



Statistics in focus

ECONOMY AND FINANCE

THEME 2 – 32/1999

BALANCE OF PAYMENTS

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TRADE IN TRANSPORTATION SERVICES

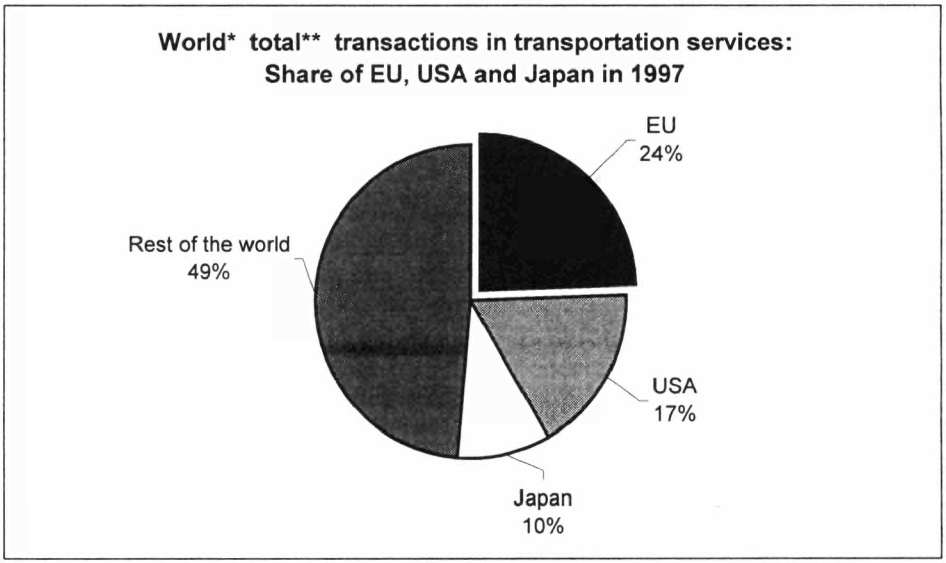
THE EU REMAINS THE WORLD'S LARGEST OPERATOR AND IMPROVED ITS EXTERNAL TRADE BALANCE IN 1997

Maria-Helena FIGUEIRA

In 1997, the EU was responsible for 24% of total¹ worldwide² transactions in transportation services and remains the world's largest operator in this area. Its external trade balance also improved for the first time in four years (by ECU 1.5 bn). Freight transport on sea and passenger transport by air accounted for more than half of the EU's total transactions in transportation services in 1997 (33% and 25% respectively). The USA remained the Union's main foreign trading partner. Despite the improvement in the balance of freight transport on sea services, the sea transport deficit deteriorated further to ECU -5.4 bn in 1997. Conversely, the air transport services surplus surged again, from ECU 2.8 bn in 1996 to ECU 4.7 bn in 1997. This increase was caused by a rise in passenger transport. The balance of other transportation services was, as usual, in equilibrium.

The EU was responsible for 24% of total worldwide transactions in transportation services in 1997, and remains the world's largest operator in this area

The European Union remained the world's largest operator of transportation services in 1997, accounting for 24% (ECU 118.5 bn) of all transactions worldwide if intra-Community trade flows are excluded. Over the same period, the USA's total transactions in transportation services amounted to ECU 83.8 bn and Japan's to ECU 46.7 bn.



