International Services

Services Trade in 2014 and Services Supplied Through Affiliates in 2013
Outline

• Cross-Border Services Trade
• Services Supplied Through Affiliates
• Special Topics
  • U.S.-E.U. International Services
  • TPP
  • Pre- vs. Post-Recession Cross Border Trade
  • Interrelated: Goods and Services
• Current and Future Work
International services includes two types of measures:

1. **Cross-Border Trade**
   - Exports
   - Imports

   *Available detail:*
   - by Service Type (i.e. Travel for all purposes, Transport, Financial Services, etc.)
   - by Country
   - Affiliated v. Unaffiliated trade

2. **Services Supplied through Affiliates**
   - Services Supplied by Non-Bank Majority Owned U.S. Affiliates Abroad
   - Services Supplied by Foreign Majority Owned Affiliates in the U.S.

   *Available detail:*
   - by Industry of Affiliate (i.e. Manufacturing, Wholesale Trade, etc)
   - by Country
In 2014, U.S. services exports increased 3% and the trade surplus increased 4%

Cross-Border Services Trade, 1999-2014

- Exports
- Imports
- Balance
- Services as % of Total Trade (X+M) [Right Axis]

Source: Bureau of Economic Analysis, U.S. International Transactions, Table 1.1

U.S. Department of Commerce | International Trade Administration
Services play a significant role in total U.S. exports...

Services accounted for 30 percent of U.S. exports in 2014

The U.S. is the largest exporter, but only 5th in terms of share among OECD top 15 + China

Source: Bureau of Economic Analysis, U.S. International Transactions, Table 1.1

Source: OECD
...and in the U.S. Economy

**Jobs Supported by Services Exports**

- Jobs per $1 billion of Services Exports (right axis)
- Jobs Supported by Services Exports, in millions (left axis)

*Source: March 2015 ITA Jobs Supported by Exports 2015, an Update*

**Services Exports in GDP**

- Share of GDP Growth
- Services Exports Share of Growth

*Source: Bureau of Economic Analysis NIPA Tables 1.1.2 and 1.1.5*
Travel was the largest service export and contributed the most to growth, but grew at a slower rate than many smaller categories.

Cross-border services exports totaled $710.6 billion in 2014.

- Travel (for all purposes): $177.2 billion (25%)
- Charges for the use of IP: $130.4 billion (18%)
- Transport: $90.0 billion (13%)
- Financial services: $87.3 billion (12%)
- R&D services: $33.2 billion (5%)
- TCI services: $35.9 billion (5%)
- Maintenance and repair: $22.4 billion (3%)
- Government: $20.4 billion (3%)
- Insurance: $17.4 billion (3%)
- Professional & management consulting: $59.5 billion (8%)
- Technical, trade-related, & other: $36.8 billion (5%)

Growth in services exports was $22.7 billion in 2014.

Both charts' dollar values presented in billions of US dollars.
Source: Bureau of Economic Analysis, U.S. International Services, Table 2.1
Aside from Europe, many U.S. services go to markets in Asia and Latin America.

Cross-border Services Exports by Market, 2014

- **Europe**: $267.5 billions
  - Other Non-EU: $19.2 billions
  - Switzerland: $28.9 billions
  - Germany: $28.2 billions
  - Ireland: $40.5 billions
  - United Kingdom: $63.6 billions
  - Other EU: $87.0 billions
- **West Hem.**: $192.9 billions
  - Brazil: $28.2 billions
  - Mexico: $30.0 billions
  - Canada: $61.4 billions
- **Asia**: $205.2 billions
  - Other Asia & Pacific: $76.0 billions
  - Australia: $19.4 billions
  - Korea: $20.7 billions
  - China: $42.5 billions
  - Japan: $46.7 billions

Source: Bureau of Economic Analysis, U.S. International Services, Table 2.2
The U.K. was the largest source of U.S. services imports and travel the largest type of import.

**Top Sources of U.S. Service Imports, 2014**
- United Kingdom, $49.8
- Germany, $32.8
- Japan, $31.2
- Canada, $30.1
- Bermuda, $24.8
- Switzerland, $21.9
- China, $14.4
- Ireland, $14.9
- France, $16.6
- Mexico, $19.5
- India, $20.8
- Other Countries, $200.7

**Imports of Services, by Type, 2014**
- Travel, $110.8
- Transport, $94.2
- Charges for IP, $42.1
- Professional & management, $38.2
- TCI services, $33.3
- R&D services, $33.0
- Government, $24.2
- Technical and other, $24.5
- Maintenance and repair, $7.5
- Financial services, $19.5
- Insurance, $50.1

*Source: Bureau of Economic Analysis, U.S. International Services, Table 2.3. Data in Billions of U.S. Dollars*
Charges for the use of IP, travel, and financial services are the largest contributors to the U.S. services surplus.

