

DEFINITIVE

EUROPEAN COMMUNITIES

Study on International Trade in Services

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I

INTRODUCTION

## INTRODUCTION

International trade theory and policy have always been dominated by trade in goods. Economics textbooks use goods to illustrate the operation of their theories and the principal multilateral instrument of trade policy, the GATT, addresses itself almost exclusively to trade in goods. It is now time to ask whether this state of affairs still represents an adequate response to the present reality of the world economy.

Depending on the definitions adopted and the assumptions made about the far from reliable statistics in question, world trade in services would seem to have reached a level equivalent to about 25% of trade in goods. Although a certain number of international obligations exist for some particular service sectors and for certain groups of countries, this enormous volume of world trade is carried out very largely in an environment in which governments are free to establish constraints on trade as and when they see fit. In this situation it is hardly surprising that voices should be raised asking whether the establishment of a set of general multilateral rules designed to facilitate trade in services might not be appropriate.

Much attention is devoted by analysts to the changing pattern of trade surpluses and deficits and their impact on the world economy through exchange rate changes, their effects on protectionist tendencies and on structural adjustment. Yet this analysis is almost always conducted on the basis of goods trade balances rather than on the more relevant balance of trade in goods and services. Current work by the IMF and the OECD on estimating the major under-recording of world receipts from services exports will hopefully contribute to making statistics on this wider balance more reliable and allow them to become a useful operational tool of trade policy.

The structural adjustment of national economies which accompanies changing patterns of international trade has come to be seen as a key phenomenon in the functioning of the world economy. In this context, the major structural adjustment which took place in the past in industrial economies was undoubtedly the shift of productive resources from agriculture to the manufacturing sector and this has been reflected in the great growth of trade in manufactures.

But in the Community, as in other industrial economies, this change has long ago become overshadowed by the growth of the services sector. By 1981

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the share of the gross value added to the Community economy by manufacturing had shrunk to 25.5%, that of market services had risen to 42.8%. During the years between 1973 and 1981, the decrease in employment in the manufacturing sector of 4.1 million was largely compensated by an increase of 3.5 million employed in market services. The international implications of such a major structural change deserve more attention in trade policy fora.

It is commonly accepted that during the post-war period expanding international trade in goods has been an important motor of world economic growth. By analogy, it is certainly worth wondering whether efforts to stimulate services trade might not play a similar rôle in the relaunching of growth in the world economy in the years to come.

Taken together, these considerations form a powerful argument for an increased emphasis on services trade in multilateral trade policy fora such as the GATT. Certainly, the subject is difficult to study, the available data on it leave much to be desired, (not for nothing are services called "invisibles" and are correspondingly difficult to keep track of statistically), and many service sectors have a series of special characteristics of their own. But this is no longer sufficient justification for ignoring the issues involved.

If trade policy makers are to continue to influence the reality of international economic affairs, a knowledge of the workings of international trade in services will from now on be an essential element in their expertise. It is for this reason that the European Community and its Member States have been engaged in far-reaching studies in this field. It is our hope that they will contribute to a reassessment by all countries of the rôle which services should play in trade policy discussions in the future.

The study presented here is the first attempt by the Community to come to grips with some of the problems posed by the need to understand the international service economy and the way it interacts with domestic service economies. In Section II it presents an analysis of the rôle of services activities in the Community economy and of their development over the last decade. Section III addresses itself to the structure and development of the Community's external services transactions. Section IV provides a summary of existing Community legislation in the services field: it should, of course, be read in conjunction with similar summaries of the legislation of the Community's individual Member States.

The main conclusion which the Community would wish to draw from its work on this study is that knowledge of the workings of the international service economy is still insufficient. Considerable further multilateral

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work will be necessary to elucidate the current and potential rôle of services in the world economy, to examine and to compare the existing regulation of certain service sectors and its justification in different countries, and to draw conclusions as to the appropriate international policy reaction.

II

THE ROLE OF SERVICE ACTIVITIES  
IN THE COMMUNITY ECONOMY

THE ROLE OF SERVICE ACTIVITIES IN THE COMMUNITY ECONOMY

1. General

This chapter examines the role of service activities in the Community economy, and how their importance has changed over the past decade.

In particular it provides an assessment of

- the development of the growth of output and labour productivity in the service branches;
- changes in employment by branch;
- the contribution of services to gross fixed investment;
- the rates of price and cost inflation observed in the service activities.

In the text attention is focussed on data for the branch groupings market services and non-market services (largely public administration) for the Community as a whole. However to enable appropriate comparisons to be made, data are also provided for the branches manufactured products, construction, and for the total of the Community economy.

Definitions of the terms and symbols used in the tables are given in the Annex.

2. Output and productivity

Table A, which sets down data for the contribution of gross value added, by branch, to the total for the Community economy, for 1973 and 1981, illustrates the changes in the pattern of output that have occurred.

Table A: Percentage contribution of selected branches to total gross value added 1973 and 1981

Based on data at current prices %

	EC 9 (1)	
	1973	1981
Market services	39.5	42.8
Non-market services	12.6	14.8
Building and construction	7.8	6.8
Manufactured products	29.9	25.5
Total gross value added (TGVA)	100.0	100.0

(1) For a definition of the symbols used in this and subsequent tables see Annex and in particular "Key to symbols used". In table A EC9 is the grouping B+DK+D+GR+F+I+L+NL+UK.

Both market and non-market service branches increased their contribution to total gross value added (TGVA) between 1973 and 1981, offsetting the fall registered by manufactured products and construction goods.

The change in the contributions of each branch to total gross value added is also reflected in the growth rates of gross value added at constant 1975 prices by branch. These are set out in detail in table B.

Table B: Rates of growth of gross value added for selected branches and for total gross value added (TGVA)

Based on data for gross value added measured at constant 1975 prices:  
Annual average growth rates over 5 year period %

	EC 7 (1)	
	5 years to 1973	5 years to 1981
Market services	5.2	3.3
Non-market services	3.1	4.9
Building and construction	2.4	- 0.7
Manufactured products	5.6	1.1
Total gross value added (TGVA)	4.7	2.1

(1) In this case EC 7 is the grouping B+DK+D+F+I+NL+UK

In the five year period to 1973 the growth rates for both manufactured products and market services were greater than that for TVGA, with the growth rates for non-market services and construction markedly less.

In contrast, in the 5 years to 1981, a marked change in the pattern of growth occurred, and the growth rate of the manufactured products branch fell significantly below that of the total economy, whereas that for market services remained 1.2% greater.

This development is further illustrated by the difference between the growth rates for the branches manufactured products and market services, which fell from plus 0.4% in the 5 years to 1973, to minus 2.2% in the 5 years to 1981.

As the change to a more rapid rate of growth of output for market services as compared to manufacturing activities, has taken place, so the growth of labour productivity in services has caught up with that recorded in the branch manufactured products. Growth rates of labour productivity are set down in table C.

Table C: Growth rates of labour productivity

Based on data for gross value added at 1975 market prices per employed person: Annual average growth rates over 5 year period %

	EC 7 (1)	
	5 years to 1973	5 years to 1981
Market services	3.5	2.0
Non-market services (2)	0.7	0.7
Building and construction	2.6	- 0.2
Manufactured products	5.2	2.7
Total economy	4.2	2.1

(1) EC 7 equals B+DK+D+F+I+NL+UK

(2) Growth rates of labour productivity for non-market services (largely public administration) must be interpreted with caution since, following national accounts conventions, the output of this branch is measured as the weighted sum of inputs (largely labour).

In the period to 1973 labour productivity growth in the manufactured products branch was markedly greater (by some 1.7 percentage points) than in market services and indeed than for the European economy as a whole. However, the gap narrowed markedly to 0.7 percentage points in the 5 years to 1981, with labour productivity growth in services close to that for the economy as a whole.

### 3. Employment

In 1981 the shares of total employment provided by the various sectors dealt with in this paper were 38% for market services, 19% for non-market services, 8% for building and construction, and 26% for manufactured products. The absolute figures are compared with those for 1973 in the following table.

Table D: Total employment in selected branches, 1973 and 1981

thousands

	EC-8 (1)		
	Level of total employment 1973	Change in total employment 1973-1981	Level of total employment 1981
Market services	35376	3452	38828
Non-market services	17677	2373	20050
Building and construction	9061	- 934	8127
Manufactured products	31053	- 4106	26947
Total	103827	- 996	102831

1) EC-8 is the grouping B+DK+D+F+I+L+NL+UK

The data indicate that in the Community as a whole, employment in the manufactured products branch has decline markedly since 1973, as has employment in the construction sector (and indeed in agriculture).

Over the same period there has been a strong increase in employment both in market and in non-market services, although the latter is to a large extent a reflection of public sector employment policy, for which the trend has since been reversed.

The overall result of sectoral changes over the period was a total decrease in employment of 1 million. As a result of a considerable increase in the labour force, this was, however, accompanied by a much greater growth of unemployment, which reached 8,8 m in 1981.

The increase in employment in the market services branch was of an order of magnitude comparable with the loss in manufacturing (+3.4 million as opposed to -4.0 million).

Within market services, the strongest growth was shown in the residual category "other market services", which accounted for perhaps two-thirds of the total increase. This category includes many business services such as legal, accountancy, consultancy services, etc. but also a number of personal services. Considerable gains were also realised in the distribution (branch 56), financial services (branch 69A) and lodging and catering (branch 59) sectors. No major trend in employment in the transport sectors was recorded.(1)

The adverse economic situation of the Community in 1982 which led to considerable further overall losses of employment, also affected the service sector as a whole, in which employment rose by only 0.5%.

The service sector differs from manufacturing in employing a large proportion of women. In 1981 whilst women's share in total employment in the Community was some 36%, they accounted for 46% of employment in services as a whole.

The growth in employment in market services would appear to have been fuelled by increased demand for both certain consumer services and business services. The latter may also reflect the increasing complexity of business service functions which leads some firms to resort to specialised service companies rather than continue with in-house production of the same service.

#### 4. Gross fixed investment

There is evidence to suggest that the changes in the patterns of growth of output and productivity, noted above, have been associated with a change in the structure of gross fixed investment. However, the developments observed for services referred to the year 1981, or to periods up to 1981 and, to the extent that they were the result of improvements in supply conditions in the services branches, or the embodiment of technical changes in new capital goods, they are likely to be reflected in patterns of investment at an earlier stage. Given these considerations, table E sets down the distribution of gross fixed investment, by branch, in 1971 and in 1979.

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(1) It should be noted that the data for employment by branch could well be influenced in certain countries by the recent growth of temporary employment agencies, who are classified under "other market services". To the extent that temporary employees are channelled into manufacturing industry this may even lead to some overemphasis of the switch from manufacturing to market services.



From the table it will be seen that the share of market services in total gross fixed investment increased between these two years, more than offsetting the reduction in the share of the branch manufactured products. In addition the share of both the construction goods and the non-market services branches also fell.

Table E: The share of selected branches in total gross fixed investment  
1971 and 1979

Based on current price data %

	EC 8 (1)	
	1971	1979
Market services	51.0	55.8
Non-market services	15.2	13.4
Building and construction	2.2	2.0
Manufactured products	20.3	16.9
Total economy	100.0	100.0

(1) EC 8 equals B+D+F+IRL+I+L+NL+UK

These changes in shares, although based on current price data, are associated with a shift in the pattern of real investment growth, towards the service branches, as shown in Table F below.

Thus in the five years to 1971 the growth rate of gross investment undertaken by manufacturing activities was in excess of that in the market services branches (to the extent of 1.2 percentage points) and well in excess of that for the economy as a whole (by 1.6 percentage points).

In contrast, in the five years to 1979, the growth rate of gross investment in the market services branch was some 2.6 percentage points ahead of the growth rate registered in the manufactured products branch, and significantly ahead of that for the economy as a whole.

Table F: Rates of growth of gross fixed investment for selected branches and for the total economy

Based on data at constant 1975 prices: Annual average growth over 5 years period %

	EC 6 (1)	
	5 years to 1971	5 years to 1979
Market services	5.4	1.9
Non-market services	4.7	- 1.1
Building and construction	6.6	3.7
Manufactured products	6.6	- 0.7
Total economy	5.0	1.1

(1) EC 6 equals B+D+F+I+NL+UK

Given cyclical movements in the European economy, it can be argued that the comparison of growth rates, based upon annual averages for the two periods to 1971 and 1979, will not necessarily provide a satisfactory guide to the underlying trends of investment. However growth rates based upon moving averages of annual data point to a similar change in the structure of investment. There is also evidence to suggest that these trends have continued in more recent years.

The change in the structure of investment noted above is also likely to reflect the growth of investment for purposes of leasing. Thus, largely because of fiscal arrangements in some Member States, a proportion of new investment contributing to the output of manufacturing industry has been leased from a particular branch of services. However, for the Community as a whole, this development is unlikely to alter the main conclusions set out above.

##### 5. Price and cost movements

The rate of inflation associated with a particular branch is given by the implicit price index of value added, obtained by dividing gross value added at current prices by gross value added at constant 1975 prices. Such implicit price indexes reflect movements in average wages and salaries per head as well as movements in the gross rate of profit. (1) They are set down in table G below, expressed in the form of average annual percentage changes, for the periods 1970 to 1975 and 1975 to 1980.

(1) Defined here as the gross operating surplus per unit of capital employed.

For both periods the rate of inflation recorded in the market services branches has been markedly above that for manufacturing activities.(1) Indeed the rates of inflation generated in the market and non-market services have remained close to or above the rates recorded for the economy as a whole, whereas inflation in the branch manufactured products has remained below the average for the economy. This points to the price elasticity of demand for services being somewhat low, whereas the income elasticity of demand is widely believed to be high. This could also possibly account for the high rate of inflation observed in the branch construction goods.

Table G: Implicit price indexes for value added

Average annual change in prices over 5 year period %

	EC 7 (1)	
	1970 to 75	1975 to 80
Market services	9.9	8.7
Non-market services	13.3	10.3
Building and construction	11.2	11.1
Manufactured products	8.2	7.9
Total gross value added (TGVA)	9.7	8.9

(1) EC 7 is the grouping B+DK+D+F+I+NL+UK

The higher rate of inflation observed in the branch market services, compared to manufactured goods, does not appear to reflect a higher rate of growth of earnings. Indeed the rate of growth of earnings/head (measured as compensation of employees/head) observed in the manufacturing branch, has remained similar to that observed in market services. Thus:

(1) Changes in the quality of output should, in principle, be reflected in the movements of gross value added at constant prices. The price movements in Table G should not, therefore, reflect quality changes.

Table H: Growth rates of compensation of employees/head

Annual average growth rates over 5 year period %

	EC 7 (1)	
	1970 to 75	1975 to 80
Market services	14.2	11.8
Non-market services	13.6	11.3
Building and construction	14.3	10.2
Manufactured products	14.3	11.8
Total gross value added (TGVA)	14.6	11.7

(1) B+DK+D+F+I+NL+UK

In both the manufacturing and the market services sectors the growth of total value added/employee has lagged behind the growth of earnings/employee, which, ceteris paribus, would tend to indicate a squeeze on profit margins. Table I illustrates this effect for the past decade and shows that the growth of earnings/employee has exceeded the growth of total value added/employee by the same percentage in both sectors. Since, however, earnings represent a smaller proportion of total value added for market services than for manufacturing (51% as compared to 70% in 1980), the overall adverse effect on profits due to this effect may be considered to have been less for the market services sector.<sup>(1)</sup> This suggests that the swing in direct investment towards the market services sector may reflect a corresponding differential in profit opportunities.

(1) In accordance with national accounts conventions the earnings of the self-employed, which include both an earnings and a profit component, do not form part of the figures for compensation of employees but are included in gross operating surplus. In the Community economy the self-employed form a greater proportion of total employment in market services than in manufacturing activities.

Table I: Per capita growth rates of gross value added and compensation of employees

Average annual growth rates 1970 to 1980 - %

	EC 8 (1)	
	Compensation of employees per employee	Gross value added per employee
Market services	12.5	11.3
Non-market services	12.4	12.2
Building and construction	12.5	12.5
Manufactured products	13.1	11.9
Total gross value added	12.7	11.9

(1) EC 8 is the grouping B+DK+D+F+I+L+NL+UK

## 6. Conclusions

The main points arising from the discussion above are as follows:

- between 1973 and 1981 the share of market services in total gross value added increased by an amount that broadly counter-balanced the fall in the contribution of manufacturing activities;
- there has been a change in the pattern of output growth with, in more recent years, the output of market services growing significantly faster than manufacturing activities. Indeed as a rule, since the mid nineteen seventies, market services have been growing faster than the economy as a whole, and manufacturing activities have been growing more slowly;
- labour productivity growth in market services has been catching up with labour productivity growth in manufacturing;
- the market services sector has been the main source of new employment opportunities in the Community within the last decade, although this growth has recently fallen off. Although employment in non-market services has also grown fast, this trend appears now to have been reversed;
- there is evidence of a shift in the structure of investment towards services; (1)
- the impact of increasing real costs of labour on profits having been greater in manufacturing than in the market services sector, suggests that the shift in investment structure is likely to have been associated with an increase in the relative profitability of market services.

(1) Although to a limited extent this shift may be exaggerated as a result of the statistical treatment of leasing activities.

ANNEX

Some notes on the statistics used

Key to the symbols used in the tables

The tables provide data for the market services and non-market services activity branches distinguished by the NACE-CLIO nomenclature, on the R-25 disaggregation. In addition comparable data are given for the branches, manufactured products, building and construction and for the whole economy. The corresponding numbers of the NACE-CLIO R-25 classification are as follows:

- 68 Market services, which equals the sum of:
  - 56 Recovery and repair services, wholesale and retail trade services
  - 59 Lodging and catering services
  - 61 Inland transport services
  - 63 Maritime and air transport services
  - 65 Auxiliary transport services
  - 67 Communication services
  - 69A Services of credit and insurance institutions
  - 74 Other market services
- 86 Non-market services
- 53 Building and Construction
- 30 Manufactured products

The line referred to as "total" refers to the total of all branches (and not just to the total of those given in the tables) that is to the whole economy of the Community.

More detailed definitions of the activities included in the various services branches are given below.

The following abbreviations are used to indicate the member countries of the Community:

- |              |                |                         |
|--------------|----------------|-------------------------|
| B : Belgium  | F : France     | NL : The Netherlands    |
| DK : Denmark | IRL : Ireland  | UK : The United Kingdom |
| D : Germany  | I : Italy      |                         |
| GR : Greece  | L : Luxembourg |                         |

Additional points

The figures given in the tables are for the most comprehensive aggregates for the Community that can be constructed, given the variable or variables under consideration. The proportions of total Community GDP, in 1981, accounted for by these various aggregates, are as follows:

EC 9	B+DK+D+GR+F+I+L+NL+UK	(Table A)	99.3%
EC 8	B+D+F+IRL+I+L+NL+UK	(Table E)	96.1%
EC 8	as B+DK+D+F+I+L+NL+UK	(Table D+I)	97.8%
EC 7	B+DK+D+F+I+NL+UK	(Tables B,C,G, and H)	97.7%
EC 6	B+D+F+I+NL+UK	(Table F)	95.3%

\* (Calculations based on data expressed in European units of account)

The data given in all the tables have been drawn up according to the European System of Accounts (ESA).

The data are drawn from the structural data base developed by the Statistical Office of the European Communities (EUROSTAT) which itself receives the basic data from the statistical offices of Member States. The calculations reflect the contents of the data base in February 1984 and so do not take account of subsequent revisions.

