 541	53 072	426 958
*Other partner countries	Manufacturing	7%	25%	23%	3%	17%
	Services	178%	67%	76%	79%	93%
	Other sectors	-85%	8%	1%	18%	-10%
	Total	22 406	41 042	32 580	23 651	119 679
	% of extra-EU	18%	32%	26%	45%	28%

\*Other partner countries is the difference between extra-EU and United States, Canada, Japan and EFTA.



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## The importance of private Foreign Direct Investment in Developing Countries



Bio US \$/Year - Source: UNCTAD FDI Report & World Bank



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## IMPORTANCE OF SERVICES IN A SUSTAINABLE DEVELOPMENT

### ➤ **Attract FDI in Infrastructure services:**

- Telecoms, IT related services,
- Logistics (Transports, Express Courier, Distribution, etc.),
- Energy distribution network,
- Water and Waste management,
- Financial services System, etc.
- Tourism (Hotel, travel, leisure, etc.)

Experience shows that foreign service suppliers that invest in a country do it for a long period.

### ➤ **Attract transfers of expertise and of know-how of foreign service suppliers, which in turn initiate:**

- Local jobs creations
- Staff vocational training, etc.
- Better quality of the services,
- Cheaper services,
- More choice for the consumers
- Reduction of the cost of doing business for local SMEs.





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## **Main barriers to FDI in Services Sectors:**

- Obligation to enter the market through joint venture
- Limitations on capital ownership
- Limitations on licences allotted to foreign companies
- Restrictions on branching,
- Lack of National Treatment in many services sectors
- Local employment requirements
- Long and burdensome administrative procedures
- Restrictions on real estate access
- Lack of transparency in domestic regulation (economic needs tests, etc.)



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**List of criteria that a CEO looks at when taking  
a decision to invest in a developing countries:**

- Potential market (size, income per capita, follow the demand, i.e. corporate customers)
- Existing competition, special treatment for local players
- Benefits prospects at short, medium and long terms
- Good governance (level of corruption, transparency of the legislation, etc.)
- State of the regulation (existing barriers at all levels, independent regulatory authority, implementation of the regulations, i.e. Regulatory Certainty)
- FDI incentives (special zones, tax incentives, corporate tax, etc.)
- Business Environment (incl. availability of human capital, level of education)
- Country Risk Assessment: political stability, GATS/Trade agreement sector specific binding commitments, BITs, etc. i.e.

**the GATS/BITs/FTAs Commitments are only additional criterion for companies to tick. But they can often make the difference. For the Developing countries, it is an additional opportunity to seize as to attract FDI.**





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## Companies need international agreements to provide legal security to their investments

### What EU companies want:

1. WTO DDA (with GATS Mode 3 Commitments)
2. Regional Trade Agreements (with Integrated Markets)
3. Multilateral or Plurilateral agreements on investments
4. Bilateral Agreements (FTAs &/or BITs)
5. Autonomous Liberalisation

### =>What is happening in the reality:

1. Autonomous Liberalisation **No Legal Security !**
2. BITs, FTAs **Lack of convergence in a global world**
3. RTAs (without Services !!!)
4. WTO ?? !!!
5. MAI (OECD): Dead



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**THANK YOU FOR YOUR ATTENTION !**

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