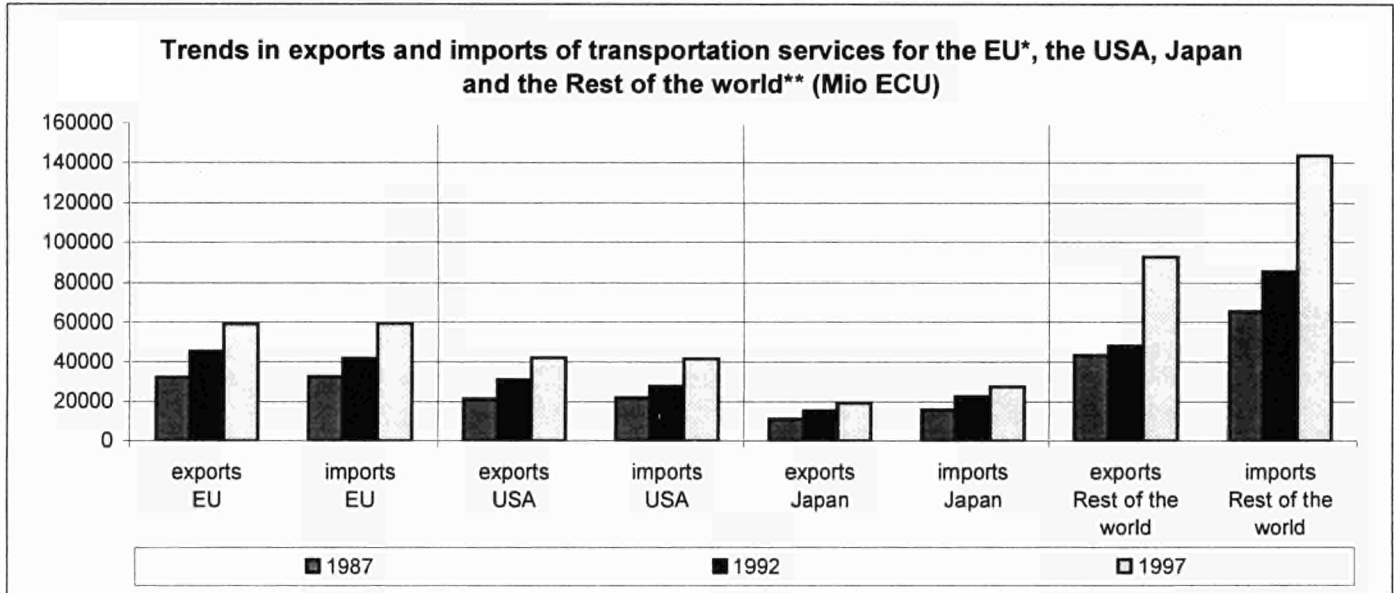
* excludes intra-EU trade
** exports + imports



¹ Total transactions = exports + imports
² Excludes intra-EU trade

EU exports and imports of transportation services have shown continuous outstanding growth over the past ten years. Total transactions increased by 82% between 1987 and 1997, partly as a result of rising productivity in the transport sector from the beginning of the 1980s (annual growth of 2%), the effect of which has been to boost competitiveness in this area. Furthermore, developments in the transport sector are closely linked to sectoral developments elsewhere.

For example, transport has been affected by changes in manufacturing methods (such as just-in-time production, which has led to more frequent but smaller deliveries of goods). In keeping with the trend in exports and imports, the number of enterprises in the transport sector has also increased since 1980, doubling in number in countries such as Germany and Belgium in the ten years to 1990.



* excludes intra-EU trade

** calculated using figures for the World total (source: IMF) excluding intra-EU trade

Despite the growth in exports and imports, the EU's share in total transactions worldwide nevertheless fell over the ten-year period, from 27% in 1987 to 24% in 1997.

Moreover, transportation services have declined as a proportion of EU commercial services³ since 1988, when they accounted for 33%. Nonetheless, they continued to be the main component of commercial services in 1997, with a share of 28%⁴.

