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The External Side of Europe's Great Economic Transformation: International Trade in Services

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Brussels, 11 July 2024 - The European economy is undergoing a significant transformation driven by digitalisation. This shift is reshaping the EU's international trade profile, making it increasingly focused on digital services.

This is good news for the EU as the global service sector has become one of the most dynamic parts of the global economy. The ratio of trade in services to GDP in EU has increased from 6 percent in 2005 to 14 percent in 2021.

International trade in services boosts Europe's competitiveness and its digital transition. This is evident in the rising demand for EU services globally and the growing pool of potential foreign suppliers. EU's ICT sector exemplifies this trend. EU ICT service exports have consistently outpaced those of chemicals and machinery. At the same time, a doubling of foreign ICT services embedded within EU manufacturing exports could enhance the EU's overall competitiveness by as much as 15 percent.

"The service sector is a key driver of innovation, fostering new technologies that propel productivity and economic prosperity," says Oscar Guinea, Senior Economist at ECIPE and co-author of the study. ***"This sector is also becoming a major strength in Europe's international trade. Our analysis sheds light on the often-overlooked interaction between Europe's digital transition and its evolving trade profile."***

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