

EU International Trade in Services in 2004

EU external surplus increased to € 42.8 bn

Statistics

in focus

ECONOMY AND FINANCE

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Balance of payments

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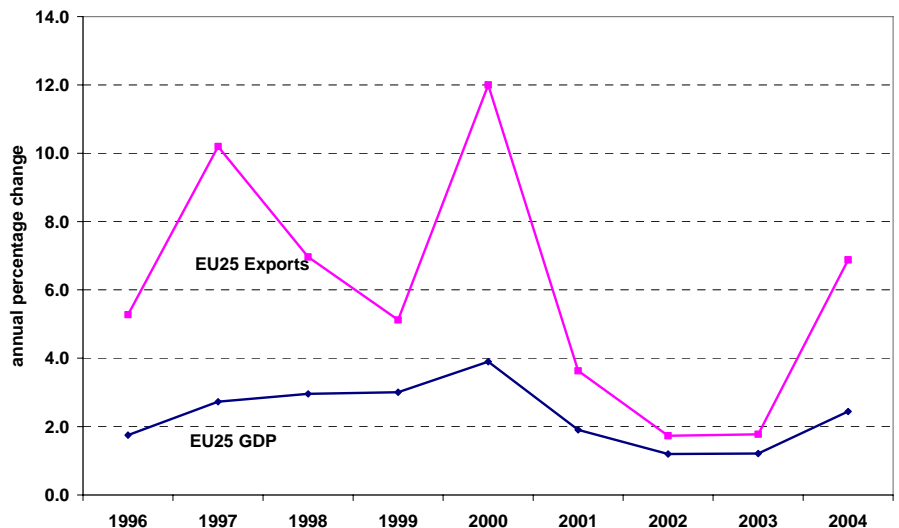
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Trade – an engine for growth and development

Expansion of trade between countries, to develop production capacities beyond national borders and foster competition at a level above national markets, has been since its inception one of the core aims of the European Communities. One of the original articles of the Common Commercial Policy stated that, by establishing a customs union between them, the Member States aimed to "contribute, in the common interest, to the harmonious development of world trade".

The role that trade can play as an engine for growth and development has long been recognized. Empirical research has consistently shown close links between economic growth and export growth.

Chart 1: EU GDP and export development, 1996-2004
(At 1995 prices and exchange rates, annual percentage change)



Source: Eurostat

In 2004, EU25 exports in goods and services rose by 6.9% in real terms, the best annual performance since 2000, and almost 3 times as fast as EU25 GDP (measured at market rates). Chart 1 shows that export growth rates in goods and services are consistently higher than those of GDP.



Increasing role of services

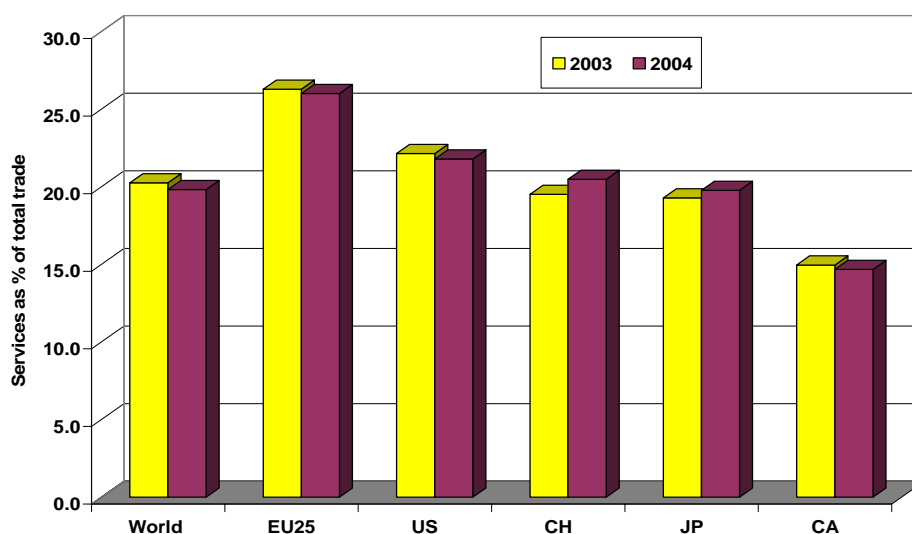
The term services covers a wide range of intangible and heterogeneous products and activities such as transport, telecommunication and computer services, construction services, insurance, business, financial services etc. Services have a significant impact on growth and efficiency across a wide range of user industries and on overall economic performance. In 2004 services represented 71.3% of EU25 gross value added. The share of services value added tends to rise significantly with the countries' level of income, ranging from 58.8% in Czech Republic to 83.4% in Luxembourg. The current importance of services is also mirrored in employment statistics. In 2004 services accounted for 70% of total employment in the EU25.

