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EU International Trade in Services in 2003

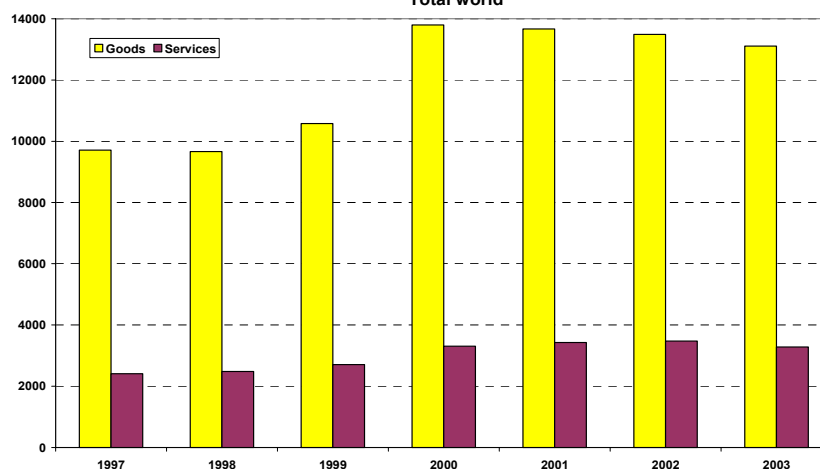
EU-25 external surplus of € 35.6 bn

The European Union continued to be the most important global player in international trade in services (ITS) in 2003. The EU-25 registered a surplus of € 35.6 bn against the rest of the world. The EU-15 increased its external surplus from € 25.0 bn in 2002 to € 27.5 bn in 2003. The USA remained the EU's main trading partner. The UK was, among all the EU Member States, the biggest contributor to extra-EU transactions

Services – the fastest growing part of international trade

Services are increasingly important in modern economies, contributing about 68% of the value added in the world economy in 2003. Services' growth has been reflected in a corresponding expansion of employment in services' activities. In 2003, services accounted for 69% of jobs in the EU-15. For EU-25 the corresponding figure was 67%.

Graph 1: International Trade in Goods and Services (ECU/EUR bn)
Total world

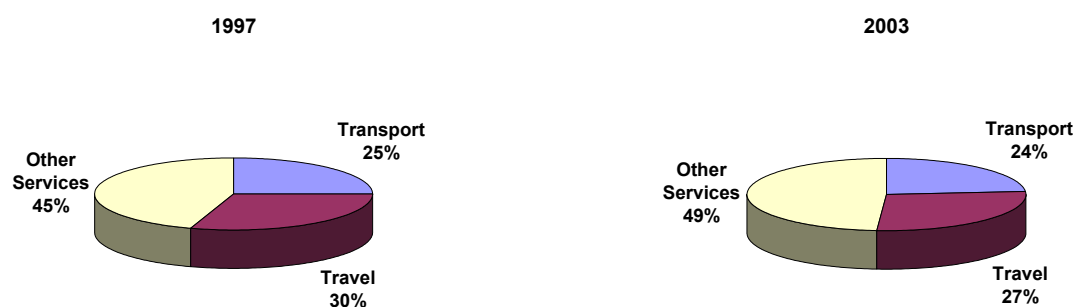


Source: IMF Balance of Payments Yearbook, 2004

The strong and growing role of services in world production and employment is not, however, reflected in international trade, where services account only for 20% of international trade. The share of services in world trade contrasts with the central contribution of services production in domestic economies. As a matter of fact, due to their intangible nature, trade in services is inherently subject to more constraints than trade in goods.

However, rapid technological advances, such as in computing and telecommunications, including the development of the internet and electronic commerce, have allowed a number of services to become internationally tradable. Ranging from architecture to voice-mail telecommunications and to space transport, services are the largest and most dynamic component of both developed and developing country economies. Important in their own right, they also serve as crucial inputs into the production of most goods

Graph 2: Breakdown of International Trade in Services (in %)



Source: IMF Balance of Payments Yearbook, 2004

According to figures published by the International Monetary Fund¹ total world international trade in services (ITS) transactions in 2003 amounted to € 3282.1 billion (out of which intra-EU-15 amounted to € 825.7 billion and intra-EU-25 to € 907.6 billion).

