

III. TRADE IN COMMERCIAL SERVICES BY CATEGORY

The Highlights

▶▶ Transportation services

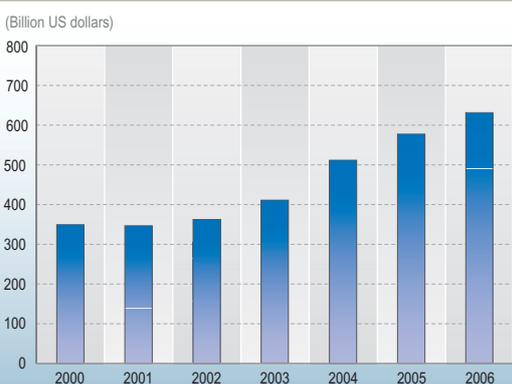
Rising seaborne trade and air traffic contribute to the increase of transportation services trade

In a context of rising energy prices, the value of world transportation services exports rose by 10 per cent to \$630 billion in 2006. With exports valued at more than \$280 billion, the EU (25) was the leading exporter of transportation services. Extra-EU (25) trade accounted for half of this value. The United States ranked second (\$70 billion), followed by Japan (\$38 billion). Overall, the three economies accounted for over 60 per cent of world transportation services exports.

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- ▶▶ Travel
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- ▶▶ Telecommunications services
- ▶▶ Insurance services
- ▶▶ Computer services
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Chart III.1
World transportation services exports, 2000-2006



Transportation services exports: a highly different pattern

Sea freight transport is the most important component of extra-EU (25) exports of transportation services (\$62 billion in 2005). For the United States, air transport is the dominant category. In 2005, air passenger transportation services reached \$21 billion and freight \$9 billion. Supporting and auxiliary transport services in airports and ports (e.g., cargo handling, storage, maintenance, cleaning, etc.) represented 40 per cent of US transportation services exports. In 2006, their importance increased further, accounting for 43 per cent of the economy's transportation services exports.

Chart III.2
Structure of transportation services exports in Extra-EU (25) and the United States, 2005

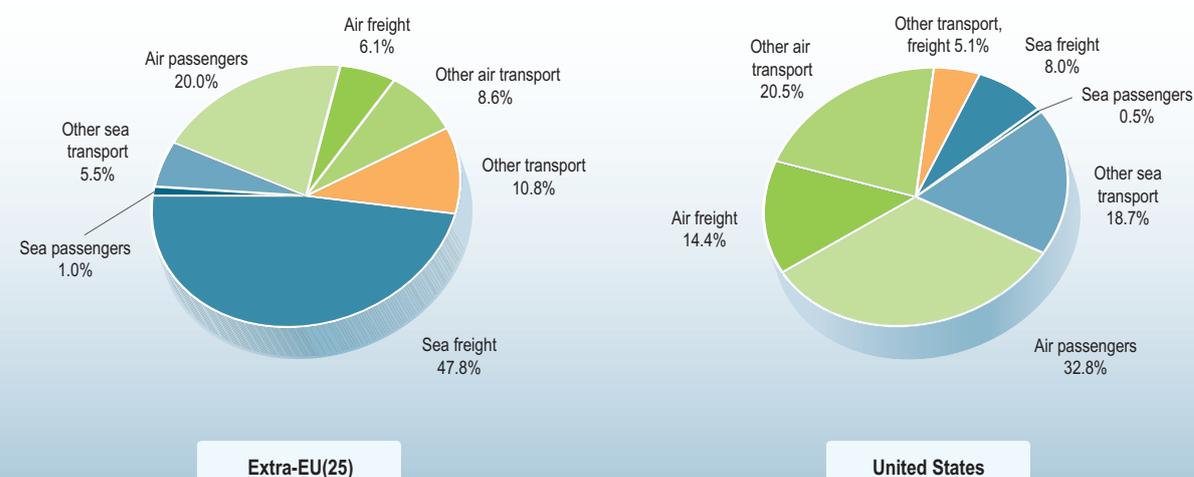
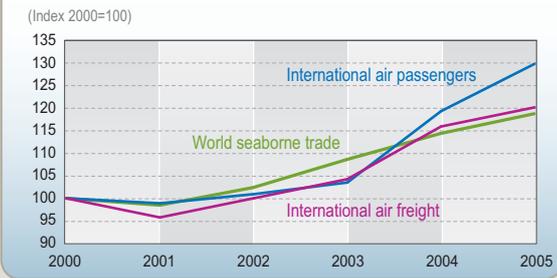