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. Chart 2 shows that this share is 26% in the EU. The share of services in world

trade contrasts with the central contribution of services production in domestic economies. 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 important and the 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.

Moreover, services sectors are being liberalised, a process initiated by the General Agreement on Trade in Services (GATS) in 1995 and continued in GATS negotiations that have been ongoing since then.

Chart 2: Share of services in International trade, in %



Source: Eurostat; IMF Balance of Payments Statistics, 2005

According to figures published by the International Monetary Fund¹ total world international trade in services (ITS) in 2004 amounted to € 3583.2 billion (out of which intra-EU25 amounted to € 975.8 billion), a 7.5% increase in value terms comparing to 2003.

Looking at the different categories of services for which total world figures are available (transport², travel³ and

other services⁴) it can be observed that between 1998 and 2004 the share of travel in total services decreased by 3 percentage points, down to 27% in 2004. The share of other services gained 3 percentage points (up to 49%), while the share of transport remained stable at 24% level.

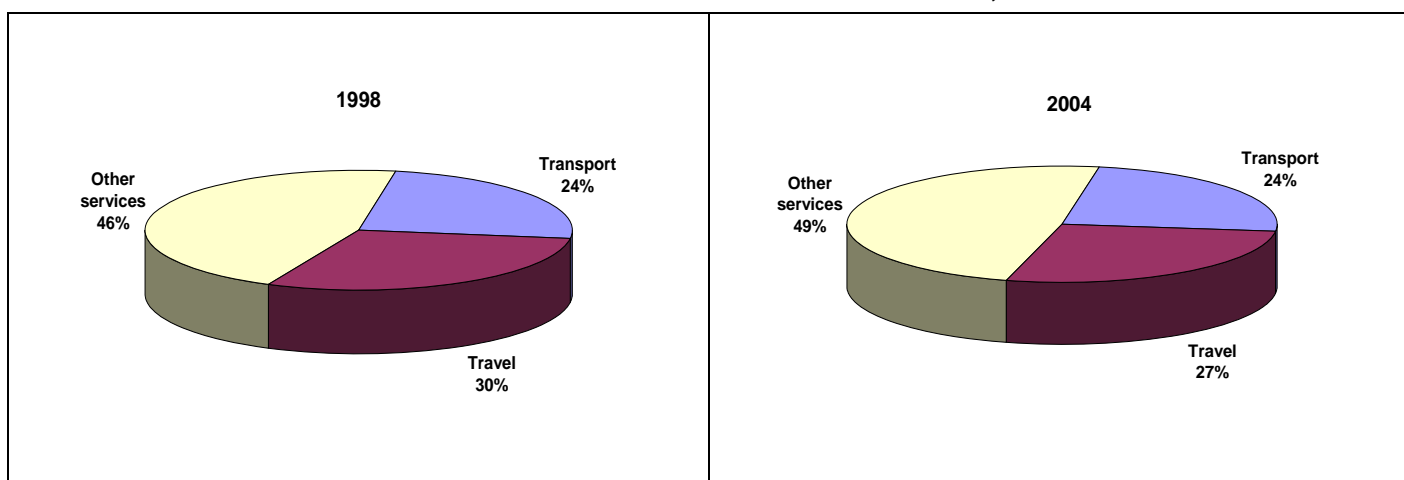
¹ IMF, Balance of Payments Statistics Yearbook, 2005.

² Transportation covers all transportation services that are performed by residents of one economy for those of other and that involve the carriage of passengers, the movement of goods, rentals of carriers with crew, and related supporting and auxiliary services.