Balance of transportation services: after a deficit in 1996, the EU's balance improved and approached equilibrium in 1997

The EU and the United States recorded strong transportation services surpluses between 1987 and 1997. From a situation of equilibrium in 1987, the balance was almost continuously in surplus between 1988 and 1997, peaking in 1991 for the USA (ECU 3.9 bn) and in 1992 for the EU (ECU 3.6 bn). The USA recorded an annual surplus of around ECU 2.0 bn between 1993 and 1996, while the EU's balance declined steadily to a deficit of ECU -1.7 bn

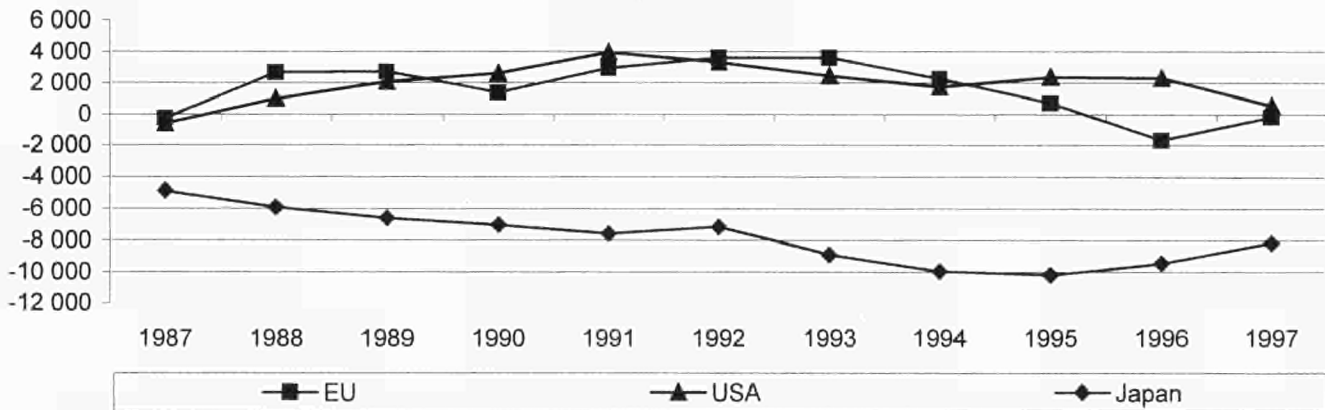
in 1996. However, the situation improved greatly in 1997 (the deficit fell by ECU 1.5 bn over 1996), and in 1997 the balance of transportation services reached equilibrium for both the EU and the USA.

Japan was in deficit throughout the entire period. Its negative balance doubled from ECU -4.9 bn in 1987 to ECU -10.2 bn in 1995. The deficit then fell appreciably to ECU -8.2 bn in 1997.

³ Commercial services are services excluding government services n.i.e.

⁴ This percentage comprises total transactions in transport services (exports and imports) as a proportion of total transactions in commercial services.

EU, USA, Japan balances in transportation services (Mio ECU) 1987-1997

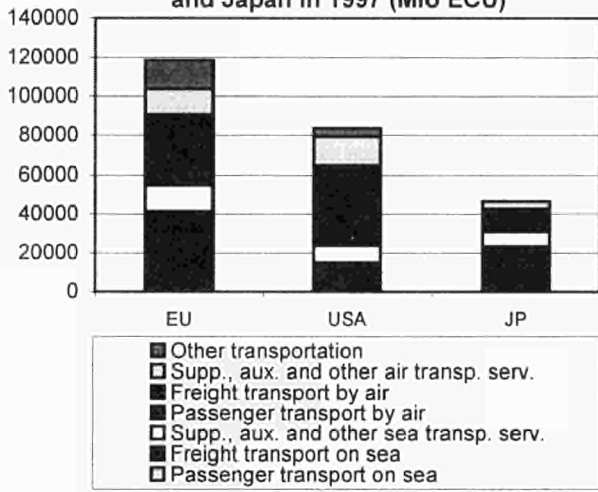


Freight transport on sea and passenger transport by air account for more than half of all EU transactions in transportation services

For the EU, the breakdown of transportation by mode and type of service has remained stable over time. Freight transport on sea and passenger transport by air account for over half of all the EU's external trade transactions in transportation services (33% and 25% respectively in 1997). The balances in these items improved in 1997: after a steady decline from ECU 2.0 bn in 1992 to ECU -1.6 bn in 1996, the

balance of freight transport on sea services approached equilibrium in 1997 (ECU -0.7 bn). In addition, the surplus in the balance of passenger transport by air doubled between 1996 and 1997 to ECU 5.1 bn. However, this was offset by an ECU -5.2 bn deficit in the balance of supporting, auxiliary and other sea transport services. In this way, the balance of transportation services finally reached equilibrium.

