

Trends in the international trade in services

3



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- 3.1** Introduction
- 3.2** Developments in the Dutch international trade in services
- 3.3** Composition of the Dutch international trade in services, specified per services category
- 3.4** The Dutch international trade in services broken down for the services category travel
- 3.5** The largest import and export services markets for the Netherlands by value
- 3.6** The top four largest upcoming trading partners by growth rate
- 3.7** The position of Dutch international trade
- 3.8** Summary and conclusions

In recent decades, services have grown to almost 75 percent of GDP in higher income countries. However, the share of services exports in total exports is relatively low (20 percent), which reflects the difficulties associated with transferring services. This chapter provides more information about recent trends in the Dutch international trade in services.

3.1 Introduction

Globalisation has affected many facets of the world economy, including services. Nowadays, modern economies are increasingly dominated by services. Over the last decades, services have grown to almost 75 percent of GDP in higher income countries (Francois and Hoekman, 2009). However, the share of services exports as a percentage of total exports is relatively low (20 percent), which reflects the difficulties associated with transferring services.

The aim of this chapter is to provide more information on recent trends in the Dutch international trade in services. We start with a broad overview of the developments in the Dutch international trade in services (Section 3.2). The breakdown of the Dutch international trade in services per services category can be found in Section 3.3, with a focus on travel in Section 3.4. Information on the largest import and export services markets and the upcoming trading partners for the Netherlands are presented in Sections 3.5 and 3.6. Section 3.7 examines the role of the Netherlands in the services trade of several major trading partners. Section 3.8 presents the summary and conclusions.

3.2 Developments in the Dutch international trade in services

International trade in services covers all services transactions between a country (i.e. its residents) and foreign countries or international organisations (i.e. the non-residents of that country) during a given period. The services are classified as follows: transportation, travel, communication services, construction services, insurance services, financial services, computer and information services, royalties and license fees, other business services, personal, cultural, and recreational services and government services (n.i.e.). Statistics Netherlands uses the business survey to collect data for a large part of the international trade in services. For some services categories (e.g. government services and travel) data are obtained by other collection methods.

The overall Dutch import and export of services for eight successive years are illustrated in 3.2.1.

The impact of the economic downturn is especially apparent for the export of services with a growth rate of minus 4.7 percent in 2009. The services category transportation was largely responsible for this decrease with a decline of 3.4 billion euro. The export of services recovered remarkably well in 2010, resulting in an annual growth rate of 8.8 percent. The recovery of exports continued in 2011, with a growth rate of 9.8 percent. The services category royalties and license fees contributed most to the overall increase between 2009 and 2011, both in absolute (6.3 billion euro) and relative (42.3 percent) terms.

Impact of the economic crisis and recovery less severe for the imports of services

The effects of the economic crisis and recovery were less severe for the import of services. They continued to grow each year, although the annual growth rates were relatively modest in 2009 (2.0 percent) and 2010 (2.9 percent) compared with previous years. However, in 2011 the growth rate more than doubled to 6.2 percent. This was mostly driven by the services category other business services, both in absolute (4.1 billion euro) and relative (16.7 percent) terms.

3.2.1 Dutch imports and exports of services

	Imports		Exports	
	<i>million euro</i>	<i>annual growth rate (%)</i>	<i>million euro</i>	<i>annual growth rate (%)</i>
2004	64,097		68,262	
2005	67,934	6.0	73,998	8.4
2006	69,199	1.9	77,020	4.1
2007	71,721	3.6	81,534	5.9
2008	76,470	6.6	85,935	5.4
2009	77,994	2.0	81,924	-4.7
2010	80,219	2.9	89,099	8.8
2011 ¹⁾	85,231	6.2	97,797	9.8

Source: CBS, International Trade in Services Statistics (extracted 25-5-2012).

¹⁾ Provisional figure.

3.3 Composition of the Dutch international trade in services, specified per services category

3.3.1 shows the import and export values for each services category. For 2011 the trade balance was also added to the table.