Chart III.3

World seaborne trade and international transportation traffic, 2000-2005


World seaborne trade (total goods loaded) has increased significantly since 2000, reaching a record level of 7.1 billion tons in 2005. The number of international air passengers grew by 5 per cent annually between 2000 and 2005, to 704 million, although the repercussions of September 11, 2001, and of the Severe Acute Respiratory Syndrome (SARS) epidemic in 2003 created some difficulties for the air transportation industry.

Travel
A thriving sector

With 842 million international travellers worldwide (a 5 per cent increase) and their related expenditure¹ representing \$745 billion (an increase of 9 per cent) in 2006, tourism continues to be a flourishing sector. The expansion of low-cost airlines, notably to cover long-distance destinations, is making international travel affordable to a higher number of people. Between 2000 and 2006, travel exports have grown on average by 8 per cent a year, though their share in total commercial services exports has declined steadily (down to 27 per cent in 2006 from 32 per cent in 2000) due to the boom of trade in other services.

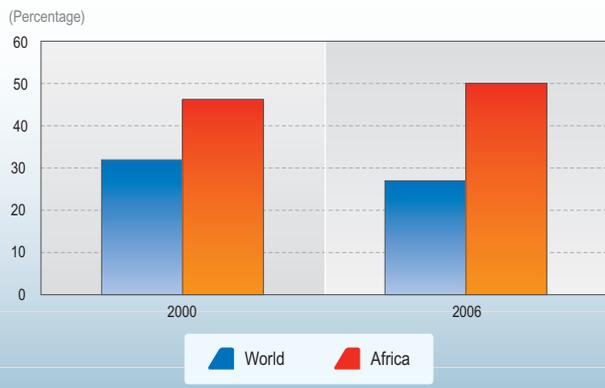
In 2006, the EU (25) countries were the leading travel exporters (\$313 billion), although only 30 per cent of receipts involved visitors from outside the EU. The United States ranked second with \$107 billion. Although the number of international tourists visiting the United States has recovered to the level of 2000 (51 million), its share of world travel exports in 2006 is significantly lower.

Travel receipts play an important role for many developing economies. Doubling its travel earnings to \$34 billion in six years, China has become the third largest travel exporter. The number of international visitors to China was estimated at some 50 million in 2006, up by 60 per cent compared to 2000.

Travel export revenues match agriculture exports in Africa

In 2006, travel exports reached \$32 billion in Africa, accounting for half of its total commercial services exports. This share has been constantly rising above the world average rate since 2000. With the number of international tourists boosted in Egypt and Morocco by 70 per cent and 50 per cent respectively in six years, these countries saw their travel exports reach \$8 and \$6 billion in 2006. Earnings from international travellers' expenditure in Sub-Saharan African countries have more than doubled compared to 2000. In Tanzania, travel exports have almost tripled. Cape Verde's emerging tourism sector is enjoying impressive growth, with its travel exports increasing by around 80 per cent in 2006, which is now comparable to the level in the Seychelles.