³ Travel covers primarily the goods and services acquired from an economy by travellers during visits of less than one year to that economy.

⁴ 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.

Chart 3: Breakdown of total world trade in services, in %



Source: IMF Balance of Payments Statistics, 2005

The EU⁵ remained the world's largest trader of services

In 2004, the European Union remained the world's largest exporter and importer of services. The EU25 accounted for 27.8% of global exports and 24.5% of imports. It was followed by the USA (19.6%) and, at a considerable distance by Japan (7.2%), China (4.1%) and Canada (3.2%).

EU25 was able to stabilise its share in total world trade in services: 26.0% in 2003, 26.2% in 2004. Japan and

China increased their shares - in case of Japan, up from 6.9% to 7.2% in 2004, while for China, up from 3.7% to 4.1%. On the other hand, the USA's share decreased from 20.5% to 19.6% in the same period.

Table 1 summarises ITS transactions (exports and imports) for the 15 main trading countries. In 2004, these 15 countries accounted for about three-quarters of total world transactions in services.

Table 1: Trade in services for main trading countries

Million Euro	2003			2004			Share of world (%)		Rank	
	credit	debit	net	credit	debit	net	2003	2004	2003	2004
EU25	333392	296387	37005	362681	319908	42773	26.0	26.2	1	1
United States of America	270383	226863	43520	273670	238018	35652	20.5	19.6	2	2
Japan	68618	98594	-29975	78472	108943	-30471	6.9	7.2	3	3
China	41314	48891	-7578	50192	57989	-7797	3.7	4.1	4	4
Canada	37680	44848	-7168	38214	46067	-7854	3.4	3.2	5	5
South Korea	29134	35697	-6564	33306	40355	-7050	2.7	2.8	6	6
Singapore	30563	29326	1237	33105	32712	392	2.5	2.5	7	7
Switzerland	31149	16830	14319	34844	19137	15708	2.0	2.1	8	8
Russia	14347	23976	-9630	16312	27092	-10781	1.6	1.7	9	9
Australia	18696	19002	-306	20434	21046	-612	1.6	1.6	10	10
Norway	19153	17626	1528	20991	19406	1585	1.5	1.5	11	11
Thailand	13966	16062	-2096	15307	18660	-3353	1.2	1.3	12	12
Malaysia	12002	15499	-3496	13480	15337	-1857	1.1	1.1	13	13
Turkey	16872	7586	9287	19332	9063	10269	1.0	1.1	15	14
Mexico	11154	16037	-4883	11258	15901	-4643	1.1	1.0	14	15

Source: Eurostat; IMF Balance of Payments Statistics, 2005

The group as a whole recorded a surplus of € 32.0 bn. However, this total amount masks different patterns for individual countries. The EU25 recorded a surplus of € 42.8 bn, compared to € 37.0 bn in 2003. Other countries persistently running surpluses were USA,

Switzerland, Turkey and Norway. On the other hand Japan recorded the highest deficit (€ -30.5 bn). Other countries with significant deficits were Russia, Canada, China, South Korea, Mexico, Thailand and Malaysia.

⁵ Intra-EU transactions are excluded from this analysis since the EU is treated as one entity.

Surplus in Transportation and Other services, deficit in Travel

In 2004, EU25 services trade was marked by a rebound in transportation services, which expanded at double digit rates on the export side. The strong rise in transportation services can be attributed partly to increased trade activity and partly to sharply higher prices for many transportation services. While export in transportation services increased from € 78.1 bn in

2003 to € 92.3 bn in 2004, the import increased from 71.2 bn to 78.8 bn in the same period. This led to a surplus of 13.4 bn (7.0 bn in 2003). The deficit registered for travel was slightly lower (-12.9 bn in 2004 compared to -13.4 bn in 2003). The surplus recorded for other services fell slightly (+42.5 bn compared to +43.9 bn).

