

Trade in services with South Korea — surplus for EU in 2007

South Korea is currently the eleventh largest economy in the world and a significant player in the world economy. The EU and South Korea are important trading partners. South Korea is the EU's eighth largest trade partner and the EU has become South Korea's second largest export destination. The two-way trade in goods and services amounted to €75bn in 2007

Korea's economic development over the past 25 years has been based on industrialisation, giving priority to manufacturing rather than services. However, since the financial crisis of late 1997, the importance of the service sector has been increasingly recognised. Comprehensive reforms in the service sector were recommended to restore the economy to its previous growth path. Thanks to accelerated liberalisation, Korea's trade in services

has increased rapidly in recent years. While the development of exports in services more or less paralleled the development of the economy between 1996 and 2002, exports in services have grown faster in the past few years.

In 2007, EU-27 exports in services to Korea were worth €7.2bn, compared to €6.8bn in 2006 and €5.9bn in 2005. Imports from Korea amounted to €4.0bn (€4.0bn in 2006, €3.5bn in 2005). This led to a surplus of €3.3bn in 2007 (€2.8bn in 2006, €2.4bn in 2005). Table 1 shows that, in 2007, the EU had surpluses in most service categories. The biggest surpluses were recorded in transportation services (€ +0.8bn), and other business services (+1.1bn). Deficits were recorded in construction services and government services.

Table 1: EU-27 trade in services with South Korea, in € million

	2005			2006			2007		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Total Services	5912	3484	2428	6759	3973	2786	7212	3961	3251
Transportation	2230	1925	305	2622	2165	457	3007	2163	844
<i>Sea transport</i>	1624	1322	303	1916	1504	412	2348	1365	983
<i>Air transport</i>	538	391	146	612	371	241	558	331	227
<i>Other transport</i>	69	213	-144	92	291	-198	100	465	-364
Travel	430	236	194	589	310	280	583	170	413
<i>Business travel</i>	114	72	42	156	120	36	164	65	98
<i>Personal travel</i>	316	164	152	435	190	244	417	105	312
Communications services	47	25	22	61	44	17	59	43	16
<i>Postal and courier services</i>	27	7	20	24	11	13	17	10	7
<i>Telecommunication services</i>	21	18	3	36	31	5	42	33	10
Construction services	244	198	46	210	298	-88	153	327	-175
Insurance services	83	37	46	104	61	43	95	56	39
Financial services	364	143	221	409	152	257	535	203	332
Computer and information services	102	19	83	118	37	80	132	35	97
<i>Computer services</i>	85	19	67	104	37	67	109	35	74
<i>Information services</i>	17	1	16	14	0	14	23	0	23
Royalties and license fees	444	122	322	595	109	487	712	134	578
Other business services	1906	718	1188	1978	747	1231	1851	787	1065
<i>Merchanting and other trade-related services</i>	283	255	29	341	264	78	263	234	30
<i>Operational leasing services</i>	675	4	670	684	7	677	571	44	528
<i>Miscellaneous business, professional and technical services</i>	945	456	489	955	473	482	1017	509	508
Personal, cultural and recreational services	38	34	4	53	20	33	62	10	51
<i>Audio-visual and related services</i>	33	32	1	44	16	28	55	7	48
<i>Other personal, cultural and recreational services</i>	4	3	1	8	4	4	7	3	4
Government services, n.i.e.	23	23	0	21	29	-8	21	31	-10

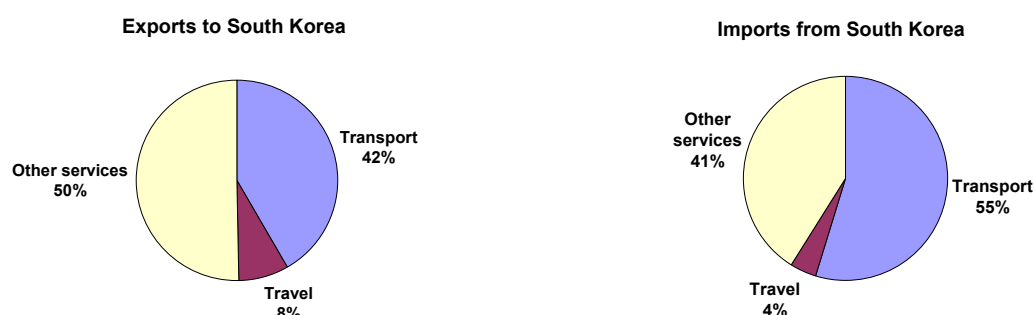
Source: Eurostat

In 2007, South Korea's share of the EU's total external trade in services accounted for just 1.2% (1.4% of total EU exports went to Korea while just 1% of EU imports came from Korea); Switzerland's share, by contrast was 11.6%.