Despite the fall observed in 2003 in Euro terms (there were increases both in goods and services when expressed in US\$), from a medium term perspective, services are the fastest-growing component of international trade. Over the period 1997-2003 there was a 35.7% increase in world ITS transactions, slightly faster than international trade in goods (34.9%) during the same period. Looking at the different categories of services for which total world figures are available (transportation, travel and other services²) it can be observed that between 1997 and 2003 the share of travel in total services decreased by 3 percentage points, down to 27% in 2003. The share of other services gained 4 percentage points (up to 49%), while the share of transportation remained stable at approximately one quarter of total services.

The EU is the most important single services trader³

The EU-25 was the world's largest exporter and largest importer of services in 2003. The EU-25 accounted for 27.7% of global exports and 25.0% of imports. The corresponding figures for the EU-15 were 26.8% and 24.8% respectively. Table 1 summarises ITS transactions for 15 main trading countries. In 2003, these 15 countries accounted for 76.0% of total world transactions in services, up from 75.2% in 1997.

As mentioned before, in 2003, the EU was the most important single trader in the world. It was followed by the USA (20.2%) and, at a considerable distance by Japan (6.8%), China (3.7%) and Canada (3.4%). During the period 1997-2003, the EU-15 was able to significantly increase its share in total world transactions in ITS from 24.0% to 25.8%. The same is true for the USA – up from 19.6% in 1997 to 20.2% in 2003. Table 1 illustrates also the growing importance of China and India in international trade in services. China increased its share in total world transactions from 2.5% in 1997 to 3.7% in 2003, while India increased from 1.0% to 1.4% during the same period. Consequently both countries improved their ranking – China from 6th to 4th, and India from the bottom of the table to 12th position. On the other hand, Japan's share decreased from 9.0% in 1997 to 6.8% in 2003. Other countries whose shares fell were Australia, Thailand, Singapore and Malaysia. In 2003 Malaysia was at the bottom of the table, down from position 10 in 1997.

¹ IMF, Balance of Payments Statistics Yearbook, 2004

² Other services comprise: communication services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural and recreational services and government services.

³ Intra-EU transactions are excluded from this analysis since the EU is treated as one entity.

Table 1: Selected indicators for main ITS trading countries

ECU/EUR Mio	1997			2003			Share of world (%)		Rank	
	credit	debit	net	credit	debit	net	1997	2003	1997	2003
	EU-15	235.763	218.126	17.637	330.564	303.048	27.516	24,0	25,8	1
United States of America	224.258	146.684	77.573	268.822	226.573	42.250	19,6	20,2	2	2
Japan	61.112	108.862	-47.751	68.618	98.594	-29.975	9,0	6,8	3	3
China	21.665	24.661	-2.996	41.314	48.891	-7.578	2,5	3,7	6	4
Canada	27.861	33.520	-5.659	37.954	44.785	-6.831	3,2	3,4	4	5
South Korea	23.192	26.015	-2.823	28.909	35.637	-6.728	2,6	2,6	5	6
Singapore	24.725	19.672	5.053	27.145	26.139	1.005	2,4	2,2	7	7
Switzerland	22.419	12.433	9.986	30.360	17.039	13.320	1,8	1,9	8	8
Russia	12.415	17.658	-5.243	14.171	23.976	-9.806	1,6	1,6	10	9
Norway	13.851	12.551	1.301	19.262	17.278	1.984	1,4	1,5	13	10
Australia	16.303	16.617	-314	18.732	19.014	-282	1,7	1,5	9	10
India	8.034	10.972	-2.938	20.880	13.386	7.494	1,0	1,4	15	12
Thailand	13.900	15.304	-1.404	13.918	16.357	-2.439	1,5	1,2	12	13
Malaysia	13.868	16.134	-2.266	12.002	15.499	-3.496	1,6	1,1	10	14
Mexico	9.860	11.124	-1.264	11.238	16.118	-4.881	1,1	1,1	14	14

Source: IMF, Eurostat

The group as a whole recorded a surplus of € 21.6 bn in 2003. Again, this total amount masks different patterns for individual countries. The USA registered the highest surplus in 2003 (however, the surplus in 2003 was much smaller than in 1997). Other countries persistently running surpluses were the EU-15, Switzerland, Singapore and Norway. On the other hand Japan recorded the highest deficit (€ -30.0 bn). Countries which increased their deficit during the period of analysis were China, Korea, Canada, Russia, Thailand, Malaysia and Mexico. India was the only country who managed to transform its deficit into surplus.