Breakdown of total transactions* by mode of transport for the EU, the USA and Japan in 1997 (Mio ECU)



* exports + imports

For the USA, passenger transport by air as a proportion of total transactions in transportation services rose to 40% in 1997 (having hovered around 36% over the preceding five years). Freight transport on sea and supporting, auxiliary and other air transport services each accounted for 17%. Passenger transport by air and freight transport on sea were partially responsible for the decline in the USA's balance of transportation services towards

Structure of the balance of transportation services for the EU, the USA and Japan - 1997 (Mio ECU)

	EU	USA	Japan
TRANSPORTATION	- 193	548	-8 172
Sea transport	-5 421	-1 763	-5 245
Passenger transport on sea	414	- 106	- 3
Freight transport on sea	- 654	-6 454	-3 103
Supp., aux. and other services	-5 181	4 797	-2 139
Air transport	4 659	1 916	-2 874
Passenger transport by air	5 111	2 451	-5 735
Freight transport by air	1 337	942	531
Supp., aux. and other services	-1 788	-1 477	2 329
Other transportation	569	395	:

equilibrium in 1997. On the one hand, the surplus on passenger transport by air fell from ECU 3.3 bn in 1996 to ECU 2.5 bn in 1997, while at the same time the deficit on freight transport on sea deteriorated further to ECU -6.5 bn. However, the surplus on supporting, auxiliary and other sea transport services (ECU 4.8 bn) cushioned the fall in the balance of transportation services, which ended up at ECU 0.5 bn.

Because of Japan's geographical location, freight transport on sea accounted for the highest proportion of its total transactions in transportation services in 1997 (50%), while transactions in other transportation services were negligible. Passenger transport by air accounted for 19% of all transactions in transportation services. Japan's balances for the various transportation services are traditionally in

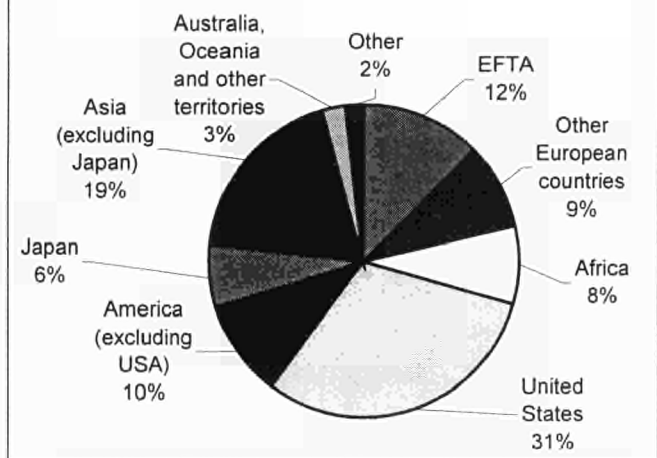
deficit or in equilibrium. In 1997, the freight transport on sea deficit was ECU -3.1 bn (ECU -3.7 bn in 1996), while the passenger transport by air deficit was ECU -5.7 bn (ECU -6.3 bn in 1996). An exception to this is the balance of supporting, auxiliary and other air transport services, which has run a surplus of around ECU 2.0 bn since 1995.

The EU's trading partners in transportation services: 31% of all transactions are with the United States

The bulk of EU trade in transportation services took place inside the EU: 52% of EU trade in transportation services was between Member States in 1997. The EU's main foreign trading partner was the Americas, which was responsible for 41% of its external transactions. The USA alone accounted for 31% of EU external transactions. Asia was in second place at 25% (6% for Japan).

