The voice of the European Services Industry in Trade & Investment

Importance of Trade in Services in the EU Economy
Facts & Figures
EUROPEAN TRADE IN SERVICES ACCOUNTS FOR:

- 22 million JOBS IN THE EU
- 24% EU GDP

EUROPEAN TRADE IN SERVICES EXPORTS

€912 billion
SURPLUS= 191 BILLION

EU Services Exports & Imports per sectors (2017 - € billion & %)


Since ESF’s creation, EU Export of Services have multiplied by 3, up to €912 billion
Since ESF’s creation, the EU Surplus in Trade in Services has increase by 1000%, up to €191 billion.

Source: Eurostat 2019
Note: Other business services comprise mainly: research and development, professional and management consulting services, technical, trade-related services.
3 MAIN SERVICES SECTORS

Transport
274 billion euros are exported and imported in the transport sector accounting for 17.5% of EU services trade

Travel
239 billion euros are exported and imported in the travel sector accounting for 15.4% of EU services trade

Other business services
434 billion euros are exported and imported in the other businesses sector accounting for 25.6%
Trade in Services & Jobs

Services drive employment growth. In the EU, Services account for 72% of total employment in 2018 (up from 62.7% in 2000).

EU Exports support 36 million jobs!
61% of export-related jobs are in services

Source: Report “EU Exports to the world: Effect on Employment” - 2018

Exports of services mean jobs in the EU in services sectors – million jobs

Exports of services mean jobs outside the EU – million jobs

Source: Report “EU Exports to the world: Effect on Employment” – page 49 - 2018

Source: Report “EU Exports to the world: Effect on Employment” – page 59 - 2018
Foreign Direct Investment (FDI) is vitally important in enabling businesses to produce efficiencies via new technological developments and know-how brought in by investing companies. Furthermore, external investment is often crucial in developing new infrastructure that can require considerable sums of capital and expertise, particularly important for developing countries. FDI is also crucial for gaining access to new markets where a commercial presence may be needed. For European businesses, expansion abroad through foreign direct investment can help European service providers to reach more consumers, ultimately creating new jobs and support competition within the EU and bringing new expertise to the business.

- 60% of all FDI going from the EU to the rest of the world comes from services sectors
- Nearly 90% of all FDI coming to the EU goes to services sectors

FDI inward & outward by sector

EU FDI Outward

- Mining & Quarrying: 10%
- Manufacturing: 27%
- Services: 59%
- Others: 4%

EU FDI Inward

- Mining & Quarrying: 10%
- Manufacturing: 2%
- Services: 87%
- Others: 1%

Source: Eurostat
Modes of Supply of International trade in Services

GATS 4 modes of supply

**Mode 1:**
Direct cross-border services
(e.g. Shipping goods, e-commerce, 3D printing)

**Mode 2:**
Consumption abroad
(e.g. Tourism, students to Universities, health patients)

**Mode 3:**
Cross-border capital flow
(e.g. FDI= Bank Subsidiary, Telecom Joint-Venture)

**Mode 4:**
Cross-border movement of service-suppliers
(e.g. Engineer to Subsidiary, Lawyer to client)

**EU Services Exports per modes of Supply**

- **Mode 1:** 4.10%
- **Mode 2:** 6.20%
- **Mode 3:** 21%
- **Mode 4:** 68.80%

Exporting Country

Importing Country
"Other business services" generate nearly one third of EU mode 1 exports, followed by transport services and financial services.

More than two thirds of the total value of EU28 mode 3 services was generated by distribution, financial and business services.

Source: Report DG Trade Statistical Guide - June 2018
32.6% of Total EU Exports are Services (Balance of Payment – BoP)

58.9% of Total EU Exports are Services  (Trade in Value Added – TiVA)

EU Exports in BoP - 2017

EU Exports in TiVA - 2016

Share of Services in Exports of Manufactured Goods  (in Value added) - 2016

Source: Eurostat bop its6_det & TiVA
Services are important to manufacturing-%

EU Services Value Added across industries – 2016 - %

Source: OECD Trade and Agriculture Directorate – TIVA-2011
The most advanced EU FTAs with market access provisions for trade in services are with Canada & Japan.

The EU Canada CETA agreement and EU-Japan EPA offer improved conditions for services' suppliers, greater mobility for business personnel, and a framework to enable the mutual recognition of professional qualifications, as well as elements of greater legal certainty for exporting and investing, and some new business opportunities in various services sectors. ESF supports ambitious results in services in the ongoing trade negotiations that the EU is currently negotiating at multilateral, plurilateral and bilateral levels.

Map of EU Bilateral Trade Agreements – April 2019
Despite the economic justifications for services liberalisation, services suppliers continue to be negatively impacted by discriminatory trade regimes in many countries. Barriers to services trade include:

- Closed sectoral market access.
- Barriers to commercial establishment (including foreign ownership caps and joint venture obligations).
- Restrictions on types of commercial presence (branch / subsidiary) and number and type of services that can be provided.
- Discriminatory registration requirements and licensing procedures; lack of transparency in domestic regulation.
- Economic needs tests and discriminatory treatment advantaging domestic businesses over foreign companies.
- Barriers to cross-border data flows (e.g. localisation requirements for data processing and storage, and for computing facilities; requirement of transfer of code source or algorithm).
- Nationality and residency requirements.
- Difficulties in moving high skilled personnel to subsidiaries or to clients.

**EXAMPLE OF TRADE BARRIERS TO USA**

*(STRI = SERVICES TRADE RESTRICTIVENESS INDEX)*

Source: [http://oe.cd/stri](http://oe.cd/stri)
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