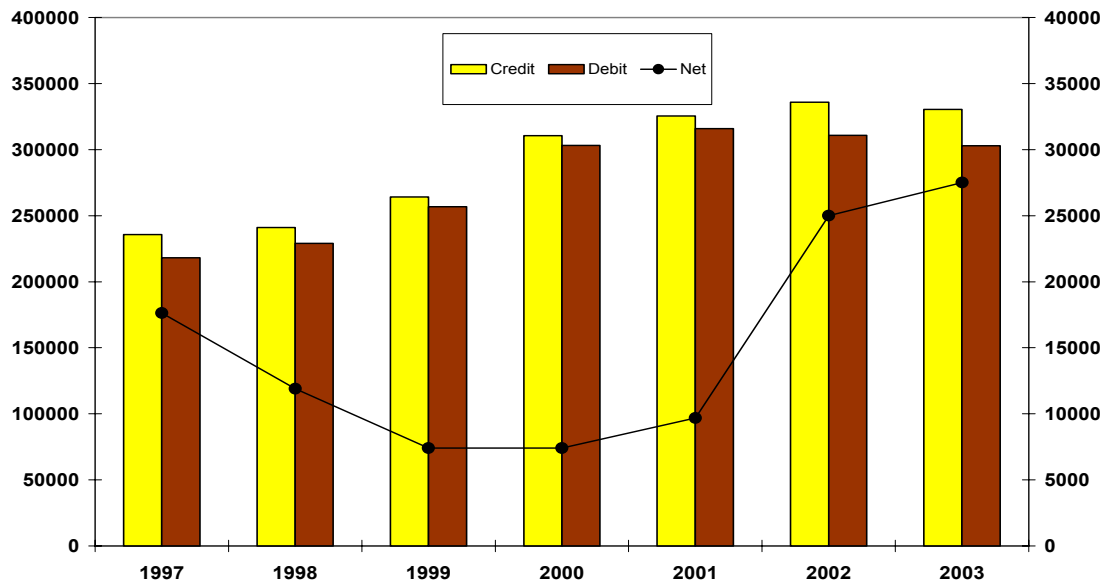
The EU continues to run surpluses

The total transactions of the EU-15 in ITS with rest of the world grew by 39.6% in the period 1997-2003, reaching € 633.6 bn in 2003 (the corresponding figure for the EU-25 in 2003 was € 625.7 bn). However, the year 2003 was characterized by a decrease in ITS transactions compared to the previous year. Total EU-15 ITS transactions in year 2003 were 2.1% less than the corresponding value for 2002. While exports decreased by 1.6%, the decrease in imports between 2002 and 2003 was higher at 2.5%.

Graph 3 shows that the EU-15 has run surpluses throughout the period 1997-2003. The surplus has risen from 1999, reaching € 27.5 bn in 2003. Although total transactions in ITS decreased in 2003 compared to 2002, the surplus increased from € 25.0 bn in 2002 to € 27.5 bn in 2003 (the surplus in 2003 for EU-25 was € 35.6 bn).

