

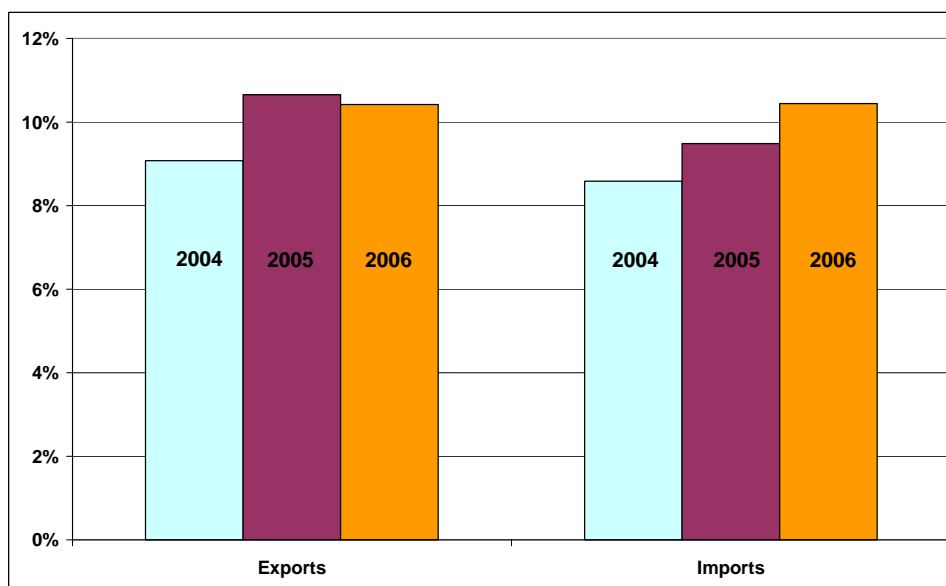
Surplus in EU trade in services with BRIC¹ countries in 2006

In 2006, EU-27 international trade in services with Brazil, Russia, India and China (BRIC) registered exports with a total value of €46.0bn and imports worth €39.0bn. The EU trade in services balance with BRIC countries registered a permanent surplus during the period 2004 to 2006. In 2006, the surplus amounted to €7.0bn. Since 2004, China has been the EU's main trading partner among the BRIC countries.

The economic rise of Brazil, Russia, India and China, over the last decade has been impressive, triggering major changes on the world economic stage. These countries have made substantial trade and output gains in recent years, expanding at rates far exceeding global averages. China stands out in the region for its rapid economic expansion and emergence as a major global player. As a result, they are increasingly attracting world interest.

BRIC countries play an important role in EU trade in services. The share of these four countries in total EU exports of services rose from 9.1% in 2004 to 10.4% in 2006. In total EU imports of services, their share increased from 8.6% in 2004 to 10.4% in 2006. The value of total exports from EU to BRIC rose by 37.7% over those three years, from €33.4 billion in 2004 to €46.0 billion in 2006. Imports registered a slightly higher growth rate (41.0%) over the same period, rising from €27.6 billion in 2004 to €39.0 billion in 2006. As a result, the EU was able to increase its surplus in trade in services from €5.8 billion in 2004 to €7.0 billion in 2006. It is worth noting that total EU exports and imports with the rest of the world increased by 20.0% and 16.0% respectively over the same period.

Chart 1: Share of BRIC in total extra-EU trade in services (in %)



Source: Eurostat

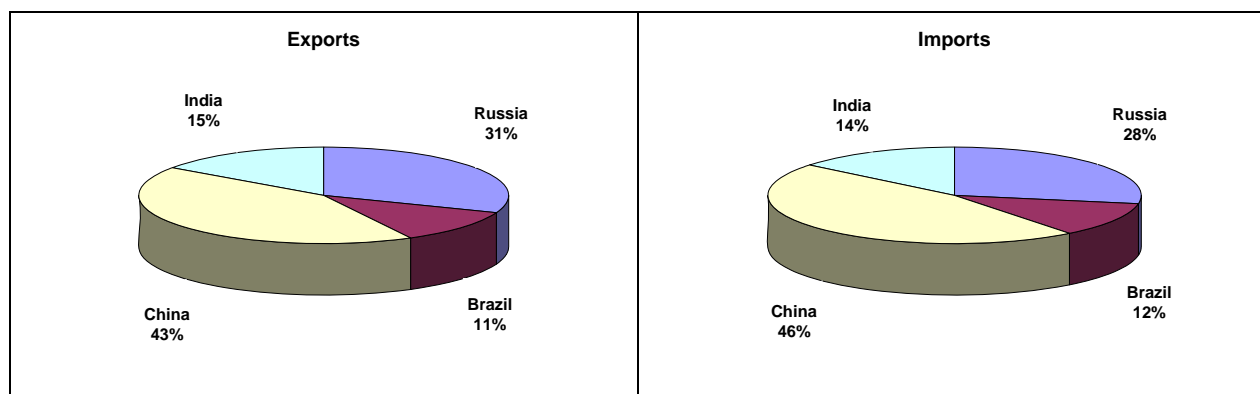
¹ Brazil, Russia, India and China (including Hong Kong)

