

International Trade in Services developments

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1. Introduction

This article describes the recent developments in the area of international trade in services (ITS) statistics at Eurostat and the EU Member States, in particular:

1. Services trade by enterprise characteristics (STEC).
2. Services trade by modes of supply (MoS).
3. Services trade by broad economic categories (BEC).

2. General overview

Services play an important role in the modern economies. A resilient tertiary service sector, as well as increased availability of services, may boost economic growth and enhance industrial performance. In an increasingly globalised world, services such as finance, insurance, transport, logistics and communications deliver key intermediate inputs and thereby provide crucial support to the rest of the economy. At the same time the changes to the way in which services are produced and traded, due to the globalisation, falling trade costs and technological progress, has resulted in manufacturing and business processes being split into different stages so that intermediate inputs may be sourced from the most efficient producers, even if they are spread across disparate locations.

As regards trade in services statistics, the needs of users of statistical data have increased; traditional international trade in services statistics (ITSS) data broken down by partner and type of service cannot answer all

user questions. This article presents an overview of recent developments at Eurostat in the field of ITSS aiming at bridging the gap between standard ITSS and user needs.

2.1 International Trade in Services Statistics (ITSS)

ITSS¹ provide the monetary value of the trade of a country. These statistics are produced from the transactions recorded under a country's balance of payments, which captures all transactions that take place between an economy's residents and non-residents. ITSS data are broken down by type of service² and origin / destination of the services supplied.

2.2 Services Trade by Enterprise Characteristics (STEC)

STEC statistics provide further information by linking the trade in services data to the characteristics of the trading enterprises (typically utilising information in the statistical business registers). Thus, STEC data provide information on the types of enterprises involved in services trade (are they small or medium enterprises (SME) or large, foreign owned or domestically owned, what is their main economic activity?) and allow for better focused and tailored trade policies.

Analysing STEC we get information on the types of enterprises engaged in international trade in services, *how* enterprises in different

¹ The transmission of data on international trade in services to Eurostat is covered by Regulation (EC) No 184/2005 of the European Parliament and of the Council.

The main methodological references used to produce these statistics are:

1) The IMF's sixth edition of the Balance of Payments and International Investment Position Manual (BPM6);

2) The United Nations' manual on statistics of international trade in services (MSITS 2010).

² The balance of payments services classification (EBOPS 2010).

industries supply services and how this relates to their primary activity.

STEC data contribute to the larger statistical agenda on measuring economic globalisation and Global Value Chains (GVCs) and allow for better informed and tailored trade policies: by identifying the ownership status (foreign or domestic) of the enterprises involved in trade, the role of multinational enterprises in shaping globalisation, and the relationship between trade and investment, is explicitly addressed.

Eurostat in cooperation with several countries and international organizations started development work on STEC more than ten years ago. The Eurostat-OECD STEC Compilers Guide³ was published in 2017.

STEC became an official statistic in the EU with the European Business Statistics Regulation (EU) 2152/2019⁴. Countries will transmit to Eurostat official STEC data for the first time by June 2024 (for reference year 2022). STEC data for some countries are already available on the Eurostat website⁵ (published as experimental statistics).

2.3 Services Trade by mode of supply (MoS)

Trade in services by MoS is a topic of increasing interest for policy makers as well as trade negotiators. The four Modes of Supply have been defined in the WTO's General Agreement on Trade in Services (GATS)⁶ in 1995 and include mode 1: cross border consumption, mode 2: consumption abroad, mode 3: commercial presence and mode 4: presence of natural persons.

The GATS framework extends the traditional 'resident-to-non-resident' view of trade in services to include services supplied via commercial presence. In this case, the foreign enterprise (service supplier) establishes an affiliate in another country to supply services locally.

The data are then collected as foreign affiliates statistics (FATS)⁷.

MoS data answer the question of how services are supplied internationally and *where* services are supplied to foreign customers. Detailed information on MoS statistics by services category, mode of supply and partner country help policymakers carry out the ongoing and future trade negotiations agenda with facts and strong, evidence-based arguments. Statistics by MoS allow to monitor the impact of services trade agreements.

In 2017, Eurostat set up a dedicated Task Force (TF) on MoS, to develop methodology for these statistics. The TF consists of delegates from EU Member States and participants from the United States Bureau of Economic Analysis (US BEA), and international organisations (WTO, OECD, and UNSD). The TF greatly contributed to the development of the Eurostat compilers guide for statistics on services by MoS (second edition Dec 2023)⁸.

The Eurostat-WTO model can be used to compile statistics on MoS, using ITSS and FATS data as primary sources. Information from surveys can be used to fine tune the model. The model is described in detail in the Eurostat MoS compilers guide⁹.