3.3.1 Composition of the Dutch international trade in services, specified per services category (billion euro)

	2004		2006		2008		2009		2010		2011 ¹⁾		TB
	I	E	I	E	I	E	I	E	I	E	I	E	
Total	64.1	68.3	69.2	77.0	76.5	85.9	78.0	81.9	80.2	89.1	85.2	97.8	12.6
Transportation	11.0	15.6	14.9	19.8	15.4	21.1	12.9	17.7	14.2	19.3	15.1	21.5	6.4
Travel	13.2	8.3	13.6	9.0	14.8	9.1	14.8	8.9	14.8	9.7	14.7	10.4	-4.4
Communication services	2.3	2.7	3.0	3.0	2.7	3.1	2.7	3.2	3.1	3.7	3.4	4.3	0.9
Construction services	0.9	1.7	0.9	1.8	1.2	2.2	1.5	2.1	1.5	2.1	1.7	2.1	0.4
Insurance services	0.6	0.3	0.7	0.4	0.8	0.5	0.7	0.4	0.8	0.5	0.9	0.5	-0.4
Financial services	1.0	0.8	1.5	1.2	1.5	1.1	1.2	1.1	1.2	1.1	1.3	1.2	-0.1
Computer and information services	2.5	3.0	3.5	3.9	3.9	4.6	4.1	4.4	4.0	4.8	3.7	4.5	0.8
Royalties and license fees	6.9	8.7	6.1	8.2	9.8	13.4	13.1	15.0	15.1	18.6	14.9	21.3	6.4
Other business services	24.3	24.9	23.7	27.4	25.4	28.5	25.7	26.9	24.4	27.0	28.4	29.5	1.1
Personal, cultural and recreational services	0.7	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.5	0.6	0.6	0.0
Government services n.i.e.	0.7	1.6	0.6	1.7	0.5	1.9	0.6	1.8	0.6	1.8	0.5	1.9	1.4

Source: CBS, International Trade in Services Statistics (extracted 25-5-2012). I = Import value; E = Export value; TB = Trade balance (E minus I).

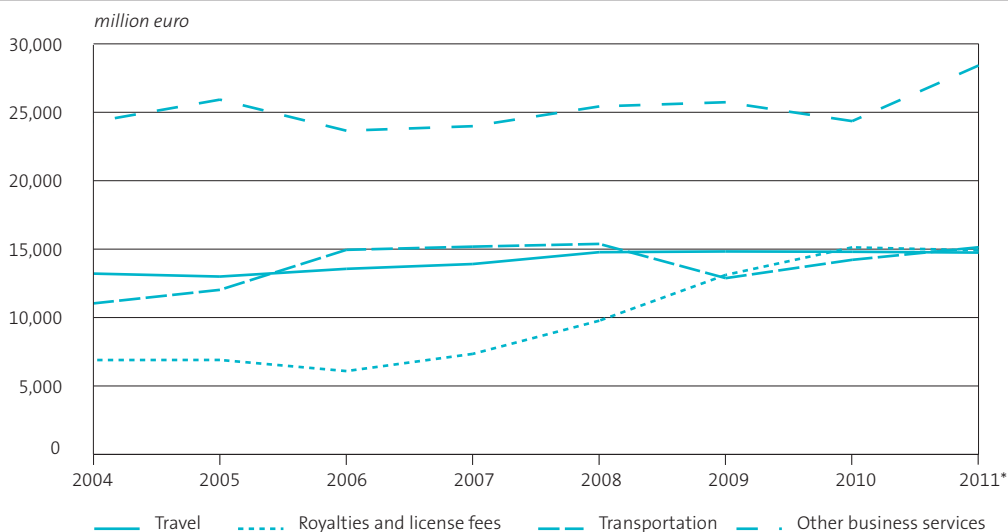
¹⁾ Provisional figure.