Activities included in the various service branches

NACE-CLIO R-25	NACE-CLIO Groups	Description
		<u>Market services</u>
		Recovery and repair services
	( 620	Scrap metals, waste paper, rags, salvage, other products from recovery and demolition
	( 671	Repair of motor vehicles and bicycles
56	( 672	Repair of footwear and leather articles, electrical household goods, watches and clocks, jewellery
	(	
	(	Wholesale and retail trade
	( 610	Wholesale trade
	( 630	Services of commercial intermediaries
	( 640	Retail trade
59	660	Lodging and catering services
61		Inland transport services
	710	Railway transport services and associated services
	721	Local transport services, including underground, railways, tramways and regular bus services
	722	Long distance road transport services for passengers
	723	Long distance road transport services for merchandise
	724	Services of transport by pipelines
	725	Land-borne transport services n.e.c. (funicular railways, cable cars, chairlifts)
	730	Inland waterways services
63		Maritime and air transport services
	741	Maritime transport services
	742	Coastal transport services
	750	Airtransport services
65		Auxiliary transport services
	761	Services associated with land transport other than railways
	762	Services associated with inland waterways
	763	Services associated with maritime and coastal transport
	764	Services associated with air transport
	771	Services of travel agencies
	772	Services of transport intermediaries
	773	Warehouse and storage services
67	790	Communication services
69		Services of credit and insurance institutions
	811	Services of central banking authorities
	812	Services of other monetary institutions
	813	Services of other credit institutions
	820	Services of insurance



NACE-CLIO R-25	NACE-CLIO Groups	Description
	(	Business services provided to enterprises
	( 830	Services of financial and insurance auxiliaries,
	(	real estate, services of lawyers, accountants, tax
	(	advisers, management consultants, publicity services,
	(	computer and data processing services
	( 840	Services of renting of movable goods without
	(	accompanying personnel
	(	
	( 850	Services of renting of immovable goods
	(	
	(	Market services of education and research
	( 93C	Market services of education
	( 94C	Market services of research and development
	(	
74	( 95C	Market services of health
	(	
	(	Recreational and cultural services, personal services,
	(	other market services n.e.c.
	( 92C	Market services of refuse disposal, sanitation and
	(	cleaning
	( 96C	Market services of hostels, professional, economic
	(	and employers associations
	( 97C	Market recreational and cultural services
	( 981	Laundries, dry cleaners and similar services
	( 982	Hairdressing and beauty salons services
	( 983	Photographic studios services
	( 984	Other personal services n.e.c. (funeral services,
	(	matrimonial agencies, fortune telling, etc.)
	(	
	(	<u>Non-market services</u>
	(	General public services
	( 91	General public services of national defence, of
	(	compulsory social security
	( 92A	Non-market services of refuse disposal, sanitation,
	(	cemeteries, provided by general government
	( 96A	Non-market services of social welfare, hostels,
	(	tourist offices, employers and professional associa-
86	(	tions, economic organizations provided by general
	(	government
	( 97A	Non-market services of recreational and cultural
	(	activities provided by general government (enter-
	(	tainments, sports grounds and clubs, libraries,
	(	public archives, museums, botanical and zoological
	(	gardens)
	(	
	(	Non-market services of education and research provided
	(	by general government and private non-profit institutions
	(	
	( 93A,B	Non-market services of education provided by general
	(	government and private non-profit institutions
	(	

NACE-CLIO R-25	NACE-CLIO Groups	Description
86	94A,B	Non-market services of research and development provided by general government and private non-profit institutions
	95A,B	Non-market services of health provided by general government and private non-profit institutions
	96B	Domestic services and other non-market services n.e.c. Non-market services of social welfare, hostels, tourist offices, trade unions, employers associations, religious organizations and learned societies, political parties, consumers and civic organizations, etc. provided by private non-profit institutions
	97B	Non-market services of recreational and cultural activities (entertainments, sports grounds and clubs, libraries, public archives, museums) provided by private non-profit institutions
	99	Domestic services

III

THE COMMUNITY'S EXTERNAL TRADE IN SERVICES

EUROPEAN COMMUNITY STATISTICS ON INTERNATIONAL TRADE IN SERVICES

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Annex 1: Balance of payments tables

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Annex 2: Intra Community Flows - The Current Account

Annex 3: Definitions according to the IMF Balance of payments Manual

## EUROPEAN COMMUNITY STATISTICS ON INTERNATIONAL TRADE IN SERVICES

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### 1. Introduction

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This document gives information on international trade in services for the Community as a whole (EUR 10 or EUR 9 totals) taken from a geographical breakdown of annual balance of payments data for the years 1972, 1975 and 1979-1982.

Data are presented according to a scheme derived from that recommended in the fourth edition of the International Monetary Fund's Balance of Payments manual. Additional detailed items have been collected on an ad hoc basis. Data contained in the present document have been provided by the national authorities according to a standardized questionnaire.

The services data are derived from those which the authorities in the various countries establish for their own balance of payments according to definitions and methods which are not always completely standardized. In order to fill gaps in the data available for certain member states, some rough estimates have been made by EUROSTAT to allow the estimation of data for the Community as a whole. Despite the efforts made to harmonize or to estimate the data, considerable reservations have to be expressed concerning the quality of the information provided. THIS DOCUMENT IS MEANT TO GIVE AN OVERALL PICTURE OF THE EXTERNAL SERVICES SECTOR FOR THE COMMUNITY. TOO DETAILED ANALYSIS BASED ON THE DATA PROVIDED COULD BE MISLEADING.

One particular problem has come to light in distinguishing between intra- and extra- Community trade. The totals of transactions that the European Community countries carry out among themselves should present identical values for receipts and expenditure. Consequently, all the balances of the Intra-Community balance of payments items should total zero.

In practice, the data in the Intra-Community balance regularly deviate from the figures that would correspond to this principle. The question, therefore, arises to what extent these balances represent figures which should be imputed to extra Community trade. EUROSTAT is carrying out studies on these asymmetries which could result in adjusting the data. The asymmetries are described in annex 1. Due to the complexity of the work to be done, results will only be available later on.

Differences may occur between similar data published in other EUROSTAT publications and those in this document due to revisions included in the ad hoc procedure not being carried out as revisions in the complete geographical breakdown data base. Data are expressed in millions of European Currency Units (ECU). Data for the United States as partner country may be overestimated, because countries may tend to allocate some of their international transactions in US-\$ to the United States.

International trade in services has been defined as the total of services transactions excluding "Investment Income" and "Government Services not included elsewhere". Chapter 2 analyses the total of international trade in services as well as each services item in detail. Chapter 3 deals with "Investment Income" and "Government Services n.i.e.", which are provided for reference.

2. International trade in services of the Community with  
the rest of the world

2.1. Total

This chapter aims to give a first overview of the European Community's situation in international trade in services. The role of the Community concerning the overall exchange in services is described here, whereas the next chapter (2.2.) analyses each services item in detail. Only the transactions of the Community with the rest of the world are considered.

The aggregate "International Trade in Services" has been derived from the EUROSTAT standard balance of payments scheme as a sum of the following items:

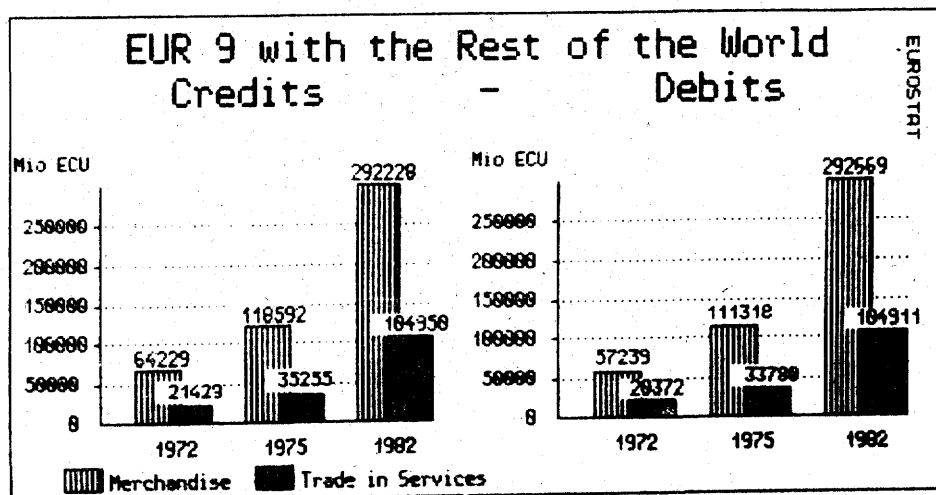
- Transport
- Insurance on Transport
- Travel
- Labor income
- Other services
  - consisting of:
    - Property Income
    - Banking
    - Non-merchandise Insurance
    - Construction/Engineering
    - Films/Broadcasting
    - Other

These items are generally regarded as "market" services items, that is, items, the exchange of which is subject to normal market forces. Not included are "Investment Income" and "Government Services n.i.e.". The latter for example comprises expenditures for embassies and military forces abroad, the purchases of which are not determined by normal market conditions. Investment income on the other hand includes income from direct and portfolio investment. Direct investment income reflects the gains from the setting up of a firm abroad, which under certain conditions could be of interest in the context of international services trade. Portfolio investments are made for purely financial reasons and do not have links to services trade. As a clear distinction between the two is not possible within the EUROSTAT scheme at present, the item comprising both has been excluded from the services aggregate analysed.

From 1972 to 1982 the credit and debit flows on "International Trade in Services" between the European Community (EUR 9) and the rest of the world have increased considerably. Services exports



increased from 21.4 to 104.9 billion ECU, while the imports increased from 20.4 to 104.9 billion ECU. Services exports and imports reached about 36% of the respective merchandise figures (34% in 1975, 30% in 1972). The percentage of services exports plus imports of the gross domestic product of EUR 9 increased from 5.5% in 1972 to 6.2% in 1975 to a level of 8.8% in 1982.



Services transactions of the European Community with the rest of the world showed a rough balance between exports and imports over the period: +1 billion ECU in 1972 (equal to 4.9% of the credits), +1.5 billion ECU in 1975 (4% of the credits) and a zero balance in 1982. That this 1982 balance was probably unusually low is demonstrated by the average figures for the period 1979 - 1982 (for EUR 10) which show a surplus. The geographical breakdown of this surplus is given in the following table.

		INTERNATIONAL TRADE IN SERVICES (1979-1982) average						Mio ECU		
EUR - 10 with:		U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries allocated	Un-	Extra EUR 10	
+		24260	3239	1722	2076	18151	36457	5229	91134	
-		21773	1783	1377	1157	24118	34555	3771	88534	
=		2487	1456	345	919	-5967	1902	1458	2600	

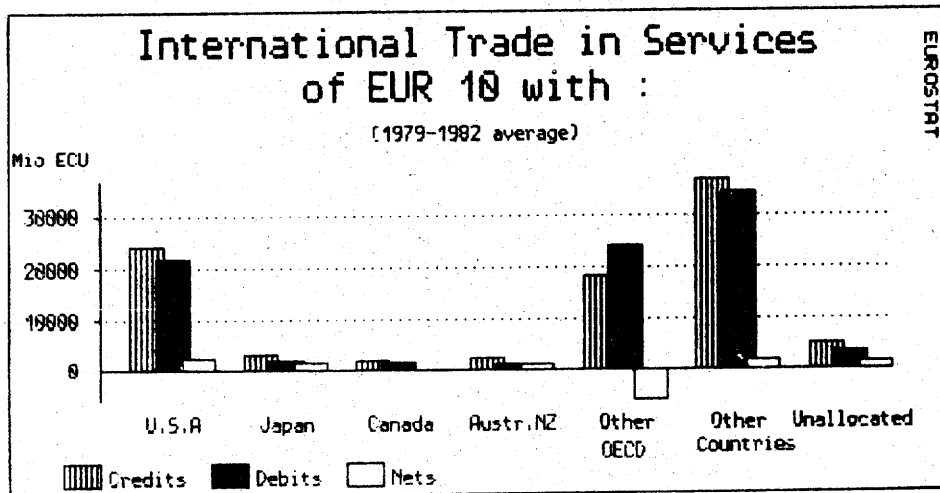
From 1979 to 1982 the average flows of services between EUR 10 and the rest of the world have amounted to 91.1 billion ECU for the credits and to 88.5 billion ECU for the debits. The balance was 2.6 billion ECU equal to 2.8 % of the credit flows. The average asymmetry on intra EC trade, however, amounted to 4.4

billion ECU equal to 3.8 % of the overall intra credit flows. EUROSTAT is now investigating, whether the asymmetry can be explained by geographical misallocation (i.e. by countries overestimating the proportion of their receipts coming from other EC countries, or underestimating the proportion of their payments going to other EC countries.)

The geographical breakdown of the "Rest of the World" shows that about 55% of the EUR 10 services transactions with other countries are transactions with other OECD countries. Among these, the United States is the most important partner. Its share in the Community's services exports and imports reaches 30% and 25% respectively.

In 1982, the Community (EUR 10) recorded a deficit of 1.7 billion ECU in trade in services with the rest of the OECD countries. This deficit however, comprises on the one hand a surplus towards the United States of 2.0 billion ECU and on the other hand a deficit of 3.7 billion ECU with the other OECD countries.

The most important items within the services transactions are: "Transport" with about 31% of the overall credit and debit flows, "Travel" (about 15%) and "Other Services" with about 46% of the aggregate flows. If the net flows are considered, it is apparent that the item "Other Services" shows the largest surplus, which is overcompensated by the even larger deficit on the "Travel" item.



2.2. Individual services items

2.2.1. TRANSPORT

The item "Transport" is subdivided by :

- sea transport - freight
  - passenger services
- air transport - freight
  - passenger services
- other transport

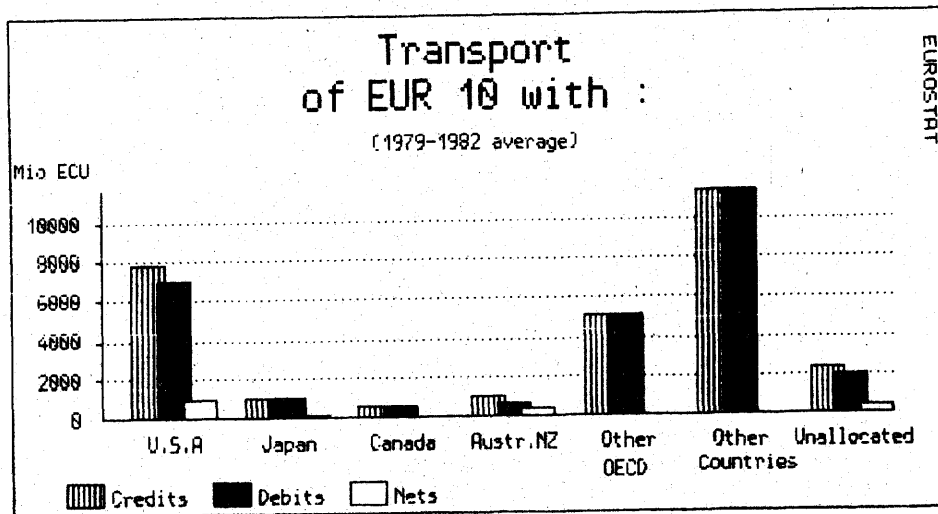
The item "Transport" covers freighting and other distribution services relating to merchandise, as well as services of the same type performed for most other goods. The other category of services included under the heading "Transport" includes services performed by carriers, principally under the heading "Travel", together with goods and services acquired by carriers and consumed in their operations. The main flows recorded under this heading for the period 1979 - 1982 were as follows.

EUR - 10 with:	TRANSPORT (1979-1982) average					Mio ECU		Extra EUR 10
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	
+	7735	1070	599	1026	4939	11291	2342	29002
-	6850	986	612	712	4979	11254	1993	27386
=	885	84	-13	314	-40	37	349	1616

The item as an aggregate has been reported by all Member States. The percentage error of the intra EC flows varies between 2% and 6% (annex: table A). The extra EUR 10 flows show a surplus, the largest of which was recorded in 1980 with 2.5 billion ECU, the smallest in 1981 with 0.9 billion ECU.

The geographical breakdown of the "Rest of the World" shows that about 25% of the Community's transport with other countries is performed for or by the United States. The OECD as a whole accounts for 45-50% of the Community's credits and debits on transport.

The data on additional details on transport should be interpreted with the reservation that some countries did not give a complete breakdown of the additional items. Estimations were made by EUROSTAT to calculate the EUR 10 data.



Sea Transport

These items are equivalent to the NACE-CLIO groups 741 and 742 that include units exclusively or primarily engaged in the transportation of passengers and goods in sea-going and coastal vessels. Also to be classified under this heading are units exclusively or primarily engaged in the operation of sea-going tugs.

Sea Transport - Freight

The definition of this item corresponds to the IMF Balance of Payments Manual, fourth edition, paragraph 261. (See annex 3.)

EUR - 10 with:	SEA TRANSPORT-FREIGHT (1979-1982) average							Extra EUR 10
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	
+	3624	448	169	642	1425	4393	1069	11770
-	3342	427	277	184	1892	4990	1048	12160
=	282	21	-108	458	-467	-597	21	-390

Only in 1980, did the EC show a surplus towards the rest of the world. The EC showed a deficit in 1979 (-417 mio. ECU) which rose

to 866 mio. ECU in 1981 and decreased again in 1982.

The credit and debit figures for sea freight represent about 35% of the aggregate transport figures.

Sea Transport - Passenger Services

The definition of this item corresponds to the IMF Balance of Payments Manual, fourth edition, paragraph 265. (See annex 3.)

EUR - 10 with:		SEA TRANSPORT-PASSENGER SERVICES (1979-1982) average					Mio ECU	
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	254	14	20	77	73	101	180	719
-	28	6	1	0	95	38	135	303
=	226	8	19	77	-22	63	45	416

On this item the surplus of the EC with the rest of the world has been growing steadily from 385 mio. ECU in 1979 to 473 mio. ECU in 1982.

Air Transport

These items are equivalent to the NACE-CLIO group 750 that includes units exclusively or primarily engaged in the transport of passengers and goods by air on scheduled or chartered services. Also to be classified under this heading are helicopter and air taxi services, local pleasure flight operators etc. Also to be included are town offices of airline companies. Not included, however, are units exclusively or primarily engaged in aerial advertising aerial spraying or aerial photography and not transporting passengers or goods.

Air Transport - Freight

The definition of this item corresponds to the IMF Balance of Payments Manual, fourth edition, paragraph 261. (See annex 3.)

The EC again shows a surplus towards the rest of the world, which after a small decrease from 500 mio. ECU to 469 mio. ECU in the first 2 years rose to 607 mio. ECU in 1982. The transactions with

the OECD countries cover about 45% of the credit and debit figures.

EUR - 10 with:	AIR TRANSPORT-FREIGHT (1979-1982) average							Mio ECU
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	419	82	42	23	145	652	177	1540
-	302	29	27	17	106	424	112	1017
=	117	53	15	6	39	228	65	523

#### Air Transport - Passenger Services

The definition of this item corresponds to the IMF Balance of Payments Manual, fourth edition, paragraph 265. (See annex 3.)

EUR - 10 with:	AIR TRANSPORT-PASSENGER SERVICES (1979-1982) average							Mio ECU
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	1200	265	162	110	622	2507	289	5155
-	999	129	140	96	605	1795	78	3842
=	201	136	22	14	17	712	211	1313

The EC surplus with the rest of the world grew from 924 mio. ECU in 1979 to 1677 mio. ECU in 1982 with a decrease in the year 1981.

#### Other Transport

"Other Transport" is a residual item that includes other shipment services (IMF: Balance of Payments Manual, fourth edition, paragraph 265), port services etc. (BPM, paragraph 270 to 277). (See annex 3.)

This item includes not only known services (port services, airport services, etc.) but also transactions which cannot be

classified in the other transport items. The credit and debit figures for this item make up about 30% of the aggregate transport figures.

The balance on this item has steadily declined. From a small surplus of 62 mio. ECU in 1979 it turned to a deficit in 1980 which grew to a level of -574 mio. ECU in 1982.

EUR - 10 with:	OTHER TRANSPORT (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	2238	261	206	174	2674	3638	627	9818
-	2179	395	167	415	2281	4007	620	10064
=	59	-134	39	-241	393	-369	7	-246

#### 2.2.2. INSURANCE ON TRANSPORT

This item means the insurance of movable property whilst it is in transit.

"Insurance on Transport" was not reported separately by the United Kingdom and Ireland. For the UK the figures on this item are included in the item "Non-merchandise insurance" (see below). Thus, if the overall sum of the two insurance items for EUR 10 is analysed the net situation might differ. The figures given represent the other eight Community countries.

EUR - 10 with:	INSURANCE ON TRANSPORT (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	310	22	17	5	129	225	53	761
-	350	47	28	8	226	244	69	972
=	-40	-25	-11	-3	-97	-19	-16	-211

A permanent deficit towards the rest of the world is apparent which varies between 158 mio. ECU in 1979 and 236 mio. ECU in

1980.

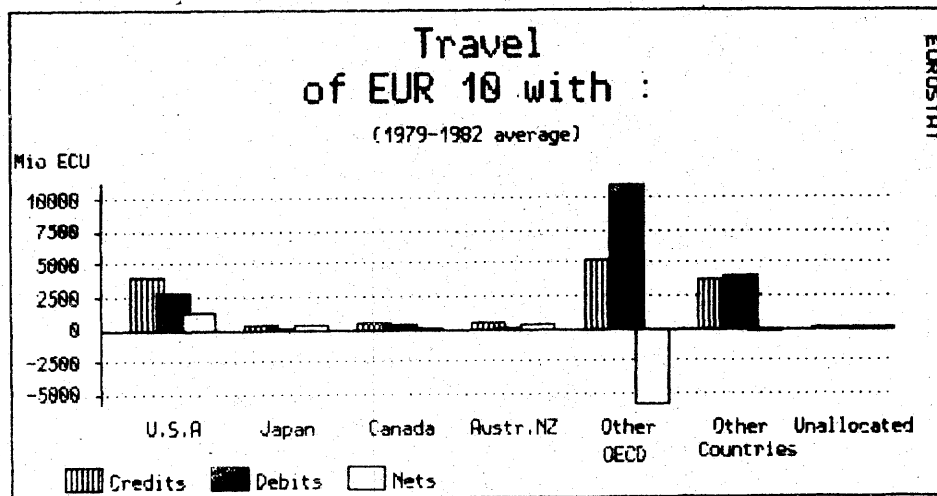
Again, the United States is the most important partner country : it accounts for about 45% of the Community's exports and for about 40% of its imports. Both these percentages have risen during the 4 years.

