

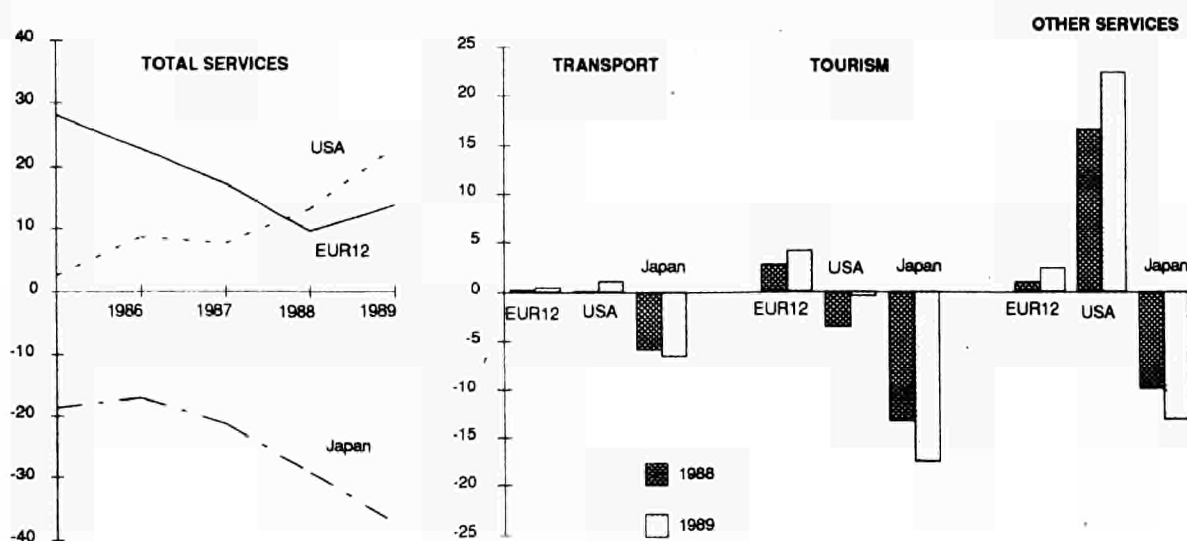
The Community's International Trade in Services

A surplus of ECU 13.8 billion in 1989, up for the first time after three years of decline

In 1989 the balance of the European Community's trade in services was ECU 13.8 billion (1000 million), which was 4.3 billion up 1988. The sharp fall in the Community's services balance recorded in '86-'88 seemed to have been checked, but this improvement was somewhat shaky, since there was no significant growth differential between exports and imports, which increased by about 15% in ecus. The improvement in the Community's balance was largely due to tourism, international merchanting services and financial services. From a geographical point of view, improvements were recorded mainly in the balances with the EFTA countries, Japan and the developing countries of Latin America, North Africa and Asia.

In the United States the services surplus leapt by ECU 10 billion to reach 23 billion in 1989. There was a moderate increase in imports (+12% in ecus, +4.7% in dollars), while exports increased considerably (+20% in ecus, +12% in dollars). In Japan, on the other hand, a further ECU 8.1 billion was added to its deficit, which stood at -37.3 billion.

GRAPH 1: Services balances of the Community, the USA and Japan by main type of service (in billion ecus)



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In 1989 a "basis effect" led to an improvement in the Community's services balance

In 1989 imports of services into the European Community increased by 15.5%, slightly more than exports, which increased by 14.6%. The Community surplus, however, increased by ECU 4.3 billion compared with 1988, since the increase in exports in absolute terms remained greater than the increase in imports ("basis effect"). The downward trend in the Community's balance of the previous three years was halted, but there was no real reversal, and the cover ratio (113% in 1989) even fell slightly compared with 1988.

The improvement in the Community's services balance was mainly due to the surpluses in tourism and "other services", both of which increased by ECU 1.4 billion. The transport balance increased by only 0.2 billion. An improvement of ECU 1.3 billion has also been registered in "Other goods and services not allocated".

Cover ratios increased with Japan, other European countries and Latin American, North African and Asian countries (other developing countries) but decreased with the USA, the ACP countries (see Table 2) and the OPEC countries.