2014 Trade Balance by Major Services Sector

- Travel (for all purposes) $66.5
- Financial services $67.8
- Other IP $88.2
- Other services
  - TCI services $2.6
  - Professional & management consulting $21.3
  - Technical, trade-related, & other $12.3
- “Other business services”
- Government -$3.7

Billions of US dollars
Source: Bureau of Economic Analysis, U.S. International Services, Table 2.1

U.S. Department of Commerce | International Trade Administration
Sales of services through affiliates of multi-national enterprises far exceed that of cross-border services trade

*New reporting methodology beginning in 2004 resulted in a marked discontinuity in the time series trend

Source: Bureau of Economic Analysis, U.S. International Services, Table 1.1
Services supplied by U.S. MNEs to foreigners are dominated by four industries, but the relative importance of those industries varies by country.

2013 Services Supplied to Foreigners by Industry of Affiliate

- Wholesale trade: $240.6 billion
- Finance and insurance: $220.9 billion
- Professional, scientific, and technical: $196.7 billion
- Information: $180.5 billion
- Retail trade: $104.9 billion
- Mining: $51.4 billion
- Other industries: $251.1 billion
- Manufacturing: $30.1 billion
- Real estate and rental and leasing: $44.7 billion

2013 Services Supplied to Foreigners by Country and Industry of Affiliate

<table>
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<th>Country</th>
<th>Mining and Other</th>
<th>Manufacturing</th>
<th>Real estate and rental and leasing</th>
<th>Retail trade</th>
<th>Information</th>
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</table>

2013 is the latest data available, all figures in Billions of U.S. dollars
Source: Bureau of Economic Analysis, U.S. International Services, Table 3.1
Acquisitions of U.S. affiliates drove the increases in information and in Asia and Pacific.

2013 is the latest data available.

Source: Bureau of Economic Analysis, U.S. International Services, Table 4.1
The European Union accounts for over 40 percent of U.S. international service transactions

- The E.U. accounts for a third of two-way U.S. services trade and almost half of services supplied by/to the U.S.
- The total international services relationship is nearly $1.4 trillion.

Two-way trade between the U.S. and E.U. was $388 billion in 2014

Based on MNE activity in 2013, the TTIP would encompass more than $1 trillion in services supplied.

Charges for the use of IP $69.6
Travel $66.8

Two-way trade between the U.S. and E.U. was $388 billion in 2014

Based on MNE activity in 2013, the TTIP would encompass more than $1 trillion in services supplied.

Charges for the use of IP $69.6
Travel $66.8

United Kingdom
$190.7
$126.8
Germany
$67.1
$120.2
France
$48.5
$87.1
Ireland
$86.1
$19.9
Netherlands
$47.9
$44.9
Italy
$25.8
$9.8
Belgium
$19.9
$8.8
Spain
$16.1
$10.2
Sweden
$10.0
$11.0
Rest of EU
$47.6
$12.8

Billions of US dollars
Source: Bureau of Economic Analysis, U.S. International Services, Tables 2.3, 3.2, and 4.2
Known* services exports to TPP partners totaled $178.3 billion in 2014

TPP Exports, by Type

- Travel accounts for a larger share of TPP exports (32%) than for total exports (25%)
  - Health and seasonal worker travel are more important components for TPP countries
- Education a less important component
- Financial services account for a smaller share of TPP exports (9% vs. 12%)
- Charges for IP are a smaller share of TPP exports (16% vs. 18%)
  - Particularly industrial processes and trademarks

*Service export data not available for Brunei, Peru, and Vietnam

Billions of US dollars | Source: Bureau of Economic Analysis, U.S. International Services, Tables 2.1 and 2.2
Post-recession, growth in services exports has slowed in all major areas and all major categories.
Post-Recession, Asia and Pacific has grown in importance while Europe has lost share; however, the type of services exported remains largely unchanged.

**Share of U.S. Service Exports, by Area**
- **Europe**: 43% in 2008, 38% in 2014
- **Asia and Pacific**: 24% in 2008, 29% in 2014
- **Latin America and OWH**: 18% in 2008, 19% in 2014
- **Canada**: 9% in 2008, 9% in 2014
- **Middle East**: 2% in 2008, 4% in 2014

**Share of U.S. Service Exports, by Type**
- **Travel**: 25% in 2008, 25% in 2014
- **Charges for the use of IP**: 19% in 2008, 18% in 2014
- **Other business services**: 17% in 2008, 18% in 2014
- **Transport**: 14% in 2008, 13% in 2014
- **Financial services**: 12% in 2008, 12% in 2014
- **Insurance services**: 3% in 2008, 3% in 2014
- **Government**: 4% in 2008, 5% in 2014
- **Maintenance and repair services n.i.e.**: 2% in 2008, 3% in 2014
- **Telecom, comp, and info services**: 4% in 2008, 3% in 2014

*U.S. Department of Commerce | International Trade Administration*
Services are intertwined with goods throughout the economic value chain

- For every job within manufacturing supported by manufactured goods exports there is an additional services job supported

- In 2008, manufacturing firms were the second leading exporter and importer of services
  - Manufacturers accounted for more than one quarter of services export, mainly in charges for use of IP
Ongoing and Future Work on International Services

- BEA FY’16 Services Initiative
  - More timely and new country detail
  - Data by mode of supply
  - Additional categories
    - Personal, cultural and recreational
    - Manufacturing services on physical inputs owned by others

- WTO/World Bank *Integrated Trade Information Portal – Services*

- OECD *Services Trade Restrictiveness Index Simulator*