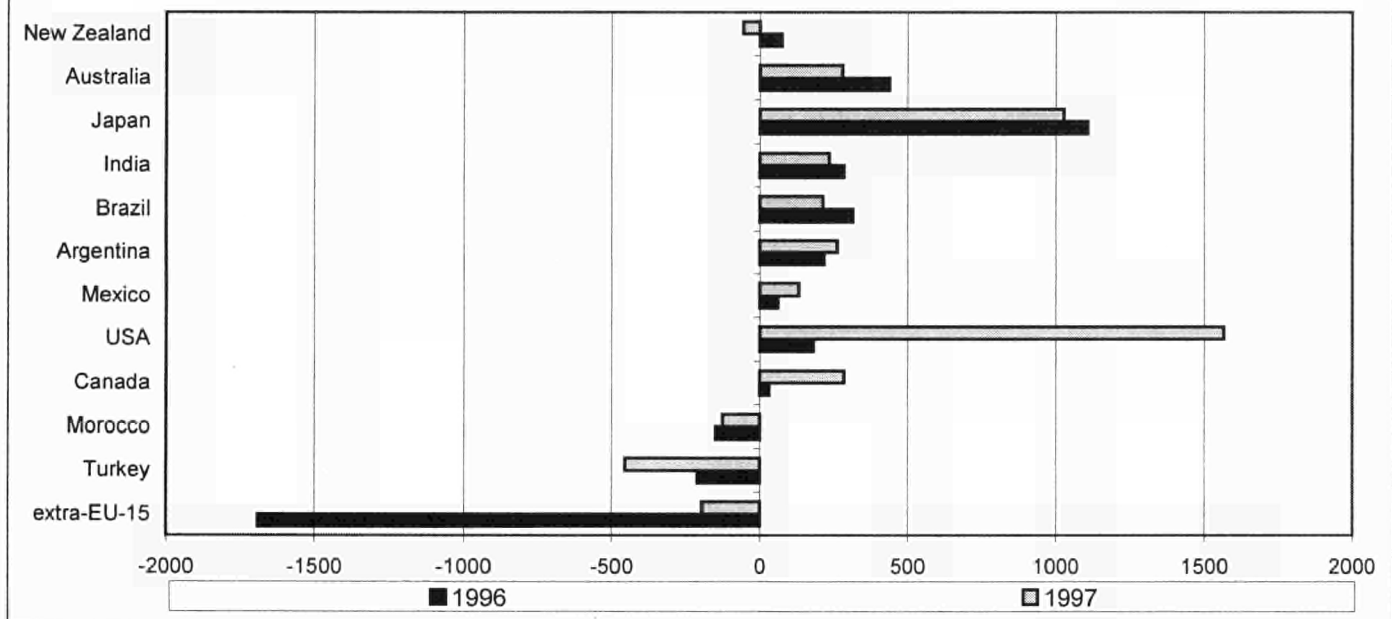
For over ten years, the EU has been a net exporter of transportation services to the United States. This trend was reinforced in 1997 with a jump of ECU 1.4 bn in the EU's transportation services trade surplus with the USA to ECU 1.6 bn. This surplus is linked to the ECU 1.5 bn fall in the Union's transportation services deficit with the rest of the world.

Total extra-EU transactions (exports + imports) in transportation services by geographic partner zone*** in 1997



*** EFTA : European Free Trade Association; "Other European countries": European countries other than EU and EFTA countries

Geographical breakdown of the EU's balance of transportation services by partner 1996-1997 comparison (Mio ECU)