2.2.3. TRAVEL (TOURIST TRADE)

This item covers goods and services acquired from an economy by non-resident travellers during their stay on the territory of that economy and for their own use. It, thus, reflects international tourism and business travel and corresponds to the World Tourist Organisation definition of "Tourism".

EUR - 10 with:	TRAVEL (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries allocated	Un- allocated	Extra EUR 10
+	4093	285	375	401	5286	3646	107	14193
-	2764	97	300	169	11124	3968	80	18502
=	1329	188	75	232	-5838	-322	27	-4309

The deficit of EUR 10 with the rest of the world has been growing steadily from -2.8 billion ECU in 1979 to -4.6 billion ECU 1982 with a peak in 1981. The 1972 and 1975 figures for EUR 9 fit into this trend.





The geographical breakdown of the travel expenditures and receipts shows that the United States has a share of about 30% in the Community's receipts and a share of about 15% in its expenditures. The balance of the transactions with the United States has been positive over the last four years (2.0 billion ECU in 1982). The other OECD countries account for about 45% of the Community's travel receipts and over 60% of its expenditures. Thus, the deficit with these countries was so large that it overcompensated the surplus with the United States.

#### 2.2.4. LABOUR INCOME

This item covers wages, salaries and other remuneration (whether in cash or in kind) earned by workers from the work they perform for an economic unit whose place of residence is different from their own (frontier workers, seasonal workers, etc.)

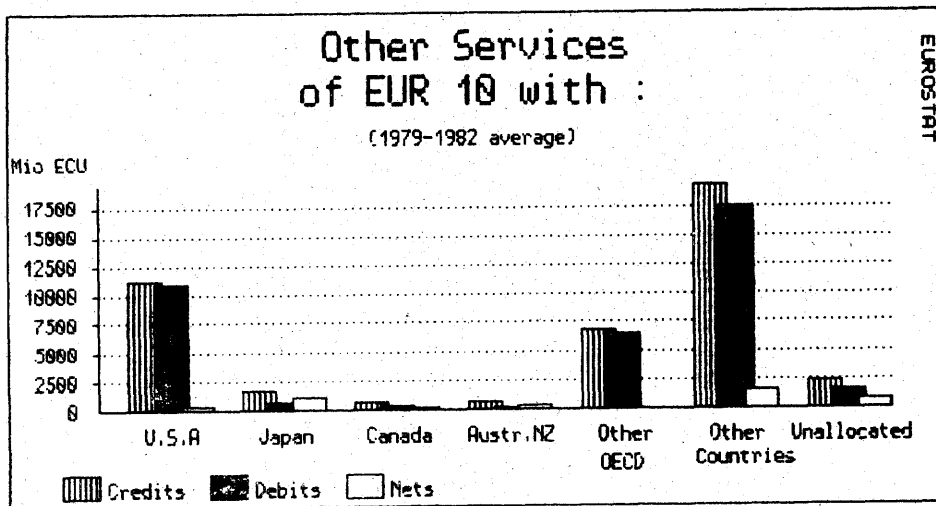
EUR - 10 with:	LABOUR INCOME (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	571	30	25	14	809	1535	325	3309
-	632	39	26	11	889	971	55	2623
=	-61	-9	-1	3	-80	564	270	686

The available data indicate a relatively constant surplus for the Community with the rest of the world (806 mio. ECU in 1982). It has to be borne in mind, however, that the asymmetries on intra-EC trade are quite large: they reached a maximum of -1.2 billion ECU in 1981. This represents about 37% of the arithmetic mean of the recorded credit and debit flows.

- films, broadcasting
- other services - other.

EUR - 10 with:	OTHER SERVICES (1979-1982) average						Mio ECU	
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries allocated	Un- allocated	Extra EUR 10
+	11551	1832	706	630	6988	19760	2402	43869
-	11177	614	411	257	6900	18118	1574	39051
=	374	1218	295	373	88	1642	828	4818

The item comprises a variety of services transactions, in particular those transactions which are difficult to classify. The asymmetries on intra-EC trade (see annex 2) are particularly large and rising, both in absolute and relative values. (6.2 billion ECU in 1982 equal to 22% of the arithmetic mean of credit and debit flows.) For this reason the Extra-EUR 10 figures should be interpreted with great care.



The available data show a surplus of the EC towards the rest of the world which varies between a minimum of 4.2 billion ECU (1980) and a maximum of 5.9 billion ECU (1981). No trend can be stated.

Property Income

The definition of this item corresponds to the IMF Balance of Payments Manual, fourth edition, paragraphs 321 to 324. (see annex 3).

EUR - 10 with:	PROPERTY INCOME (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	864	273	34	55	307	434	283	2250
-	2210	40	40	5	635	103	337	3370
=	-1346	233	-6	50	-328	331	-54	-1120

The deficit of the EC towards the rest of the world rose from 0.9 billion ECU to 1.4 billion ECU in 1982.

Banking

This item covers financial services performed by deposit banks as measured by the amount of their charges. This does not include figures on the main source of bank income in the differential between borrowing and lending rates.

EUR - 10 with:	BANKING (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	660	135	19	26	141	341	269	1591
-	987	15	12	0	149	55	287	1505
=	-327	120	7	26	-8	286	-18	86

This item was not reported separately by Germany, Ireland and Greece. The rest of the EC shows for the years 1979 and 1980 a rising surplus towards the rest of the world (from 141 to 204 mio. ECU). Since then the balance has sharply decreased and in 1982 the countries show a net deficit of 46 mio. ECU towards third countries.

Non-Merchandise Insurance

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The definition of this item corresponds to the IMF Balance of Payments Manual, fourth edition, paragraphs 326 and 327. (See annex 3)

To a considerable extent the data may correspond to net rather than gross flows, thus, understating the overall importance of trade flows in this sector. For the United Kingdom the figures include "Insurance on transport", which was not reported separately (see above).

EUR - 10 with:	NON-MERCHANDISE INSURANCE (1979-1982) average						Mio ECU	
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	1231	50	37	66	333	312	124	2153
-	478	24	26	14	464	191	129	1326
=	753	26	11	52	-131	121	-5	827

The EC as a whole has permanently shown a surplus towards the rest of the world (981 mio. ECU in 1982).

Construction / Engineering

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This item has two components :

- Earnings of general building and civil engineering work on projects that wholly or partially take place on the territory of a foreign country.  
The definition of the unit engaged in this activity is equivalent to NACE-CLIO branche 53.
- Technical services: fees for services provided to non residents by units exclusively or primarily engaged in engineering, consulting engineering and architects' offices as well as own account engineers, consulting engineers, architects and surveyors.

Also to be classified in this group are construction site supervision offices, technical design offices and technical test centres and laboratories.

(technical services is one of the components of NACE-CLIO

branch 71 "Business services provided to enterprises").

The EC shows a steadily rising surplus towards the rest of the world, which reached 7.6 billion ECU in 1982. The individual countries all show a surplus, which is steadily growing.

EUR - 10 with:	CONSTRUCTION/ENGINEERING (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries allocated	Un- allocated	Extra EUR 10
+	511	42	94	149	582	8246	3	9627
-	602	54	26	28	563	2018	18	3309
=	-91	-12	68	121	19	6228	-15	6318

#### Films, Broadcasting

This item includes transactions with the rest of the world in respect of production costs, royalties, rentals and purchases of cinematograph films and television material. Cinematograph film exposed and developed which is included in exports and imports of goods is not included. Not included are also transactions related exclusively or primarily to advertising films.

EUR - 10 with:	FILMS, BROADCASTING (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries allocated	Un- allocated	Extra EUR 10
+	166	7	19	12	31	41	9	285
-	251	4	6	2	57	22	18	360
=	-85	3	13	10	-26	19	-9	-75

The Community shows a permanent deficit which reached its highest level in 1981 with -112 mio. ECU. The regional breakdown shows that the Community deficit with third countries stems from its even larger deficit with the United States. Only in 1982 was this deficit smaller than the overall EC deficit with all third countries. The figures, thus, reflect the dominant role of the United States film industry in the world market.

Other Services - Other

This item comprises a variety of transactions, especially those which are difficult to classify. EUROSTAT intends to analyse the contents of this item in the future.

The recorded credit and debit flows between the Community and the rest of the world cover about 35% of the aggregate item "Other Services".

EUR - 10 with:	OTHER SERVICES - OTHER (1979-1982) average					Mio ECU		
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	8119	1325	503	322	5594	10386	1714	27963
-	6649	477	301	208	5032	15729	785	29181
=	1470	848	202	114	562	-5343	929	-1218

The Community transactions with the rest of the world show a continuous deficit, which grew unsteadily from 0.3 billion ECU in 1979 to 2.5 billion ECU in 1982. The more detailed geographical breakdown shows that the Community had a surplus towards the United States varying between a maximum of 1.8 billion ECU in 1980 and 1.1 billion ECU in 1982. This surplus, as well as the surplus towards Japan and the other OECD countries were over compensated by the steadily growing deficits with "Other Countries". No information is available on the magnitude of the flows of individual services included in this item.

### 3. Other Services and Income items

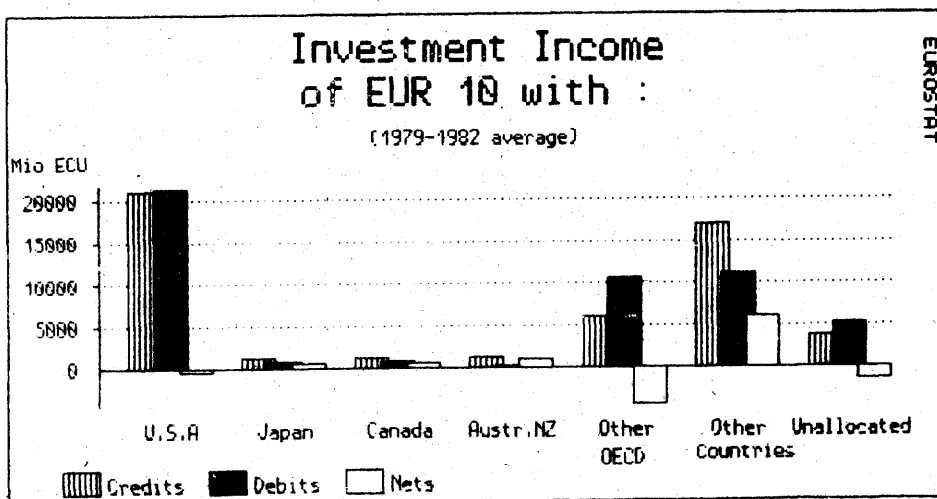
Figures are given here for investment income and government transactions n.i.e. for ease of comparison with standard balance of payments data. They are not included in the definition of "trade in services" used.

#### 3.1 INVESTMENT INCOME

This item covers income of non-residents from their financial assets invested in the compiling economy (debit) and income of residents from their financial assets invested abroad (credit). It includes interests from manufacturing and services investments as well as from portfolio investment. It does not include undistributed earnings. Thus, only part of the flows registered represent transactions connected with international service activities.

EUR - 10 with:	INVESTMENT INCOME (1979-1982) average							Mio ECU
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries allocated	Un- Extra EUR 10	
+	20874	1304	1234	1177	6103	17010	3609	51311
-	21302	844	736	147	10711	11079	5190	50009
=	-428	460	498	1030	-4608	5931	-1581	1302

One can state a decrease of the surplus of 3.1 billion ECU towards the rest of the world in 1979 towards a deficit in 1982 (-1.4 billion ECU). (It should be borne in mind that the recorded asymmetry for the Intra-Eur 10 flows rose sharply from 0.2 billion ECU to -3.0 billion ECU in 1982.)



The United States' share in both the Community's Investment

Income credit and debit flows has steadily decreased in the last four years. (credit from 45% to 40%, debit from around 50% to about 40%). In 1982 the Community recorded a surplus of 267 mio. ECU after three years of deficits in transactions with the United States.

The part of the Investment Income flows which could not be broken down geographically (i.e. the "not allocated" flows) reached shares of 10% (credit) and 15% (debit) in 1982.

### 3.2. GOVERNMENT TRANSACTIONS (N.I.E.)

This item covers transactions by the resident public sector, or other resident sectors, with non-resident public sectors. The main transactions are carried out by embassies and consulates abroad, military organizations and other bodies abroad, common military organizations, etc.

Other goods and services provided or received by the government are also included under this heading.

EUR - 10 with:	GOVERNMENT TRANSACTIONS (N.I.E.) (1979-1982) average						Mio ECU	
	U.S.A.	Japan	Canada	Austr.NZ	Other OECD	Other Countries	Un- allocated	Extra EUR 10
+	3962	31	147	41	188	1713	96	6178
-	838	32	35	23	259	1834	29	3050
=	3124	-1	112	18	-71	-121	67	3128

The transactions with the non-EC members show a steadily growing surplus (from 2.1 billion ECU in 1979 to 4.2 billion ECU in 1982).

The Community's receipts on this item are highly concentrated on one partner: the United States. Their share accounts for nearly 70% (5.5 billion ECU in 1982) of the total credit on this item from the rest of the world. Compared to this amount, the other OECD countries only play a minor role. The non-OECD countries have a share of about 25% (1.9 billion ECU in 1982).

The geographical breakdown of the expenditure side shows a different picture: the United States account for about 28% of the EC's debits and the non-OECD countries for nearly 60% (2.3 billion ECU in 1982).



ANNEX 1

BALANCE OF PAYMENTS TABLES

EUR 9

MIO ECU

1972

	THIRD COUNTRIES (EUR-9)		USA		JAPAN		CANADA		OTHER OECD		OTHER COUNTRIES							
	+	-	+	-	+	-	+	-	+	-	+	-						
A. Goods services and income	96897	86067	10831	22120	19008	31121	2207	3220	-1013	2719	2492	227	25129	22621	2508	44724	38727	5997
1. Merchandise (fob)	64229	57239	6990	11028	10331	6971	1450	2629	-1179	1801	2069	-268	19725	14694	5032	30224	27516	2708
2. Services and income	32668	28828	3841	11092	8676	24151	757	591	166	917	423	495	5403	7927	-2524	14500	11211	3289
2.1 Transport	8371	8498	-126	2043	2005	381	399	436	-37	180	160	20	1741	1921	-181	4008	3975	33
Sea - freight																		
Sea - passenger services																		
Air - freight																		
Air - passenger services																		
Other transport	259	264	-31	92	77	15	3	7	-4	4	4	1	76	90	-13	84	87	-2
2.2 Insurance	4521	5345	-823	1667	602	1065	25	15	10	195	60	135	1534	2807	-1273	1100	1860	-761
2.3 Travel	8657	7048	1609	3544	3442	98	105	44	61	282	90	193	670	1419	-749	4057	2050	2066
2.4 Investment income	675	641	131	34	113	-4	5	7	-2	4	7	-3	261	243	18	274	249	25
2.5 Labour income	2581	1407	1174	1891	232	1389	7	9	-2	62	24	37	69	78	-79	83	1043	-211
2.6 Government trans.(nie)	7603	5625	1978	1974	2159	-185	212	73	139	191	79	112	1052	1367	-315	4175	1946	2229
2.7 Other services																		
Property income																		
Banking																		
Non merchandise insurance																		
Construction/engineering																		
Films, broadcasting																		
Other services - other																		
B. Unrequited transfers	3500	8645	-5145	636	502	334	26	12	14	165	214	-49	329	1055	-727	2344	6861	-6516
1. Private transfers	1778	4212	-2434	582	263	319	25	9	15	164	178	-14	238	949	-711	768	2811	-2049
2. Official transfers	1722	4433	-2711	54	239	-185	1	3	-2	1	36	-35	90	106	-15	1576	4049	-2477
C. Current account (A+B)	100398	94712	5686	22756	19510	3266	2233	3233	-1000	2684	2706	177	25457	23676	1781	47068	45587	1481
D1. Direct investment			463			686			80			-27			247			-523
1. In foreign countries	1335	4176	-2841	4	355	-211	9	18	-9	29	99	-69	190	540	-350	982	3164	-2182
2. On terr. of report.countr.	4510	1206	3305	1350	412	917	90	1	90	67	25	42	950	354	597	2073	414	1659

29/05/84

BAL. OF PAYMENTS - GEOGRAPH. BREAKDOWN OF SERVICES TRADE

PAGE 0003

1975

MIO ECU

EUR \$

	THIRD COUNTRIES (EUR-9)			USA			JAPAN			CANADA			OTHER OECD			OTHER COUNTRIES			
	+	-	=	+	-	=	+	-	=	+	-	=	+	-	=	+	-	=	
A. Goods services and income	171828	159924	11904	29028	32420	-3392	3623	5586	-1963	3691	3566	125	41733	38260	3472	93753	80092	13661	
1. Merchandise (fob)	118593	111318	7275	12933	17939	-5006	2122	4592	-2470	2420	2946	-526	32761	23729	9033	68355	62112	6243	
2. Services and income	53235	48606	4629	16095	14481	1615	1501	994	507	1270	620	650	8971	14532	-5560	25398	17980	7418	
2.1 Transport	13578	12827	751	2995	2796	199	635	648	-13	269	217	51	2431	2905	-474	7249	6280	988	
Sea - freight																			
Sea - passenger services																			
Air - freight																			
Air - passenger services																			
Other transport																			
2.2 Insurance on transport	303	343	-40	108	142	-34	7	11	-4	6	12	-6	58	66	-8	124	112	12	
2.3 Travel	6405	8723	-2317	1827	924	902	79	26	53	248	115	132	2469	5136	-2667	1782	2520	-738	
2.4 Investment income	14057	13684	1573	5970	594	16	373	134	239	423	122	301	1444	3190	-1746	6446	3683	2783	
2.5 Labour income	1110	1026	84	205	12	-12	13	14	1	77	10	-4	346	400	-54	539	385	154	
2.6 Government trans.(n/a)	3222	1741	1580	1887	330	1557	13	12	1	24	24	53	102	129	-27	1242	1247	424	
2.7 Other services	13859	10861	2998	3104	4118	-1013	381	149	231	240	118	122	2119	2704	-585	8015	3772	4243	
Property income																			
Banking																			
Non merchandise insurance																			
Construction/engineering																			
Film, broadcasting																			
Other services - other																			
B. Unrequited transfers	4593	13067	-8474	518	756	-238	23	16	7	134	317	-183	438	1545	-1107	3480	10433	-6953	
1. Private transfers	2047	5712	-3665	468	339	129	8	12	8	131	255	-124	282	1317	-1035	1146	3789	-2643	
2. Official transfers	2546	7355	-8809	50	417	-367	3	4	-1	3	62	-59	156	228	-72	2334	6645	-4310	
C. Current account (A+B)	176421	172991	3429	29547	33176	-3630	3646	5602	-1956	3824	3883	-58	42170	39805	2365	97233	90525	6708	
D1. Direct investment																			
1. In foreign countries	1076	5345	-4269	260	1453	-1193	9	43	-34	37	320	-284	379	671	-292	392	2859	-2467	
2. On terr.of report.countr.	4676	1298	3378	1856	296	1661	3	7	-5	-8	8	-16	1270	608	661	1455	378	1077	