The Netherlands has had consistent services trade surpluses, from 4.2 billion euro in 2004 to 12.6 billion euro in 2011. The services categories transportation and royalties and license fees provided the largest contributions to the trade surplus in 2011, with a positive trade balance of 6.4 billion euro each. Travel, insurance services and financial services were the three categories with a trade deficit, of which travel had the largest deficit with 4.4 billion euro in 2011. This means that there were more services and goods obtained by Dutch travellers in foreign countries than by foreign travellers in the Netherlands. More information on the services category travel can be found in section 3.4.

3.3.2 (imports) and 3.3.3 (exports) illustrate the recent trends in trade of the four largest services categories: other business services; transportation; royalties and license fees and travel. The services category other business services was by far the largest group in imports as well as exports in the period 2004–2011. This category is extremely diverse and includes for example merchanting, operational leasing services, advertising and research and development. However, for imports as well as exports, approximately 50 percent of this category could be ascribed to the category ‘services between affiliated enterprises not included elsewhere (n.i.e)’.

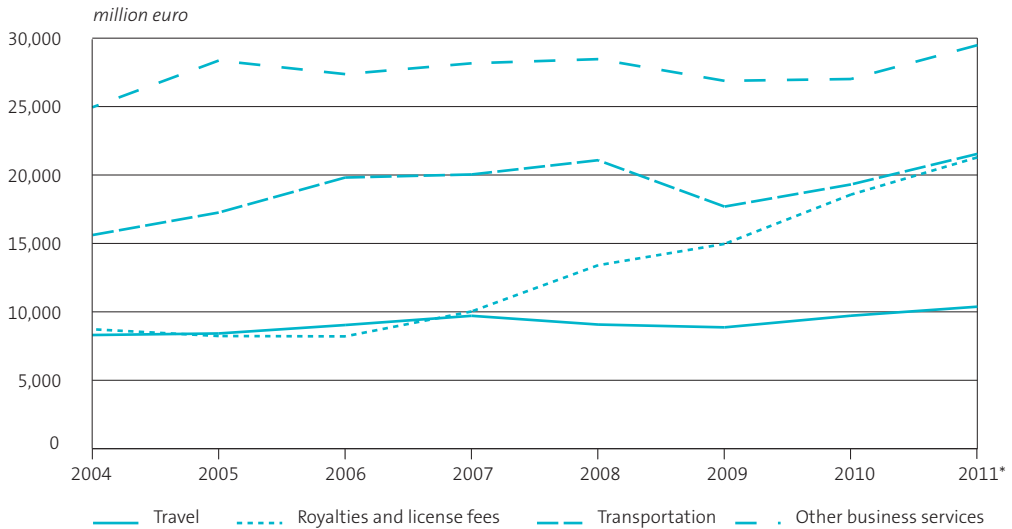
For import as well as export, the services category transportation was the second largest service in 2011 with 15.1 and 21.5 billion euro respectively. This category can be broken down into sea transport, air transport and other transport. The other transport service is the largest category since 2007 and includes all transportation services involving the transport of passengers or freight by road, rail or inland waterway, and transport by pipeline and electricity transmission and other supporting and auxiliary transport services. The third most important services category in Dutch imports and exports in 2011 was royalties and license fees, which has grown remarkably since 2006.

3.3.2 Trends in total Dutch import values by the four largest services categories in 2011



Source: CBS, International Trade in Services Statistics (extracted 25-5-2012).

