

Transatlantic Trade in Services: Investigating Bilateral Asymmetries in EU-U.S. Trade Statistics

Kristy Howell,¹ Robert Obrzut,² Olaf Nowak³

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Abstract

The European Union (EU) and the United States are the biggest economic partners in international trade in services in the world, with total bilateral trade in 2015 exceeding EUR 400 billion according to the data reported by Eurostat. The United States accounted for close to 30 percent of total Extra-EU trade in services, while for the United States the share of the EU in total trade in services was just over 30 percent. Persistent bilateral asymmetries in trade in services remain, however, a substantial issue and their reduction should lead to improved data quality and increased usefulness of data for users.

This document presents an overview of findings on asymmetries for international trade in services data for the EU-28 and its Member States with the United States, as collected by Eurostat and the U.S. Bureau of Economic Analysis (BEA). Quantitative analysis of the data is accompanied by a discussion of identified differences in applied methodologies that might have contributed to the asymmetries. Data used in the analysis are compiled in the framework of the balance of payments and are based on the methodology in accordance with the IMF *Balance of Payments and International Investment Position Manual, 6th edition*. Due to availability of bilateral figures and better comparability of more aggregated items, the analysis is limited to total services and 10 services components. Data for manufacturing services on physical inputs owned by others (processing abroad) and personal, cultural and recreational services were not available for the United States because BEA does not estimate these services categories. However, values for these items vis-à-vis the United States as estimated by Eurostat have not exceeded 2 percent of total services flows, so they should not significantly impact the overall picture. The asymmetries in services are relatively high compared with asymmetries for trade in goods, being particularly substantial for financial services and other business services. The analysis of the reasons for asymmetries should therefore primarily focus on these service items.

Keywords: international trade in services; balance of payments; trade asymmetries; international comparability

The views expressed in this paper are solely those of the authors and not necessarily those of the U.S. Bureau of Economic Analysis or the U.S. Department of Commerce.

¹ U.S. Bureau of Economic Analysis: Kristy.howell@bea.gov

² European Commission: Robert.obrzut@ec.europa.eu

³ European Commission: Olaf.nowak@ec.europa.eu

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1. Introduction

The United States is the most prominent partner of the European Union (EU) in its international trade in services throughout the world. Close to 30 percent of the EU's trade in services with the rest of the world is with the United States, while for the United States the EU claims just over 30 percent of its international trade in services. In 2015, the EU's total trade in services (exports plus imports) with the U.S. exceeded EUR 400 billion, rising to EUR 429.6 billion (from EUR 380.7 billion in 2014). On the other end, the United States registered EUR 360.2 billion (from EUR 294.4 billion in 2014) in its trade in services with the EU, with mutually increasing trends in recent years. Given this important relationship, internationally comparable data on trade in services between the two counterparts appear of high relevance, especially when imposing that both statistics are compiled according to the same international methodological standards.⁵ In theory, bilateral gross transactions should balance each other, i.e. EU exports to the United States equalling U.S. imports from the EU, and EU imports from the United States equalling U.S. exports to the EU. In practice, however, there are differences, which hamper the interpretation of both statistical products and contribute significantly to overall global asymmetries in trade in services. The International Monetary Fund (IMF) and other international organizations have encouraged countries to address persistent bilateral asymmetries by engaging with major trading partners to understand differences in concepts, definitions, and compilation practices.⁶ This paper is dedicated to measuring the extent of asymmetries occurring in data on EU-U.S. trade in services and to analyzing available data on service components and partner country. We will see that part of these measured asymmetries relates to different concepts and classifications applied in the compilation of trade statistics, which challenge direct comparability of data, while others are based on information asymmetries that compilers often face with regard to import transactions and partner country attribution. The latter is made even more complex by the heterogeneous character of the EU aggregates, reflecting a multitude of national compilation practices in the 28 EU Member States.

For the sake of comparability, all data and results are expressed in EUR.⁷ Thus, exchange rate effects may create a minor bias in the results. The comparison was conducted on unadjusted data and gross transactions. Credit and debit flows were compared separately in absolute differences; total asymmetries were measured as the sum of both. To avoid misinterpretations, the analysis applies the rest-of-the-world view from an EU perspective throughout, meaning that asymmetries are calculated as EU credits (exports) less U.S. debits (imports) and EU debits (imports) less U.S. credits (exports).

EU data on international trade in services come from Eurostat's balance of payments database,⁸ which is compiled on a quarterly basis and thus allows a high degree of timeliness. The corresponding U.S. data come from the Bureau of Economic Analysis (BEA) publication database on U.S. international trade in services, available with a country breakdown for all 28 EU Member States and the aggregate European Union (EU-28).⁹

⁵ Balance of Payments and International Investment Position Manual, 6th edition (BPM6)

⁶ See, for example, "Revisiting Global Asymmetries—Think Globally, Act Bilaterally," Prepared by the IMF Statistics Department for the 28th Meeting of the IMF Committee on Balance of Payments Statistics (2015); <https://www.imf.org/external/pubs/ft/bop/2015/pdf/15-08.pdf>.

⁷ U.S. data were reported in USD and converted to EUR using exchange rates from dataset ert_bil_eur_a at <http://ec.europa.eu/eurostat/data/database>. EU and EU Euro Area countries' data were reported in EUR; data for non-Euro Area EU countries were reported in national currencies and converted to EUR using exchange rates from datasetert_bil_eur_a.