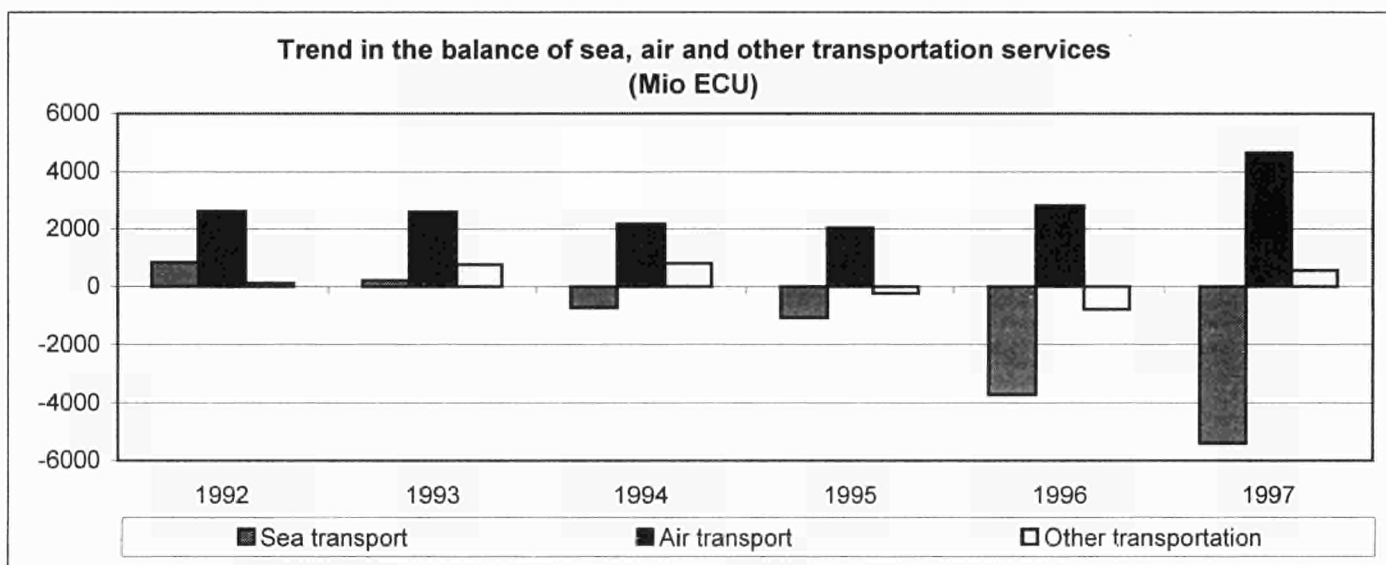
Sea transport services: the balance has deteriorated despite an ECU 1.0 bn improvement in the external freight transport balance in 1997

Sea transport is the most important mode of transport in the EU, accounting for 46% in 1997.

The climate for international maritime transport is generally free and competitive. Nevertheless, the GATS (General Agreement on Trade in Services) negotiations on maritime transport were suspended in 1996 and the most favoured nation clause was postponed to the GATS 2000 negotiations.

The GATS agreements, instituted by the World Trade Organisation, contain multilateral rules intended to develop trade in services. They give companies greater freedom to provide services and generate international competition. GATS promotes innovation, competitive pricing and high-quality services.

Since 1992, exports of sea transport services have risen by 24% and imports by 59%. The European Union is increasingly relying on foreign companies for sea transport services: over the period 1992-1997 the balance of sea transport services fell continuously from an equilibrium of ECU 0.9 bn in 1992 to a deficit of ECU -5.4 bn in 1997, despite the improvement in its main component (freight). The balance of freight transport on sea, which accounted for 72% of all transactions in sea transport services in 1997, moved from a deficit of ECU -1.6 bn in 1996 to equilibrium in 1997. The main cause of the sea transport services deficit was the ECU -5.2 bn deficit in the balance of supporting, auxiliary and other sea transport services.



Air transport services: further trade expansion and an improved foreign trade balance in 1997

In 1997, 41% of all EU transactions in transportation services were in the field of air transport.

Air transport services are only partially covered by GATS. The agreements apply only to repair and maintenance, sales and marketing, and the computer reservation system. They do not apply to traffic rights or to related services.