3.3.3 Trends in total Dutch export values by the four largest services categories in 2011

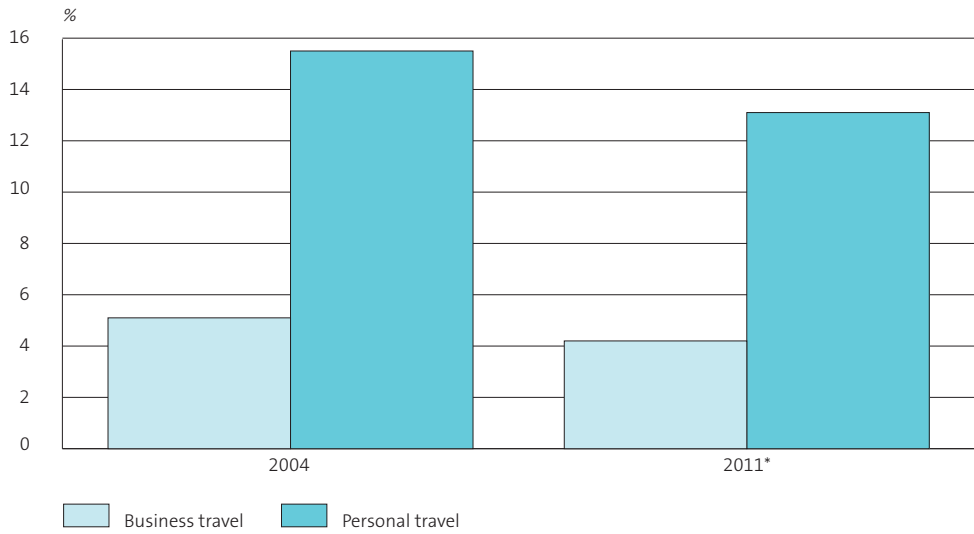


Source: CBS, International Trade in Services Statistics (extracted 25-5-2012).

3.4 The Dutch international trade in services broken down for the services category travel

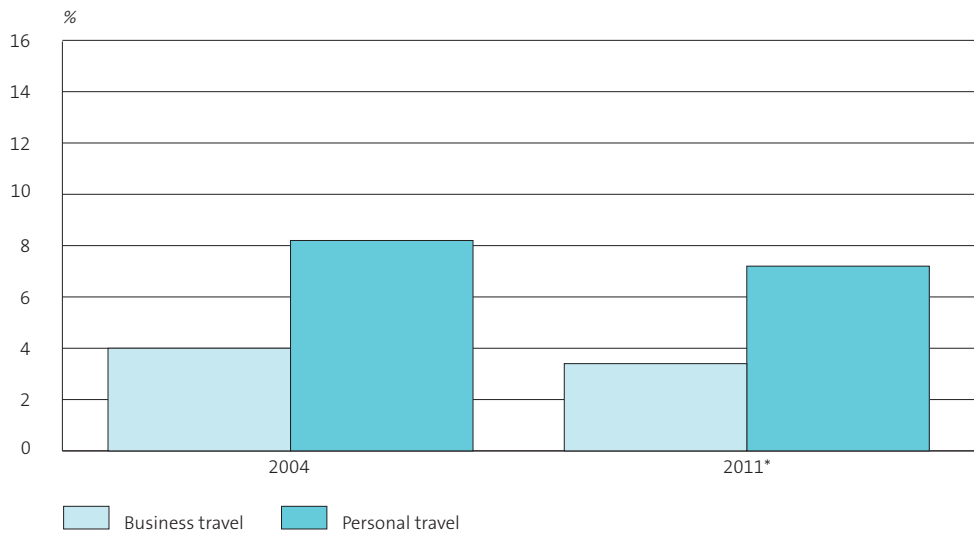
In 3.4.1 and 3.4.2, the services category travel is broken down into business and personal travel. Business travel includes the acquisition of goods and services by business travellers. It further includes the acquisition of goods and services for personal use by seasonal, border and other workers. Personal travel includes the acquisition of goods and services by travellers going abroad for purposes other than business, such as holidays, participation in recreational and cultural activities, visits to friends and relations, pilgrimage, and education and health related purposes.

3.4.1 Share of business and personal travel in total Dutch imports



Source: CBS, International Trade in Services Statistics (extracted 25-5-2012).

3.4.2 Share of business and personal travel in total Dutch exports



Source: CBS, International Trade in Services Statistics (extracted 25-5-2012).

In 2004, imports amounted to 3.2 billion euro for business and 10.0 billion euro for personal travel. In relative terms, business travel accounted for 5.1 percent of total Dutch services import and personal travel for 15.5 percent. In the period 2004–2011, it was observed that both shares decreased of which the business travellers showed the largest decline, relatively speaking. The exports of business and personal travel amounted 2.7 and 5.6 billion euro in 2004. In relative terms, business travel accounted for 4 percent of the total Dutch services exports and personal travel for 8.2 percent. These shares also decreased in 2004–2011. Like imports, the business travellers showed the largest decline relatively speaking.