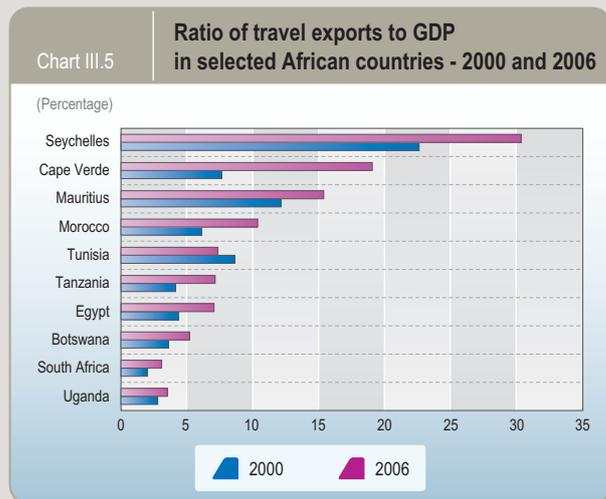
Chart III.4

Share of travel exports in total commercial services exports – World and Africa, 2000 and 2006


¹ Travel covers all goods and services acquired by international travellers in the host economy, for their own use or to give away, such as accommodation, food, souvenirs, visits to museums, local transportation, etc. It excludes transportation to the host country.

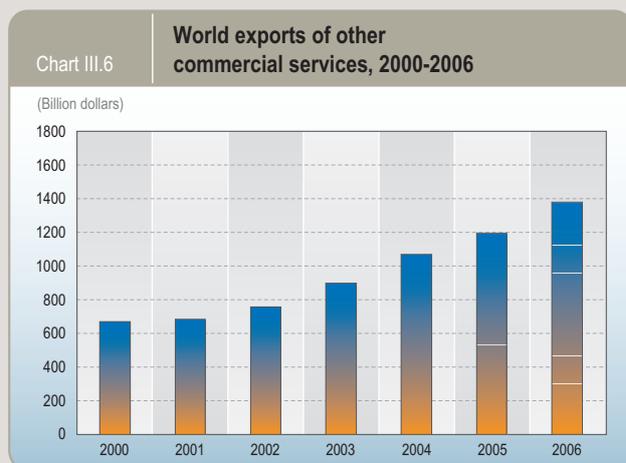
Travel exports' rising contribution to GDP in Africa

The ratio of travel exports to GDP has grown in many African countries since 2000. In leading travel exporters such as Egypt and Morocco, it has increased by 3-4 percentage points. In the Seychelles, where its contribution was already very high, it has attained 30 per cent. In Cape Verde, the ratio has increased from 8 per cent in 2000 to 19 per cent in 2006.



Other commercial services

Other commercial services trade continues its impressive growth in 2006

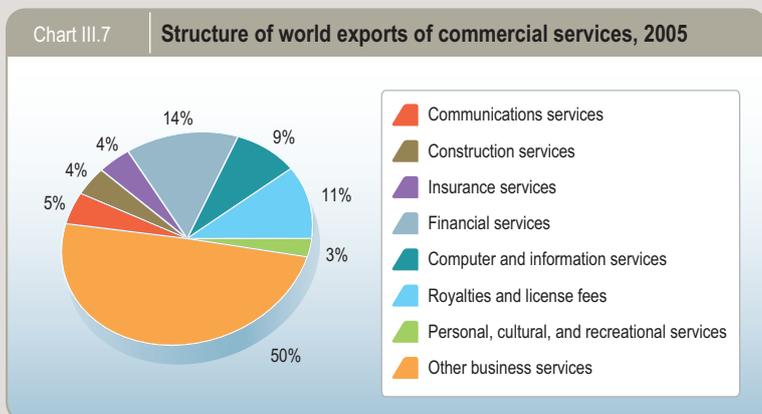


Exports of "other commercial services" reached \$1380 billion in 2006. This category has recorded impressive growth over recent years, doubling in value compared to 2000. At present, other commercial services account for half of total commercial services exported in the world.