Table 2: EU international trade in services with the rest of the world (in bn euro)

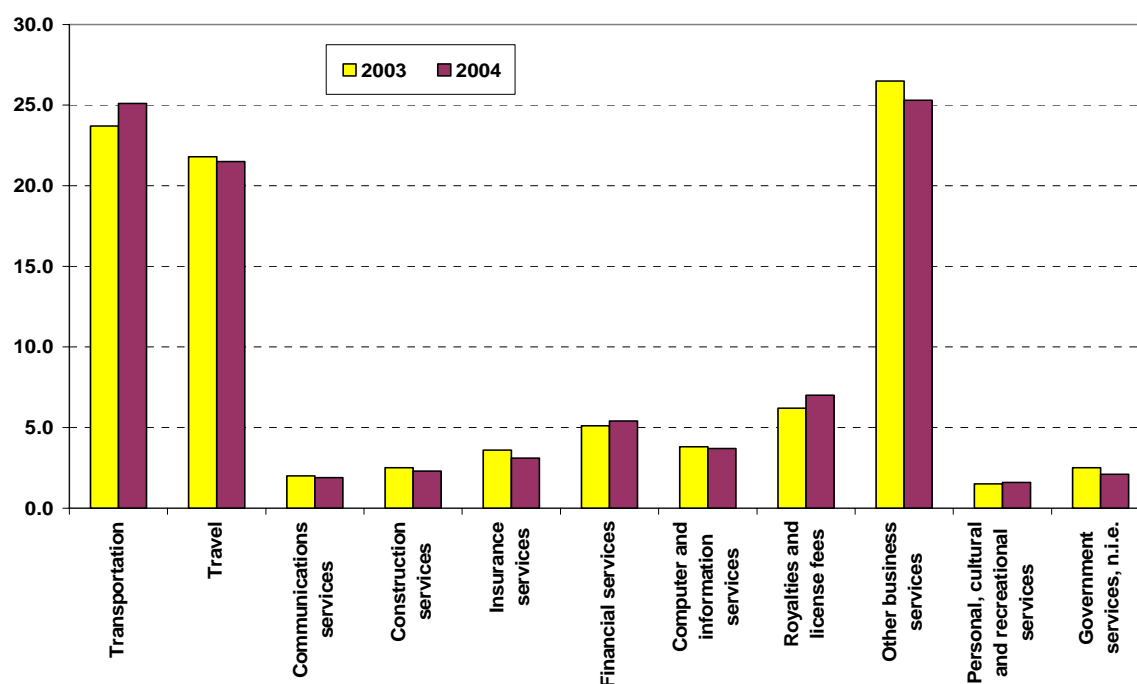
	2003			2004		
	Credit	Debit	Balance	Credit	Debit	Balance
Total Services	333.4	296.4	37.0	362.7	319.9	42.8
Transportation	78.1	71.2	7.0	92.3	78.8	13.4
Travel	61.9	75.4	-13.4	67.0	79.9	-12.9
Other services	190.9	146.9	43.9	200.5	158.1	42.5
Communications services	5.7	6.8	-1.1	6.3	7.0	-0.7
Construction services	10.1	5.7	4.3	9.5	6.0	3.5
Insurance services	16.5	6.4	10.1	12.7	8.7	4.0
Financial services	21.8	10.1	11.8	25.5	11.1	14.4
Computer and information services	16.5	7.5	8.9	17.6	7.9	9.7
Royalties and license fees	15.1	23.9	-8.8	19.4	28.4	-8.9
Other business services	92.0	74.7	17.3	95.5	77.4	18.1
Personal, cultural and recreational services	4.0	5.4	-1.4	5.0	6.0	-1.0
Government services, n.i.e.	9.3	6.4	2.8	9.0	5.6	3.4

Source: Eurostat

The surplus registered in other services in 2004 was mainly due to surpluses recorded in financial services (+14.4 bn), other business services (+18.1 bn) and computer and information services (+9.7 bn). The largest deficit was registered in royalties and license fees (-8.9 bn).

Chart 4 shows that in terms of total transactions (exports + imports) the shares of transportation, financial services and royalties and license fees in total ITS increased while other items such as travel, insurance services and other business services saw their shares fall.

Chart 4: Shares in EU25 ITS transactions with the rest of the world (in %)



Source: Eurostat

The EU recorded surpluses with most of its partners

Almost 60% of EU-ITS transactions took 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 (Extra-EU transactions).