⁸ European Union and euro area balance of payments – quarterly data (BPM6), dataset bop_c6_q, accessed October 2016; <http://ec.europa.eu/eurostat/data/database>

⁹ U.S. International Services Table 2.3, U.S. Trade in Services, by Country or Affiliation and by Type of Service, accessed November 25, 2016; <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=62&step=10&isuri=1&6210=4&6200=257>

2. The impact of asymmetries on the bilateral services balance

Since 2012, official statistics of the EU and the U.S. claim both being net exporters in services to each other. This illustrates the obscuring effects asymmetric statistics can have on the interpretation of data. While the EU reported net services exports to the United States of EUR 13.8 billion in 2015, the United States considered itself equally as net services exporter to the EU with a reported surplus of EUR 48.7 billion (Table 1). For 2015, the asymmetry is concentrated in EU exports-U.S. imports, where the EU published exports of EUR 221.7 billion to the United States while the United States published imports of only EUR 155.7 billion from the EU. Asymmetries on the other side of the accounts were relatively small in comparison, with the EU reporting imports of EUR 207.9 billion from the United States, and the United States reporting exports of EUR 204.4 billion to the EU.¹⁰

Table 1: EU-U.S. trade in services, 2010-2015 (EUR million)

		2010	2011	2012	2013	2014	2015
EU-28	Balance	-9,009	-3,911	9,601	16,435	2,641	13,819
	Credit	136,631	149,485	172,647	180,954	191,673	221,689
	Debit	145,640	153,397	163,046	164,519	189,032	207,870
US	Balance	26,870	30,956	32,705	32,324	38,821	48,700
	Credit	135,202	143,120	154,947	153,689	166,629	204,432
	Debit	108,331	112,164	122,242	121,365	127,807	155,731

Source: Eurostat, BEA – Differences may apply due to applied exchange rates.

3. The extent of asymmetries in EU-U.S. trade

In recent years, data on international trade in services between the EU and the United States have shown increasing bilateral asymmetries. However, asymmetries dropped somewhat in 2015 due to a considerable decline in EU import-U.S. export asymmetries. Generally, increasing asymmetries are supported by the nominal growth in bilateral trade in services over time. However, until 2014 EU export-U.S. import asymmetries grew more than proportionally to the underlying transactions, which points to contributing factors to asymmetries other than market dynamics. This trend was surprisingly reversed only recently in 2015.

It appears noteworthy that reported EU services generally exceed reported U.S. services, consequently showing nominal asymmetries with a positive sign (Table 2).¹¹ This pattern indicates that either the EU overestimates its transactions with the United States, or the United States underestimates its transactions with the EU. This could also stem from differences in partner country attribution.¹²

As a consequence, bilateral asymmetries in total trade measured EUR 86.3 billion in 2014 and EUR 69.4 billion in 2015, while in 2010 the asymmetry was less than EUR 40 billion (Figure 1). This trend is attributable to increasing levels of asymmetries in EU exports-U.S. imports and an outlier in EU imports-U.S. exports in 2014. Generally, EU imports-U.S. exports appear less asymmetric than EU exports-U.S. imports. While EU export-U.S. import asymmetries remained at elevated levels of EUR 63.9 billion in 2014 and EUR 66.0 billion in 2015, EU import-U.S. export asymmetries have remained relatively stable at levels around EUR 10 billion since 2010 with an unexpected outlier in 2014 of EUR 22.4 billion, falling to only EUR 3.4 billion in 2015.

¹⁰ Differences could occur due to the applied exchange rate.

¹¹ However, things become more complex when analyzing service components.

¹² Diverging views on the country breakdown for international services could involve third countries in the analysis, and reflect the difficulty, for either compiler, to “look through” to the final recipient of the transaction.

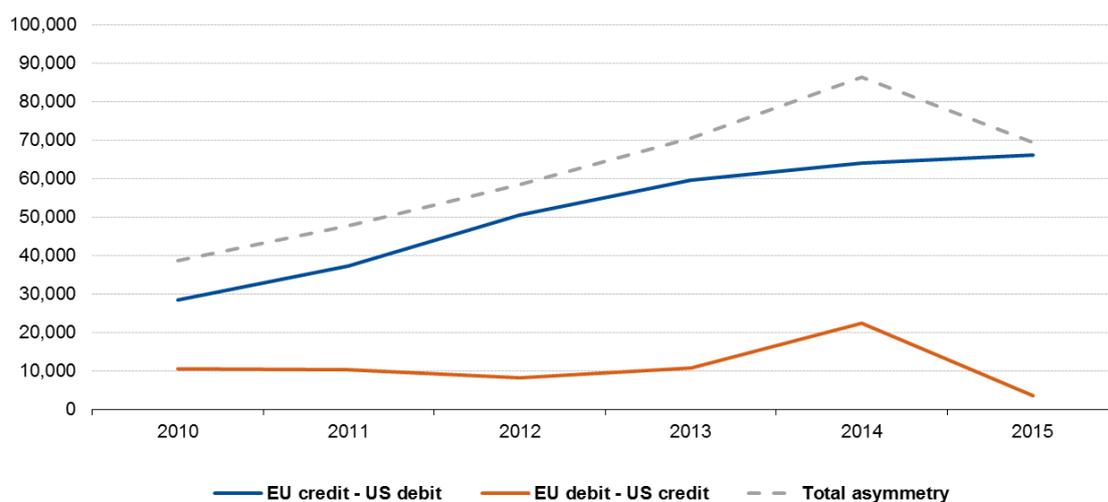
Table 2: Asymmetries and dynamics of EU-U.S. trade in services, 2010-2015 (EUR million; percentage growth)