China remained the EU's main trading partner

These overall aggregates, however, conceal quite different patterns for individual countries. China is the most important trading partner for the EU (of which Hong Kong was responsible for one third).

In 2006, EU exports to China were worth €19.6bn (43% of total EU exports to BRIC), and imports from China amounted to €18.0bn (46% of total EU imports from BRIC). China was followed by Russia, India and Brazil.

Chart 2: Share of individual countries in EU trade with BRIC

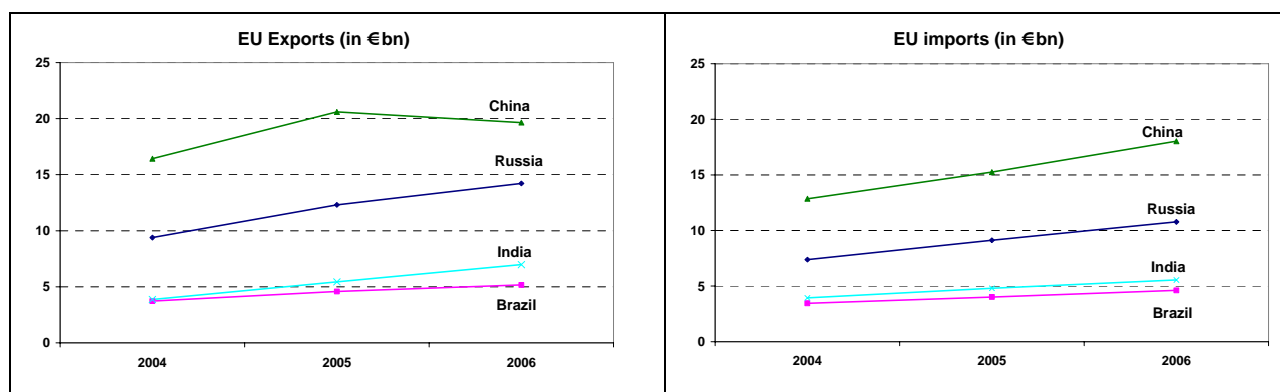


Source Eurostat

Although EU trade with all four countries recorded double digit growth rates, exports to India and imports from Russia showed the highest rates. In 2006, EU exports to India were 80.4% higher, in nominal value terms, than in 2004 (although starting from a relatively lower level). This was

followed by Russia (51.5%), Brazil (38.7%) and China (19.6%). On the other hand, EU imports from Russia increased by 46.0% over the same period, followed by India (41.1%), China (40.2%) and Brazil (33.6%).

Chart 3: Evolution of EU exports to and imports from BRIC (in €bn)



Source Eurostat

€3.5bn surplus registered for Russia in 2006

In 2006, the EU recorded a surplus in trade in services with all four BRIC countries, the highest surplus in trade being with Russia (+ €3.5 billion in 2006). Table 1 shows that surpluses were recorded for most of the service items. In transportation services, the EU recorded surpluses with Brazil and India, but deficits with Russia and China. In travel, the EU received more from Russian travellers than EU residents spent in Russia. The situation was the other way round with the other three countries, where the EU had a deficit. It is worth mentioning that in computer and information

services the EU had a deficit with India (surplus with the other three countries), which reflects India's preminent position as a leading exporter of software services. In financial services, the EU recorded surpluses with all four countries. In "other business services", which comprise merchanting and other trade-related services, operational leasing services and miscellaneous business, professional and technical services, the EU recorded big surpluses with Russia, India and China, but a deficit with Brazil.