EUR 9

MIO ECU

1982

	THIRD COUNTRIES (EUR-9)			USA			JAPAN			CANADA			OTHER OECD			OTHER COUNTRIES			
	+	-	=	+	-	=	+	-	=	+	-	=	+	-	=	+	-	=	
<b>A. Goods services and income</b>	473247	470089	3156	101790	103713	-1923	12402	20281	-7879	8023	8634	-611	118434	116132	2302	232599	221330	11269	
1. Merchandise (fob)	292228	292670	-442	43318	50275	-6957	6315	16736	-10421	4294	5995	-1701	84354	70363	13991	153967	149301	4646	
2. Services and income	181019	177419	3600	58472	53438	5034	6087	3545	2542	3728	2638	1098	34079	45768	-11689	78652	72029	6623	
2.1 Transport	32458	31166	1292	7457	7846	-389	1315	1178	136	673	690	-16	7511	6385	1126	15501	15067	434	
Sea - freight	12074	12966	-892	2747	3613	-866	543	494	49	163	279	-116	2694	2024	670	5928	6556	-627	
Sea - passenger services	820	1301	474	267	35	252	17	7	10	22	2	20	183	110	73	310	192	118	
Air - freight	1909	1301	607	518	356	162	107	39	68	53	34	19	208	132	76	1023	740	283	
Air - passenger services	6523	4845	1677	1500	1249	251	364	186	158	196	177	19	264	847	117	3519	2366	1152	
Other transport	11133	11707	-574	2405	2573	-168	304	452	-149	219	197	42	3661	3271	190	4724	5214	-490	
2.2 Insurance on transport	11003	11168	-165	433	441	-8	26	55	-29	29	37	8	191	259	-68	325	355	-30	
2.3 Travel	16367	22181	-5814	6755	3238	3517	466	112	234	460	367	93	6557	13798	-7242	4249	4666	-417	
2.4 Investment income	89077	89311	-234	26889	26938	-480	1926	1293	634	1693	888	803	9480	14840	-5360	28491	25783	2708	
2.5 Labour income	7093	3773	3320	825	935	-110	15	36	-16	153	36	117	1135	1135	0	2268	1320	1047	
2.6 Government trans. (nie)	51001	47019	3982	13229	13975	-746	2400	818	1582	691	583	109	8457	9044	-49	2085	2290	214	
2.7 Other services	2769	4148	-1379	1094	2752	-1671	257	26	26	29	49	-1	438	710	-272	860	22638	3096	
Property income	2120	2166	-46	931	587	344	27	34	34	27	15	12	140	178	-38	769	413	356	
Banking	12646	1864	9812	1471	1567	-884	27	54	29	27	51	-21	529	583	-54	565	410	155	
Non merchandise insurance	11983	4345	7638	689	835	-146	48	61	-13	105	34	71	966	792	174	10176	2623	7553	
Construction/engineering	331	420	-89	226	299	-74	7	5	12	17	7	10	42	62	-21	39	46	-6	
Films, broadcasting	31154	34275	-3121	8842	7926	917	1684	628	1056	470	427	43	6833	6714	118	13325	18581	-5254	
Other services - other	8144	25909	-17765	1236	1831	-595	131	68	63	178	200	-526	1286	7368	-6084	5316	15943	-10627	
Unrequited transfers	4504	11120	-6615	1158	1030	127	107	42	65	171	550	-378	395	577	-462	2134	3321	-1786	
1. Private transfers	3640	14790	-11150	78	800	-723	24	26	-2	8	150	-142	349	1791	-1442	3181	12022	-8841	
2. Official transfers	481391	495998	-14607	103025	105544	-2518	12533	20349	-7816	8201	9334	-1133	119717	123499	-3782	237915	237273	642	
C. Current account (A+B)																			
D1. Direct investment																			
1. In foreign countries	3690	9886	-6196	1003	4106	-3104	11	88	-77	86	506	-419	1336	2004	-668	1253	3181	-1928	
2. On terr. of report. country	4661	2473	2188	1275	1122	153	344	31	312	55	23	32	1936	882	1054	1051	415	636	

1AB 2.001

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

29/05/84

MIO ECU  
PAYS PARTENAIRE  
PAYS DECLARANT

Pays Tiers (EUR 9)  
EUR 9

PARTNER COUNTRY  
DECLARING COUNTRY

	1972.		1975		1982		=		
	+	-	+	-	+	-			
A.	96897	86067	10831	171828	159924	11904	473247	470089	3158
1.	64229	57239	6990	118593	111318	7275	292228	292670	-442
2.	32668	28828	3841	53235	48606	4629	181019	177419	3600
2.1	8371	8498	-126	13578	12827	751	32458	31166	1292
2.2	259	264	-5	303	343	-40	1003	1168	-165
2.3	4521	5345	-823	6405	8723	-2317	16367	22181	-5815
2.4	8657	7048	1609	14657	13084	1573	68077	68810	-733
2.5	675	641	34	1110	1026	84	4122	3378	744
2.6	2581	1407	1174	3322	1741	1580	7992	3697	4295
2.7	7603	5625	1978	13859	10861	2998	51001	47019	3982
B.	3500	8645	-5145	4593	13067	-8474	8144	25909	-17765
1.	1778	4212	-2434	2047	5712	-3665	4504	11120	-6615
2.	1722	4433	-2711	2546	7355	-4809	3640	14790	-11150
C.	100398	94712	5686	176421	172991	3429	481391	495998	-14607
D1.1	1335	4176	-2841	1076	5345	-4269	3690	9886	-6196
D1.2	4510	1206	3305	4676	1298	3378	4661	2473	2188

TAB 2.002

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

29/05/84

	MIO ECU						PARTNER COUNTRY DECLARING COUNTRY		
	PAYS PARTENAIRE PAYS DECLARANT			U.S.A. EUR 9					
	1972	1975		1982					
	+	-	=	+	-	=			
A.	22120	19008	3112	29028	32420	-3392	101790	103713	-1923
1.	11028	10331	697	12933	17939	-5006	43318	50275	-6957
2.	11092	8676	2415	16095	14481	1615	58472	53438	5034
2.1	2043	2005	38	2995	2796	199	7457	7846	-389
2.2	92	77	15	108	142	-34	433	461	-28
2.3	1667	602	1065	1827	924	902	4755	3238	1517
2.4	3544	3445	98	5970	5954	16	26486	26006	480
2.5	131	136	-4	205	216	-12	655	935	-280
2.6	1641	252	1389	1887	330	1557	5457	1016	4441
2.7	1974	2159	-185	3104	4118	-1013	13229	13937	-708
B.	636	502	134	518	756	-238	1236	1831	-595
1.	582	263	319	468	339	129	1158	1030	127
2.	54	239	-185	50	417	-367	78	800	-723
C.	22756	19510	3246	29547	33176	-3630	103025	105544	-2518
D1.1	124	355	-231	260	1453	-1193	1003	4106	-3104
D1.2	1330	412	917	1956	296	1661	1275	1122	153

TAB 2.003

BALANCE OF PAYMENTS - BALANCE DES PAIEMENTS  
 BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

29/05/84

MIO ECU

PARTNER COUNTRY  
 DECLARING COUNTRY

	PAYS PARTENAIRE PAYS DECLARANT		JAPON EUR 9		1975		1982		
	+	-	+	-	+	-	+	-	
A.	2207	3220	3623	5586	-1963	12402	20281	-7879	
1.	1450	2629	2122	4592	-2470	6315	16736	-10421	
2.	757	591	1501	994	507	6087	3545	2542	
2.1	399	436	635	648	-13	1315	1178	138	
2.2	3	7	7	11	-4	26	55	-29	
2.3	25	15	79	26	53	346	112	234	
2.4	105	44	373	134	239	1926	1293	634	
2.5	5	7	13	14	-1	35	51	-16	
2.6	7	9	13	12	1	38	39	-0	
2.7	212	73	139	149	231	2400	818	1582	
B.	26	12	23	16	7	131	68	63	
1.	25	9	20	12	8	107	42	65	
2.	1	3	3	4	-1	24	26	-2	
C.	2233	3233	-1000	3646	5602	-1956	12533	20349	-7816
D1.1	9	18	-9	9	43	-34	11	88	-77
D1.2	90	1	90	3	7	-5	344	31	312

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

29/05/84

MIO ECU

	PAYS PARTENAIRE PAYS DECLARANT				CANADA EUR 9				PARTNER COUNTRY DECLARING COUNTRY
	1972		1975		1982		1982		
	+	-	+	-	+	-	+	-	=
A.	2719	2492	2271	3691	3566	1251	8023	8634	-6111
1.	1801	2069	-268	2420	2946	-526	4294	5995	-1701
2.	917	423	495	1270	620	650	3728	2638	1090
2.1	180	160	20	269	217	51	673	690	-16
2.2	4	4	1	6	12	-6	29	37	-9
2.3	195	60	135	248	115	132	460	367	93
2.4	282	90	193	423	122	301	1693	888	805
2.5	4	7	-3	7	10	-4	29	38	-8
2.6	62	24	37	77	24	53	153	36	117
2.7	191	79	112	240	118	122	691	583	109
B.	165	214	-49	134	317	-183	178	700	-522
1.	164	178	-14	131	255	-124	171	550	-379
2.	1	36	-35	3	62	-59	8	150	-142
C.	2884	2706	177	3824	3883	-58	8201	9334	-1133
D1.1	29	99	-69	37	320	-284	86	506	-419
D1.2	67	25	42	-8	8	-16	55	23	32





BALANCE OF PAYMENTS - BALANCE DES PAIEMENTS  
BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

29/05/84

	MIO ECU												
	PAYS PARTENAIRE PAYS DECLARANT						AUTRES PAYS EUR 9						PARTNER COUNTRY DECLARING COUNTRY
	1972		1975		1982		1972		1975		1982		
	+	-	=	+	-	=	+	-	=	+	-	=	
A.													
1.	46724	38727	5997	93753	80092	13661	232599	221330	11269				
	30224	27516	2708	68355	62112	6243	153947	149301	4646				
2.	14500	11211	3289	25398	17980	7418	78652	72029	6623				
2.1	4008	3975	33	7249	6260	988	15501	15067	434				
2.2	84	87	-2	124	112	12	325	355	-30				
2.3	1100	1860	-761	1782	2520	-738	4249	4666	-417				
2.4	4057	2050	2006	6446	3683	2763	28491	25783	2708				
2.5	274	249	25	539	385	154	2268	1220	1047				
2.6	803	1043	-241	1242	1247	-4	2085	2299	-214				
2.7	4175	1946	2229	8015	3772	4243	25734	22638	3096				
B.	2344	6861	-4516	3480	10433	-6953	5316	15943	-10627				
1.	768	2811	-2043	1146	3789	-2643	2134	3921	-1786				
2.	1576	4049	-2474	2334	6645	-4310	3181	12022	-8841				
C.	47068	45587	1481	97233	90525	6708	237915	237273	642				
D1.1	982	3164	-2182	392	2859	-2467	1253	3181	-1928				
D1.2	2073	414	1659	1455	378	1077	1051	415	636				

EUR 10

MIO ECU

1979

	THIRD COUNTRIES (EUR-10)				USA				JAPAN				CANADA			
	+	-	=	-	+	-	=	-	+	-	=	-	+	-	=	
<b>A. Goods services and income</b>	298749	300325	-1576	61666	63908	-2242	7813	10990	-3177	5503	6308	-805				
1. Merchandise (fob)	190624	201224	-10600	25611	32370	-6759	4628	9406	-4778	3287	4674	-1387				
2. Services and income	108126	99102	9024	36055	31538	4518	3185	1583	1601	2216	1634	582				
2.1 Transport	22890	21435	1455	6074	4890	1184	791	711	80	479	491	-12				
Sea - freight	9567	9984	-417	2759	2451	289	319	308	11	151	261	-110				
Sea - passenger services	576	191	385	208	171	191	58	41	17	16	18	16				
Air - freight	1141	643	498	336	165	171	58	15	41	31	17	16				
Air - passenger services	3621	2697	924	905	674	220	206	83	121	126	93	33				
Other transport	7984	7922	62	1886	1520	366	139	298	-78	153	120	33				
2.2 Insurance on transport	582	740	-158	308	241	1170	215	377	138	305	216	90				
2.3 Travel	11846	14618	-2791	3108	1998	1170	672	372	300	810	561	248				
2.4 Investment income	3267	2055	1212	14396	15338	-942	48	22	-11	16	19	-3				
2.5 Labour income	2335	1919	416	419	371	48	22	33	-11	16	19	-3				
2.6 Government trans. (mie)	4974	2568	2406	2920	637	2284	23	22	94	31	63	206				
2.7 Other services	33311	28770	4541	8971	8065	808	1443	336	1108	501	294	206				
Property income	1682	2595	-913	600	1672	-1072	218	25	194	23	35	-12				
Banking	1134	992	142	381	597	-216	39	5	34	11	7	4				
Non merchandise insurance	1704	936	768	954	262	692	43	17	26	70	9	60				
Construction/engineering	7358	2426	4932	335	377	8	36	24	12	69	15	54				
Films, broadcasting	529	284	-245	118	189	-71	5	3	2	17	5	12				
Other services - other	21202	21537	-335	6432	4966	1466	1102	263	839	310	222	88				
<b>B. Unrequited transfers</b>	5535	17802	-12268	1117	1249	-133	62	39	23	163	505	-342				
1. Private transfers	3387	7913	-4527	1004	656	348	57	32	25	159	406	-247				
2. Official transfers	2148	9889	-7741	113	594	-681	5	7	-2	4	99	-95				
<b>C. Current account (A+B)</b>	304284	318127	-13844	62783	65157	-2374	7875	11029	-3154	5666	6813	-1148				
<b>D1. Direct investment</b>	:	:	-4484	:	:	-2610	:	:	33	:	:	-303				
1. In foreign countries	2925	12191	-9265	894	5803	-4909	31	120	-89	296	794	-498				
2. On terr. of report. countr.	7030	2249	4781	3218	920	2299	155	33	121	231	36	196				

EUR 10

MIO ECU

1979

	AUSTRALIA NEW ZEAL.		OTHER OECD		OTHER COUNTRIES		NOT ALLOCATED					
	+	-	+	-	+	-	+	-				
<b>A. Goods services and income</b>	5995	3259	2735	71721	72588	-867	134898	133504	1394	11154	9769	1385
1. Merchandise (fob)	3389	2235	1154	53213	46705	6509	94043	99823	-5780	6452	6011	441
2. Services and income	2607	1024	1581	18507	25883	-7376	40854	33681	7174	4702	3758	943
2.1 Transport	886	612	274	3802	4119	-317	9124	9049	75	1735	1565	171
Sea - freight	581	161	419	1131	1706	-575	3802	4225	-423	845	872	-27
Air - freight	18	9	81	108	71	-13	88	30	58	133	67	66
Other transport	139	366	-227	2051	1800	251	2975	3268	-293	581	491	90
2.2 Insurance on transport	347	93	249	4851	9155	-4304	2853	2977	-124	106	94	12
2.3 Travel	986	105	821	3625	6184	-2560	10980	5694	5285	699	800	101
2.4 Investment income	34	22	12	144	220	-76	1400	735	520	281	40	242
2.5 Labour income	347	173	174	5342	5300	42	15052	13428	1624	1755	1175	580
2.6 Government trans. (nie)	45	3	41	246	558	-313	326	58	267	204	243	19
2.7 Other services	1	0	1	76	121	-45	407	22	385	219	241	-22
Banking	29	1	28	278	410	-132	233	131	102	98	106	-8
Non merchandise insurance	96	4	92	525	441	84	6247	1549	4698	0	15	-15
Construction/engineering	9	0	9	30	53	-23	37	16	21	13	17	-5
Films, broadcasting	168	165	3	4186	3716	470	7801	11652	-3850	1201	554	647
Other services - other	166	575	-409	855	4180	-3325	3025	10950	-7926	147	303	-156
<b>B. Unrequited transfers</b>	164	478	-315	585	3421	-2836	1280	2655	-1375	138	266	-127
1. Private transfers	2	97	-95	270	759	-689	1745	8296	-6551	9	37	-28
2. Official transfers	6161	3834	2327	72575	76768	-4192	137922	144454	-6532	11301	10072	1229
<b>C. Current account (A+B)</b>												
D1. Direct investment												
1. In foreign countries	17	402	-384	634	1717	-1083	1019	3215	-2186	15	139	-104
2. On terr. of report. countr.	123	6	119	1829	761	1068	1315	471	844	158	25	134

## BAL. OF PAYMENTS - GEOGRAPH. BREAKDOWN OF SERVICES TRADE

EUR 10

MIO ECU

1980

	THIRD COUNTRIES (EUR-10)		USA		JAPAN		CANADA					
	+	-	+	-	+	-	+	-				
<b>A. Goods services and income.</b>	350060	370091	-20031	70515	80335	-9819	8106	14139	-6033	6036	7399	-1362
1. Merchandise (fob)	218314	246704	-28390	26936	41304	-14369	4524	11961	-7437	3278	5572	-2294
2. Services and income	131746	123387	8359	43580	39030	4549	3582	2178	1404	2758	1827	932
2.1 Transport	27654	25130	2524	7186	6023	1163	935	837	98	582	584	-71
Sea - freight	11504	11193	311	3113	2906	407	421	355	66	177	281	-104
Air - freight	1425	985	470	386	286	90	69	24	45	38	25	13
Other transport	9257	9342	-86	1106	850	256	208	98	110	151	126	24
2.2 Insurance	653	889	-236	244	312	198	227	358	-132	196	152	44
2.3 Investment income	12802	17203	-4401	3440	2493	948	240	92	149	302	261	-11
2.4 Labour income	42213	39319	2893	18436	19395	-959	879	654	225	981	583	399
2.5 Government trans. (nie)	2899	2310	583	485	490	-5	25	31	-6	17	19	-2
2.6 Other services	40645	35790	4253	10540	9677	-1242	143	493	962	709	322	387
Property income	1961	3084	-1123	738	1980	-213	232	38	202	26	37	-11
Banking	1365	1161	204	488	700	-143	143	19	134	14	9	4
Non merchandise insurance	1614	1063	551	865	294	-571	42	17	25	36	19	17
Construction/engineering	8305	2789	5713	445	454	-8	39	50	-12	88	20	68
Films, broadcasting	311	345	-34	180	234	-54	4	4	-2	23	6	17
Other services - other	26287	27347	-1060	7825	6016	1809	993	383	610	522	230	292
<b>B. Unrequited transfers</b>	6449	20165	-13716	1140	1406	-266	69	40	29	172	592	-620
1. Private transfers	3701	9032	-5331	1071	786	-286	61	31	29	166	475	-309
2. Official transfers	2748	11133	-8385	70	622	-552	8	8	-1	6	118	-111
<b>C. Current account (ATB)</b>	356509	390256	-33747	71656	81741	-10085	8174	14179	-6005	6208	7991	-1782
D1. Direct investment			-3027			-1512			173			-325
1. In foreign countries	3373	13324	-9951	1406	6505	-5099	16	66	-49	116	541	-425
2. On terr. of report. countr.	9290	2367	6923	4472	885	3587	248	25	223	159	58	101

EUR 10

MIO ECU

1980

	AUSTRALIA NEW ZEAL.		OTHER OECD		OTHER COUNTRIES		NOT ALLOCATED				
	+	-	+	-	+	-	+	-			
A. Goods services and income	6361	3325	85696	86285	-589	162366	169673	-7308	10980	8936	2044
1. Merchandise (fob)	3401	2156	63544	54820	8724	111352	126370	-15018	5279	4521	758
2. Services and income	2960	1169	22152	31465	-9313	51014	43303	7710	5701	4415	1286
2.1 Transport	975	638	4644	4776	-132	11024	10321	702	2308	1922	358
Sea - freight	621	153	1331	1929	-598	4542	4556	-14	1099	1014	85
Sea - passenger services	76	0	68	93	-25	102	34	69	201	171	31
Air - freight	20	15	142	113	29	603	366	237	170	102	68
Air - passenger services	98	83	570	551	19	2302	1545	757	308	71	237
Other transport	100	387	2532	2090	442	3474	3821	-346	530	594	-64
2.2 Insurance on transport	4	7	116	203	-87	205	234	-29	50	66	-15
2.3 Travel	374	138	4910	10425	-5515	3493	3755	-262	42	40	3
2.4 Investment income	1061	164	4980	8800	-3820	15076	9010	6066	799	714	85
2.5 Labour income	7	10	696	818	-122	1350	896	454	319	47	272
2.6 Government trans.(nie)	41	23	283	220	63	1782	1782	-116	61	16	45
2.7 Other services	497	189	6524	6224	300	18199	17305	894	2122	1580	541
Banking	46	6	267	625	-358	400	92	308	252	315	-63
Non merchandise insurance	47	0	47	119	66	227	43	184	261	280	-19
Construction/engineering	39	5	34	411	-14	252	182	170	110	135	-24
Films, broadcasting	125	14	481	455	26	7328	1773	5555	-1	23	-24
Other services - other	12	2	30	61	-31	51	18	33	10	21	-11
	228	162	5289	4552	738	9940	15198	-5258	1489	806	683
B. Unrequited transfers	152	704	921	4727	-3806	3830	12255	-8425	165	440	-275
1. Private transfers	150	598	635	3853	-3219	1673	2910	-1436	146	381	-235
2. Official transfers	2	106	288	874	-588	2357	9366	-6989	19	59	-40
C. Current account (A+B)	6513	4028	86617	91012	-4395	168196	181929	-15733	11145	9376	1769
D1. Direct investment					702			-1716			-7
1. In foreign countries	45	518	649	1457	-809	1121	4113	-2991	21	124	-104
2. On terr.of report.countr.	132	3	2228	717	1511	1954	677	1271	98	2	96