In 2006 the EU (25) was the largest exporter of other commercial services (\$684 billion, of which almost half were extra-EU(25) exports). The EU accounted for 50 per cent of world exports in this sector, The United States ranks second with \$212 billion in 2006. However, compared to 2000, its share in world exports has decreased. Other economies are strengthening their positions as exporters of other commercial services. In 2006, India's exports grew by almost 40 per cent and the Russian Federation's increased by over 30 per cent.

In 2005, other business services was the largest category (half of world exports of other commercial services), followed by financial services (14 per cent), royalties and licence fees (11 per cent) and computer and information services (9 per cent).

Between 2000 and 2005 the fastest growing sectors were computer and information services (17 per cent growth), insurance (14 per cent) and other business services (13 per cent).



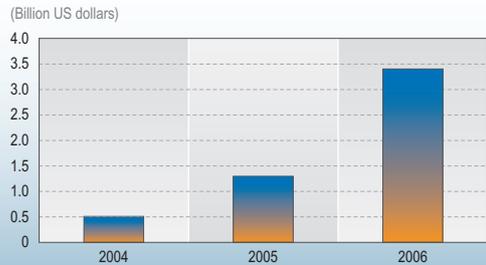
▶▶ Telecommunications services

A new player in telecommunications services

Almost tripling its exports to \$3.4 billion in 2006, Kuwait became an important telecommunications services provider. The country has specialized in mobile communication services and has recorded rapid growth since 2004. In 2006, Kuwait connected an estimated 27 million mobile subscribers in neighbouring Middle Eastern countries and in Sub-Saharan Africa. In 2006, cellular mobile subscribers in the Middle East were estimated at some 67 million. Their number has quadrupled in just 5 years.

Chart III.8

Kuwait – Exports of telecommunications services, 2004-2006



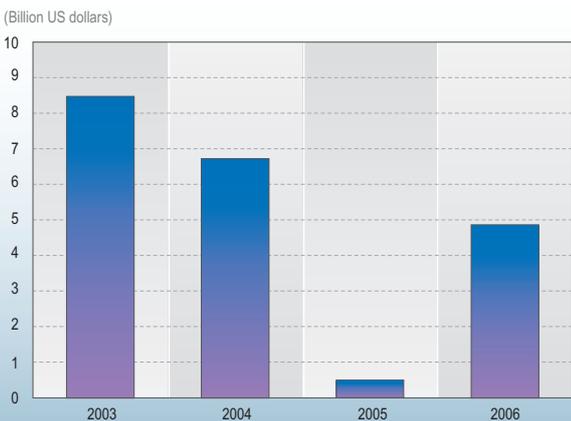
▶▶ Insurance services

Hit by Katrina

After Hurricane Katrina hit the U.S. Gulf Coast region in late August 2005, damage reached at least \$125 billion, making it the worst natural disaster from a single event in US history. Private insurers and reinsurers paid claims of up to \$45 billion for damaged or destroyed buildings and offshore oil and gas platforms. Though a local natural catastrophe, Hurricane Katrina's financial repercussions have spread to a number of economies.

Chart III.9

EU (25) – Exports of insurance services to the United States, 2003-2006



With a high concentration of the leading international insurance and reinsurance companies in the region, Europe made the largest payouts (UK companies alone bearing Katrina's costs to the tune of some \$3.6 billion). This resulted in 2005 services trade statistics showing that world exports of insurance services fell by 13 per cent and in particular that EU(25) insurance exports to the United States dropped by 93 per cent. This is mainly due to the way this item is generally estimated ("premiums less claims"). When large claims occur following catastrophic events this estimate does not reflect the actual value of the insurance services that were rendered².

² The United States, as well as other economies, follow a different methodology. For more details, see the Metadata, Section II.2.