		2010	2011	2012	2013	2014	2015
	Total	38,737	47,598	58,505	70,418	86,270	69,396
Asymmetries	Credit	28,299	37,322	50,406	59,589	63,866	65,958
	Debit	10,438	10,277	8,099	10,830	22,404	3,438
Share of gross flows (EU-28) (%)	Credit	20.7	25.0	29.2	32.9	33.3	29.8
	Debit	7.2	6.7	5.0	6.6	11.9	1.7
Growth in services (EU-28) (%)	Credit	:	9.4	15.5	4.8	5.9	15.7
	Debit	:	5.3	6.3	0.9	14.9	10.0
Growth in asymmetries (%)	Credit	:	31.9	35.1	18.2	7.2	3.3
	Debit	:	-1.5	-21.2	33.7	106.9	-84.7

Source: Eurostat, BEA – Differences may apply due to applied exchange rates. Total asymmetries are the sum of export and import asymmetries. Asymmetries as a percentage of gross flows and growth rates year-on-year relate to EU figures. Credit and debit flows are defined from the EU perspective.

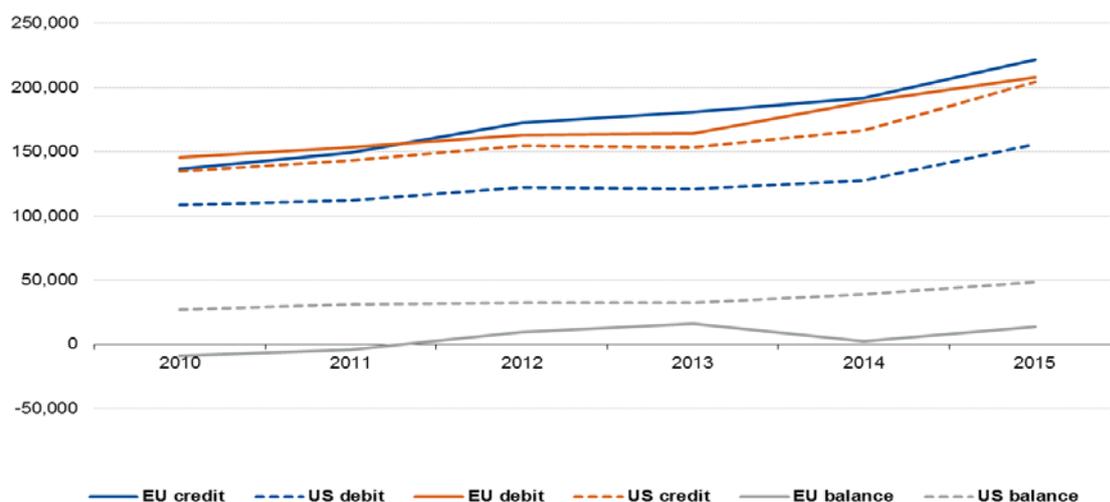
These results prompt two questions: what is the driving force behind the steady increase in bilateral EU export-U.S. import asymmetries beyond the observed market dynamics, and what provoked the outlier in bilateral EU import-U.S. export asymmetries with the United States in 2014, with otherwise usually low asymmetries between 5 and 7 percent of bilateral debit flows (EU-28) between 2010 and 2013 and below 2 percent in 2015 (Table 2)? In the following, we will try to answer these questions by analyzing component and country data.

Figure 1: Bilateral asymmetries in EU-U.S. trade in services, 2010-2015 (EUR million)



Source: Eurostat, BEA

Figure 2: EU-U.S. trade in services flows as reported by EU Member States and U.S. BEA, 2010-2015 (EUR million)



Source: Eurostat, BEA

4. EU-U.S. bilateral asymmetries by services component

The BPM6 recommends 12 components for gross transactions in international trade in services, with additional supplementary items. Eurostat disseminates data on the international trade in services of the EU for all standard components of the BPM6.¹³ A residual component is added for services not allocated. BEA publishes only 9 service components, thus slightly deviating from the BPM6 standard presentation. Three components are either captured in part under different categories in the balance of payments (manufacturing services on physical inputs owned by others) or registered under other services components (construction; personal, cultural and recreational services).¹⁴ These restrictions complicate a direct comparison of bilateral component data for services, as the resulting asymmetries include differences in classification.

More specifically, **manufacturing services on physical inputs owner by others** (goods for processing) are not classified separately as a services item by BEA. Rather, a change of ownership is imputed when goods enter or leave the United States. The value of these goods, including any value that is added during processing, is included in U.S. goods exports and imports, irrespective of whether a change of ownership actually takes place. Consequently, this practice triggers asymmetries in both goods and services with the European partner statistics, where in line with the BPM6 recommendation, a change of ownership is not imputed on such operations.