Table 1: EU Trade in services with BRIC in 2006 (in €million)

	Brazil			Russia			India			China*			Hong Kong		
	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net
Services	5162	4615	548	14221	10774	3448	6978	5548	1430	19646	18022	1623	6896	6688	207
Transportation	2125	1454	671	3462	5218	-1755	2176	1365	811	7511	8028	-517	3014	2991	23
Travel	1134	1413	-278	3207	1977	1230	879	1651	-772	2457	2861	-404	563	438	125
Other services	1903	1746	157	7548	3576	3972	3920	2529	1391	9672	7119	2552	3314	3251	62
Communications services	96	71	25	248	234	14	134	181	-47	323	333	-9	125	182	-57
Construction services	328	84	244	712	390	323	162	89	73	525	406	118	51	52	-2
Insurance services	89	54	35	125	179	-53	97	38	59	232	288	-57	125	69	56
Financial services	141	67	74	1109	275	834	274	96	179	1190	725	465	809	585	224
Computer and information services	234	76	158	766	74	692	281	714	-433	311	151	162	124	38	87
Royalties and license fees	291	12	279	241	24	217	184	21	163	1250	213	1036	179	180	-1
Other business services	629	1237	-608	4108	2255	1853	2492	1334	1158	5506	4785	721	1834	2043	-209
Personal, cultural & recreational serv.	76	56	20	73	41	32	19	11	9	77	109	-31	62	82	-19
Government services, n.i.e.	21	91	-70	166	106	60	277	46	232	259	111	148	5	22	-17

* China of which Hong Kong

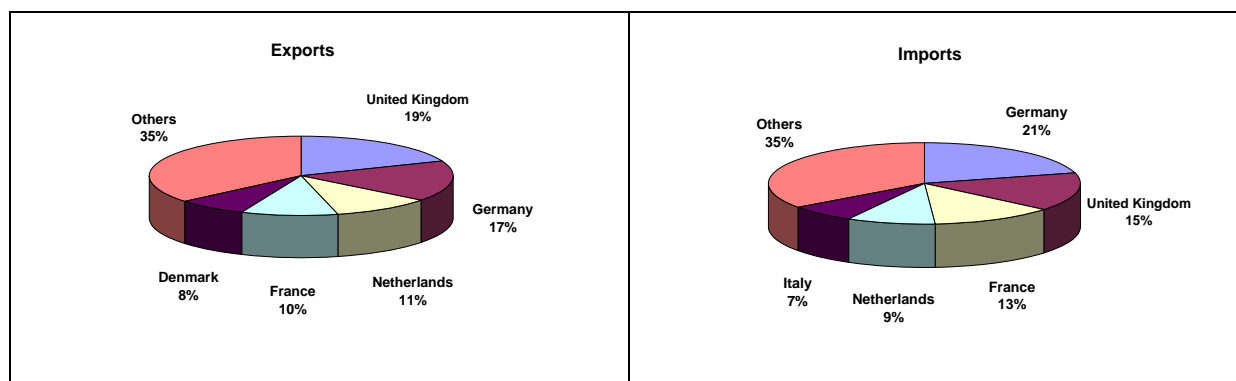
Source: Eurostat

In 2006, the United Kingdom was the main exporter and Germany was the main importer

Among EU Member States, the United Kingdom was the principal exporter to BRIC, accounting for 19% of total EU exports in services. It was followed by Germany (17%), the Netherlands (11%), France (10%) and Denmark (8%). These five countries were responsible for almost two-thirds of exports of services to BRIC. This structure differs, however,

with respect to exports to individual BRIC countries. For exports to Russia and Brazil, Germany had the highest share. The shares of exports from Spain and Portugal to Brazil in total EU exports to that country were also significant (10% and 9% respectively).

Chart 4: Share of EU Member States in trade with BRIC



Source: Eurostat

As regards imports of services, Germany was the main partner for BRIC in 2006, with a share of 21% of total EU imports. Germany was followed by the United Kingdom (15%), France (13%), the Netherlands (9%) and Italy (7%). These five countries accounted for 65% of all EU imports of services from BRIC. As in the case of exports to

BRIC, Member States' shares of imports from individual BRIC countries differ from the overall structure of imports from BRIC. The UK alone is responsible for 39% of all imports from India, while Spain and Portugal once again play a significant role in imports from Brazil.

METHODOLOGICAL NOTES

International Trade in Services, analysed in this publication refer to those registered in the Balance of Payments (BoP) Statistics. The BoP records all economic 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 methodological framework used is that of the fifth edition of the International Monetary Fund Balance of Payments Manual (BPM5).

Trade in services is one of the major categories of the current account. The item services contains following categories: *transportation, travel, communications services, construction services, insurance services, financial services,*

computer and information services, royalties and licence fees, other business services, personal, cultural and recreational services and government services. Due to their intangible nature, trade in services is inherently subject to more constraints and is also much more difficult to record.

The EU annual International Trade in Services statistics are based on figures provided by the Member States to Eurostat. The annual data covered in this publication will be revised by the end of this year when revised data will be transmitted by Member States. The figures shown in the tables may not exactly add up due to rounding.

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International trade in services, geographical breakdown

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