EUR 10

MIO ECU

1981

	THIRD COUNTRIES (EUR-10)			USA			JAPAN			CANADA		
	+	-	=	+	-	=	+	-	=	+	-	=
A. Goods services and income	442600	447316	-4716	93888	98417	-4528	11004	18525	-7521	7922	8457	-535
1. Merchandise (fob)	271072	281604	-10531	38207	47762	-9555	5551	15217	-9666	4250	5965	-1715
2. Services and income	171528	165712	5815	55681	50654	5027	5453	3308	2145	3672	2492	1180
2.1 Transport	32086	31186	900	8797	8420	377	1266	1204	61	659	685	-26
Sea - freight	13013	13879	-866	4270	4175	95	538	536	2	183	285	-101
Sea - passenger services	762	338	424	279	29	251	15	8	7	21	3	19
Air - freight	1690	1215	475	438	392	46	93	38	55	45	33	12
Air - passenger services	5726	4469	1257	1288	1201	87	303	150	153	176	164	12
Other transport	10396	11287	-357	2522	2624	-101	316	472	-156	234	201	33
2.2 Insurance on transport	332	1061	-229	351	377	-26	23	55	-32	17	27	-10
2.3 Travel	15120	20154	-5434	4417	3186	1231	336	1056	231	413	352	61
2.4 Investment income	62790	62191	599	24102	24177	-75	1738	1056	682	1450	912	539
2.5 Labour income	3526	2893	633	654	714	-60	11	39	-11	67	28	9
2.6 Government trans. (nfe)	6567	3133	3434	4196	1001	3195	35	40	-5	187	40	146
2.7 Other services	50607	44695	5912	13165	12780	385	2027	808	1219	909	447	462
Property income	2536	3653	-1087	1024	2422	-1398	308	47	261	41	41	-0
Banking	1746	1703	43	864	1127	-263	83	13	69	22	15	8
Non merchandise insurance	2649	1640	1009	1636	769	867	62	29	33	14	26	-12
Construction/engineering	15665	3676	6988	525	740	-215	44	81	-37	115	36	79
Films, broadcasting	273	385	-112	142	281	-139	9	3	7	21	6	16
Other services - other	32638	33638	-950	8973	7441	1532	1521	634	887	697	324	372
B. Unrequited transfers	7863	23376	-15513	1453	1642	-189	92	50	62	194	679	-485
1. Private transfers	4520	10169	-5649	1366	934	431	79	33	46	188	544	-356
2. Official transfers	3344	13208	-9864	88	708	-620	14	17	-4	6	135	-129
C. Current account (A+B)	450463	470692	-20229	95342	100059	-4717	11096	18574	-7479	8116	9136	-1020
D1. Direct investment			-5421			-3855			182			603
1. In foreign countries	4867	13783	-8917	1817	7149	-5332	20	60	-60	1107	609	498
2. On terr. of report.countr.	5931	2435	3496	2472	996	1476	230	9	221	145	40	105

EUR 10

MIO ECU

1981

	AUSTRALIA NEW ZEAL.		OTHER OECD		OTHER COUNTRIES		NOT ALLOCATED			
	+	-	+	-	+	-	+	-		
<b>A. Goods services and income</b>	7751	4139	3612	-4941	206694	198206	8488	18875	18144	731
1. Merchandise (fob)	4125	2646	1679	7341	61582	143022	16	6979	5409	1570
2. Services and income	3626	1493	2133	-12282	39770	63656	8473	11947	12804	-857
2.1 Transport	1101	792	309	-15	5197	5212	-173	2515	2149	366
Sea - freight	680	201	480	-420	1902	4750	-887	1109	1143	-54
Air - freight	87	21	87	-35	104	42	62	186	153	33
Sea - passenger services	23	0	1	35	119	727	234	205	112	92
Air - passenger services	113	106	7	-38	678	2888	2087	362	87	275
Other transport	197	463	-266	443	2408	4122	-343	653	653	0
2.2 Insurance on transport	427	10	-4	-113	257	236	258	55	76	-21
2.3 Travel	1268	193	235	-6785	12075	4064	-532	193	67	126
2.4 Investment income	22	13	1149	-5439	20224	13962	6262	6201	8725	-2524
2.5 Labour income	22	13	91	-118	1621	1100	521	344	61	283
2.6 Government trans. (mie)	724	313	231	-151	1891	1692	199	46	35	10
2.7 Other services	62	4	411	339	23089	20870	2219	2593	1717	877
Property income	16	1	58	-310	655	114	371	320	370	-50
Banking	16	1	151	24	179	56	217	284	312	-28
Non merchandise insurance	134	36	58	-110	473	191	157	139	123	16
Construction/engineering	16	2	98	-26	623	2130	7111	8	29	-21
Films, broadcasting	16	2	14	-22	31	44	17	9	14	-5
Other services - other	410	241	1691	782	6559	5777	-5657	1832	867	964
<b>B. Unrequited transfers</b>	188	898	-709	-4090	5143	4675	-9819	208	471	-263
1. Private transfers	187	727	-540	-3502	746	4248	-1507	188	408	-221
2. Official transfers	2	171	-169	-588	307	895	-8312	20	62	-42
<b>C. Current account (A+B)</b>	7939	5037	2903	-9032	211369	212700	-1331	19083	18615	668
D1. Direct investment				-379			-1694			-11
1. In foreign countries	44	313	617	-1298	1250	3581	-2331	11	156	-165
2. On terr. of report.countr.	5	3	2	920	1116	479	637	204	69	134



EUR 10

MIO ECU

1982

	THIRD COUNTRIES (EUR-10)			USA			JAPAN			CANADA		
	+	-	=	+	-	=	+	-	=	+	-	=
<b>A. Goods services and income</b>	473735	474123	-388	105524	105880	-276	12428	20667	-8239	8066	8681	-615
1. Merchandise (fob)	290640	295950	-5310	44448	51372	-6924	6356	17097	-10741	4304	6034	-1730
2. Services and income	183095	178173	4922	61076	54428	6648	6072	3570	2502	3762	2648	1114
2.1 Transport	33375	31781	1594	8864	8069	815	1287	1193	94	673	692	-20
Sea - freight	12992	13581	-589	4174	3836	338	514	509	5	162	282	-120
Sea - passenger services	820	346	474	287	35	252	17	7	10	22	2	20
Air - freight	1909	1301	607	513	356	162	107	39	68	53	34	19
Air - passenger services	6523	4845	1677	1500	1259	231	344	186	158	196	177	19
Other transport	11133	11707	-574	2405	2573	-168	304	452	-149	239	197	42
2.2 Insurance on transport	975	1200	-225	438	471	-33	26	57	-31	29	37	-8
2.3 Travel	17002	21640	-4638	5346	3331	1965	348	115	234	482	370	112
2.4 Investment income	68076	69470	-1394	26564	26297	267	1926	1295	631	1694	889	805
2.5 Labour income	4176	3370	806	727	954	-227	45	39	-6	29	38	-9
2.6 Government trans. (nfe)	7967	3767	4200	5434	1073	4411	38	39	-1	153	36	114
2.7 Other services	51524	46945	4578	13632	14183	-551	2401	820	1581	703	586	119
Property income	2769	4148	-1379	1094	2765	-1671	331	35	262	46	49	-15
Banking	2120	2166	-46	907	1555	-618	277	32	20	27	15	-2
Non merchandise insurance	2646	1664	981	1471	1575	-884	54	32	20	27	51	-2
Construction/engineering	11983	4345	7638	689	835	-1444	48	61	-13	117	37	79
Films, broadcasting	331	420	-89	226	299	-74	7	65	-12	117	37	10
Other services - other	31677	34202	-2525	9246	8172	1074	1685	630	1055	482	428	54
<b>B. Unrequited transfers</b>	8669	24812	-16144	1607	1832	-225	131	68	63	248	700	-653
1. Private transfers	5017	10572	-5555	1529	1032	497	107	42	65	240	550	-310
2. Official transfers	3652	14241	-10589	78	800	-722	24	26	-2	8	150	-142
<b>C. Current account (A+B)</b>	482404	498935	-16531	107131	107632	-501	12559	20735	-8176	8314	9382	-1068
<b>DI. Direct investment</b>			-4007			-2940			235			-387
1. In foreign countries	3690	9886	-6196	1003	4106	-3103	11	88	-77	86	506	-419
2. On terr. of report. countr.	4674	2485	2189	1297	1133	164	344	32	311	56	23	32

BAL. OF PAYMENTS - GEOGRAPH. BREAKDOWN OF SERVICES TRADE

1982

MIO ECU

EUR 10

	AUSTRALIA NEW ZEAL.		OTHER OECD		OTHER COUNTRIES		NOT ALLOCATED					
	+	-	+	-	+	-	+	-				
<b>A. Goods services and income</b>	9036	4731	4304	104918	109459	-4541	212721	202539	10182	21041	22245	-1204
1. Merchandise (fob)	5052	3106	1946	75295	66226	90691	147524	144843	2681	7661	7271	390
2. Services and income	3983	1625	2358	29623	43233	-13610	65197	57696	7501	13380	14974	-1593
2.1 Transport	1142	808	334	6116	5805	311	12465	12916	-452	2809	2297	511
Sea - freight	686	222	464	1755	2030	-275	4477	5542	-1065	1224	1120	41
Sea - passenger services	85	0	85	98	110	-12	110	45	66	200	187	5
Air - freight	32	21	11	176	111	65	784	554	230	243	159	30
Air - passenger services	141	119	21	823	728	95	3114	2302	812	400	71	309
Other transport	198	445	-248	3263	2826	437	3982	4475	-493	742	739	-17
2.2 Insurance on transport	6	8	-2	152	253	-101	266	297	-31	59	126	-13
2.3 Travel	456	248	208	6091	12843	-6752	4194	4564	-371	85	10521	-3788
2.4 Investment income	1363	170	1193	8033	14646	-6613	21758	15651	6106	6735	10521	-3788
2.5 Labour income	23	14	9	1084	1086	-3	1913	1153	760	355	73	282
2.6 Government trans. (nie)	42	23	19	160	278	-118	1894	2251	130	196	67	130
2.7 Other services	951	355	597	7987	8321	-335	22708	20862	1845	3141	1820	1321
Property income	64	6	63	369	703	-335	526	148	378	334	421	-86
Banking	41	1	40	99	177	-78	456	99	357	313	314	-1
Non merchandise insurance	109	22	87	420	561	-141	415	260	156	149	150	-1
Construction/engineering	240	58	182	726	734	-8	10170	2619	7551	6	4	-2
Films, broadcasting	9	3	6	34	60	-27	34	27	7	5	19	-14
Other services - other	484	263	220	6341	6083	257	11106	17713	-6607	2333	912	1421
B. Unrequited transfers	251	979	-728	1094	5290	-4196	8066	18526	-10460	-2727	-2582	-144
1. Private transfers	249	787	-538	766	4240	-3493	1922	3569	-1647	223	352	-129
2. Official transfers	2	192	-191	347	1050	-702	6143	14957	-8813	-2950	-2934	-15
C. Current account (A+B)	9287	5711	3576	106012	114749	-8737	220787	221065	-278	18314	19662	-1348
D1. Direct investment			-149			524			-1329			39
1. In foreign countries	17	162	-145	1319	1842	-523	1250	3149	-1899	3	33	-29
2. On terr. of report. countr.	11	15	-4	1914	866	1068	982	413	569	71	2	69

BALANCE OF PAYMENTS - BALANCE DES PAIEMENTS  
BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

MIO ECU

	1979				1980				1981				1982				PARTNER COUNTRY DECLARING COUNTRY
	+	-	=	!	+	-	=	!	+	-	=	!	+	-	=	!	
PAYS PARTENAIRE PAYS DECLARANT	Pays Tiers (EUR 10) EUR 10																
A.	298749	300325	-15761350060	370091	-20031442600	447316	-4716473735	474123	-388								
1.	190624	201224	-106001218314	246704	-28390271072	281604	-10531290640	295950	-5310								
2.	108126	99102	90241131746	123387	8359171528	165712	5815183095	178173	4922								
2.1	22890	21435	145527654	25130	252432086	31186	90033375	31781	1594								
2.1.1	9567	9984	-41711504	11193	31113013	13879	-86612992	13581	-589								
2.1.2	576	191	385722	330	392762	338	424820	346	474								
2.1.3	1141	643	4931425	955	4701690	1215	19091301	607	607								
2.1.4	3621	2697	9244745	3310	143515726	4469	12576523	4845	1677								
2.1.9	7984	7922	629257	9342	-8610896	11287	-39111133	11707	-574								
2.2	532	740	-1581653	889	-2361832	1061	-229975	1200	-225								
2.3	11846	14615	-276912802	17203	-440115120	20554	-543417002	21640	-4638								
2.4	32167	29055	311242213	39319	2893162790	62191	59968076	69470	-1394								
2.5	2635	1919	7172899	2310	5883526	2893	6334176	3370	806								
2.6	4694	2568	21265481	2746	273516567	3133	34347967	3767	4200								
2.7	33311	28770	454140045	35790	4255150607	44695	591215124	46945	4578								
2.7.1	1682	2595	-91311961	3084	-112312586	3653	-106812769	4148	-1379								
2.7.2	1134	992	1421365	1161	2041746	1703	432120	2166	-46								
2.7.3	1704	936	7591614	1063	5512649	1640	10092646	1664	981								
2.7.4	7358	2426	493318505	2789	571510265	3676	698811983	4345	7638								
2.7.5	229	284	-551311	345	-34273	385	-112331	420	-89								
2.7.9	21202	21537	-335126237	27347	-1060132688	33638	-95031677	34202	-2525								
1.	3387	7913	-452713701	9032	-53314520	10169	-56495017	10572	-5555								
2.	2148	9889	-77412748	11133	-83853344	13208	-98643652	14241	-10589								
C.	304284	318127	-13844356509	390256	-33747450463	470692	-20229482404	498935	-16531								
D1.1	2925	12191	-926513373	13324	-99514867	13783	-89173690	9886	-6196								
D1.2	7030	2249	47819290	2367	69235931	2435	34964674	2485	2189								

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE DES PaiMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

TAB 2.002

	MIO ECU																							
	1979						1980						1981						1982					
	PAYS PARTENAIRE PAYS DECLARANT			U.S.A. EUR 10			PAYS PARTENAIRE PAYS DECLARANT			U.S.A. EUR 10			PAYS PARTENAIRE PAYS DECLARANT			U.S.A. EUR 10			PAYS PARTENAIRE PAYS DECLARANT			U.S.A. EUR 10		
A.	61666	63908	-2242	70515	80335	-9819	93888	98417	-4528	105524	105800	-276	25611	32370	-6759	26936	41304	-14369	38207	47762	-9555	44448	51372	-6924
1.	36055	31538	4513	43580	39030	4549	55681	50654	5027	61076	54428	6648												
2.	6074	4890	1184	7186	6023	1163	8797	8420	377	8884	8069	815	2739	2451	289	3313	2906	407	4270	4175	95	4174	3836	338
2.1	208	18	191	242	30	213	279	29	251	287	35	252	336	165	171	386	296	90	438	392	46	518	356	162
2.1.1	905	676	229	1106	850	256	1288	1201	87	1500	1269	231	1886	1580	396	2138	1941	198	2522	2624	-101	2405	2573	-168
2.1.1.1	206	241	-35	244	312	-68	351	377	-26	438	471	-33	3163	1998	1170	3440	2493	948	4417	3186	1231	5346	3381	1965
2.1.1.1.1	14396	15338	-942	18436	19395	-959	24102	24177	-75	26564	26297	267	419	371	43	485	490	-5	654	714	-60	727	954	-227
2.2	2920	637	2284	3249	642	2606	4196	1001	3195	5484	1073	4411	8871	8063	803	10540	9677	863	13165	12780	385	13632	14183	-551
2.3	600	1672	-1072	738	1980	-1242	1024	2422	-1398	1094	2765	-1671	600	1672	-1072	738	1980	-1242	1024	2422	-1398	1094	2765	-1671
2.4	381	597	-216	488	700	-213	864	1127	-263	907	1525	-618	954	262	69	865	700	-216	864	1127	-263	907	1525	-618
2.5	954	262	69	865	700	-213	864	1127	-263	907	1525	-618	381	597	-216	488	700	-213	864	1127	-263	907	1525	-618
2.6	385	377	8	445	454	-8	525	740	-215	689	835	-146	385	377	8	445	454	-8	525	740	-215	689	835	-146
2.7	118	189	-71	180	234	-54	142	281	-139	226	299	-74	118	189	-71	180	234	-54	142	281	-139	226	299	-74
2.7.1	6432	4966	1466	7825	6016	1809	8973	7441	1532	9246	8172	1074	6432	4966	1466	7825	6016	1809	8973	7441	1532	9246	8172	1074
2.7.2	1004	656	348	1071	784	286	1366	934	431	1529	1032	497	1004	656	348	1071	784	286	1366	934	431	1529	1032	497
2.7.3	113	594	-481	70	622	-552	88	708	-620	78	800	-722	113	594	-481	70	622	-552	88	708	-620	78	800	-722
C.	62783	65157	-2374	71656	81741	-10085	95342	100059	-4717	107131	107632	-501	62783	65157	-2374	71656	81741	-10085	95342	100059	-4717	107131	107632	-501
D1.1	894	5803	-4909	1406	6505	-5099	1817	7149	-5332	1003	4106	-3104	894	5803	-4909	1406	6505	-5099	1817	7149	-5332	1003	4106	-3104
D1.2	3218	920	2299	4472	885	3587	2472	996	1476	1297	1133	163	3218	920	2299	4472	885	3587	2472	996	1476	1297	1133	163

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

30/05/84

MIO ECU

PAYS PARTENAIRE  
PAYS DECLARANT

JAPON  
EUR 10

PARTNER COUNTRY  
DECLARING COUNTRY

	1979			1980			1981			1982		
	+	-	=	+	-	=	+	-	=	+	-	=
A.	7813	10990	-3177	8106	14139	-6033	11004	18525	-7521	12428	20667	-8239
1.	4628	9406	-4778	4524	11961	-7437	5551	15217	-9666	6356	17097	-10741
2.	3185	1583	1601	3582	2178	1404	5453	3308	2145	6072	3570	2502
2.1	791	711	80	935	837	98	1266	1204	61	1287	1193	94
2.1.1	319	308	11	421	355	66	538	536	2	514	509	5
2.1.2	11	5	6	11	2	9	15	8	7	17	7	10
2.1.3	58	16	41	69	24	45	93	38	55	107	39	68
2.1.4	204	83	121	208	98	110	303	150	153	344	186	158
2.1.9	199	298	-93	227	358	-132	316	472	-156	304	452	-149
2.2	19	33	-15	20	43	-23	23	55	-32	26	57	-31
2.3	215	77	138	240	92	149	336	106	231	348	115	234
2.4	672	372	300	879	654	225	1738	1056	682	1926	1295	631
2.5	22	33	-11	25	31	-6	28	39	-11	45	51	-6
2.6	23	22	1	27	29	-2	35	40	-5	38	39	-1
2.7	1443	336	1107	1455	493	962	2027	803	1219	2401	820	1581
2.7.1	218	25	194	232	30	202	308	47	261	331	56	275
2.7.2	39	5	34	143	9	134	83	13	69	277	35	242
2.7.3	43	17	26	42	17	25	62	29	33	54	34	20
2.7.4	36	24	12	39	50	-12	44	81	-37	43	61	-13
2.7.5	5	3	2	6	4	2	9	3	7	7	5	2
2.7.9	1102	263	839	993	383	610	1521	634	887	1685	630	1055
1.	57	32	25	61	31	29	79	33	46	107	42	65
2.	5	7	-2	8	8	-1	14	17	-4	24	26	-2
C.	7875	11029	-3154	8174	14179	-6005	11096	18574	-7479	12559	20735	-8176
D1.1	31	120	-89	16	66	-49	20	60	-40	11	88	-77
D1.2	155	33	121	248	25	223	230	9	221	344	32	311

30/05/84

BALANCE OF PAYMENTS - BALANCE DES PAIEMENTS  
BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

TAB 2.004

MIO. ECU

PARTNER COUNTRY  
DECLARING COUNTRY

	1979		1980		1981		1982			
	+	-	+	-	+	-	+	-		
A.	5503	6308	7399	-1362	7922	8457	-535	8066	8681	-615
1.	3287	4674	5572	-2294	4250	5965	-1715	4304	6034	-1730
2.	2216	1634	1827	932	3672	2492	1180	3762	2648	1114
2.1	479	491	584	-1	659	685	-26	673	692	-20
2.1.1	151	261	177	-104	183	285	-101	162	282	-120
2.1.2	18	0	20	20	21	3	19	2	20	19
2.1.3	31	17	38	13	45	33	12	53	34	19
2.1.4	126	93	151	24	176	164	12	196	177	19
2.1.9	153	120	152	44	234	201	33	239	197	42
2.2	12	22	13	-11	17	27	-10	29	37	-9
2.3	305	216	302	41	413	352	61	482	370	112
2.4	810	561	583	399	1459	912	539	1694	889	805
2.5	16	19	17	-2	37	28	9	29	38	-9
2.6	94	31	34	120	187	40	146	153	36	116
2.7	501	294	709	387	909	447	462	703	584	119
2.7.1	23	35	37	-11	41	41	-0	46	49	-3
2.7.2	11	7	9	4	22	15	8	27	15	12
2.7.3	70	9	19	17	14	26	-12	27	51	-23
2.7.4	69	15	88	68	115	36	79	105	34	71
2.7.5	17	5	23	17	21	6	16	17	7	10
2.7.9	310	222	522	292	697	324	372	482	428	54
1.	159	406	166	-309	188	544	-356	240	550	-310
2.	4	99	6	-111	6	135	-129	8	150	-142
C.	5666	6813	7991	-1782	8116	9136	-1020	8314	9382	-1068
D1.1	296	794	116	-425	1107	609	498	86	506	-419
D1.2	231	36	159	101	145	40	105	56	23	32