The improvement was mainly due to France, whose surplus increased by ECU 2.3 billion to reach 9.2 billion in 1989. The UK surplus remained stable in the region of ECU 8.6 billion. The German deficit, on the other hand, increased by ECU 0.9 billion to ECU -10.4 billion.

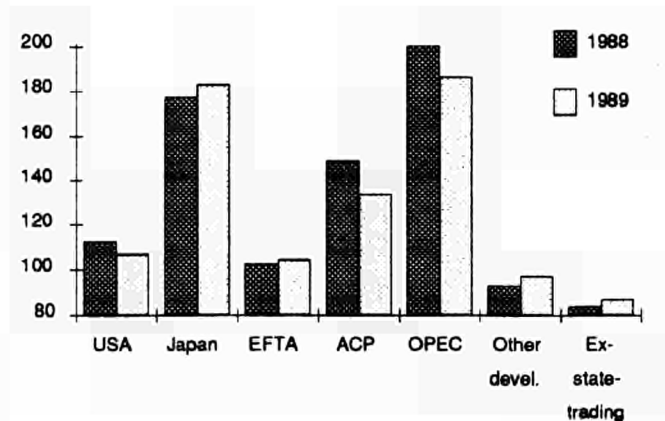
The USA performed very well, and Japan went deeper into red

In 1989 there was an exceptional increase in the American trade surplus in services (ECU 10 billion) as the result of a considerable economic growth differential with the other industrial countries. The tourism deficit was almost absorbed, since it was only ECU -0.5 billion in 1989 after having been -3.5 billion in 1988.

The surplus of "other services" increased by ECU 5.8 billion to 22.4 billion.

In 1989 the Japanese deficit in services was ECU - 37.3 billion, which was 8.1 billion more than in 1988. The tourism deficit was -17.6 billion, 4.2 billion more, and the deficit for "other services" was -13.1 billion, 3.2 billion more.

GRAPH 2: Cover ratio of Community's trade by partner country



GEOGRAPHICAL BREAKDOWN

The EC's main partners are the USA (30% of exports) and the EFTA countries (21%). Trade with Japan (6%) and the OPEC countries (8%) is small by comparison. In 1989, the value of trade with Eastern Europe increased considerably, but it still accounted for only a small proportion of overall trade (less than 4%).

Structure of the Community trade in services in 1989

	CREDIT	DEBIT
Extra-EUR12	100%	100%
USA	30.2	31.7
Japan	5.8	3.6
EFTA	21.4	23.1
Canada	2.3	1.9
Turkey	0.6	1.3
Australia	2.9	1.8
Other indus.	2.7	3.2
ACP	4.3	4.1
OPEC	8.1	4.9
Other devel.	14.9	17.3
Ex-State-trading	3.2	4.2
Internat. Org.	1.3	0.6
Other	2.4	2.4

See Table 2 on the last page for details of the geographical zones

EUROSTAT has calculated the Community's balance of payments on current account for 1980-1989 with its main partner zones: the results of this study are set out more fully in another Rapid Report.

TRANSPORT: A slight improvement in the Community's balance

In 1989 the Community's transport balance was ECU 0.5 billion compared with 0.3 billion in 1988 for a trade value of ECU 45 billion. In other words, trade was almost balanced.

AIR TRANSPORT :

In 1989, as a result of the steady increase in world traffic (+ 5.4% according to the International Air Transport Association) and the larger number of incoming tourists, the European Community again achieved a surplus of ECU 1.3 billion, the same as in 1987.

SEA TRANSPORT :

In 1989 the deficit for sea freight was ECU -2.1 billion, less than in the previous years. Almost all the Member States improved their balances with the other industrialized countries, while increasing their deficits with developing countries owing to the continuing trend towards reregistering European vessels in these zones (the registered tonnage of Community vessels fell by 3% between 1988 and 1989).

TOURISM: A surplus of ECU 4.2 billion

In 1989 the Community's tourism balance was ECU 4.2 billion compared with 2.8 billion in 1988 for a trade value of ECU 31 billion. The downward trend from 1985 onwards was thus checked.

In 1989 Community tourism was boosted by renewed American spending (American purchasing power in Europe was up by about 6% as a result of diverging inflation rates and the rise in value of the dollar), and also by considerable expenditure by visitors from EFTA countries. Expenditure by both these groups increased by about 12% in 1989 and represented

31% and 36% respectively of the Community's income from tourism.