Chart 1 shows the breakdown of EU exports to South Korea and of imports from South Korea. While Other business services account for half of

total exports, their share of total imports is only 41%. The opposite is the case for Transportation services, where the share of EU exports is 42% compared to 55% of EU imports. Travel plays a less important role; the EU earns more from Korean visitors travelling to the EU than EU residents spend in Korea for travel purposes.

Chart 1: Breakdown of EU-27 exports to and imports from South Korea, 2007



Source: Eurostat

South Korea records deficits in its trade in services

Data reported by South Korea to the International Monetary Fund show that it has a continuous deficit in trade in services with the rest of the world. In 2005-2007 South Korea's total exports in services rose by 27%, while imports grew by 29%. As a result, the deficit in trade in services grew from €11 billion in 2005 to €15 billion in 2007.

Travel (- €11 billion) and Other business services (- €6.1 billion) are the two main items responsible for this deficit. Only Transportation services (the biggest single item in exports), Financial services and Government services show a surplus of exports over imports in Korean external trade in services.

Table 2: South Korea's trade in services with rest of the world, in million Euro

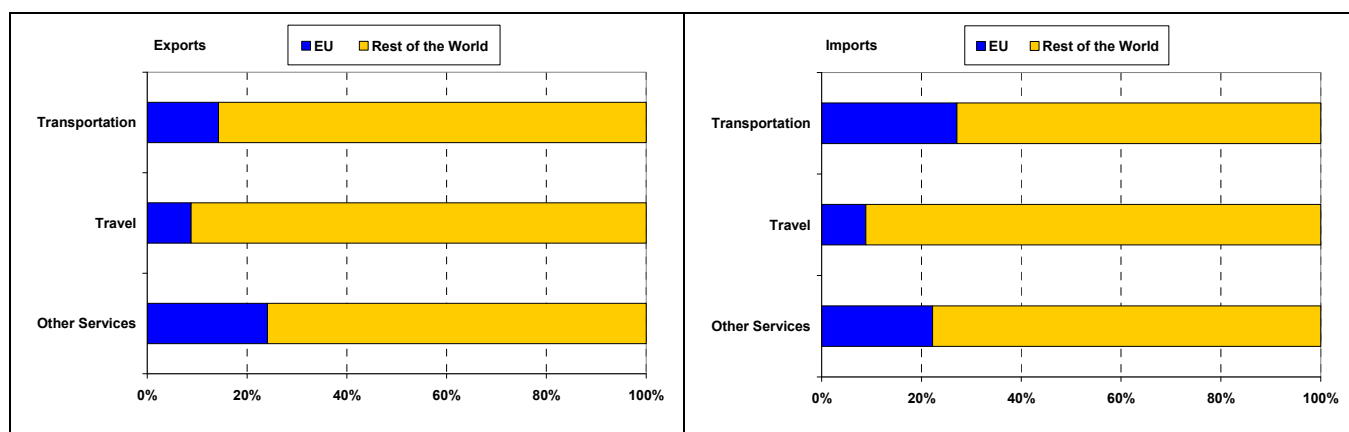
	2005			2006			2007		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Total Services	36274	47253	-10978	39735	54835	-15101	45993	61006	-15013
Transportation	19192	16192	3001	20554	18424	2130	24638	21798	2841
Travel	4667	12383	-7716	4610	15014	-10404	4230	15243	-11013
Other services	12416	18679	-6261	14572	21399	-6827	17126	23966	-6840
Communications services	356	621	-265	511	806	-295	419	679	-260
Construction services	89	5	84	106	2	104	99	12	87
Insurance services	136	589	-453	218	680	-462	233	814	-582
Financial services	1327	189	1138	2025	436	1590	3025	519	2507
Computer and information services	46	147	-101	198	476	-279	247	393	-146
Royalties and license fees	1534	3666	-2132	1629	3703	-2075	1401	3703	-2302
Other business services	7573	12489	-4915	8388	14101	-5712	10306	16423	-6117
Personal, cultural and recreational services	215	383	-168	294	534	-241	304	630	-327
Government services, n.i.e.	1140	589	551	1202	659	542	1092	792	301

Source: IMF, converted into Euro

The share of EU in Korea's total exports of services in 2007 amounts to 17%, while the same in terms of imports is 20%. There are differences among different service categories: the EU has a bigger share in Korea's export of Other services, compared to travel or transportation. On the import side the

share is highest for transportation services (see chart 2).