30/05/84

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

TAB 2.005

MIO ECU

PARTNER COUNTRY  
DECLARING COUNTRY

	AUSTRIA/N ZELANDE											
	1979			1980			1981			1982		
	+	-	=	+	-	=	+	-	=	+	-	=
A.	5995	3259	2736	6361	3325	3036	7751	4139	3612	9036	4731	4304
1.	3389	2235	1154	3401	2156	1245	4125	2646	1479	5052	3106	1946
2.	2607	1024	1583	2960	1169	1791	3626	1493	2133	3983	1625	2358
2.1	886	612	274	975	638	337	1101	792	309	1142	808	334
2.1.1	581	161	419	621	153	468	680	201	480	686	222	464
2.1.2	60	0	60	76	0	76	87	0	87	85	0	85
2.1.3	18	9	8	20	15	5	23	21	1	32	21	11
2.1.4	83	75	13	93	83	15	113	106	7	141	119	21
2.1.9	139	366	-227	160	387	-227	197	463	-266	198	445	-248
2.2	2	7	-5	4	7	-3	7	10	-4	6	8	-2
2.3	347	98	249	374	138	236	427	193	235	456	248	209
2.4	986	105	881	1061	164	897	1298	149	1149	1363	170	1193
2.5	5	8	-3	7	10	-3	22	13	23	23	14	9
2.6	34	22	12	41	23	19	47	24	23	42	23	19
2.7	347	173	174	497	189	308	724	313	411	951	355	597
2.7.1	45	3	41	46	6	40	62	4	58	69	6	63
2.7.2	1	0	1	47	0	47	16	1	15	41	1	40
2.7.3	29	1	28	34	5	34	87	29	58	109	22	87
2.7.4	96	4	92	125	14	111	134	36	98	240	58	182
2.7.5	9	0	9	12	2	10	16	2	14	9	3	5
2.7.9	168	165	4	223	162	66	410	241	169	484	263	220
1.	164	478	-315	150	598	-448	187	727	-540	249	787	-538
2.	2	97	-95	2	106	-104	2	171	-169	2	192	-191
C.	6161	3834	2327	6513	4028	2485	7939	5037	2903	9287	5711	3576
D1.1	17	402	-386	45	518	-473	44	313	-269	17	162	-145
D1.2	123	4	119	132	3	128	5	3	2	11	15	-4





BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

MIO ECU

PAYS PARTENAIRE  
PAYS DECLARANT

1979

1980

1981

1982

PARTNER COUNTRY  
DECLARING COUNTRY

	1979	1980	1981	1982					
A.	134898	133504	1394162366	169673	-73081206694	198206	84881212721	202539	10182
1.	94043	99823	-5780111352	126370	-15018143038	143022	16147524	144843	2681
2.	40854	33681	717451014	43303	771063656	55183	847365197	57696	7501
2.1	9124	9049	7511024	10321	70212551	12725	-17312465	12916	-452
2.1.1	3802	4225	-4234542	4556	-144750	5637	-8874477	5942	-1065
2.1.2	88	30	58102	34	69104	42	62110	45	66
2.1.3	495	282	214603	366	237727	493	234784	554	230
2.1.4	1762	1246	5152302	1545	7571545	2037	7613114	2302	812
2.1.9	2975	3268	-2933474	3821	-3464122	4455	-3433982	4475	-493
2.2	192	185	71205	234	-29236	258	-22266	297	-31
2.3	2853	2977	-1243493	3755	-2624044	4577	-5324194	4564	-371
2.4	10980	5694	528515076	9010	606620224	13962	626221758	15651	6106
2.5	1255	735	5201350	896	4541621	1100	5211913	1153	760
2.6	1400	1612	-2131666	1782	-1161891	1692	1991894	2251	-357
2.7	15052	13428	162418199	17305	89423089	20870	221922708	20862	1845
2.7.1	326	58	267400	92	308485	114	371526	148	378
2.7.2	607	22	385227	43	184273	56	217456	99	357
2.7.3	233	131	102252	182	70348	191	157415	260	156
2.7.4	6247	1549	46987328	1773	55559241	2130	71110170	2619	7551
2.7.5	37	16	2151	18	3344	27	1734	27	7
2.7.9	7801	11652	-38509940	15198	-525812696	18353	-565711106	17713	-6607
1.	1280	2655	-13751473	2910	-14361768	3275	-15071922	3569	-1647
2.	1745	8296	-65512357	9346	-69892907	11219	-83126143	14957	-8813
C.	137922	144454	-6532166196	181929	-15733211369	212700	-1331220787	221065	-278
D1.1	1019	3215	-21961121	4113	-29911250	3581	-23311250	3149	-1899
D1.2	1315	471	8441954	677	12771116	479	637982	413	569

BY GEOGRAPHICAL ZONE AND DECLARING COUNTRY - BALANCE OF PAYMENTS - PAR ZONES GEOGRAPHIQUES ET PAR PAYS DECLARANTS

	MIO ECU												PARTNER COUNTRY DECLARING COUNTRY				
	PAYS PARTENAIRE PAYS DECLARANT				NON-VENTILES EUR 10				1981					1982			
	+	-	=	+	-	=	+	-	=	+	-	=		+	-	=	
A.	11154	9769	1385	10980	8936	2044	18875	18144	731	21041	22245	-1204					
1.	6452	6011	441	5279	4521	758	6979	5409	1570	7661	7271	390					
2.	4702	3758	943	5701	4415	1286	11947	12804	-857	13380	14974	-1593					
2.1	1735	1565	171	2308	1952	356	2515	2149	366	2809	2297	511					
2.1.1	845	872	-27	1099	1014	85	1109	1143	-34	1224	1160	63					
2.1.2	133	67	66	201	171	31	186	153	33	200	147	52					
2.1.3	91	73	18	170	102	68	205	112	92	243	159	84					
2.1.4	85	61	24	308	71	237	362	87	275	400	91	309					
2.1.9	581	491	90	530	594	-64	653	653	0	742	739	3					
2.2	46	60	-14	50	66	-15	55	76	-21	59	76	-17					
2.3	106	94	12	42	40	3	193	67	126	85	120	-35					
2.4	699	800	-101	793	714	85	6201	8725	-2524	6735	10521	-3786					
2.5	281	40	242	319	47	272	344	61	283	355	73	282					
2.6	79	25	54	61	16	45	46	10	35	196	67	130					
2.7	1755	1175	580	2122	1530	541	2593	1717	877	3141	1820	1321					
2.7.1	224	243	-19	252	315	-63	320	370	-50	334	421	-86					
2.7.2	219	241	-22	261	230	-19	284	312	-28	313	314	-1					
2.7.3	93	106	-3	110	135	-24	139	123	16	149	150	-1					
2.7.4	0	15	-15	-1	23	-24	8	29	-21	6	4	2					
2.7.5	13	17	-5	10	21	-11	9	14	-5	5	19	-14					
2.7.9	1201	554	647	1489	806	683	1832	867	964	2333	912	1421					
1.	138	266	-127	146	381	-235	188	408	-221	223	352	-129					
2.	9	37	-28	19	59	-40	20	62	-42	-2950	-2934	-15					
C.	11301	10072	1229	11145	9376	1769	19083	18615	468	18314	19662	-1348					
D1.1	35	139	-104	21	124	-104	11	156	-145	3	33	-29					
D1.2	158	25	134	98	2	96	204	69	134	71	2	69					

ANNEX 2  
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Intra Community Flows - The Current Account  
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All transactions between countries concerning the exchange of goods, services and income and unrequited transfers are in principle recorded by both countries involved. An expenditure of one country should be equal to a receipt by the partner country within the same balance of payment item (in the same period). The IMF's aggregated balances of payments on a world basis show considerable asymmetries. A worldwide deficit of about \$ 89 billion for the current account was stated (1). A related phenomenon shows itself for the Community when the trade of its member states is broken down into intra- and extra Community flows. All balances of the balance of payments items of the Community (EUR 10) with itself (the intra EUR 10 balance) should also be zero.

At present, this intra EUR 10 balance of payments is calculated by adding up the individual country's statements.

The intra EUR 10 net figures show considerable deviations from zero. These deviations are presented in table A in absolute figures (ECU) and in percent. The percentage represents the ratio between the net figures and the arithmetic mean of the corresponding credit and debit figures and is, thus, an indicator of the severeness of the deviation. The table covers four years (1979 - 1982).

During these four years, the EC Member States recorded a big surplus in the intra EC exchange of "Goods, Services and Income" (A.). The surplus of the "Current Account" (C.) was about the same size.

It was smaller in 1982, because of the "Unrequited Transfers" (B.) which showed a high deficit. The percentage errors of the aggregated items are quite small, only in 1979, the error on "Goods, Services and Income" reached about three percent of the mean of the reported credit and debit figures.

In particular, "Services and Income" (2.) contributed to the total error. Disaggregating this item, one expects a more heterogenous picture than with the aggregates and one is not disappointed. The percentage errors reach up to 60%, although they were quite stable between the years.

The item "Other Services - Other" has to be singled out. The absolute and the relative errors are considerable. The surplus of

TABLE A

		1979		1980		1981		1982	
		NET	%	NET	%	NET	%	NET	%
<b>A. Goods services and income</b>									
1. Merchandise (fob)		3834.92	1.80	4449.09	1.87	5179.00	2.00	5196.84	1.79
2. Services and income		3996.79	6.13	3496.82	4.33	3692.84	3.81	4104.16	3.86
2.1 Transport		358.00	2.71	938.40	6.03	821.20	4.50	1135.19	5.88
Sea - freight		101.05	1.99	361.62	6.15	602.44	8.77	662.84	9.44
Sea - passenger servic		80.74	33.52	72.59	25.70	78.94	24.38	114.72	33.71
Air - freight		5.03	1.42	17.74	4.18	-14.71	3.00	20.23	4.01
Air - passenger servic		95.83	10.00	110.21	9.62	146.97	11.08	123.01	9.26
Other transport		76.56	1.16	377.03	4.81	7.49	0.08	213.97	2.12
2.2 Insurance on transport		-215.43	47.92	-280.04	55.17	-329.69	55.85	-345.04	54.38
2.3 Travel		-733.37	5.79	-848.97	5.81	-167.52	1.10	299.16	1.82
2.4 Investment income		197.74	1.25	-960.81	4.15	-1571.47	4.89	-3021.31	8.40
2.5 Labour income		-805.89	29.88	-995.73	33.32	-1190.68	37.29	-1033.33	28.45
2.6 Government trans.(nie)		579.63	24.58	581.00	22.20	841.20	28.64	898.90	27.89
2.7 Other services		4616.11	25.61	5062.97	23.70	5289.79	21.57	6170.60	22.78
Property income		-249.21	30.63	-284.50	30.87	-271.08	26.39	-368.66	32.33
Banking		53.51	12.34	1.37	0.27	52.08	8.47	-110.27	15.77
Non merchandise insura		68.36	7.83	-109.19	10.98	-51.92	4.31	-88.35	6.30
Construction/engineeri		-151.40	11.17	-184.11	11.85	-339.25	17.52	-266.99	13.24
Films, broadcasting		-37.27	44.12	-39.97	44.61	-57.08	52.09	-70.98	59.85
Other services - other		4933.18	34.10	5681.05	32.84	5958.70	30.36	7074.58	32.59
<b>B. Unrequited transfers</b>		416.74	1.41	-410.58	1.31	-20.90	0.06	-779.91	11.96
1. Private transfers		105.08	5.38	130.76	6.20	81.95	3.49	269.89	11.13
2. Official transfers		311.65	1.13	-541.34	1.86	-102.86	0.32	-1049.80	2.81
<b>C. Current account (A+B)</b>		8248.45	2.68	7535.33	2.16	8850.94	2.26	8521.09	1.95

( % RATIO BETWEEN THE NETS AND THE ARITHMETIC MEAN OF THE CORRESPONDING CREDIT AND DEBIT FIGURES)

NETS OF THE INTRA COMMUNITY BALANCE OF PAYMENTS FLOWS (MIO. ECU)

this item contributed most to the total errors.

"Government Transactions (n.i.e.)", "Banking" and all "Transport" items showed also surpluses. These sectors compensated partly the deficits of the other services items.

Concerning "Services and Income", timing asymmetries seem to be of minor importance for the explanation of the errors keeping in mind the size and distribution of them. The recording of a flow in different periods by the two partner countries might be more relevant in the case of "Merchandise" (1.). The error increased with about the same rate as the credit and debit figures of this item. Thus, the ratio stayed about the same (ca. 2%).

These results, in particular the regular pattern of the errors, are encouraging for further investigation. In a next step, it is possible to weight the importance of the errors by means of statistical measures. Those balance of payments items that contribute most to the overall errors can, thus, be identified. It should then be possible to trace these errors by means of the national balance of payments methodologies currently published by EUROSTAT.

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(1) IMF: World Economic Outlook, Washington D.C., 1983, p. 161

ANNEX 3

Definitions according to the IMF-Balance of Payments Manual

This annex gives the relevant paragraphs of the IMF's Balance of Payments Manual (fourth edition, 1977), which are referred to in the text. They are ordered by increasing paragraph number.

69. Mobile equipment thus presents a problem of principle—in the sense that the residence of the enterprise operating it cannot logically be inferred from the above rule—only when it is used in production outside the territory of any national economy, i.e., in international waters or air space. Mobile equipment that merely moves between the territories of two or more economies should, in accordance with the above rule, be regarded as being operated by a separate enterprise in each of the economies where it is used in production. As a practical matter, however, equipment that moves frequently between the territories of various economies also poses a problem very similar to that of equipment used in international waters or air space. Therefore, a supplementary rule of thumb to deal with both of these cases is recommended in this Manual. This rule is that mobile equipment that is operated on more than one national territory during the course of a year, or outside any national territory, is to be attributed to a single enterprise with a determinate residence. That enterprise is considered to be the operator for aircraft, ships, highway and railway rolling stock, fishing vessels, gas and oil drilling rigs, or other mobile equipment that is not used for production primarily on the territory of any one economy for as much as a year or is used in international waters or air space.

217. Some important instances can also be found in which the possession of goods passes between a resident and a foreigner who are not affiliated, without a change of ownership as stipulated above. Probably the most significant instance in which the effect of a legal change of ownership is achieved between independent parties by other means pertains to financial leasing, i.e., lease arrangements that provide for the recovery of all, or substantially all, of the cost of the goods, together with carrying charges. This Manual recommends that the basic nature of these transactions be given precedence over their legal form. Therefore, as a rule of thumb, a lease arrangement expected to cover at least three fourths of the cost of the goods, together with the carrying charges, is to be taken as presumptive evidence that a change of ownership is intended. The full equivalent of the market value of the goods (not the cumulative total of the expected lease payments) should then be recorded as merchandise, and an offsetting entry should be made in the capital account to record the credit extended to the nominal lessee.

(a) *Freight*

261. Freight refers mainly to the carriage or transport of goods. As used in this Manual, the term also includes any ancillary services provided by a carrier in conjunction with the service of transport. In particular, freight includes the service of loading goods on board the carrier or unloading them from it, if the contract between the owner of the goods and the carrier requires that the latter shall provide that service. When such a service is performed at the customs frontier of the country from which merchandise is exported, the loading charge is classified as freight if the service is provided by or for the account of the carrier; otherwise, it is classified as merchandise. This treatment is adopted because, in practice, the statistics that can be collected on freight will usually cover indistinguishably all services that are performed by or for the account of the carriers, whereas those on merchandise are unlikely to include the loading charge if loading is provided by or for the account of the carrier.

(b) *Insurance*

262. The insurance element of "shipment" comprises insurance on movable goods during the course of shipment. Insurance services are usually a rather minor element in the shipment item, let alone the whole balance of payments. They are singled out here mainly because their recording presents conceptual and practical difficulties that require special attention.

263. On the conceptual side, the service charge that the insurer takes into account in setting premiums during a given period (the "normal" service charge) may not be the same as the net premiums (premiums less claims) payable during that period; losses may be greater or less than are expected in the longer run, claims may not yet be payable on losses that have already occurred, and premiums may have been paid in advance on risks to which the insurer has not yet been exposed. Therefore, in principle, net premiums may reflect not only a service charge but also capital gains (losses) and prepayments (postpayments). Because of the practical impossibility of sorting out these various elements, however, net premiums are customarily taken to be the measure of the insurance service, and that treatment is recommended by this Manual.

(c) *Other services*

265. Other distributive services performed during the course of shipment that are incidental to the shipment are covered under this heading. They include such services as the following: storage and warehousing; loading and unloading that are not classified as merchandise or freight; packing and repacking; labeling and packaging; cartage, drayage, and haulage; and forwarding, handling, and transferring.

(3) **Port Services, etc.**

270. This component covers mainly port services but also includes charters and miscellaneous other services related to the transportation industry.

(a) *Port services*

271. The term "port services" is applied in a broad sense in this Manual to designate the procurement of all goods and most services by carriers and similar equipment for consumption in their operations. Port services do not include charter services provided by the owner of the carrier to its operator, which are nonetheless part of this same component; labor services provided by the crew, which are classified in "labor income, n.i.e."; and insurance services, which are part of "other" goods and services.

272. The main types of goods procured by carriers are fuel, provisions, stores, and supplies. The services include lighterage, stevedoring, and other loading and unloading, when these are covered by the freight charge or passenger fare; airport and harbor dues and fees; tugboat services, pilotage, and towage; and maintenance and repair.



(b) *Charters of carriers*

273. Charters (leases) of carriers refer to the service provided by owners in hiring or leasing their carriers to the enterprises that operate them. The following cases that nominally involve charters are not treated as such in the balance of payments, for the sake of consistency with various conventions applied in this Manual.

274. Transportation equipment operated entirely, or primarily, within the territory of an economy for at least one year is always considered by convention to be owned by a resident entity in the economy where it operates (see paragraph 69), so that no charter services between residents and foreigners would be recorded in the balance of payments in that situation. Instead, the actual foreign owner/charterer would be regarded as having a "direct investment" in the resident enterprise, and any payments to him would have to be construed as income on and amortization of that investment rather than as charter hire.

275. Furthermore, this Manual treats leases of goods (including the charters of carriers) that are expected to cover at least three fourths of the cost of the goods, together with carrying charges, as presumptive evidence of a financing arrangement that is equivalent to a change of ownership (see paragraph 217). No charter services would take place under those circumstances. Here again, any lease payments to the actual legal owner would have to be construed as income and amortization.

276. Finally, under many so-called charters of carriers, especially those for limited periods such as a single voyage, the owner of the carrier continues to be the operator and thus actually provides to the nominal lessee a freight or passenger service rather than a charter service as here defined.

(c) *Miscellaneous transportation*

277. Miscellaneous transportation refers to the services, other than the transport of goods and persons, performed by carriers and similar equipment. For example, fees for salvage operations and for the carriage of letter mail should be included here. By "similar equipment" is meant such equipment as towboats and tugboats, which are not themselves carriers but which have a resemblance to carriers or which perform services closely related to the transportation industry. Services provided by such equipment directly to carriers, such as towage or repairs, constitute part of the port services acquired by the carriers concerned.

## CHAPTER FOURTEEN

### Investment Income

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#### (1) Coverage

289. "Investment income" covers income derived from the ownership of foreign financial assets, excluding the portfolio investor's portion of the earnings of incorporated enterprises that are not formally distributed.

**290.** The most common types of investment income are dividends and interest. Dividends, including stock dividends and bonus shares, are the distribution of earnings in respect of the shares and other forms of participation in the equity of incorporated private enterprises, cooperatives, and public corporations. They represent income that is payable without a binding agreement between the creditor and the debtor. Interest, including discounts and commitment charges in lieu of interest, comprises income on loans and debt securities, i.e., such financial claims as bank deposits, bills, bonds, promissory notes, and trade advances. It is payable in accordance with a binding agreement between the creditor and the debtor.

**291.** Other types of investment income are the earnings of branches and other unincorporated direct investment enterprises, and the direct investor's portion of the earnings of incorporated direct investment enterprises that are not formally distributed, i.e., earnings other than dividends. The part of those earnings that is attributed to the direct investor is proportionate to his participation in the equity of the enterprise.

**292.** Income derived from the use of real resources is not considered as income from financial investment but as nonfinancial income. Thus, earnings from film rentals, charters of mobile equipment, and leases of real estate (rentals) should not be classified as "investment income" but included with other items for services and income. Merchandise exported and imported under a financial leasing arrangement, however, is considered to have changed ownership (see paragraph 217); the so-called lease payment thus consists of investment income and repayment of principal on the financial obligation that was in effect created when that change of ownership occurred.