▶▶ Computer services

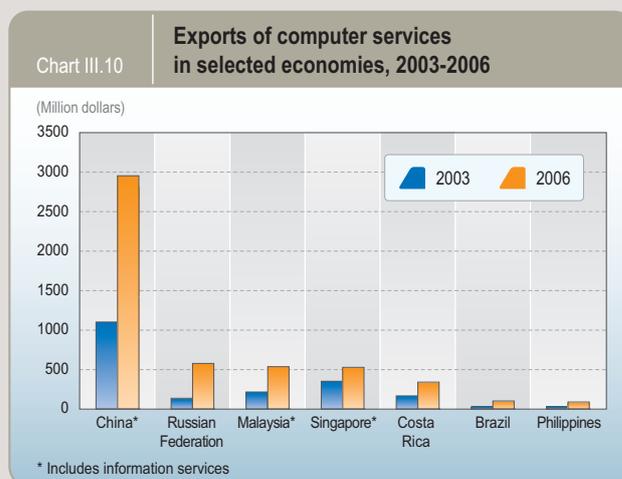
IT services: rising competitors on the horizon

According to estimates, India recorded computer services exports worth \$15.8 billion in 2005, accounting for around 70 per cent of Asia's exports of computer and information services. India is a leading country for information technology (IT) services outsourcing. However, other economies within the region are also emerging as alternative outsourcing destinations.

China's software industry is expanding. By the end of 2005, there were 12000 software development companies employing nearly one million people. China's computer and information services exports are at present still relatively low (\$3.0 billion in 2006) but at a 40 per cent annual average growth rate since 2003, they are increasing rapidly. Recently the Chinese government launched a project aimed at doubling its computer services exports by 2010. In 2006, China became Japan's biggest software outsourcing site.

Other Asian economies are also actively involved in promoting their IT services outsourcing potential. Malaysia, for example, is now considered, after India and China, the third most attractive site for low-cost IT services outsourcing. The Malaysian information and Communication Technology (ICT) hub created in 1996 now hosts more than 1100 international companies. The country's computer services exports have more than doubled in 3 years. At the beginning of 2006, Singapore embarked on a similar hub project, which is expected to be operational by 2012.

Other countries outside Asia have also taken up the challenge. Chosen as a base by several European companies, the Russian Federation has seen its computer services exports rise annually by over 60 per cent on average since 2003. In South and Central America, Brazil and Costa Rica are becoming important outsourcing locations for North American firms.



▶▶ Other business services

"A mixed bag"

Other business services are among the most dynamic services products. Growing on average by 13 per cent per year since 2000, they reached \$595 billion in 2005, accounting for half of the world's other commercial services exports.

The nature of the services actually traded under "other business services" varies significantly among economies. For extra-EU (25) trade, the category miscellaneous business, professional and technical services is the largest contributor (shown in blue in Chart III.11). It accounted for 74 per cent of extra-EU (25) other business services exports in 2005³. A higher share still can be found in Norway (79 per cent). In North America, the United States shows a similar pattern. Business, professional and technical services account for 81 per cent of other business services, where legal, accounting, management, consulting and public relations services is the main category.

Moving to the Far-East Asian economies, merchanting and other trade-related services are the biggest items⁴. The four leading services exporters in Asia, (Japan, China, Hong Kong, China, and Singapore) accounted for 72 per cent of the region's exports of other business services exports in 2005.

³ Architectural and engineering, research and development as well as legal, accounting, and management services are mainly exported to the United States and to Switzerland.

⁴ Merchanting takes place when the resident of an economy (merchant) buys a good from a non-resident and subsequently resells it to another non-resident. The value of merchanting is given by the difference between the value of good when acquired and the value of good when resold.

In the Middle East, Israel has recently become an attractive destination for Research and Development (R&D) services. In 2006, the country invested 4.5 per cent of its GDP in R&D expenditure, a much higher ratio than in other economies. Many international firms have set up R&D centres in Israel to benefit from the country's advanced infrastructure and highly-skilled manpower. Israel's exports of R&D services were estimated at \$1.6 billion in 2004.

Chart III.11

Extra-EU (25) - Structure of exports of other business services, 2005