3.5 The largest import and export services markets for the Netherlands by value

In 2011, the United States was the largest import services market for the Netherlands with a trade value of almost 12 billion euro (see 3.5.1). The services categories other business services and royalties and license fees were the two largest categories imported from the United States with 4.8 and 3.2 billion euro, respectively. With an import value of 9.1 billion euro, the United Kingdom was the second largest import services market for the Netherlands in 2011. It was closely followed by Bermuda, which showed a substantial increase from 2007 onwards. Germany and France were also present in the top five of main trading partners. The most important services imported from these two countries were travel and other business services.

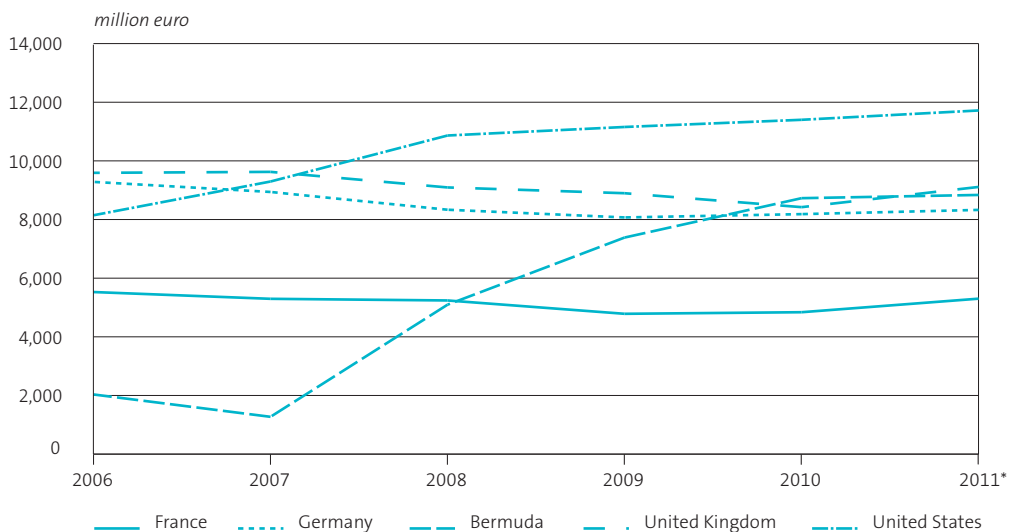
Ireland most important export destination for the Netherlands

Ireland was the most important export destination for the Netherlands with 13.2 billion euro in 2011 (see 3.5.2). This number one position was mainly the result of the increase in the export of royalties and license fees since 2007. Germany was the second largest export services market for the Netherlands in 2011, with an export value of 12.5 billion euro.

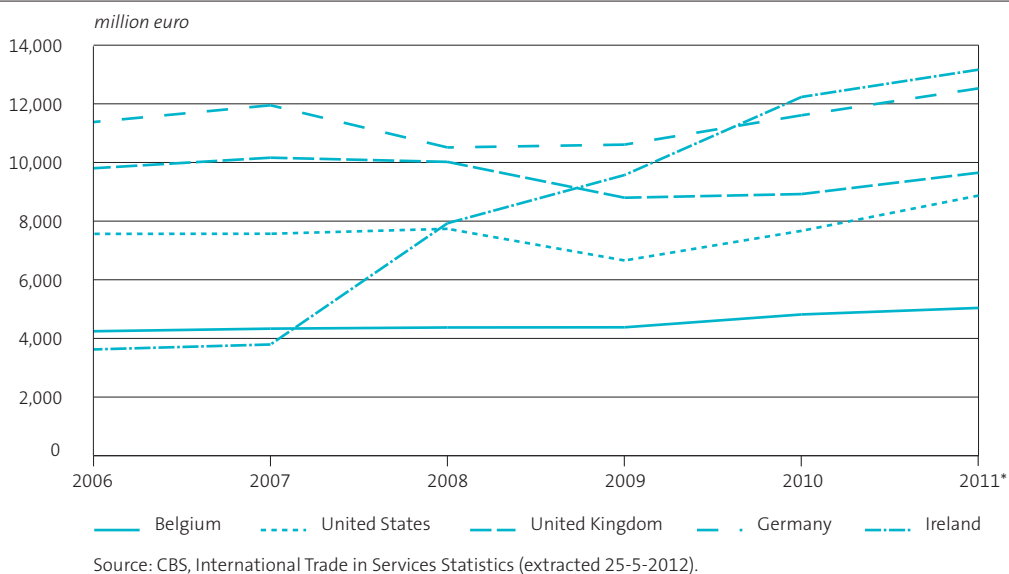
The United Kingdom and the United States were also in the top five, with a trade value of 9.7 and 8.9 billion euro respectively in 2011. Other business services was the most