**293.** Capital gains and losses are not income on investments but are part of the value of the investments. All capital gains and losses are included in the capital account (except, for practical reasons, those on insurance transactions, as explained in paragraph 263); valuation changes that are not realized in the form of capital gains and losses are not included in the balance of payments, although supplementary information on valuation changes is requested for reserves. It should be noted, however, that some debt securities, such as bonds, notes, and bills, are originally issued at a value different from the stated fixed sum that their holder has the unconditional right to receive when the obligations mature. This premium or discount should be regarded as negative interest or interest, respectively, rather than a capital loss or gain. It follows that the value of the securities to be entered in the capital account is the amount for which they are actually issued. The fixed sum paid at maturity will comprise both repayment of this original principal amount and (negative or positive) interest; the interest should be shown as investment income.

## **(2) Classification**

**294.** For the purpose of balance of payments recording, the following categories of "investment income" should be distinguished.

(a) *Direct investment income*

**295.** The two components under this heading pertain to income that accrues to a direct investor from ownership of direct investment capital. (See Chapter 18, section (2) for the definition of direct investment capital.) The component for reinvested earnings covers the earnings of branches and other unincorporated direct investment enterprises (excluding any part that can be identified as having been remitted) and the direct investor's portion of earnings of incorporated direct investment enterprises that are not formally distributed (see paragraph 291). The other component of direct investment income covers any earnings of branches and other unincorporated direct investment enterprises that are identified as having been remitted, in addition to dividends and interest distributed to the direct investor.

(b) *Other investment income*

**296.** The two components referring to official income together cover income receivable or payable by the compiling economy's general government or central bank, by a foreign general government or central bank, or by an international organization. Such income includes interest earned on deposits, debt securities, and other loans, as well as any dividends on equity securities. Moreover, official income includes all income payable to, by, or through the International Monetary Fund. Such income thus covers charges, assessments, interest, and remuneration on transactions and holdings with the IMF in both the General Account<sup>1</sup> and the Special Drawing Account,<sup>1</sup> as well as other income receivable by the official sector on reserves.

**297.** A government may sometimes be the direct investor in a direct investment enterprise abroad; income from such an enterprise should be classified as direct investment income rather than as other official income.

**298.** The component referring to private income covers investment income other than that specified above. Dividends on equity securities and interest earned on bank deposits, debt securities, and loans form the elements of this item.

**(3) Time of Recording**

**299.** Reinvested earnings of direct investment enterprises should be recorded in the balance of payments for the period in which they are earned. Dividends and interest should be recorded as of the time that they become due for payment. Remitted earnings of branches and other unincorporated enterprises should be recorded as of the time that they are transferred.

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<sup>1</sup>In the Second Amendment to the Articles of Agreement these are the General Department and the Special Drawing Rights Department, respectively.

**300.** In explanation of this apparent difference in treatment between earnings that are formally distributed and other earnings, it is useful to recall that reinvested earnings represent the net income accruing during a given period. In contrast, dividends and remitted earnings of branches are discretionary distributions that can be made at any time—even in a period when a net loss is sustained—and are therefore not attributable to the earnings of a particular period. To determine the period in which those reinvested earnings are earned or other investment income becomes payable, reference to balance sheets, annual reports, and similar documents of the investor or the enterprise may be helpful.

#### **(4) Measurement and Recording of Earnings**

##### *(a) Method of calculation*

**301.** Earnings refer to the net income, positive or negative, of an enterprise from production and property, including the ownership of other enterprises. These earnings are measured net of income or corporation taxes due for payment without penalty during the recording period by the enterprise to the economy in which that enterprise operates. This practice is followed because such taxes are considered payable by the enterprise and not by its owners.

**302.** Furthermore, earnings should be calculated net of any provision for depreciation of fixed capital. Depreciation is measured by the value, at current replacement cost, of the reproducible fixed assets used up during an accounting period as a result of normal wear and tear, foreseen obsolescence, and accidental damage that is not made good by repair. In the calculation of depreciation, the expected economic lifetime of the individual asset should be taken into account. Although depreciation should, in principle, be calculated at current replacement cost, data will often be available only on an historical cost basis.

**303.** As capital gains or losses, i.e., gains or losses resulting from the realization of valuation changes, do not stem from the operations of an enterprise, they should be excluded from the calculation of its operational earnings. Unforeseen obsolescence, catastrophes, and depletion of natural resources are treated as a capital loss at the time that the decrease in value actually occurs. Any losses on the writing off of bad debts or on expropriation without compensation should also be excluded in calculating earnings.

(b) *Recording of reinvested earnings*

**304.** Unremitted earnings of branches and other unincorporated direct investment enterprises, and the direct investor's portion of earnings of incorporated direct investment enterprises that are not formally distributed, are conceived of as providing additional capital to the enterprises, thus increasing the value of an economy's stock of foreign assets and liabilities. In the recording of such earnings in the balance of payments, therefore, entries should be made both for direct investment income and for direct investment capital. For example, the reinvested earnings of a foreign direct investment enterprise attributable to a resident direct investor should be entered in the relevant components as a credit in the current account category for investment income and as a debit in the capital account category for direct investment. The share of portfolio investors in the earnings of an incorporated direct investment enterprise that are not formally distributed should not be entered in the balance of payments.

(c) *Entries for losses*

**305.** The direct investor's share in the net losses other than capital losses of an enterprise should be recorded as negative income in the direct investment income component of the balance of payments. Thus, the economy recording losses on residents' direct investment abroad should enter the losses as a negative credit, while the economy in which the direct investment is made should record them as a negative debit. This method of recording losses is adopted so that the credit side of the component will reflect the compiling economy's net earnings on its direct investments abroad, while the debit side will refer to the foreign direct investors' net earnings on direct investments in the compiling economy.

(d) *Stock dividends and bonus shares*

**306.** The distribution to foreign shareholders of earnings in the form of stock dividends and bonus shares should be recorded in the balance of payments in the same manner as reinvested earnings, that is, by making entries both in investment income and in the capital account.

## CHAPTER FIFTEEN

### Other Goods, Services, and Income

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(1) **Main Types of Official Transaction**

**311.** Three standard components for official transactions are distinguished in this category; they specify whether (a) both parties to the transactions are in the official sector, (b) the resident official sector is dealing with other foreign sectors, or (c) other resident sectors are dealing with foreign official sectors. From the standpoint of the compiling economy, the types of transaction in each of these groups are likely to be quite different. Some of the principal kinds that should be reported are listed below.

(a) *Embassies and consulates abroad*

**312.** Since these organizations are treated as residents of the country that they are representing and not of the country where they are located, remittances of cash, shipments of commodities, and any other transactions between them and residents of their home country are not included in the balance of payments. Instead, the transactions to be recorded are those with residents of the country where they are located and of other foreign countries. The following kinds of item are among those that should be reported:

(i) wage and salary payments, representing labor income of local staff;

(ii) personal expenditures by diplomatic and consular staff and their dependents in the country where they are stationed; and

(iii) other expenditures by embassies and consulates for goods and services such as office supplies and furnishings, fuel and utilities, rent or purchases and sales of embassy and other buildings, official cars and their operation and maintenance, and official entertainment.

(b) *Military units and agencies abroad*

**313.** These are treated in the same way as embassies and consulates, and the same kinds of item should be covered. The compiler should keep in mind that the personal expenditures of military personnel and their dependents comprise their expenditures in the foreign country in which they are stationed and exclude expenditures in their own canteens, commissaries, or post exchanges.

(c) *Other official entities located abroad*

**314.** Many such entities of an economy will be integrated with the embassy organization, but the transactions with other economies by those with a separate existence should also be reported. Examples are aid missions (including the U.S. Peace Corps), government tourist offices, government offices to encourage immigration, and government information offices and libraries.

(d) *Joint military arrangements*

**315.** Receipts or contributions under joint military arrangements are included here.

(e) *Other nonmilitary goods and services provided to or obtained by government*

**316.** A government may engage in many of the same types of service transaction as private entities; for examples of kinds of service that might be appropriate to this item, when a government is a party, see Section (4), below.

**317.** Aid services (except shipment or other items included under their own headings) between governments or from the government of one economy to other sectors of other economies should be recorded. They have their offset in grants or loans. Services of this type may also be purchased (rather than obtained under aid programs) by a government from nonresidents or sold by a government to nonresidents and should, of course, be recorded here.

(f) *Military services provided or obtained*

**318.** Such services can and should be included in the balance of payments, at least insofar as actual payment is made for them, thereby providing a means of measuring their value. Receipts from the United Nations for peacekeeping troops are one example. Goods and services provided free of charge to foreign troops by the economy where those troops are stationed are usually omitted from the balance of payments because of the uncertainties of valuation, the difficulty of deciding whether the offsetting entry is best regarded as a defense service or an unrequited transfer, and the confidentiality of the information.

(b) *Property income, n.i.e.*

**321.** Property income is income accruing to the owner of financial assets, land, and nonfinancial intangible assets from the use of such assets by another economic entity. All property income on financial assets is classified as "investment income" (see Chapter 14). This component refers to nonfinancial property income that is not included elsewhere.

**322.** Earnings from the use of tangible assets except land constitute leasing, which is considered to be a service item rather than income. Financial leasing is included with "merchandise" (see paragraph 217); operational leasing of carriers (chartering) is included with "other transportation" (see paragraph 273); and other operational leasing is included with either miscellaneous official transactions (see section (3) of this chapter) or the residual component (see paragraphs 333-34).

**323.** The main element of the component for "property income, n.i.e." is income accruing to the owners of patents, copyrights, and similar nonfinancial intangible assets. Income of this sort is often referred to by such terms as royalties and license fees. While a foreigner, by the conventions of this Manual, cannot be said to purchase such assets outright from a resident of the economy whose government issues them, a foreign enterprise may nonetheless acquire the right to use such assets outside the territory of the economy that issues them. The income payable for that use constitutes nonfinancial property income.

**324.** This component will rarely include any income from the ownership of land. Under the conventions of this Manual, land used for commercial purposes must be used by an enterprise, and except in unusual circumstances that enterprise would be a resident of the economy where the land is located; moreover, land must always be owned by a resident of the economy where it is located. That being the case, resident-foreigner transactions with respect to the commercial use of land would seldom occur. The foreign entities that could be present in an economy to use land for noncommercial purposes would be governments or individuals. The transactions of those foreigners, including any income payable for the use of land, are to be classified in this Manual as "travel," "official transactions," above, or "labor income, n.i.e."

(i) Nonmerchandise insurance

326. All types of insurance and reinsurance are included here with the exception of the transactions in the direct insurance of merchandise and some other goods that are included in "shipment," as described in paragraph 262. Marine and aircraft insurance—that is, insurance of the carrier, in contrast to insurance of the goods carried therein—should also be included here with nonmerchandise insurance.

327. Life insurance, like other types of insurance, can be most conveniently recorded in the balance of payments on the basis of the difference between premiums to be paid and claims to be disbursed, which is taken to represent the insurance service charge (see paragraph 263). This treatment ignores the capital element inherent in life insurance transactions but, as international transactions in life insurance are not usually large, this simplification is recommended. Pension schemes operating through a separately organized fund are akin to life insurance, and the net amounts received and paid should be added to the amounts reported for insurance. Other types of pension disbursed and contribution collected are included in "unrequited transfers" (see paragraphs 352, 358-59).

(vi) Operational leasing, other than charters

333. Operational leasing is leasing other than that regarded as financial leasing. For the definition of financial leasing, see paragraph 217. The charter of carriers is included in "other transportation."

334. The operational leasing of structures, machinery, equipment other than transportation equipment, films, tapes, records, and other tangible assets is included here; such leasing is sometimes referred to as rental. The commercial value of the assets themselves is excluded from export and import totals.

(iii) Other private unrequited transfers

352. This component covers transfers between individuals, between nonofficial organizations, and between an individual and a nonofficial organization. Such transfers include gifts, dowries, and inheritances; alimony and other support remittances, except those by former migrants; tickets sold by and prizes won from nongovernmental lotteries; noncontractual pensions from nongovernmental organizations; compensation for damages (excluding insurance indemnities); contributions to religious, scientific, cultural, and charitable organizations; and membership fees paid to nonprofit associations.

(ii) Other

358. On the credit side, this item includes taxes, fines, fees for fishing rights and carrier registrations, and tickets sold by government-sponsored lotteries. On the debit side, this item includes refunds on taxes, membership fees paid to nongovernmental organizations, grants to nongovernmental entities, noncontractual pensions, and prizes won from government-sponsored lotteries.



(d) *Other official unrequited transfers of foreign economies*

359. These are transactions between foreign governments and private residents of the compiling economy. This component has the same coverage, with credits and debits reversed, as the preceding component, "other official unrequited transfers of the compiling economy."

372. (iv) *Reclassification of past purchases from the Fund.* Such a reclassification occurs in the following situation. A member may make a reserve tranche purchase from the Fund and record in its balance of payments a decrease in its reserve position in the Fund, which is an asset. In a subsequent recording period when the information needed to make such a determination becomes available, the Fund could determine that the member had qualified at the time of the purchase for the use of Fund credit under the policy adopted for the compensatory financing of export fluctuations. The purchase would then be reclassified. Instead of revising the original balance of payments entry (a credit) from a decrease in assets to an increase in liabilities, this Manual provides that the original entry be retained and additional entries for the reclassification, showing an equal increase in both the asset (debit) and the liability (credit), be recorded in the period in which it takes place. This recommendation is made in order to align the balance of payments entries with the statistics and accounts as published by the Fund on its own activities.

(v) *Other reclassification changes in reserves.* The authorities may assume or relinquish direct and effective control over assets to which they do not legally hold title. Such changes in the level of their reserves are to be recorded, along with a counterpart to the reclassification. This counterpart is needed because no entry is to be made for the resulting change in the other component that is affected by the reclassification (see paragraph 374 (ii)).

(c) *Classification changes to be omitted*

374. All classification changes in an economy's financial claims on and liabilities to the rest of the world, except those referred to in paragraph 372 (iv) and (v), are to be omitted from the balance of payments.

(i) *Changes in classification owing to territorial changes.* For example, a resident entity owns an enterprise operating in some part of the domestic territory that is ceded to another economy, but the resident status of the owner itself remains unaffected. Under the conventions of this Manual, the owner has thereby acquired a foreign financial asset in place of its previous domestic asset. Such changes, however, are not to be shown in the balance of payments.

(ii) *Other changes in classification of existing assets, except those in reserves.* A creditor's holdings of foreign corporate equities, for instance, may be reclassified from portfolio to direct investment when it acquires enough additional equities to make it the direct investor. The reclassification of the earlier holdings is not to be entered in the balance of payments, although the acquisition of additional equities is classified as direct investment.

## CHAPTER EIGHTEEN

### Direct Investment

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#### (2) Direct Investment Capital

415. Once the direct investment enterprise has been identified, the question arises as to which capital flows between that enterprise and entities in other economies could characteristically be expected to show a distinctive pattern of behavior. Since the main feature of direct investment is taken to be the lasting interest of the direct investor in the enterprise, the logical answer must be that it is only the capital supplied by the direct investor that is relevant in this context. This Manual, therefore, recommends that the category for direct investment capital be confined to capital that is provided by the direct investor—either directly or through other enterprises related to that investor—to the direct investment enterprise (or received by the investor from that enterprise). For the economy where the investment is located, such capital includes funds provided both by the direct investor directly and by other foreign direct investment enterprises of the same direct investor. For the economy of the direct investor, such capital includes only funds provided by the resident investor; it does not include funds for which the direct investor merely makes the arrangements or guarantees repayment, e.g., loans from outside parties to an incorporated direct investment enterprise.

416. A further aspect for consideration is whether all forms of investment by the direct investor should be classified as direct investment capital. The equity capital supplied by the direct investor and the reinvested earnings attributed to him (see paragraph 291) are two types where the direct investment relationship is undoubtedly a primary factor. For other long-term capital and for short-term capital, however, the justifiability of assigning the flows attributable to the direct investor to the category for direct investment can vary widely with the practices of the investors concerned, which may change from one period to another. Moreover, the formal distinction between the long-term and short-term elements of "other" direct investment capital is often found to be misleading. Although all these flows are recorded in this Manual as direct investment, provision is made for distinguishing the main types separately.

**417.** In previous editions of the Manual, flows of short-term capital between monetary institutions and their direct investment affiliates were allocated to other categories of capital rather than to direct investment, on the grounds that the flows presumably reflect the regular business activities of those institutions more than the direct investment relationship. The same line of reasoning has increasingly become relevant for the nonmonetary sectors also, since short-term investment funds are frequently channeled directly through affiliates instead of through the banking system. Nevertheless, this Manual retains the recommendation of the previous edition that the short-term element should be excluded from direct investment capital only for flows between affiliated monetary institutions.

**418.** Direct investment capital flows include those that create or dissolve the investment as well as those that serve simply to maintain, expand, or reduce it. Thus, when a foreigner who previously had no equity in an existing resident enterprise takes over the management interest in that enterprise from a resident, the market value of equity holdings acquired and any other capital invested by the foreigner should be recorded as direct investment. When the acquisition of equity by a foreigner has been gradual, however, the reclassification—from portfolio to direct investment—of shares that were acquired in periods before the take-over occurred should be regarded as a reclassification of the existing investment and should not be shown in the balance of payments (see paragraph 374 (ii)).

IV

COMMUNITY LEGISLATION AFFECTING  
SERVICE SECTORS

COMMUNITY LEGISLATION AFFECTING SERVICE SECTORS

1. Right of establishment and freedom to provide services in the European Community.
2. Competition rules.
3. Sea transport.
4. Inland transport.
5. Air transport.
6. Insurance.
7. Banking.
8. Stock exchanges.
9. Other service sectors.

1. RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES  
IN THE EUROPEAN COMMUNITY

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The right of establishment and the freedom to provide services (i.e. the freedom to provide services in another Community Member State without being established there) are among the principal freedoms guaranteed by the EEC Treaty, the others being the free movement of goods, the free movement of workers and the free circulation of capital. For the right of establishment and the freedom to provide services the principal articles of the Treaty are Articles 52, 58, 59 and 60.

Article 52 reads as follows:

"Within the framework of the provisions set out below, restrictions on the freedom of establishment of nationals of a Member State in the territory of another Member State shall be abolished by progressive stages in the course of the transitional period. Such progressive abolition shall also apply to restrictions on the setting up of agencies, branches or subsidiaries by nationals of any Member State established in the territory of any Member State.

Freedom of establishment shall include the right to take up and pursue activities as self-employed persons and to set up and manage undertakings, in particular companies or firms within the meaning of the second paragraph of Article 58, under the conditions laid down for its own nationals by the law of the country where such establishment is effected, subject to the provisions of the Chapter relating to capital."

Article 58 reads as follows:

"Companies or firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Community shall, for the purposes of this Chapter, be treated in the same way as natural persons who are nationals of Member States.

"Companies or firms" means companies or firms constituted under civil or commercial law, including cooperative societies, and other legal persons governed by public or private law, save for those which are non-profit-making."

Article 59 states as follows:

"Within the framework of the provisions set out below restrictions on freedom to provide services within the Community shall be progressively abolished during the transitional period in respect of nationals of Member States who are established in a State of the Community other than that of the person for whom the services are intended.

The Council may, acting unanimously on a proposal from the Commission, extend the provisions of this Chapter to nationals of a third country who provide services and who are established within the Community."

Article 60 provides in part as follows:

"Services shall be considered to be "services" within the meaning of this Treaty where they are normally provided for remuneration in so far as they are not governed by the provisions relating to freedom of movement of goods, capital and persons.

Without prejudice to the provisions of the Chapter relating to the right of establishment, the person providing a service may, in order to do so, temporarily pursue his activity in the State where the service is to be provided, under the same conditions as are imposed by that State on its own nationals."

For the abolition of restrictions on establishment and freedom to provide services, the Treaty provided for the drawing up of a general programme for the abolition of existing restrictions (Articles 54 and 63) and for the gradual abolition thereafter of those restrictions by means of directives.

As regards the abolition of restrictions both on establishment and on the free supply of services, a considerable number of directives applying to different kinds of self-employed activities have been brought into force. Despite this progress, many sectors remained uncovered; however, in 1974, in cases 2/74 (Reyners, 1974 ECR 651) and 33/74 (Van Binsbergen, 1974 ECR 1299), the Court of Justice held that the relevant provisions of Articles 54, 59 and 60 were directly applicable as from the end of the transitional period, laid down in the Treaty, without there being any need for further Community legislation. Moreover, the judgment had the result that private individuals could avail themselves directly of the rights conferred on them by the Treaty.

Specifically as far as the freedom to provide services is concerned, since the Van Binsbergen case, further Court decisions have clarified the extent and scope of the freedom guaranteed by the Treaty. (1)

In addition it should be noted that in order to make it easier for persons to take up and pursue activities as self-employed persons, Article 57 provides for the issue of directives for "the mutual recognition of diplomas, certificates and other evidence of formal qualifications" as well as for "the coordination of the provisions laid down by law, regulation or administrative action in Member States concerning the taking up and pursuit of activities as self-employed persons." Extensive use has been made of these provisions.