Over the period 1992-1997, the EU's transactions in air transport services were in surplus and imports and

exports grew continuously (see figure above). Between 1996 and 1997, the air transport services surplus rose by 65% (ECU 1.8 bn). The restructuring in European airlines since the middle of the 1980s (British Airways, Sabena, Lufthansa, 75% of KLM, etc.) seem to have contributed to improve competitiveness by opening up air transport to competition. In 1997, four European airlines were among the top ten passenger and freight transport operators (IATA members' ranking).

Passenger transport accounts for almost 60% of transactions in air transport services. Exports and imports of passenger transport by air have grown over the past decade, except in 1991. Transport sector statistics provide confirmation of the decline in 1991.

In that year the volume of passenger transport dropped for the first time since 1987. Between 1996 and 1997, transactions in passenger transport by air grew by 16% from ECU 25.1 bn to ECU 29.1 bn. IATA also recorded a 16% rise in passenger kilometres⁵ over the same period.

Passenger air traffic between Europe* and the rest of the world

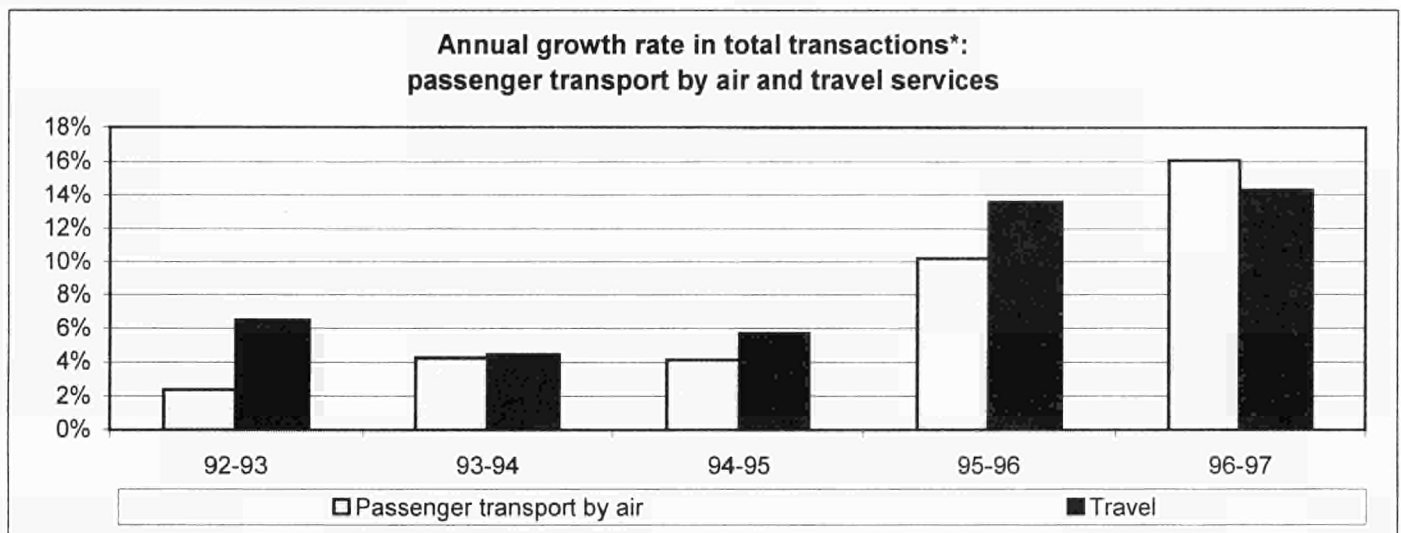
	Passengers carried (Thousands)			Passenger-Kms Flown (Millions)		
	1995	1996	1997	1995	1996	1997
Intra-Europe*	103 483	108 846	121 554	102 213	106 932	122 314
North America	28 403	32 889	37 637	188 647	216 184	245 527
Central America	2 440	4 525	4 394	19 088	32 767	33 468
South America	2 105	2 538	3 441	18 153	21 249	28 222
Africa	9 683	11 944	14 293	43 367	52 683	62 224
Middle East	5 081	7 746	8 654	17 539	27 594	31 046
Asia	15 041	18 071	21 858	111 538	140 092	169 318
Southwest Pacific	2 152	1 931	2 404	25 557	23 635	26 153
Total international	64 905	79 644	92 681	423 889	514 204	595 958
TOTAL	168 388	188 490	214 235	526 102	621 136	718 272