exported service to these two countries. Belgium completed the top five, with a trade value of 5.0 billion euro in 2011. The most important services exported to Belgium were transportation and travel.

3.5.1 Trends in total Dutch import values of services from the largest markets in 2011



3.5.2 Trends in total Dutch export values of services to the largest markets in 2011



3.6 The top four largest upcoming trading partners by growth rate

We analysed which countries showed the largest growth rates in Dutch services imports and exports between 2010 and 2011, and labelled them as upcoming trading partners for the Netherlands. Only the countries with a minimum trade value of 0.5 percent of total Dutch services imports (401 million euro) or exports (445 million euro) in 2010 were included.

Singapore was the largest upcoming trading partner in services imports. This is due to an increase from 0.8 to 1.0 billion euro in the period 2010–2011, which represents a growth rate of 31 percent. The most important services imported from Singapore in 2011 were transportation and other business services. India, with a 17 percent growth rate, was the second largest upcoming trading partner, mainly due to an increase in other business services. India was closely followed by Poland and Russia, which had growth rates of 17 and 16 percent respectively. The overall growth rate of Dutch services imports was 6.2 percent between 2010 and 2011.

3.6.1 The four largest upcoming trading partners by growth rate

	Imports			Exports			
	2010	2011 ¹⁾	growth rate (%)	2010	2011 ¹⁾	growth rate (%)	
	<i>million euro</i>			<i>million euro</i>			
Singapore	771	1,009	31	Poland	863	1,138	32
India	646	759	17	South-Africa	470	617	31
Poland	937	1,099	17	Brazil	1,163	1,512	30
Russia	811	938	16	Australia	938	1,194	27

Source: CBS, International Trade in Services Statistics (extracted 25-5-2012).

¹⁾ Provisional figure.

Threshold for countries: only the countries with a minimum trade value of 0.5 percent of total Dutch services imports (401 million euro) or exports (445 million euro) in 2010 were included.

Poland was the largest upcoming trading partner in services exports, with a 32 percent growth rate in the period 2010–2011. The computer and information services contributed the most to this growth. South-Africa, with a 31 percent growth rate, was the second largest upcoming trading partner. This was mainly due to the category other business

services. For Brazil and Australia growth rates of respectively 30 and 27 percent were observed between 2010 and 2011. Other business services contributed most to Brazil's growth, whereas royalties and license fees was the largest contributor for Australia. The overall growth of the Dutch services exports in this period was almost 10 percent.

Dutch services imports from and exports to the upcoming BRIC countries (Brazil, Russia, India and China) increased tremendously between 2004 and 2008. In addition, the share of the Dutch services import value from BRIC countries amounted to 5.8 percent in 2008, whereas the share of the Dutch export value to BRIC countries rose to 6.3 percent in 2008. However, both shares declined to approximately 4.6 percent in 2010, mainly due to falling imports and exports of other business services from and to Brazil. In 2011, the Dutch services import and export shares from and to BRIC countries recovered to around 5 percent.