Also, BEA does not report **construction** or **personal, cultural, and recreational services** as major services categories. Rather, the U.S. definition of **other business services** is extended to include construction and selected elements of personal, cultural and recreational services. However, BEA does publish construction services as a subcomponent of other business services, and reports bilateral statistics for this subcomponent. Therefore, it is possible to remove construction from other business services in order to create an **other business services** aggregate that aligns more closely with international standards. Throughout the paper, this reclassification has been introduced, as feasible.¹⁵

¹³ BPM6, Appendix 9: Standard Components and Selected other Items

¹⁴ BEA is researching potential estimation methods, with the goal of including these components in the U.S. services statistics in the future.

¹⁵ This reclassification is done using BEA's published data, so it is not possible to reclassify construction in the bilateral statistics if U.S.-reported trade in construction services with a particular country is suppressed. This is the case, for example, with the United Kingdom, as indicated by the "na" in Table 6.

Even with this reclassification, other business services is the largest contributor to the EU-U.S. asymmetries for both export and import transactions, with EU data systematically exceeding the U.S. mirror data (Table 3). It remains to be confirmed whether European partners apply a generally broader concept in capturing other business services,¹⁶ or whether the U.S. compiler underestimates related transactions due to information asymmetries or due to differences in partner country attribution.

Table 3: Bilateral asymmetries in EU-U.S. trade in services, by components, 2015 (EUR million)

	Credit (EU-28)	Debit (US)	Asymmetry
Services, total	221,689	155,731	65,958
Manufacturing services on physical inputs owned by others	2,568	na	na
Maintenance and repair services n.i.e.	2,896	3,502	-606
Transport	30,357	30,422	-65
Travel	21,884	30,972	-9,087
Construction	1,109	374	735
Insurance and pension services	10,781	9,826	955
Financial services	27,040	11,257	15,783
Charges for the use of intellectual property n.i.e.	23,362	16,002	7,360
Telecommunications, computer, and information services	23,382	7,835	15,547
Other business services	72,598	38,442	34,156
Personal, cultural, and recreational services	3,196	na	na
Government goods and services n.i.e.	1,633	7,101	-5,468
Services not allocated	883	na	na

	Debit (EU-28)	Credit (US)	Asymmetry
Services, total	207,870	204,432	3,438
Manufacturing services on physical inputs owned by others	2,322	na	na
Maintenance and repair services n.i.e.	3,926	6,264	-2,338
Transport	24,414	23,209	1,205
Travel	22,252	37,981	-15,729
Construction	548	146	402
Insurance and pension services	5,613	3,990	1,623
Financial services	13,785	27,978	-14,193
Charges for the use of intellectual property n.i.e.	32,908	44,611	-11,703
Telecommunications, computer, and information services	14,388	10,408	3,980
Other business services	82,047	48,608	33,439
Personal, cultural, and recreational services	3,737	na	na
Government goods and services n.i.e.	1,881	1,237	645
Services not allocated	49	na	na

Source: Eurostat, BEA – Differences may occur due to applied exchange rates.

Further, U.S. **financial services** exclude financial intermediation services indirectly measured (FISIM), and U.S. **insurance and pension services** exclude pension services. These deviations from the BPM6 standard result from a lack of available source data.¹⁷ Also, U.S. **charges for the use of intellectual property n.i.e.** include transactions for the outright sale, rights to use, and rights to reproduce and distribute intellectual property because these transactions are not separately identifiable

Even with this reclassification, asymmetries could persist due to limitations in BEA's source data for construction. BEA is not able to record foreign contractors' expenses in the United States and associated goods transactions as recommended in BPM6, because source data are not available. Also, for U.S. construction abroad, commodity detail necessary to remove project-related merchandise exports from exports of goods is not available, so these exports are netted against gross operating revenue and that amount is reported as construction credits. However, the impact on asymmetries of these measurement differences is likely small.

¹⁶ According to the BPM6, other business services consist of 3 specific components – research and development services, professional and management consulting services, and technical, trade-related and other business services. Therefore, this category cannot truly be regarded as a residual category as its name suggests.

¹⁷ BEA, U.S. International Economic Accounts: Concepts and Methods, Chapter 10;

<http://www.bea.gov/international/pdf/concepts-methods/10percent20Chapterpercent20ITA-Methods.pdf>

in BEA's source data. Together these deviations hamper straightforward comparisons with the corresponding EU statistics, and respectively bear the potential of exaggerating bilateral asymmetries for some components, as European compilers record these items according to the recommendations of BPM6.¹⁸

Interestingly, U.S.-reported financial services exports consistently exceed EU-reported imports. Therefore, if the United States were to introduce a measure of FISIM, it would further exacerbate this asymmetry. This suggests that either the EU Member States are underestimating financial services imports from the United States, or the United States is consistently overestimating explicit financial services fees from the EU. For EU exports-U.S. imports the opposite is true; EU reported exports exceed U.S. imports. This suggests that if the United States were to introduce a measure of FISIM, the asymmetry would be reduced.

On the other hand, **travel** and **government goods and service n.i.e.** appear to be subject to a different set of measurement differences in both statistics. EU export and import of travel services and EU exports of government goods and services with the United States are consequently lower than the U.S. mirror data. This could indicate different practices in capturing data specific to these categories, such as the statistical treatment of military goods, personal expenses of diplomats, and business travel.