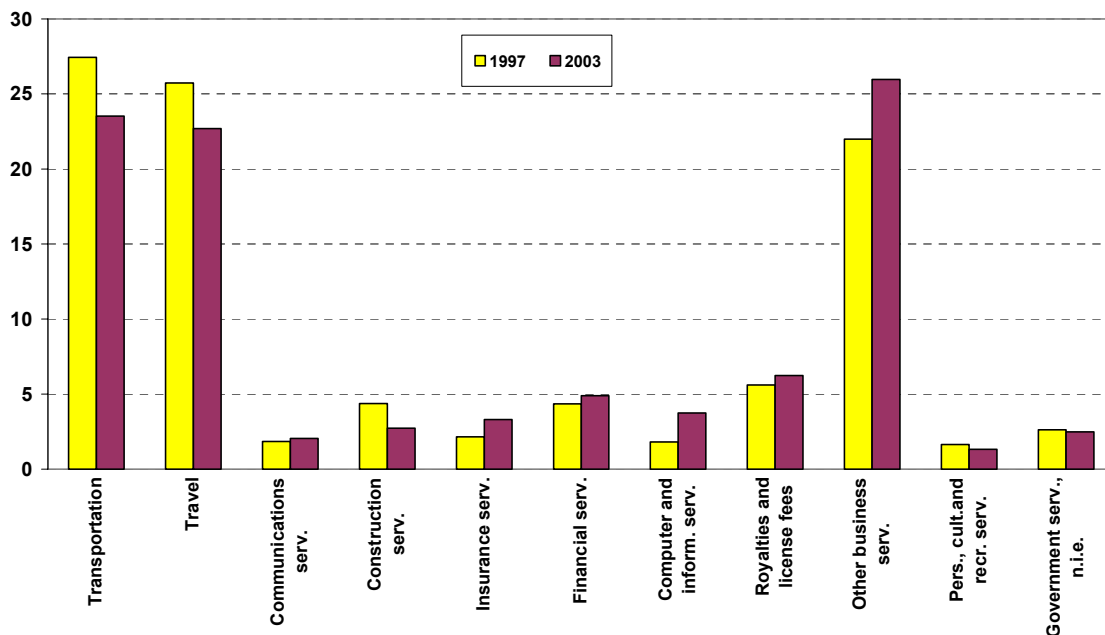
Contrary to the world level, for the EU-15 enough data are available to make a more detailed analysis by different items included in services. The services that registered the highest increases were computer and information services, insurance services, financial services and other business services (see graph 4). Consequently, the share of these services in total ITS transactions increased while other items such as transportation and travel saw their shares fall.

Graph 3: EU-15 international trade in services with rest of the world (ECU/EUR Mio)



Right hand scale for net
Source: Eurostat

Graph 4: Shares in EU-15 ITS transactions with rest of the world, %



Source: Eurostat

Surplus in Transportation and Other Services, deficit in Travel

The overall surplus of € 27.5 bn masks differences in the evolution of different categories of services. Transportation services show a continuous surplus during the period 1997-2003 (see table 2). Within transportation, air transport recorded surpluses during the whole period, while for other transport deficits were registered. For sea transport, the deficit experienced in the period 1997-1999 turned into a surplus in 2000-2003. For travel, the surplus registered in 1997 turned into increasing deficits since then. In 2003 the deficit reached a record of € 20.6 bn.

Table 2: EU-15 ITS balances with rest of the world

<i>EUR Mio</i>	1997	1998	1999	2000	2001	2002	2003
Services	17.637	11.905	7.413	7.415	9.690	25.012	27.515
Transportation	1.665	3.801	4.418	8.115	5.028	5.034	4.191
<i>Sea transport</i>	-4.419	-1.934	-1.894	2.471	1.254	1.416	3.038
<i>Air transport</i>	5.398	4.961	6.772	6.736	5.427	5.355	3.373
<i>Other transport</i>	685	773	-460	-1.092	-1.652	-1.745	-2.221
Travel	1.120	-1.783	-9.062	-7.889	-12.965	-13.940	-20.644
Other services	14.759	9.952	12.053	7.187	17.127	33.973	43.986
Communications services	-573	-1.098	-1.027	-787	-680	-1.161	-684
Postal and courier services	na	-175	-53	-69	-36	-224	-394
Telecommunication services	na	-921	-974	-721	-643	-939	-289
Construction services	4.914	5.412	4.071	3.847	4.002	3.965	4.648
Construction abroad	na	5.959	4.320	4.189	4.496	4.442	3.981
Construction in the compiling economy	na	-546	-248	-343	-496	-481	667
Insurance services	3.681	2.389	5.028	4.435	5.856	12.469	9.895
Financial services	6.048	6.433	9.538	11.965	10.884	11.726	11.706
Computer and information services	1.150	1.564	2.973	3.716	4.975	7.214	9.135
Computer services	na	631	1.711	2.219	3.682	5.067	6.725
Information services	na	933	1.263	1.498	1.296	2.144	2.411
Royalties and license fees	-6.187	-8.356	-8.727	-7.847	-9.243	-9.035	-8.600
Other business services	6.795	4.541	3.200	-4.774	4.158	7.615	16.373
Merchanting and other trade-related services	-71	80	600	-5.375	2.026	4.372	3.676
Operational leasing services	-392	-537	-52	-870	-439	-418	-472
Miscellaneous business, professional and technical services	7.261	5.001	2.652	1.473	2.577	3.660	13.167
Personal, cultural and recreational services	-2.898	-2.779	-3.816	-3.811	-3.383	-1.890	-1.231
Audio-visual and related services	-2.409	-2.411	-3.416	-3.348	-3.641	-2.316	-1.491
Other personal, cultural and recreational services	-489	-369	-399	-461	264	419	259
Government services, n.i.e.	1.832	1.849	813	443	559	3.069	2.744
Services not allocated	93	-65	4	2	500	-56	-17