MoS became official statistics with the adoption of the European Business Statistics Regulation (EU) 2152/2019. The first reference year for MoS data is 2023 (first transmission by Oct 2024).

2.4 ITSS by broad economic categories (BEC)

Eurostat disseminates ITSS data broken down by the BEC¹⁰ classification.

3 [Thttps://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-16-007](https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-16-007)

4 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32019R2152:EN:NOT>

5 <https://ec.europa.eu/eurostat/web/international-trade-in-services/database>

6 The World Trade Organization's (WTO) General Agreement on Trade in Services (GATS), in force since 1995, was the first trade agreement to cover services on a multilateral basis (https://www.wto.org/english/docs_e/legal_e/26-gats_01_e.htm).

7 [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_affiliates_statistics_\(FATS\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_affiliates_statistics_(FATS))

8 European business statistics compilers guide for European statistics on international supply of services by mode of supply (2023 edition): <https://ec.europa.eu/eurostat/documents/3859598/18117329/KS-GQ-23-021-EN-N.pdf>

9 <https://ec.europa.eu/eurostat/documents/3859598/18117329/KS-GQ-23-021-EN-N.pdf>

10 [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Broad_economic_categories_\(BEC\)&oldid=607219](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Broad_economic_categories_(BEC)&oldid=607219)



The main analytical use of the BEC classification is to understand the predominant use of products: final use (consumption), or as inputs to other economic activities (intermediate use). Intermediate goods and services are particularly relevant for the GVCs analysis, as they serve as inputs to other economic activities.

The classification by Broad Economic Categories, Revision 5 (BEC Rev.5) includes services products for the first time. Eurostat uses the EBOPS to BEC correspondence table and expert opinion to convert ITSS data by EBOPS to BEC Rev. 5.

3. Selected results

3.1 Services by enterprise characteristics (STEC)

Table 1 presents services trade for available countries, broken down by enterprise ownership status. STEC analysis in this article is based on voluntary experimental data from 18

TABLE 1. SERVICES TRADE BY ENTERPRISE OWNERSHIP FOR SELECTED COUNTRIES, PARTNER “REST OF THE WORLD” (% OF TOTAL LINKED TRADE)

	Enterprises controlled by domestic owners		Enterprises controlled by foreign owners		Unknown	
	Imports	Exports	Imports	Exports	Imports	Exports
Austria	31	31	35	29	34	41
Belgium	14	16	40	42	46	43
Czechia	15	19	46	38	40	43
Denmark	57	59	17	17	26	24
Estonia	35	45	29	34	36	20
Finland	56	64	28	33	16	3
Hungary	19	21	67	64	14	15
Iceland	25	57	3	4	72	39
Ireland	10	16	89	84	1	0
Latvia	35	46	39	38	26	16
Lithuania	34	64	26	24	41	12
Luxembourg	12	7	78	78	10	15
Malta	9	10	3	7	88	84
Netherlands	19	24	49	46	32	30
Norway	36	54	39	44	25	2
Poland	22	30	42	44	36	26
Portugal	12	11	34	29	53	61
Sweden	38	45	35	35	27	19

Note: 2022 data: Malta; 2021 data: Finland and Latvia; 2020 data: Ireland, Hungary, Portugal; 2019 data: Estonia, Lithuania, Austria, Poland and Norway; 2018 data: Luxembourg, the Netherlands and Iceland; 2016 data: Denmark; 2014 data: Belgium and Sweden; 2013 data: Czechia.

Source: Eurostat (online data code: [ext_stec03]).

countries for the period 2013-2021. The trading partner breakdown used for the analysis is 'rest of the world'. These data have been collected prior to the EBS regulation as voluntary experimental statistics¹¹.

There are notable differences between the countries in terms of how the enterprises have responded to globalisation. Trade in services in Luxembourg and Ireland is dominated by foreign controlled enterprises; foreign owned affiliates enjoy a strong position in these markets and account for the biggest part of the exported services (Ireland 84% and Luxembourg 78%). In contrast, domestically controlled service providers have a strong position in other countries, such as Lithuania, Finland, Denmark, Iceland and Norway accounting for more than 54% of the services exports.