Table 3 shows that the USA was by far the biggest trade partner for the EU. In 2004, 32.1% of total exports of the EU25 went to and 32.9% of total imports

came from the USA. Other important trading partners were Switzerland, Japan and Norway. These were also the countries with which the EU has considerable surpluses.

On the other hand, the highest deficits were recorded with Thailand, Morocco, Croatia, Egypt and Turkey, which were mainly due to the deficits recorded for the item travel.

Table 3: EU25 trade with main partners, total services (in €million)

Rank*	Trading partner	2003			2004		
		Credit	Debit	Balance	Credit	Debit	Balance
1	United States of America	110596	101109	9487	116284	105110	11173
2	Switzerland	43781	33047	10734	43934	34013	9921
3	Japan	16678	10114	6564	18927	10328	8599
4	Norway	11374	8390	2984	12961	9164	3798
5	Singapore	5884	4226	1658	7257	4499	2758
6	South Korea	4344	2729	1615	5623	3288	2335
7	Hong Kong	6204	4410	1794	7177	5171	2006
8	Australia	5374	4814	560	7026	5096	1930
9	Russia	7530	5829	1701	8222	6650	1572
10	China	6843	4999	1844	8786	7264	1522
11	Israel	2773	1702	1071	3014	1907	1107
12	Taiwan	2309	1967	342	3139	2080	1058
13	Canada	7221	6705	517	8062	7225	837
14	Mexico	3495	2974	522	3507	2725	782
15	Venezuela	758	551	207	917	479	438
16	Chile	918	776	141	1235	821	414
17	Malaysia	1575	1293	282	1830	1433	396
18	New Zealand	1002	1073	-71	1532	1136	396
19	Brazil	3378	3444	-66	3737	3415	322
20	South Africa	3795	3890	-94	4223	3939	285
21	Indonesia	1213	1761	-548	1131	1043	88
22	Romania	1644	1918	-274	2306	2266	40
23	Argentina	942	1153	-211	1199	1199	0
24	India	2842	3033	-191	3433	3813	-380
25	Bulgaria	991	1378	-387	1049	1614	-565
26	Thailand	1504	2848	-1343	1692	3126	-1433
27	Morocco	1463	2635	-1172	1477	2951	-1474
28	Croatia	1985	3667	-1682	1619	3665	-2046
29	Egypt	1470	3354	-1885	1771	4143	-2373
30	Turkey	3202	8410	-5208	3875	9517	-5642

* ordered according to EU25 balance in 2004

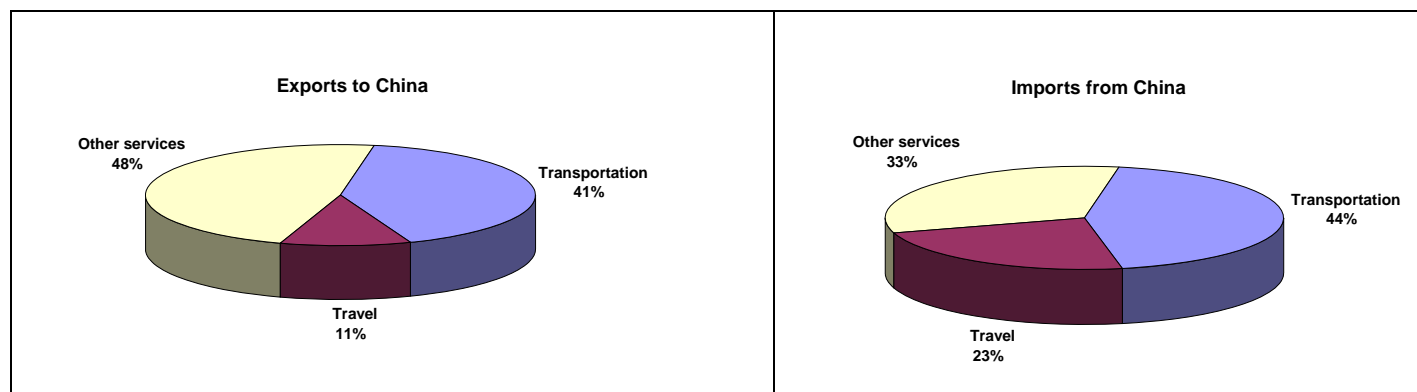
Source: Eurostat

Growing importance of China

The emergence of China as a major import and export market for goods and services continued unabated in 2004. Although, in 2004, China accounted for only about 2.5% of EU trade in services, the volume of exports and imports increased significantly. EU exports in 2004 were 28% higher than in 2003, the imports increased by 45% in the same period.