Source: Eurostat

Other services increased their surplus by about € 10 bn from 2002 to 2003. Nevertheless, within other services one can distinguish different broad patterns:

- A dynamic increase in surpluses could be observed for insurance services, financial services and especially computer and information services. The later experienced an 8-fold increase of its surplus during the period 1997-2003.
- Constant surpluses were recorded in construction services and in government services.
- Constant deficits were observed in communication services, royalties and license fees and personal, cultural and recreational services.

A clear pattern cannot be distinguished for other business services, mainly due to the inherent volatility of the item Merchanting and other trade related services.

The EU recorded surpluses with most of its partners

More than 50% of EU-ITS transactions takes place between the EU Member States (intra-EU transactions). Nevertheless, our main interest is to analyse the composition and evolution of EU transactions with the rest of the world.

The USA is by far the biggest trade partner for the EU. In 2003, 32.5% of total exports of the EU-15 went to and 32.3% of total imports came from the USA. The corresponding figures for the EU-25 were 33.3% and 34.3% respectively. Other important trading partners were Switzerland, Japan and Norway. It is worth noting that neither China nor India play a significant role in EU trade in services. One can also observe that Russia plays a significant role in trade in services for the ten new Member States. While exports and imports of the EU-15 with Russia amount to € 4.9 bn and € 4.6 bn respectively, the corresponding values for EU-25 are € 6.7 bn and € 5.1 bn.

Table 3: EU-15 and EU-25 ITS trading partners, 2003 (in € million)

Rank*	Trading partner	Reporter: EU-15			Reporter: EU 25		
		Credit	Debit	Balance	Credit	Debit	Balance
1	Switzerland	41.504	31.558	9.946	42.311	32.251	10.059
2	United States of America	107.295	97.864	9.431	110.114	101.053	9.061
3	Japan	15.717	9.813	5.904	15.948	10.050	5.898
4	Norway	11.970	8.718	3.251	12.149	8.846	3.303
5	China	5.907	4.254	1.653	6.034	4.313	1.721
6	South Korea	3.954	2.362	1.592	3.996	2.399	1.597
7	Singapore	5.055	3.818	1.237	5.086	3.835	1.251
8	Iran	1.227	614	614	1.232	617	615
9	Mexico	3.239	2.753	486	3.272	2.767	505
10	Australia	4.853	4.438	416	4.912	4.482	430
11	Israel	1.993	1.600	393	2.257	1.655	603
12	Taiwan	2.016	1.647	369	2.024	1.661	362
13	Russia	4.922	4.626	296	6.727	5.152	1.575
14	Venezuela	703	483	220	716	486	230
15	Canada	6.854	6.641	213	6.967	6.797	170
16	Chile	873	705	168	874	711	163
17	Colombia	489	341	148	490	343	147
18	Malaysia	1.415	1.303	112	1.417	1.312	105
19	Belarus	112	79	33	320	180	140
20	Ukraine	575	566	9	754	812	-58
21	Iceland	424	466	-42	444	471	-26
22	Uruguay	164	212	-48	165	213	-49
23	South Africa	3.520	3.573	-54	3.552	3.599	-48
24	Philippines	547	620	-72	559	633	-74
25	Liechtenstein	340	419	-79	404	498	-95
26	India	2.696	2.793	-96	2.711	2.815	-104
27	Brazil	2.985	3.083	-98	3.138	3.177	-39
28	New Zealand	846	968	-122	853	972	-119
29	Albania	287	456	-169	301	486	-184
30	Argentina	844	1.030	-187	847	1.035	-188
31	Hong Kong	4.849	5.060	-211	4.868	5.084	-216
32	Indonesia	1.192	1.405	-213	1.195	1.415	-220
33	Bulgaria	794	1.143	-349	908	1.236	-327
34	Romania	1.119	1.516	-397	1.182	1.566	-384
35	Serbia and Montenegro	373	834	-461	435	951	-516
36	Morocco	1.357	2.265	-908	1.364	2.272	-908
37	Thailand	1.373	2.530	-1.158	1.376	2.543	-1.167
38	Croatia	1.349	2.596	-1.247	1.753	3.367	-1.613
39	Egypt	1.374	3.226	-1.851	1.383	3.279	-1.896
40	Turkey	3.030	7.568	-4.538	3.097	7.693	-4.597