In general, offsetting effects in the bilateral asymmetries for services components reduce the overall asymmetry for total services, hiding the complex dynamics in the underlying components and calling into question our earlier conclusions of declining asymmetries in 2015. This can be illustrated by the lower EU import-U.S. export asymmetries measured for 2015 (falling from EUR 22.4 billion in 2014 to EUR 3.4 billion in 2015). Indeed this decline was possible only due to escalating negative asymmetries in EU imports of travel, financial services and charges for the use of intellectual property n.i.e. (CIP).

For instance, the EU reported financial services imports from the United States of EUR 13.8 billion in 2015, down from EUR 16.7 billion in 2014. Meanwhile the United States recorded financial services exports to the EU of EUR 28.0 billion in 2015, increasing from EUR 24.0 billion in 2014. As a result, the measured negative asymmetry increased from EUR -7.3 billion in 2014 to EUR -14.2 billion in 2015 with the unpleasant side effect of limited interpretation of the data.¹⁹ The higher negative asymmetries in 2015 consequently reduced the otherwise positive asymmetries in other components (predominantly other business services), which leads to the misleading conclusion above that asymmetries in EU imports-U.S. exports have decreased in that year. Indeed when looking at absolute asymmetries both export and import asymmetries increased in 2015 (Table 4). However, as mentioned earlier these measures include a bias due to different classification practices.

¹⁸ For instance, although FISIM data are not specifically available to us for the EU vis-à-vis the United States, from extra-EU data we measure their share of total transactions between 2-3 percent of total extra-EU exports and 1 percent of total extra-EU imports of services.

¹⁹ According to Eurostat, imports of financial services from the United States have declined in 2015, while according to BEA, U.S. exports of financial services to the EU have increased in the same year.

Table 4: Absolute asymmetries in EU-U.S. trade in service components, 2014-2015 (EUR million)²⁰

EU credits-US debits	2014	2015
Services, sum of components	83,810	89,762
Manufacturing services on physical inputs owned by others	:	:
Maintenance and repair services n.i.e.	163	606
Transport	3,784	65
Travel	5,026	9,087
Construction	389	735
Insurance and pension services	2,584	955
Financial services	14,294	15,783
Charges for the use of intellectual property n.i.e.	7,866	7,360
Telecommunications, computer, and information services	14,038	15,547
Other business services	30,266	34,156
Personal, cultural, and recreational services	:	:
Government goods and services n.i.e.	5,401	5,468
Services not allocated	:	:

EU debits-US credits	2014	2015
Services, sum of components	65,475	85,257
Manufacturing services on physical inputs owned by others	:	:
Maintenance and repair services n.i.e.	1,549	2,338
Transport	2,842	1,205
Travel	7,984	15,729
Construction	306	402
Insurance and pension services	1,672	1,623
Financial services	7,315	14,193
Charges for the use of intellectual property n.i.e.	7,608	11,703
Telecommunications, computer, and information services	3,411	3,980
Other business services	31,602	33,439
Personal, cultural, and recreational services	:	:
Government goods and services n.i.e.	1,186	645
Services not allocated	:	:

Source: Eurostat, BEA – Differences may occur due to applied exchange rates. Measures include a bias due to different classification practices.

On the other hand, EU credit flows, most substantially EU exports of other business services, financial services and telecommunications, computer, and information (TCI) services appear to be systematically higher than their U.S. mirror data, which seem to be the driving forces behind the steady increase in bilateral export asymmetries with the United States. This could indicate rigid information asymmetries faced by the U.S. compiler for services imports from the EU. This type of asymmetry is typical for services trade, as it is inherently easier to measure exports than it is to measure imports.²¹ The asymmetries could also be the result of differences in partner country allocation, thus extending the asymmetries to third countries.

²⁰ Absolute asymmetry means the sum of asymmetries in bilateral credit and debit flows without regard to sign.

²¹ The IMF Committee on Balance of Payments Statistics regularly presents, in its annual reports, asymmetries at the world level, which show that global services exports are consistently higher than global services imports. See, for example, IMF Committee on Balance of Payments Statistical Annual Report 2016; <https://www.imf.org/en/Publications/Balance-of-Payments-Statistics/Issues/2017/03/03/IMF-Committee-on-Balance-of-Payments-Statistics-Annual-Report-2016-44709>.

5. The geographical breakdown of EU-U.S. bilateral asymmetries

Eurostat and BEA disseminate the full geographical breakdown of bilateral trade in services of the 28 EU Member States with the United States.²² This enables the analysis of what bilateral country data contributed most to the measured asymmetries in the EU-U.S. service trade. In general, the major contributors to bilateral EU-U.S. asymmetries coincide with the main European trading partners with the United States. This picture does not significantly change over the observation period.