* geographical Europe

Source IATA

Air transport is the principal mode of passenger transportation for travel outside the European Union. A relationship exists between transactions in passenger transport by air and travel transactions⁶: visitors from regions outside the EU (travelling for personal or business reasons) who fly with a foreign airline and acquire goods or services in the country visited, generate a transaction in both air passenger transport and in travel services.

Furthermore, the trend in the balance of these services and in their exports and imports is fairly similar. Between 1996 and 1997, the passenger transport by air surplus doubled to ECU 5.1 bn and the external travel balance moved from a deficit to a surplus of ECU 1.4 bn. In addition, the annual growth rates in total passenger transport by air and travel transactions were quite similar between 1992 and 1997.



* exports + imports

⁵ The sum of the products obtained by multiplying the number of passengers (paying at least 25% of the standard fare) on each flight stage by the flight stage distance.

⁶ The travel heading basically covers the goods and services provided by an economy to travellers staying for less than a year on the economic territory.

Other transportation

Other transportation covers mainly land transport and transport by inland waterway, space, and pipelines. Land transport was not a focus of attention during the GATS negotiations. This type of transportation only concerns neighbouring countries, and has been excluded from the GATS partly for this reason.

Other transportation accounted for 12% of total transactions in transportation services in 1997. Over the past five years, the balance of other transportation

services has always been close to equilibrium (see figure p.5).

Among other types of transportation, a fall in national rail transportation between 1990 and 1997 was offset by a rise in international transportation. This increase in international transportation backed up the 22% rise in exports of other transportation services between 1996 and 1997.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The data used in this issue of Statistics in Focus are from the Balance of Payments statistics.

The balance of payments (BOP) of the European Union is compiled as the sum of the harmonised balance of payments accounts of the fifteen Member States. The balance of payments of the EU Institutions is added to the European Union aggregate.

The methodological framework is that of the fifth edition of the *International Monetary Fund (IMF) Balance of Payments Manual*.

The transportation heading covers all transportation services (sea, air and other – including land, inland waterway, space, and pipeline) that are performed by residents of one economy for those of another and that involve the carriage of passengers, the movement of goods (freight), rentals (time chartering) of carriers with crew, and related supporting and auxiliary services.

Transport is broken down by mode of transport:

- Sea and air transport:

Passenger services: covers all services provided between the compiling economy and abroad or between two foreign economies, relating to the international transport of non-residents by resident modes of transport (income) and to the international transport of residents by non-resident modes of transport (expenditure).

Freight services: refers mainly to the transport of goods and to chartering (or long-term rental) by residents to non-residents.

Supporting and auxiliary services: this category covers a range of services provided in ports, airports and other terminal facilities (air terminals, terminuses, etc.). It includes cargo handling (loading and unloading of containers, etc.), storage and warehousing, packaging and repackaging, various services such as towage, pilotage and navigational guidance for carriers, maintenance and cleaning of transport equipment, and salvage operations.

- **Other transport:** covers transport by space, rail, road, inland waterways (rivers, canals and lakes) and pipelines.

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GATS 2000 – *Opening markets for services;* European Commission.

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Bilan du Monde (Edition 1998); Le Monde

Further information:

➤ Reference publications

International trade in services – EU, 1988-97 (CA-22-99-361-3A-C, EUR: 73.50)

Geographical breakdown of the current account EU, 1994-97 (CA-22-99-474-3AC, EUR: 70.50)

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