* Ordered according to EU-15 balance

Source: Eurostat

Table 3 shows that the countries with whom the EU has considerable surpluses are Switzerland, USA, Japan and Norway. On the other hand the highest deficits are recorded with Thailand, Croatia, Egypt and Turkey, which are mainly due to the deficits recorded for the item travel.

Table 4 gives a more detailed description of EU trade in services with USA in the year 2003. The EU has surpluses in all 3 main categories: transportation, travel and other services. Among other services, insurance services are characterised by a significant surplus, while royalties and license show a big deficit.

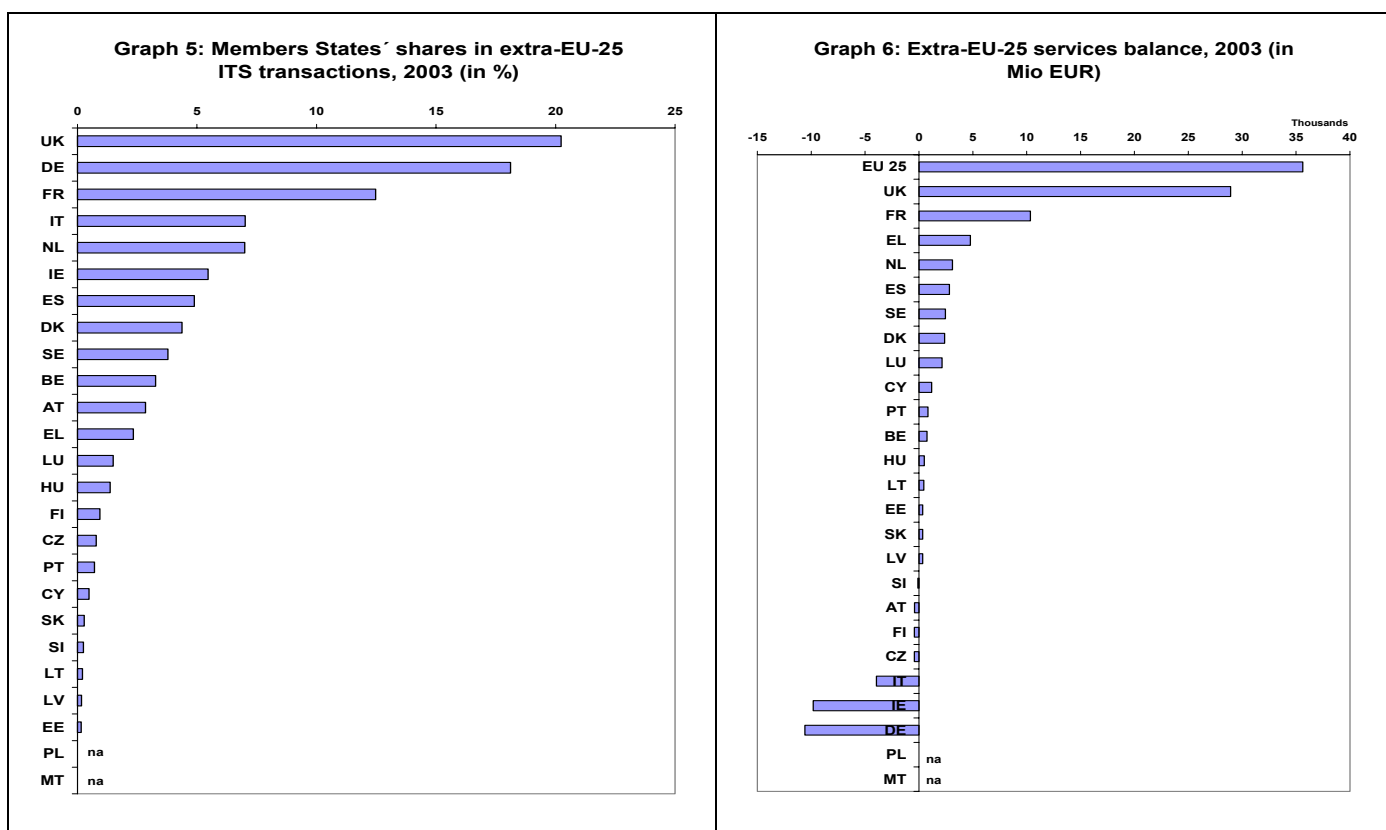
Table 4: EU-15 and EU-25 trade in services with USA, 2003 (in € million)