According to Eurostat, in 2015 the United States traded in services mostly with the United Kingdom (25.4percent of total EU-U.S. trade), Germany (17.3percent), France (10.8percent), Ireland (10.2percent) and the Netherlands (9.9percent) (Table 5). The major contributors to total absolute asymmetries were at the same time the United Kingdom (EUR 49.6 billion), Germany (EUR 19.1 billion), the Netherlands (EUR 18.5 billion) and France (EUR 14.0 billion).²³

Table 5: EU-U.S. trade in services, total transactions, by Member State, 2015 (EUR million; percentage)

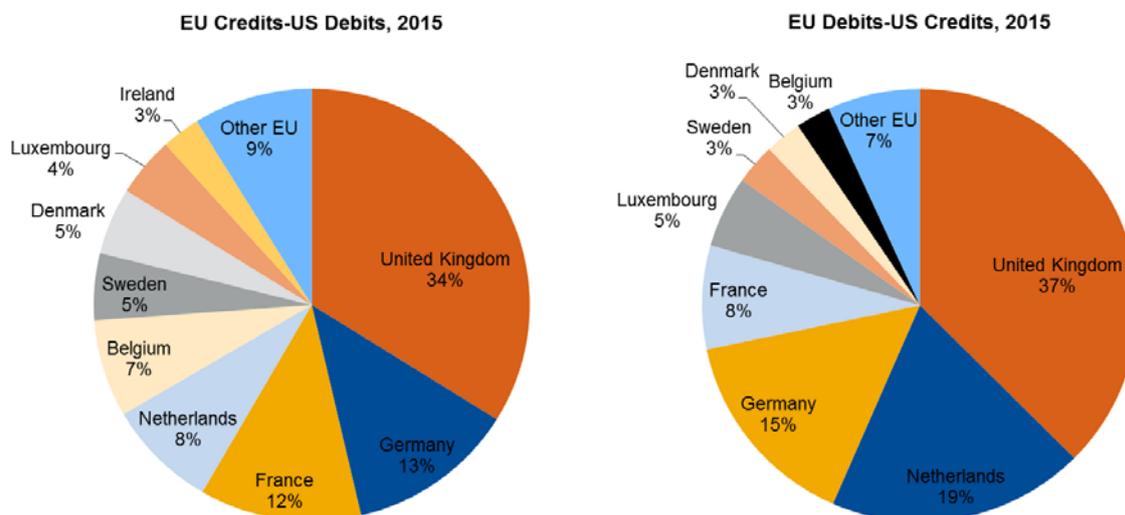
Services, total		
EU-28	429,560	100.0%
United Kingdom	109,235	25.4%
Germany	74,515	17.3%
France	46,479	10.8%
Ireland	43,849	10.2%
Netherlands	42,328	9.9%
Belgium	17,905	4.2%
Italy	15,798	3.7%
Luxembourg	14,302	3.3%
Sweden	14,208	3.3%
Spain	12,064	2.8%
Denmark	11,771	2.7%
Finland	4,005	0.9%
Greece	3,909	0.9%
Poland	3,890	0.9%
Austria	3,111	0.7%
Hungary	3,066	0.7%
Czech Republic	2,504	0.6%
Portugal	2,268	0.5%
Romania	1,657	0.4%
Bulgaria	557	0.1%
Cyprus	464	0.1%
Croatia	453	0.1%
Slovakia	353	0.1%
Estonia	302	0.1%
Slovenia	233	0.1%
Lithuania	178	0.0%
Malta	169	0.0%
Latvia	168	0.0%

Source: Eurostat – Total transactions sum of credit and debit flows.

²² Prior to October 2016, BEA published detailed annual trade in services statistics on a bilateral basis for only 8 EU countries (France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden, and the United Kingdom). In October 2016, BEA began publishing statistics for all 28 EU Member States as part of an expanded set of statistics on trade in services (for more information, see https://www.bea.gov/international/international_services_statistics_2016.htm). In the BEA time series, a small portion of transactions are recorded vis-à-vis European regional organizations. These transactions explain the differences between the sum of EU Member States and the EU aggregate. Although they contribute to bilateral asymmetries between the EU Member States and the United States, their impact appears negligible.

²³ Differences may occur due to the applied exchange rates.

Figure 2: Bilateral asymmetries in EU-U.S. services exports and imports, by EU Member State, 2015 (percentage of total asymmetries)



The **United Kingdom** (UK) is the largest contributor to bilateral asymmetries with the United States both in its services exports and imports (34 percent of total export asymmetries of EU Member States, 37percent of total import asymmetries of EU Member States) (Figure 2). While the UK registered EUR 73.1 billion in services exports to the United States in 2015, the United States recorded only an equivalent of EUR 47.7 billion in imports from the UK (Table 6). The difference of EUR 25.4 billion emphasizes either a systematic overestimation of UK exports to the United States by the UK compiler, or an underestimation of U.S. imports from the UK by BEA. In particular, the service components other business services and financial services are affected by this pattern and support our earlier findings when analyzing the service components. Due to the dynamic evolution of bilateral trade in services between the two countries (25 percent export growth in 2015, between 15 and 18 percent growth between 2010 and 2013) expanding effects on asymmetries can be assumed.

In 2015, the UK reported EUR 36.2 billion in services imports from the United States, while the United States recorded an equivalent of EUR 60.3 billion in services exports to the UK. This pattern was particularly driven by financial services, transport, travel, and CIP.

The UK reported financial services exports to the United States of EUR 16.8 billion and financial services imports from the United States of EUR 3.9 billion in 2015. Accordingly, the UK considers itself a net exporter of financial services to the United States with a surplus of EUR 12.9 billion. In the same year, the United States recorded EUR 12.9 billion in financial services exports to the UK and EUR 8.3 billion in financial services imports from the UK. Consequently, the United States considers itself a net exporter of financial services to the UK, with a surplus of EUR 4.6 billion.