3.7 The position of Dutch international trade

3.7.1 and 3.7.2 give an overview of the Dutch share in services exports for Germany, the United States, the United Kingdom and France. These four countries were important for the Dutch import of services in 2011.¹⁾ For all four countries the export of services to the world increased between 2004 and 2010. In the same period, the export of services to the Netherlands by Germany, the United States and the United Kingdom also increased. However, the Dutch share in the total services exports of France decreased by 1.3 percentage point.

In 2010, Germany exported the most to the Netherlands with 11.2 billion euro. This represents 6.3 percent of the total German services exports, making the Netherlands its fourth most important services export destination, after the United States (12 percent), the United Kingdom (11 percent) and Switzerland (9 percent). The United Kingdom exported more than 11 billion euro to the Netherlands in 2010, putting the Netherlands in third position of its top services export markets with a share of 5.8 percent.

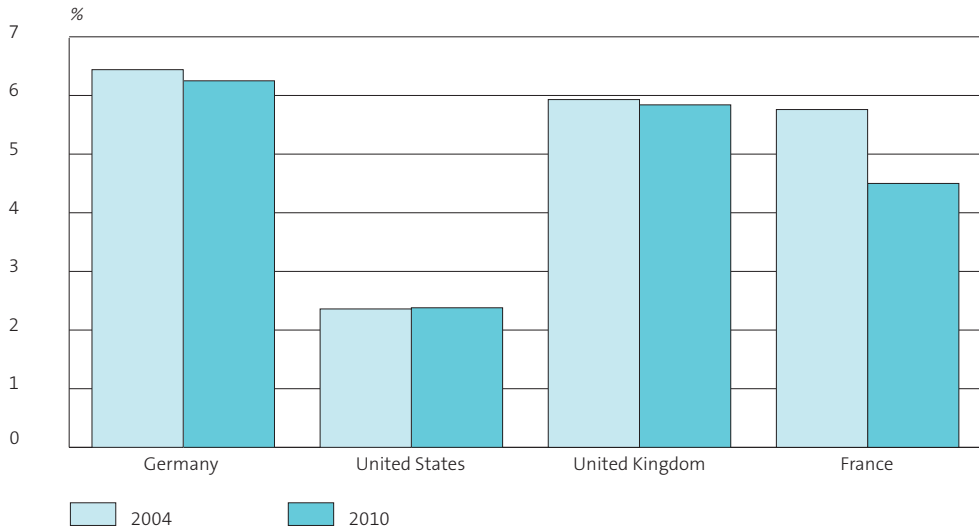
¹⁾ All the data for this section are from Eurostat, for the latest year available (2010). Since no detailed country information was available for Bermuda, this country was excluded from the analyses in this section.

3.7.1 Total export values of services to the Netherlands and the world for several important foreign markets

Country	Export to	2004	2010
<i>million euro</i>			
Germany	World	118,670	179,379
	The Netherlands	7,646	11,219
United Kingdom	World	159,106	188,640
	The Netherlands	9,441	11,014
United States	World	272,817	412,028
	The Netherlands	6,439	9,811
France	World	92,422	109,852
	The Netherlands	5,325	4,939

Data derived from Eurostat (extracted 25-5-2012), reporting country is the source.

3.7.2 Services export market shares of the Netherlands on several major foreign markets



Data derived from Eurostat (extracted 25-5-2012), reporting country is the source.