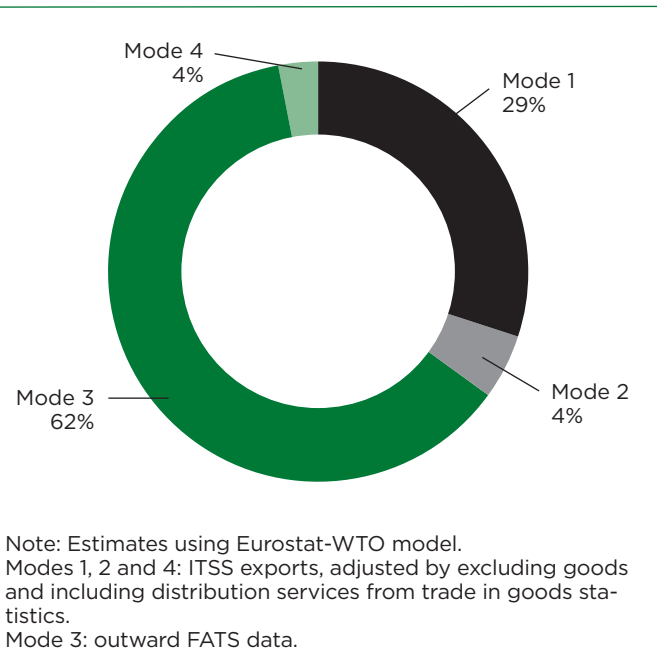
3.2 Trade in services by modes of supply (MoS)

Eurostat has estimated the EU exports and imports of services for all four modes of supply, using the Eurostat-WTO model and experts' opinions.

Figure 1 presents the EU exports of services to countries outside the EU (partner non-EU countries), broken down by the four modes of supply¹² in 2021. When comparing the EU's total exports of services (all four modes) with the exports performed through modes 1, 2 and 4 (computed from ITSS), the amount increases from €1 127 billion (sum of modes 1, 2 and 4) to €2 988 billion (also including mode 3, exports via foreign affiliates). In other words, 62% (or €1 861 billion) of the EU's exports of services are supplied via mode 3 (i.e., via foreign affiliates established in third countries and controlled by an EU parent company).

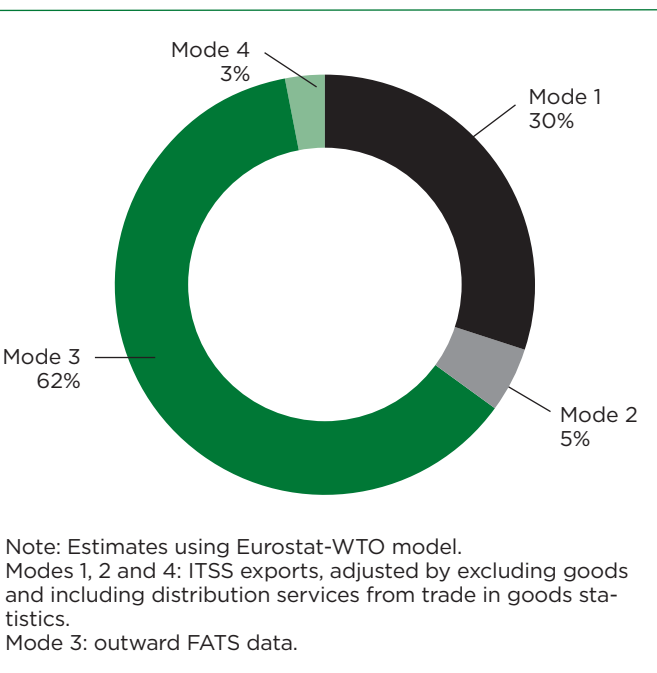
Figure 2 presents EU imports from countries outside the EU, broken down by the four modes of supply. When including the 'imports' through

FIGURE 1. EU EXPORTS OF SERVICES TO NON-MEMBER COUNTRIES, 2021 (%)



Source: Eurostat ITSS & FATS data, adjusted using the model Eurostat.

FIGURE 2. EU IMPORTS OF SERVICES FROM NON-MEMBER COUNTRIES, 2021 (%)



Source: Eurostat ITSS & FATS data, adjusted using the model Eurostat.

¹¹ <https://ec.europa.eu/eurostat/web/experimental-statistics/services-trade-enterprise-characteristics>

¹² As MoS estimates also rely on FATS (for Mode 3), the most recent year available currently is 2021 (the most recent reference year for which MoS data are available).



foreign affiliates (mode 3), the imported services from countries outside the EU increase from about €1 073 billion (sum of modes 1, 2 and 4) to €2 806 billion respectively. Hence, mode 3 comprised 62 % of the imported supply of services to the EU.

The relative share of mode 2 is just 4 % for exports and 5 % for imports. This relatively low share of mode 2 is due to a significant decrease in Travel services in year 2021 (compared to amounts reported before 2020), as a result of the COVID-19 pandemic and associated measures. Mode 2 concerns travel of the customer to the country of the services supplier and Travel services is one of the biggest contributors to mode 2.

3.3. EU international trade in services by end use (BEC)

Eurostat publishes ITSS data for the EU trade broken down by final use¹³, using the BEC classification. *Intermediate* services are inputs to another economic activity; for example, imported computer services are used to produce another product (similarly to intermediate goods, that are used in the production of another good). *Final* services are services consumed by a final consumer.