Also in this case, the asymmetries can lead to difficulty in interpretation of the data reported by both compilers and raises concerns whether information asymmetries exist for services imports, or whether differences in partner country attribution exist, thus involving third countries as well.²⁴

²⁴ Asymmetry could also stem from differences in the way that the partner country is defined in each country's bilateral statistics. In BEA's statistics, the UK is defined to include England, Scotland, Wales, and Northern Ireland, as well as the UK Channel Islands (Jersey and Guernsey) and the Isle of Man. The UK excludes the Channel Islands and the Isle of Man from its balance of payments statistics. The impact of this difference in composition on asymmetries is likely to be small for most services, but could be a factor for financial services, given the status of the Channel Islands as offshore financial centers.

Table 6: Bilateral asymmetries in the UK-U.S. trade in services, by standard components, 2015 (EUR million)

	UK Credit	US Debit	Asymmetry
Services, total	73,067	47,671	25,396
Manufacturing services on physical inputs owned by others	218	na	na
Maintenance and repair services n.i.e.	162	2,257	-2,094
Transport	5,517	7,149	-1,633
Travel	5,267	6,870	-1,603
Construction	189	225	-36
Insurance and pension services	5,576	4,068	1,508
Financial services	16,787	8,288	8,498
Charges for the use of intellectual property n.i.e.	4,659	3,573	1,087
Telecommunications, computer, and information services	4,624	2,250	2,375
Other business services	28,413	12,255	16,157
Personal, cultural, and recreational services	1,563	na	na
Government goods and services n.i.e.	92	735	-643
Services not allocated	0	na	na
	UK Debit	US Credit	Asymmetry
Services, total	36,169	60,324	-24,156
Manufacturing services on physical inputs owned by others	44	na	na
Maintenance and repair services n.i.e.	123	2,433	-2,310
Transport	2,310	7,097	-4,787
Travel	7,172	11,645	-4,472
Construction	125	na	na
Insurance and pension services	201	2,436	-2,235
Financial services	3,908	12,926	-9,017
Charges for the use of intellectual property n.i.e.	4,107	8,333	-4,227
Telecommunications, computer, and information services	1,988	4,243	-2,255
Other business services	14,836	12,255	2,581
Personal, cultural, and recreational services	289	na	na
Government goods and services n.i.e.	1,065	190	874
Services not allocated	0	na	na

Source: Eurostat, BEA – Differences may occur due to applied exchange rates.

Germany is the next largest contributor to bilateral asymmetries with the United States. While Germany registered EUR 37.9 billion in services exports to the United States in 2015, the United States recorded only an equivalent of EUR 28.5 billion in imports from Germany. The difference of EUR 9.4 billion suggests an overestimation of German exports to the United States by the Germany compiler (the Bundesbank), or an underestimation of U.S. imports from Germany by BEA. In particular, the service components other business services and TCI services are primary contributors to the asymmetry.

Germany reported other business services exports to the United States of EUR 13.5 billion in 2015, and the United States recorded an equivalent of EUR 6.7 billion in imports. Similarly, for TCI services, Germany reported exports of EUR 4.9 billion while the United States reported only 0.8 billion in imports. At the same time, Germany reported only EUR 3.4 billion in exports related to CIP while the United States reported EUR 4.1 billion in imports related to CIP. Taken together, these asymmetries suggest that there could be some differences between the United States and Germany in the classification of service transactions related to computer services and computer software.

In 2015, Germany reported EUR 36.6 billion in services imports from the United States, while the United States recorded an equivalent of EUR 26.8 billion in services exports to Germany. The difference of EUR 9.8 billion suggests an overestimation of German imports from the United States or an underestimation of U.S. exports to Germany. This asymmetry was driven by transport services. Germany reported transport imports from the U.S. of EUR 7.1 billion while the United States reported transport exports of EUR 4.4 billion.

BEA and the German Bundesbank recently met to discuss bilateral asymmetries in services trade. Taking advantage of more detailed services data published by both countries, BEA and the Bundesbank were able to identify several subcomponents contributing to these asymmetries. Within TCI services, the asymmetry (German exports-U.S. imports) is concentrated in computer services. The asymmetry in transport (German imports-U.S. exports) exists for all components but is largest for air passenger transport. BEA and the Bundesbank plan to investigate these asymmetries further to understand whether the source of the asymmetries may be a difference in how services categories are defined on their respective survey forms, or a persistent misreporting of the partner country by survey respondents.

Table 7: Bilateral asymmetries in the German-U.S. trade in services, by standard components, 2015 (EUR million)

	DE Credit	US Debit	Asymmetry
Services, total	37,904	28,543	9,361
Manufacturing services on physical inputs owned by others	131	na	na
Maintenance and repair services n.i.e.	1,351	260	1,091
Transport	5,709	6,989	-1,280
Travel	2,243	2,703	-460
Construction	91	13	78
Insurance and pension services	2,323	2,167	156
Financial services	2,485	438	2,047
Charges for the use of intellectual property n.i.e.	3,384	4,070	-686
Telecommunications, computer, and information services	4,893	800	4,093
Other business services	13,502	6,659	6,843
Personal, cultural, and recreational services	390	na	na
Government goods and services n.i.e.	1,402	4,456	-3,054
Services not allocated	0	na	na
	DE Debit	US Credit	Asymmetry
Services, total	36,612	26,825	9,787
Manufacturing services on physical inputs owned by others	208	na	na
Maintenance and repair services n.i.e.	1,585	825	760
Transport	7,140	4,361	2,779
Travel	3,820	6,500	-2,680
Construction	31	52	-21
Insurance and pension services	2,450	211	2,239
Financial services	1,087	2,022	-935
Charges for the use of intellectual property n.i.e.	2,839	5,885	-3,046
Telecommunications, computer, and information services	4,653	1,214	3,439
Other business services	11,762	5,621	6,141
Personal, cultural, and recreational services	834	na	na
Government goods and services n.i.e.	203	186	17
Services not allocated	0	na	na

Source: Eurostat, BEA – Differences may occur due to applied exchange rates.