Chart 2: EU shares in Korea's trade in services, 2007



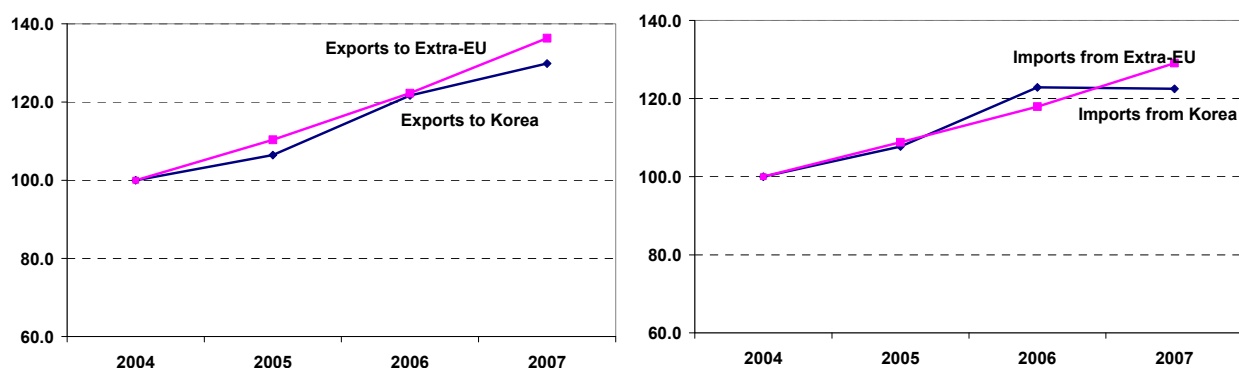
Source: Bank of Korea

Development of EU trade in services with South Korea

Data on trade in services between EU-27 and Korea shows that in 2007 the development of trade in services with Korea lagged behind that with rest of the world (see Chart 3). In 2004-2007, EU-27 exports to the rest of the world increased by 36%,

while exports to Korea increased by 30%. Over the same period imports from the rest of the world increased by 29%, while imports from Korea increased by 22%.

Chart 3: Evolution of EU-27 exports and imports in services, at current prices (2004=100)



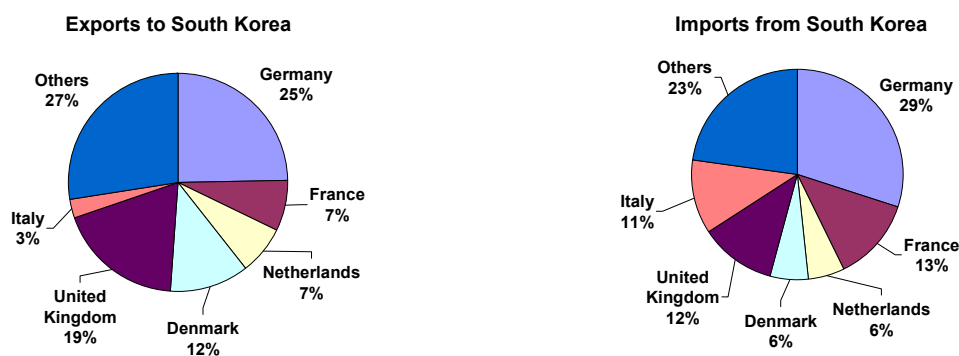
Source: Eurostat

Contributions of EU Member States to trade in services with South Korea

Germany is South Korea's principal trading partner in the EU. Germany alone accounted for 25% of all EU-27 exports to South Korea and 29% of EU-27 imports from South Korea, other major trading

partners being the UK, France, the Netherlands, Denmark and Italy. Around three quarters of total exports to and imports from South Korea involved these six countries.

Chart 4: Member States' share of total EU exports to and imports from South Korea



Source: Eurostat

METHODOLOGICAL NOTES

The results presented in this publication are based on balance of payments statistics. The balance of payments records all economic transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. As part of the balance of payments, the current account records real resources and is subdivided into four basic components: goods, services, income and current transfers. The methodological framework used is that of the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5). The EU balance of payments is compiled by Eurostat in accordance with a methodology agreed with the European Central Bank (ECB).

Further information

Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

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