Expenditure by Community citizens in the USA and in Latin America, North Africa and Asia as a group (where tourist facilities continue to expand) continued to rise steadily (+ 18% and + 11.5% respectively). Expenditure in the EFTA countries (the main destination) also increased, but at a more modest rate (+ 8%).

OTHER SERVICES: Increased surpluses for merchanting and banking services, but insurance went into deficit

In 1989 the Community's balance for "other services" was + ECU 2.5 billion compared with + 1.1 billion in 1988 for a trade value of ECU 52 billion.

Since 1985 "other services" have suffered the effects of a sharp reduction in trade with the OPEC and African countries and of increased competition from other industrial countries (USA and EFTA).

After decreasing in 1988, the value of exports increased by 14% in 1989, but this was less than in the USA and Japan.

The improvement in the balance was due to the better results of **merchanting** (up 2.3 billion), **financial services** (up 0.9 billion) and **construction** (up 0.7 billion). The only other surplus was in **business services**, but the balance fell by 0.6 billion in 1989.

The items in deficit (trade commission, advertising, communications, royalties from films/TV and revenue from patents) remained fairly stable in 1989.

The Community's balance for **insurance** was negative for the first time this decade: it was - ECU 0.6 billion in 1989, the decrease of 1.8 billion being mainly due to the financial difficulties of UK insurance companies.

GRAPH 3 : Community balance of "other services" (in billion ecus)