Chart 5 shows the composition of EU exports to and imports from China in 2004. The shares of transportation in both exports and imports were 41% and 44% respectively. Travel plays a much bigger role in imports from China (23%) than exports to China (11%). The opposite is true for other services (48% in exports against 33% in imports).

Chart 5: Breakdown of EU exports to and imports from China, 2004



Source: Eurostat

In 2004, exports of total services to China increased by about € 2 bn comparing to 2003. Increase in imports was even higher and amounted to € 2.3 bn during the same period.

Exports in transportation were almost € 1 bn more than in 2003. The imports increased by about € 700 million in the same period. Big increases in absolute terms could also be registered in imports of travel (+624 million) and of other business services (+432 million).

In relative terms, the biggest increase in exports could be recorded in communication services (+64%), followed by royalties and license fees (+54%) and financial services and computer and information services (both +47%). In terms of imports an increase of 403% was recorded in royalties and license fees. It was followed by travel (+63%) and communication services (+50%).

Table 4: EU25 trade in services with China, in € million

	2003			2004		
	Credit	Debit	Balance	Credit	Debit	Balance
Total Services	6843	4999	1844	8786	7264	1522
Transportation	2573	2342	231	3518	3073	445
Travel	809	985	-176	922	1609	-687
Other services	3370	1576	1794	4083	2260	1823
Communications services	64	64	0	105	96	9
Construction services	351	205	146	440	270	170
Insurance services	60	63	-2	61	86	-25
Financial services	146	34	112	214	33	181
Computer and information services	163	44	119	239	39	199
Royalties and license fees	455	31	424	702	156	547
Other business services	1954	1079	875	2163	1511	652
Personal, cultural and recreational services	9	8	1	12	11	1
Government services, n.i.e.	166	47	119	146	57	89

Source: Eurostat

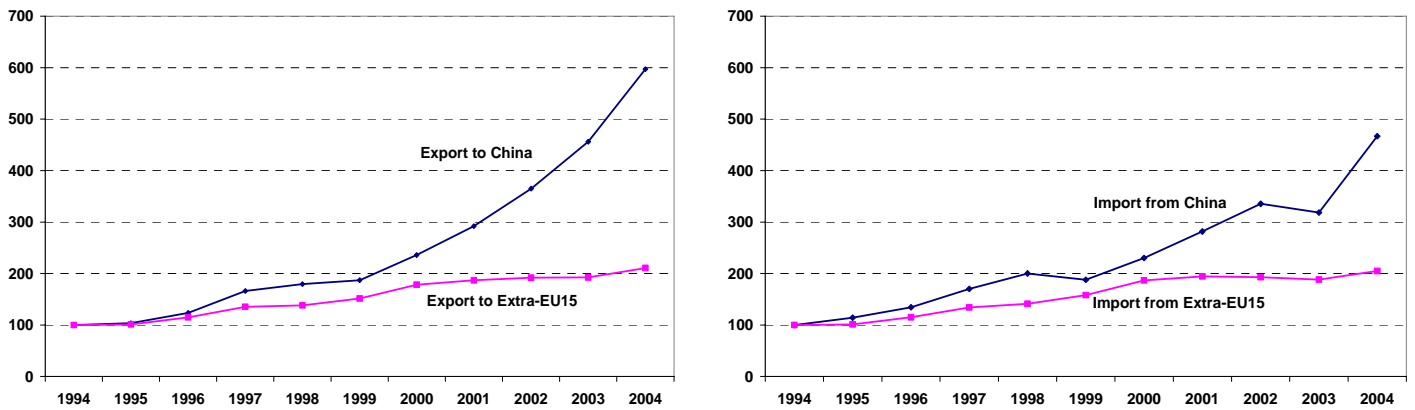
A much longer time series of trade in services data with China is available for EU15. Chart 6 shows that trade in services between the EU and China has experienced a dramatic increase since middle of 1990s.