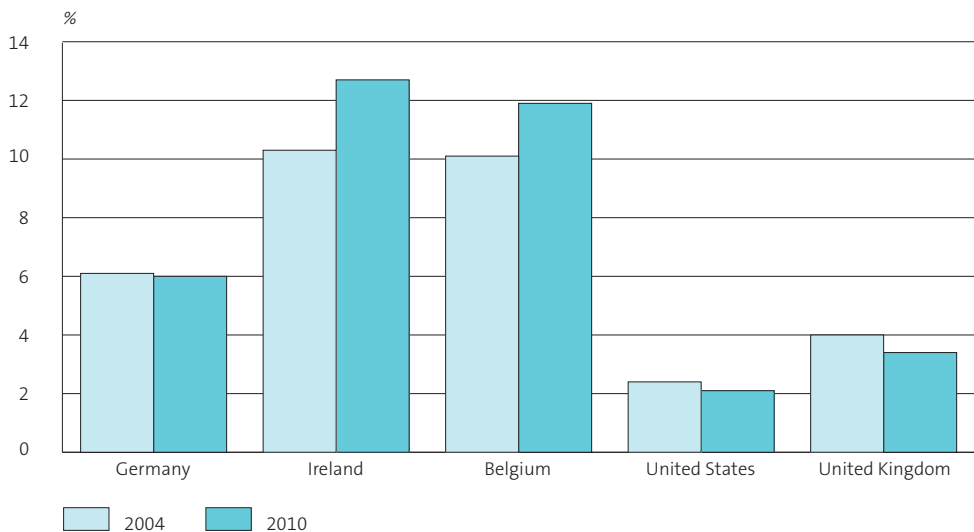
3.7.3 and 3.7.4 give an overview of the Dutch share in the services imports of several major trading partners. For all of these countries, the total imports of services from the world increased between 2004 and 2010. In the same period, the imports from the Netherlands increased for all except for the United Kingdom. As a result, the services import market shares of the Netherlands for the United Kingdom decreased slightly by 0.6 percentage point from 2004 through 2010.

3.7.3 Total import values of services from the Netherlands and the world for several major foreign markets

Country	Import from	2004	2010
<i>million euro</i>			
Germany	World	158,384	199,041
	The Netherlands	9,584	11,981
Ireland	World	52,625	80,931
	The Netherlands	5,403	10,243
Belgium	World	39,475	59,317
	The Netherlands	3,975	7,065
United States	World	228,213	304,668
	The Netherlands	5,517	6,340
United Kingdom	World	120,658	125,787
	The Netherlands	4,804	4,293

Data derived from Eurostat (extracted 25-5-2012), reporting country is the source.

3.7.4 Services import market shares of the Netherlands on several major foreign markets



Data derived from Eurostat (extracted 25-5-2012), reporting country is the source.

In 2010, Germany imported the most from the Netherlands (12.0 billion euro, or a market share of 6 percent of total German services imports) compared with the other selected countries. For Germany, the Netherlands was the fifth largest country for imports of services.

Ireland imported more than 10 billion euro from the Netherlands in 2010, resulting in a Dutch market share of 12.7 percent in its total services imports. Section 3.5 already showed that Ireland became the most important export destination for the Netherlands in 2010. After the United States (30 percent) and the United Kingdom (13 percent) the Netherlands was also in the Irish top three in services import origins.

3.8 Summary and conclusions

The aim of this chapter was to provide information about recent trends in the Dutch international trade in services. It was shown that the impact of the economic downturn and subsequent recovery was particularly apparent for the export of services, which decreased tremendously between 2008 and 2009. However, the export of services recovered remarkably in 2010 and 2011.

The effects of the economic crisis and recovery were less severe for the imports of services. They continued to grow each year, although the annual growth rates were relatively modest in 2009 and 2010 compared with previous years. However, in 2011 the growth rate for services imports doubled to 6.2 percent.

In the period 2004–2011, the category other business services was by far the largest in Dutch services imports and exports. Although this category is extremely diverse, including amongst others merchanting and operational leasing services, approximately 50 percent could be ascribed to services between affiliated enterprises not included elsewhere (n.i.e). For imports as well as exports, the second and third most important services categories in 2011 were transportation, and royalties and license fees.

In 2011, the United States was the largest market for services imports for the Netherlands with a trade value of almost 12 billion euro. Ireland was the most important destination for Dutch services exports with 13.2 billion euro in 2011. In addition, the Netherlands was also a very important services import country for Ireland.

In the period 2010–2011, Singapore was the largest upcoming trading partner for the Netherlands in services imports. Poland was the largest upcoming trading partner in services exports with a growth rate of 32 percent between 2010 and 2011.