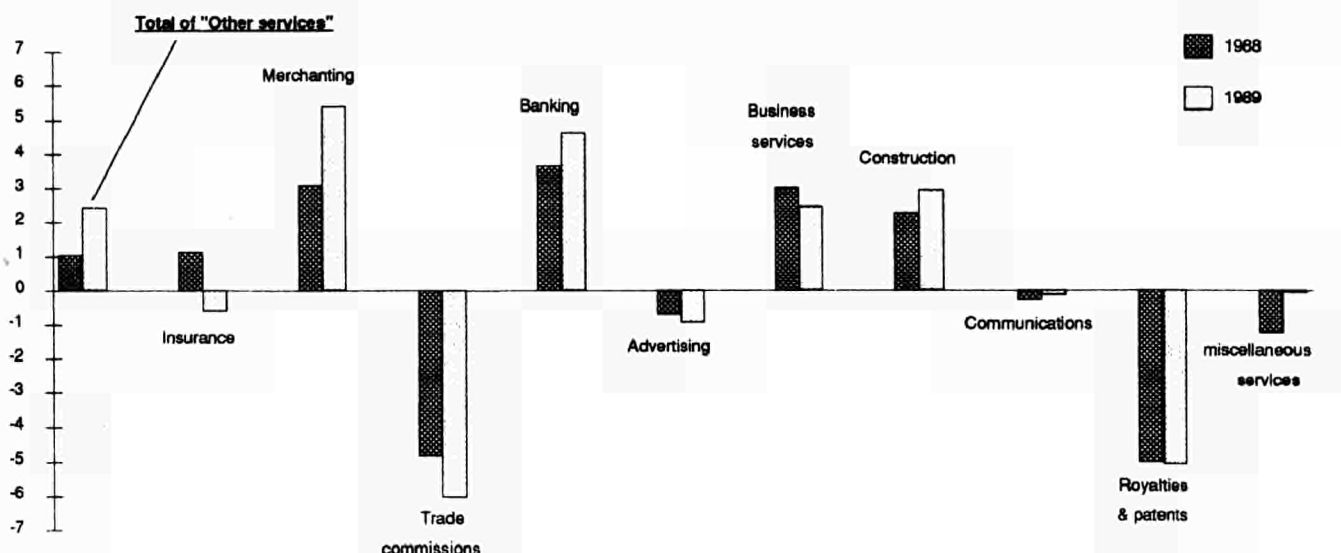


TABLE 1 : Community's current account balances for services

in billion ecus

	EUR12						USA		Japan	
	CREDIT*		DEBIT*		NET*		NET		NET	
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989
MERCHANDISE	352,8	401,7	353,4	416,3	16,7	4,3	-107,4	-104,3	80,4	69,8
SERVICES	121,0	138,7	106,7	123,1	9,5	13,8	13,2	23,0	-29,2	-37,3
Transport	39,6	45,9	37,6	44,2	0,2	0,5	0,1	1,1	-5,9	-6,6
<i>of which : Sea freight</i>	13,1	15,4	14,4	16,6	-2,5	-2,1	-4,9	-5,1	0,8	1,8
Air passengers	8,0	9,9	8,3	8,6	0,1	2,0	0,7	1,4	-3,1	-4,6
Tourism	30,0	34,0	25,8	28,6	2,8	4,2	-3,5	-0,5	-13,4	-17,6
Other services	47,9	54,6	42,1	49,2	1,0	2,4	16,6	22,4	-9,9	-13,1
<i>of which : Insurance</i>	4,5	3,1	2,2	2,5	1,1	-0,6	-0,8	0,5	-0,6	-0,6
Merchandising	1,9	3,2	-	-	3,1	5,4	-	-	-	-
Trade commissions	4,0	4,1	6,9	8,5	-4,8	-6,0	-	-	-	-
Banking	5,8	7,6	2,6	3,9	3,7	4,6	1,8	2,7	-	-
Advertising	1,4	1,5	1,7	1,8	-0,7	-0,9	0,0	-0,1	-1,3	-1,6
Business services	8,5	9,6	5,5	6,3	3,0	2,4	2,0	2,3	-	-
Construction	5,2	6,3	2,7	3,1	2,2	2,9	0,5	0,7	-	-
Communications	2,3	2,3	2,3	2,5	-0,3	-0,2	-2,0	-2,4	-	-
Film/TV royalties	0,8	0,9	1,3	1,4	-1,0	-1,1	0,6	0,9	-0,2	-0,5
Income from patents	3,5	3,9	6,7	7,3	-4,0	-4,0	7,4	8,7	-2,9	-3,0
Miscellaneous	3,5	4,2	1,0	1,1	5,4	6,7	-	-	-	-
CURRENT ACCOUNT**	618,6	724,3	618,1	734,8	5,6	0,2	-119,6	-120,2	67,3	51,9

* : Balance with total intraEUR12+extraEUR12, CREDITS and DEBITS with extraEUR12

** : The current account also includes investment income, government services and unrequited transfers.

TABLE 2 : Geographical breakdown of Community trade in services

	Total services			Transport		Tourism		Other services	
	Structure of trade*	Cover ratio		Cover ratio		Cover ratio		Cover ratio	
	in 1989	1988	1989	1988	1989	1988	1989	1988	1989
Extra-EUR12	100%	114	113	105	104	116	119	114	111
Industrial countries	66,2	113	111	120	122	128	131	95	91
<i>of which : USA</i>	30,9	113	107	118	121	151	143	94	86
Japan	4,8	177	183	133	135	364	438	187	183
EFTA	22,2	103	104	118	117	118	124	75	75
Devel. countries	26,8	119	117	88	86	88	89	188	186
<i>of which : ACP</i>	5,2	149	134	94	83	119	93	264	250
OPEC	6,6	200	187	120	113	315	249	259	267
Other devel.	16,0	93	97	79	80	61	71	141	145
Ex-State-trading	3,7	84	87	90	83	24	28	108	121
Other	3,4								

* : "trade" refers to the average of credit and debit

geographical zones :

EFTA : (European Free Trade Association) : Sweden, Norway, Finland, Switzerland, Austria, Iceland and Liechtenstein.

ACP : African, Caribbean and Pacific signatories to the Lomé Convention (framework cooperation agreement with the EC);

Nigeria and Gabon belong to both the ACP and the OPEC.

Other devel. : (Other developing countries) : countries of Central Asia and the Far East, South America and the fringe of North Africa.

ex-state-trading : USSR, Poland, GDR, Czechoslovakia, Hungary, Bulgaria, Romania, Cuba, Vietnam, Mongolia, China, Albania, and North Korea.

"Other" : Includes flows with international organizations and amounts not broken down.

Forthcoming publications : "International Trade in Services, EUR12, 1980-1989"

"Geographical Breakdown of the Current Account, EUR12, 1980-1989"

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