Over the period 1994-2004, EU15 exports and imports of services to the rest of the world doubled. Trade in services with China however increased much faster,

with exports increasing by about six times and imports by almost five times during the same period.

The United Kingdom was the largest EU25 exporter to China, followed by Germany and France. In terms of imports from China, Germany was the main trading partner, followed by France and UK. More than 60% of total exports and 50% of total imports to and from China were carried out by these three countries.

Chart 6: Evolution of EU15 exports and imports in services, at current prices (1994=100)



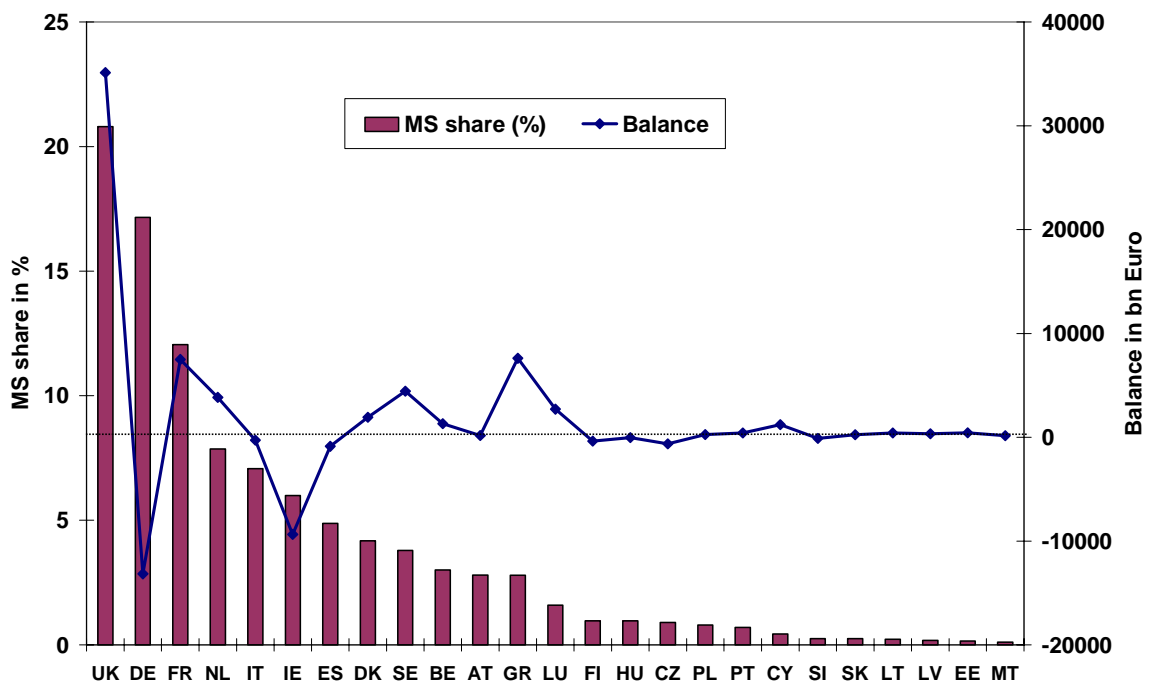
Source: Eurostat

UK continued to be the champion in trade in services

Out of all 25 Member States, the United Kingdom was the largest exporter of services in 2004. About one-quarter of all EU exports to the rest of the world came from the UK. It was followed by Germany and France.

Germany was the biggest importer, accounting for more than 20% of total EU25 imports. It was followed by the UK and France.

Chart 7: Members States' (MS) share in extra-EU ITS transactions (in %), and balance in bn Euro



Left hand scale for MS share in percentage; Right hand scale for balance in bn Euro








Source: Eurostat

The United Kingdom had also registered the biggest surplus in 2004. It accounted for more than 82% of the

total EU25 surplus of €42.8 bn. The highest deficit, in 2004, was recorded by Germany.

Further information:

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