During the period 2013-2023, the EU was predominantly importing and exporting intermediate services from/to extra-EU countries. As shown in Fig. 3, until 2019, both exports and imports of intermediate and final services were increasing steadily each year; with intermediate services increasing at a faster pace.

In 2020 the volume of the final services dropped significantly, reaching the lowest ever levels for the period (€198 billion exports and €119 billion imports). This dramatic drop was due to the effects of COVID-19 and associated measures, in early to mid-2020. Final services are mostly driven by the travel item (expenditure of foreign tourists and travellers) and since there was very limited travel or none for the most part of 2020, the result is visible in the values of the final services for 2020. Interestingly intermediate services recorded a much smaller decrease in 2020, compared to final services. Both types of services recovered in 2022.

In 2023 exports of intermediate services were almost three times those of final services. As regards imports, intermediate services were almost five times the imports of final services. This significant share of the intermediate services is related to globalisation effects in the EU economies and the participation of the EU enterprises to GVCs. In 2023 the exports of intermediate services reached €944 billion, while

¹³ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_services_statistics_by_broad_economic_categories

imports of intermediate services accounted for €947 billion.

4. Closing remarks

International trade in services plays an important role in the modern globalised economies. It allows the formation of complex GVCs, and often, it is itself the result of GVC formation.

During the last decades there was a fundamental change in how companies are managed, engage with clients, and adjust to a changing market. Companies reduced costs, increased productivity, and improved the speed and accuracy of their operations simply by streamlining the processes and dispersing them worldwide.

Digitalisation and new technologies have brought about a new era of efficiency and innovation in the changing business landscape, especially in the services trade domain. The digital transformation has reduced the costs of engaging in international trade, facilitated the co-ordination of GVCs, helped diffuse ide-

as and technologies, and connected a greater number of businesses and consumers globally.

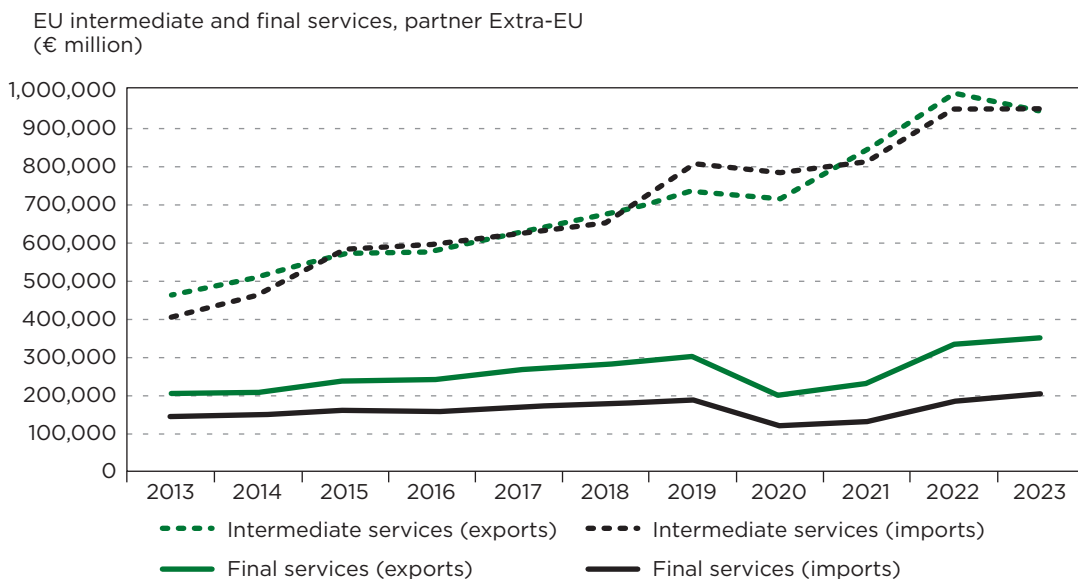
Eurostat has been striving towards a leading role in providing relevant statistics by improving the quality of existing data as well as developing innovative statistics and indicators, to support decision makers with more policy relevant and granular data.

As regards the ITSS domain, STEC and MoS statistics were both crucial developments of the last decade, bringing new insights to users; both are now official EU statistics.

Eurostat continues to further develop statistics and improve their quality. In the last two years, there has been a great focus on resolving asymmetries¹⁴ in the ITSS data, and a new project on microdata linking has been launched, aiming at developing new statistics and indicators by using microdata linking techniques to link already available statistics in the national statistical institutes. ●

¹⁴ <https://ec.europa.eu/eurostat/web/international-trade-in-services/quality>

FIGURE 3. EU TRADE OF INTERMEDIATE AND FINAL SERVICES WITH NON-MEMBER COUNTRIES, 2013-2023



Note: 2023 provisional data.

Source: Eurostat (online data code: (bop_its6_det) and own calculations).