6. Conclusions and Recommendations for Next Steps

EU-U.S. bilateral asymmetries in services have shown an increasing trend in recent years, although at first glance with different patterns for services exports and imports. As we have shown, low asymmetry levels were the result of offsetting effects in the underlying components rather than real convergence of bilateral data. The bilateral asymmetries in EU exports-U.S. imports clearly show an increasing trend, fuelled not only by underlying market dynamics but by other more systemic factors. The analysis of services components also revealed different concepts applied to the United States data, where BEA deviates from the BPM6 standard due to practical reasons, which challenges direct comparability of services components between the United States and the EU Member States (“methodology-driven” asymmetries). Import transactions appear underestimated in both sets of statistics due to information asymmetries faced by the compilers or due to differences in partner

country allocations applied (e.g. as illustrated for financial services). Asymmetries for both exports and imports stem particularly from the BPM6 standard component other business services, which most prominently leads to EU export-U.S. import asymmetries, and demands further bilateral investigations, in particular on different measurement practices for research and development, professional and management consulting, and technical trade-related and other business services. All these components bear a high potential for diverging compilation practices when applied in a local context (available data sources, estimation practices, etc.).

As a result, the statistical products of both Eurostat and BEA risk sending conflicting messages to their respective user communities (e.g. both claiming to be net exporters in total services and in some components), casting doubt on the accuracy and comprehensiveness of data sources in both sets of statistics. This suggests a need for more coordination among compilers in order to understand the dynamics of these asymmetries. The UK has a prominent share in the bilateral asymmetries in both exports and imports with the United States, followed by Germany, the Netherlands, and France. At least among these 4 Member States and the United States, a higher degree of bilateral coordination and possibly reconciliation appears instrumental (with a particular attention to other business, financial and travel services). BEA plans to continue to engage with the statistical compilers of partner countries, including the Bundesbank, on this front.

References

Balance of Payments and International Investment Position Manual – 6th edition (BPM6), International Monetary Fund (IMF), Washington DC 2009

U.S. International Economic Accounts: Concepts and Methods, Bureau of Economic Analysis (BEA), United States, 2014

Appendix 1: Bilateral asymmetries in EU-US trade in services, by standard components, 2010-2015 (EUR million)

Credit	2010	2011	2012	2013	2014	2015
Services, total	28,299	37,322	50,406	59,589	63,866	65,958
Manufacturing services on physical inputs owned by others	na	na	na	na	na	na
Maintenance and repair services n.i.e.	-1,079	-709	-547	-84	163	-606
Transport	6,959	6,765	8,487	3,985	3,784	-65
Travel	-4,459	-4,559	-7,114	-4,577	-5,026	-9,087
Construction	-5	235	100	169	389	735
Insurance and pension services	-816	787	3,300	2,105	-2,584	955
Financial services	10,251	15,259	18,290	17,571	14,294	15,783
Charges for the use of intellectual property n.i.e.	786	970	1,906	3,413	7,866	7,360
Telecommunications, computer, and information services	4,889	7,517	10,779	11,496	14,038	15,547
Other business services	15,528	14,043	15,732	24,976	30,266	34,156
Personal, cultural, and recreational services	na	na	na	na	na	na
Government goods and services n.i.e.	-7,529	-6,993	-6,695	-5,728	-5,401	-5,468
Services not allocated	na	na	na	na	na	na
Debit	2010	2011	2012	2013	2014	2015
Services, total	10,438	10,277	8,099	10,830	22,404	3,438
Manufacturing services on physical inputs owned by others	na	na	na	na	na	na
Maintenance and repair services n.i.e.	-2,356	-1,962	-2,911	-1,112	-1,549	-2,338
Transport	4,111	4,314	3,594	3,067	2,842	1,205
Travel	-6,807	-6,367	-6,895	-7,930	-7,984	-15,729
Construction	-36	232	66	111	306	402
Insurance and pension services	2,662	660	-116	-432	1,672	1,623
Financial services	-8,522	-9,279	-8,003	-5,651	-7,315	-14,193
Charges for the use of intellectual property n.i.e.	-4,234	-8,416	-8,922	-8,585	-7,608	-11,703
Telecommunications, computer, and information services	2,461	2,743	2,395	3,422	3,411	3,980
Other business services	18,483	22,301	21,243	20,163	31,602	33,439
Personal, cultural, and recreational services	na	na	na	na	na	na
Government goods and services n.i.e.	1,098	817	1,285	1,125	1,186	645
Services not allocated	na	na	na	na	na	na

Source: Eurostat, BEA - Differences may occur due to applied exchange rates. Credit and debit flows are defined from the EU perspective.