	Reporter: EU-15			Reporter: EU-25		
	Credit	Debit	Net	Credit	Debit	Net
Services	107.295	97.864	9.431	110.114	101.053	9.061
out of which:						
Transportation	20.510	15.136	5.374	21.339	15.742	5.597
Travel	17.282	15.398	1.884	17.875	15.779	2.097
Other services	69.107	66.138	2.969	70.496	68.336	2.160
components of "other services":						
Communications services	2.100	2.460	-360	2.177	2.511	-334
Construction services	1.128	746	382	1.170	775	394
Insurance services	7.809	1.617	6.192	7.821	1.698	6.123
Financial services	7.799	4.270	3.529	7.916	4.358	3.558
Computer and information services	5.684	3.865	1.819	5.846	3.979	1.868
Royalties and license fees	6.840	15.931	-9.091	6.896	16.236	-9.339
Other business services	31.398	31.752	-354	31.869	32.609	-740
Personal, cultural and recreational services	1.599	2.931	-1.332	1.983	3.534	-1.551
Government services, n.i.e.	4.751	2.566	2.185	4.816	2.636	2.181

Source: Eurostat

UK – the champion in trade in services

Although Eurostat's main responsibility is the calculation of EU-aggregates, in this section some information on individual Member States is given. Out of all 25 Member States, the United Kingdom was the largest exporter and second largest importer (behind Germany) of services in 2003. The UK accounted for 20.2% of total EU 25 ITS transactions.



Source: Eurostat

Looking at the balances, it can be seen that the EU-25 aggregate balance in 2003 was mainly determined by the big surpluses registered by the UK and France which more than offset the deficits registered by Germany, Ireland and Italy.

➤ **ESSENTIAL INFORMATION – METHODOLOGICAL NOTES**

International Trade in Services (ITS) contains exports and imports of goods and services and refer to those registered in the Balance of Payments Statistics. Trade in Services between affiliated companies are not registered in Balance of Payments Statistics.

The standard classification used for ITS transactions is the one presented in the 1993 Fifth Edition of the Balance of Payments of the International Monetary Fund (BPM5). Eurostat compiles a more disaggregated classification which is compatible with the one set up in the BPM5 with one minor exception, the treatment of *construction services*, which can also affect *other business services*. Eurostat compiles ITS transactions with a level of detail close to the new Extended Balance of Payments (EBOPS) Classification put forward by the Manual on Statistics of International Trade in Services (MSITS) jointly produced by European Commission (Eurostat), International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations Conference on Trade and Development and World Trade Organisation.

The MSITS is available free of charge at:

<http://europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat&collection=05-Methodologies-Nomenclatures&product>manual-EN>

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