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(1) Case 39/75 (Robert Coenen), 1975 3 ECR 1547, cases 110 and 111/78 (van Wesemael) 1979 1 ECR 35; cases 62 and 63/81 (Seco V. Evi) 1982 ECR 223; case 76/81 (Transporoute) 1982 ECR 417; and case 279/80 (Webb) 1981 ECR 3305.

## 2. COMPETITION RULES

Articles 85 and 86 of the Treaty of Rome are applicable to the provision of services in the same way that they are applicable to the production and distribution of industrial goods.

### "Article 85

1. The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decision by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which:

- a) directly or indirectly fix purchase or selling prices or any other trading conditions;
- b) limit or control production, markets, technical development, or investment;
- c) share markets or sources of supply;
- d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

2) Any agreements or decisions prohibited pursuant to this Article shall be automatically void.

3) The provisions of paragraph 1 may, however, be declared inapplicable in the case of:

- any agreement or category of agreements between undertakings;
- any decision or category of decisions by associations of undertakings;
- any concerted practice or category of concerted practices;

which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

- a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
- b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.



Article 86

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between Member States.

Such abuse may, in particular, consist in:

- a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- b) limiting production, markets or technical development to the prejudice of consumers;
- c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts."

The Commission's activities in this field concern more especially transport, banking, insurance, collecting societies and telecommunications.

In the transport sector a specific implementing Regulation was adopted on transport by rail, road and inland waterway (Council Regulation (EEC No 1017/68, OJ L 175, 23.7.1968).

Where banking and insurance are concerned, the Commission has always believed that specific procedures for applying the competition rules are not required, although it recognizes that they have special features on account of their supervision by the national public authorities.

As regards banking, for example, the Commission published a Notice in the Official Journal announcing its intention to grant exemption to a series of arrangements entered into by a number of national banking organizations concerning the international use of uniform Eurocheques made out abroad in local currency (OJ No C 281 of 18.10.1983).

In the field of insurance, the Commission adopted a decision on 30 March 1984 granting negative clearance to an agreement between an association of insurers who offer industrial insurance services in Italy and are linked to certain re-insurers in various Member States. The members of the association remain free to fix their commercial premium rate individually in accordance with their own policies (OJ L 99 of 11.4.1984).

Many decisions have been taken on the provision of services by collecting societies. In GVL/v Commission (Case 7/82, 1983-3, p 483) the Court of Justice upheld the applicability of Article 86 to the conduct of these societies, ruling that they may not restrict their services to artists resident in their particular country and must offer their services also to authors established in other countries where the latter wish to assert their rights in that country.

In December 1982 the Commission applied the Community competition rules for the first time to the telecommunications industry in the case of an abuse of a dominant position by a supplier in this field (OJ No L 360 of 21.12.1982).

### 3. SEA TRANSPORT

#### Consultation procedure

Council Decision of 13 September 1977 setting up a consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations (77/587/EEC, OJ No L 239 of 17.9.1977).

The aim of this Decision is to establish a procedure for consultation between the Member States and the Commission on their relations with third countries in the field of sea transport, with a view to discussing such matters, including bilateral and multilateral agreements, to determine whether there are problems at Community level and whether action within international organizations should be coordinated.

#### Competition from State-trading countries

Council Decision of 19 September 1978 concerning the activities of certain third countries in the field of cargo shipping (78/774/EEC, OJ No L 258 of 21.9.1978).

Council Decision of 19 December 1978 on the collection of information concerning the activities of carriers participating in cargo liner traffic in certain areas of operation (79/4/EEC, OJ No L 5 of 9.1.1979).

Council Decision of 4 December 1980 amending and supplementing Decision 79/4/EEC on the collection of information concerning the activities of carriers participating in cargo liner traffic in certain areas of operation (80/1181/EEC, OJ No L 350 of 23.12.1980).

Council Decision of 26 March 1981 establishing detailed rules for the collection of information concerning the activities of carriers participating in cargo liner traffic between the Member States and the Far East (81/189/EEC, OJ No L 88 of 2.4.1981).

Council Decision of 16 December 1982, extending the collection of information concerning the activities of carriers participating in cargo liner traffic in certain areas of operation, carried out under Decisions 79/4/EEC, 80/1181/EEC, and 81/189/EEC. (82/870/EEC, OJ No L 368 of 28.12.1982).

All these Decisions concern information-gathering systems. The Member States have to collect information on the activities of certain third countries in the field of cargo liner traffic between the Community and East Africa, the Community and Central America, and the Community and the Far East.

The information collected must be forwarded to the Commission for assessment no later than three months after the end of each half year. This information concerns the name of the company and the service operated, the total liner cargo carried, the specification of types of commodities, the ports of loading and unloading, the area of operation, the flag of the vessels employed, the date of establishment of the service, and the freight rates charged.

The aim of these Decisions is to keep the Community institutions informed of the activities of the fleets of third countries whose practices are harmful to the shipping interests of the Member States.

#### Counter-measures

Council Decision of 26 October 1983 concerning counter-measures in the field of international merchant shipping (83/573/EEC, OJ No L 332 of 28.11.1983).

This Decision lays down a Community procedure concerning counter-measures which may be taken by the Member States against third countries in the field of international merchant shipping. Where a Member State has taken or intends to take counter-measures it must consult the other Member States and the Commission.

The aim of the consultation is to ensure that the Member States concert any counter-measures they may take. However, the Council may, acting unanimously, decide on the joint application by Member States of appropriate counter-measures forming part of their national legislation.

#### Code of Conduct for Liner Conferences

Council Regulation (EEC) No 954 of 15 May 1979 concerning the ratification by Member States of, or their accession to, the United Nations Convention on a Code of Conduct for Liner Conferences (OJ No L 121 of 17.5.1979).

This Regulation stipulates that when ratifying or acceding to the Code of Conduct, the Member States must comply with certain conditions so as to ensure that they respect the principles and objectives of the Treaty. It is known as the "Brussels package" and its main aim is to ensure that the Code's cargo-sharing formula will not be applied to intra-Community trade, or in trade between the Community and OECD countries, provided those countries make a reciprocal disapplication. In trades between the Community and non-OECD countries, conference lines from Community Member States will pool the shares of conference cargoes falling to them under the Code's cargo-sharing provisions and redistribute the shares among themselves in accordance with commercial criteria. Lines from other OECD countries will be free to join in this redistribution process on the basis of reciprocity. By virtue of the Regulation, the Member States must submit for Commission approval their national legislation on ratification.

#### 4. INLAND TRANSPORT

##### I. RULES GOVERNING COMPETITION

Council Regulation (EEC) No 1017 of 19 July 1968 applying rules of competition to transport by rail, road and inland waterway (OJ No L 175 of 23.7.1968, p. 1).

This Regulation applies Articles 85 and 86 of the Treaty to inland transport. In principle, it prohibits agreements between undertakings, decisions of associations of undertakings, concerted practices between undertakings and abuses of a dominant position within the common market. The purpose of this prohibition is to ensure that trade between Member States is not affected or competition within the common market distorted. However, the Regulation provides for a range of exceptions to the principles of the prohibition.

##### II. TRANSPORT RATES AND CONDITIONS

###### Rates

Council Regulation (EEC) No 3568/83 of 1 December 1983 on the fixing of rates for the carriage of goods by road between Member States (OJ No L 359 of 22.12.1983).

This Regulation lays down the rules governing the fixing of transport rates between Community countries. Compulsory tariffs apply between the original six Member States, while other transport links are subject to reference tariffs (recommended rates).

###### Rules prohibiting discrimination

Council Regulation No 11 of 27 June 1960 concerning the abolition of discrimination in transport rates and conditions, in implementation of Article 79:3 of the Treaty establishing the European Economic Community (OJ No 52 of 16.8.1960, p. 1121).

This Regulation prohibits discrimination in transport rates and conditions based on nationality. It bans all discrimination by carriers which takes the form of charging different rates and imposing different conditions for carrying the same goods over the same transport links on grounds of the country of origin or of destination of the goods in question.

### III. MARKET ACCESS AND CONTROL OF CAPACITY

#### Road haulage

1. First Council Directive of 23 July 1962 on the establishment of certain common rules for international transport (carriage of goods by road for hire or reward) (OJ No 70 of 6.8.1962, p. 2005).

This Directive exempts certain types of carriage on own account from any quota system.

2. Council Directive of 13 May 1965 concerning the standardization of certain rules relating to authorizations for the carriage of goods by road between Member States (OJ No 88 of 24.5.1965, p. 1469).
3. Council Regulation (EEC) No 3164/76 of 16 December 1976 on the Community quota for the carriage of goods by road between Member States (OJ No L 357 of 29.12.1976, p. 1).

This Regulation establishes a Community quota based on multilateral authorizations.

- 3.1 Council Regulation (EEC) No 2964/79 of 20 December 1979 amending Regulation (EEC) No 3164/76 on the Community quota for the carriage of goods by road between Member States as regards the introduction of short-term Community authorizations (OJ No L 336 of 29.12.1979, p. 12).

This Regulation provides for an improvement in the Community quota system by allowing authorizations valid for one month.

4. Council Directive of 12 November 1974 on admission to the occupation of road haulage operator in national and international transport operations (74/561/EEC) (OJ No L 308 of 19.11.1974, p. 18).

The purpose of this Directive is to introduce harmonized conditions governing admission to the occupation of road haulage operator (heads of undertakings), with a view to improving transport services and rationalizing competition in the road haulage sector, in which there is a large number of small firms.

Under this Directive, natural persons or undertakings wishing to engage in the occupation of road haulage operator must:

- a) be of good repute;
- b) be of appropriate financial standing;
- c) satisfy the condition as to professional competence.

5. Council Directive of 12 December 1977 aiming at the mutual recognition of diplomas, certificates and other evidence of formal qualifications for goods haulage operators and road passenger transport operators, including measures intended to encourage these operators effectively to exercise their right to freedom of establishment (77/796/EEC) (OJ No L 334 of 24.12.1977, p. 37).

The purpose of this Directive is to facilitate exercise of freedom of establishment in the road haulage area covered by the Directive of 12 November 1974.

#### Road passenger transport

1. Council Regulation No 117/66/EEC of 28 July 1966 on the introduction of common rules for the international carriage of passengers by coach and bus (OJ No 147 of 9.8.1966, p. 2688).

This Regulation:

- provides a definition of international road passenger transport (regular services, shuttle services and occasional services)
- determines the scope of the Community rules
- establishes common rules for occasional services
- liberalizes transport services operated by undertakings for their own workers.

2. Council Regulation (EEC) No 516/72 of 28 February 1972 on the introduction of common rules for shuttle services by coach and bus between Member States (OJ No L 67 of 20.3.1972, p. 13).

This Regulation makes the shuttle services covered by the Regulation subject to a system of authorization and lays down the relevant rules.

3. Council Regulation (EEC) No 517/72 of 28 February 1972 on the introduction of common rules for regular and special regular services by coach and bus between Member States (OJ No L 67 of 20.3.1972, p. 19).

This Regulation makes the regular services and special regular services covered by the Regulation subject to a system of authorization and lays down the relevant rules.

4. Council Directive of 12 November 1974 on admission to the occupation of road passenger transport operator in national and international transport operations (74/562/EEC) (OJ No L 308 of 19.11.1974, p. 23).

Under this Directive, natural persons or undertakings wishing to engage in the occupation of road passenger transport operator must:

- a) be of good repute;
- b) be of appropriate financial standing;
- c) satisfy the condition as to professional competence.

Its aim is to harmonize the conditions governing admission to the occupation of road passenger transport operator.

5. Council Directive of 12 December 1977 aiming at the mutual recognition of diplomas, certificates and other evidence of formal qualifications for goods haulage operators and road passenger transport operators, including measures intended to encourage these operators effectively to exercise their right to freedom of establishment (77/796/EEC) (OJ No L 334 of 24.12.1977, p. 37).

The purpose of this directive is to facilitate exercise of freedom of establishment in the area of road passenger transport covered by the Directive of 12 November 1974.



## 5. AIR TRANSPORT

The Council Directive 416/83 of 25 July 1983 concerning the authorization of scheduled inter-regional air services for the transport of passengers, mail and cargo between Member States is the only Community legislation in this sector.

It lays down procedures and criteria for the authorization of inter-regional air services within the Community.

## 6. INSURANCE

### I. GENERAL COMMUNITY RULES

1. Insurance undertakings whose head office is situated in a Community Member State are subject to the following Community rules:

- a) Council Directives 73/239/EEC of 24 July 1973 (coordination relating to direct insurance other than life assurance) published in the Official Journal of the EC No L 228 of 16 August 1973, and 79/267/EEC of 5 March 1979 (coordination relating to life assurance) published in the Official Journal No L 63 of 13.3.1979. Their purpose is to guarantee freedom of establishment for indemnity insurance and life assurance undertakings within the European Community and, in particular, to make it easier for undertakings whose head office is situated in one Member State to set up agencies and branches in another Member State.

To this end, the Directives lay down certain coordinated rules regarding insurance supervision, particularly as regards the authorization procedure and, the most important aspect, the financial guarantees required of insurance undertakings. Thus, the directives provide that undertakings must establish at their head office an adequate solvency margin in respect of their entire business including both that of the head office and the agencies and branches. The solvency margin is calculated according to coordinated rules. One third of the solvency margin, that is to say, the assets of the undertaking free of all foreseeable liabilities, constitutes the guarantee fund which, moreover, and depending upon the various classes of insurance concerned, may not be less than an amount specified in the directives and expressed in ECU. The authorization in respect of an agency or branch in one Member State of an undertaking whose head office is situated in another Member State may no longer be conditional upon the payment of a guarantee. On the contrary, the fact, certified by the supervisory authority, that the undertaking has at its disposal at its head office an adequate guarantee fund and solvency margin entitles the agency or branch to be authorized in the other Member State.

As far as the technical reserves are concerned, the Member States apply their own appropriate rules that relate thereto and require that the said reserves be established and localised in their territory, both as regards the business of the head office and that of the agencies and branches. Member States may, however, permit the requirement regarding localisation to be relaxed.

- b) The purpose of Council Directive 78/473/EEC of 30 May 1978 on Community co-insurance, published in the Official Journal No L 151 of 7.6.1978 is to facilitate freedom to provide services in respect of direct insurance other than life assurance within the European Community by means of co-insurance and to secure the necessary co-ordination to that end. It aims to increase the capacity to cover risks by means of co-insurance beyond national frontiers and to improve the position of policy holders who have to obtain insurance cover in respect of major risks. It applies only to risks which, by virtue of their nature or scale, can be insured only if a number of insurers are involved.

The Directive applies only to Community co-insurance operations which satisfy, *inter alia*, the following conditions:

- the risk must be situated within the Community and it must be covered by a single contract at an overall premium and the same period by two or more insurance undertakings, the co-insurers, each for its own part, one of the undertakings being the leading insurer; at least one of the insurers should be established in another Member State than that of the leading insurer;
- the leading insurer must fully assume the leader's role in co-insurance practice; he determines the terms and conditions of insurance and rating. In addition, he determines in accordance with the rules or practice of the State in which he is established, the minimum amount of the reserves for outstanding claims which must be established by each co-insurer.

The assets which represent the technical reserves are localized either in the Member States in which the co-insurers are established or in the Member State in which the leading insurer is established, whichever the insurer chooses.

- c) Under Council Directive 64/225/EEC of 25 February 1964 on reinsurance and retrocession, published in the Official Journal of the European Communities No L 56 of 4 April 1964, the Member States of the European Community must abolish all restrictions on freedom of establishment and freedom to provide services in respect of undertakings specializing in reinsurance and undertakings which deal both in direct insurance and in reinsurance and retrocession in respect of that part of their activities which is concerned with reinsurance and retrocession.

The Commission of the European Communities and the competent authorities in the Member States work closely together in order to examine the difficulties which may arise in implementing these directives.

2. Under Article 58 of the EEC Treaty, Community liberalization also applies to the subsidiaries of undertakings stemming from non-Community undertakings, which have been constituted under the law of a Member State.

The authorisation of agencies and branches of undertakings whose head office is situated outside the Community is left to the discretion of Member States. If an agency or a branch, however, has been authorised, it is governed by certain specific minimum Community rules, especially as regards the establishing of its solvency margin and localisation.

Such agencies and branches cannot, like Community undertakings, rely on the financial guarantees of their head offices. They have to establish a solvency margin and localise assets representing that margin up to the amount of the guarantee fund as well as technical reserves within the Member State in which business is carried on. The remainder of the margin can be localised outside that State but it must be localised within the Community. Where such undertakings carry on their business in a number of Member States, the solvency margin can, under certain conditions, be calculated on the basis of the total business transacted by the agencies and branches within the Community.

These specific rules are applicable simply by virtue of the fact that Directives 73/239/EEC and 79/267/EEC require the undertaking's head office within the Community to establish the solvency margin, and this obligation can clearly not apply to head offices which are situated outside the Community.

## II. RULES THAT APPLY SPECIFICALLY TO THE BUSINESS OF UNDERTAKINGS FROM NON-COMMUNITY COUNTRIES

As far as the business of undertakings from non-Community countries is concerned, certain Member States apply rules which differ from those laid down in respect of undertakings whose head office (subsidiary) is situated within the Community. Such treatment may not be more favourable than that accorded to Community undertakings.

As far as authorisation is concerned, it can be withheld in the case of such non-Community undertakings or granted only on condition that an examination of the economic needs of the national insurance is carried out.

However, if Member States do admit non-Community insurance undertakings certain minimum requirements laid down by Community directives have to be respected.

Member States are nonetheless also free to impose more stringent requirements in addition to or above the aforementioned minimum requirements, especially as regards the authorisation procedure and the financial guarantees.

Certain deadlines may be laid down in regard to responding to applications for authorisation from such undertakings, or, where they are already established, which wish to extend their business to other classes of insurance.

## 7. BANKING

### EEC DIRECTIVES AFFECTING CREDIT INSTITUTIONS

#### 1. Adopted texts

Three banking directives have been adopted by the Council of Ministers:

- a) the Directive of 28 June 1973 on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of self-employed activities of banks and other financial institutions (73/183/EEC);
- b) first Council Directive of 12 December 1977 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions (77/780/EEC);
- c) the Directive of 13 July 1983 on the supervision of credit institutions on a consolidated basis (83/350/EEC).

#### Beneficiaries

"Credit institutions" are defined in Article 1 of the 1977 Directive as undertakings whose business is to receive deposits and other repayable funds from the public and to grant credits for their own account. Credit institutions are entitled, by virtue of article 52 of the EEC Treaty and the 1973 Directive on freedom of establishment of banks, to be established particularly in the form of branches or subsidiaries in other Member States under the same conditions and with the same rights as nationals of that Member State. Those entitled to take advantage of the right of establishment are natural persons, companies and other legal persons. The companies enjoy the right of establishment if they are set up in accordance with the law of a Member State and have their office, central administration or principal place of business within the Community (Art. 58 of the EEC Treaty). Where a company's registered office is not within the Community, it must show an effective and continuous link with the economy of a Member State, excluding the nationality of the managers, partners, or shareholders as the determining factor (cf. General Programme for the Abolition of Restrictions on Freedom of Establishment (OJ No 2 of 13.1.1962, p. 36).

## 2. Coordination of banking legislation

### a) Scope of application

The coordination applies to all the credit institutions as they are defined in the above mentioned Article 1. Certain named credit institutions are exempted entirely from the provisions of the 1977 Directive by virtue of Article 2:2, e.g.:

- the central banks of Member States
- post office giro institutions
- and certain categories of credit institutions in the various Member States

In other respects an exemption allows Member States to defer application of the directive to certain types or groups of credit institutions where "immediate application would cause technical problems which cannot be overcome in the short term" (Art. 2:5). Member States cannot defer application of the directive to a type of institution merely on the grounds of its size or the limited scope of its business.

### b) A global view of the first Coordination Directive

The ultimate objective of the coordination process which started with the 1977 Directive is to provide for the "overall supervision of a credit institution operating in several Member States by the competent authorities in the Member State where it has its head office, in consultation, as appropriate, with the competent authorities of the other Member States concerned".

The 1977 Directive requires each Member State to have a system for authorizing banks before they setup in business (Art. 3:1), and a series of minimum conditions for authorization are laid down covering minimum capital and management. The Directive also lays down the conditions under which banking authorization may be withdrawn. Reasons for refusal or withdrawal of authorization must be given and a right to apply to the court allowed. With regard to the supervision of credit institutions which have been granted authorisation, Article 6 of the Directive also provides for the establishment of observation ratios with a view to monitoring the solvency and liquidity of banks, pending further coordination.

An Advisory Committee, which was set up under Article 11:2 of the 1977 Directive, plays an important role in advising the Commission on the future coordination problems and on the application of the legislation. The Advisory Committee consists of up to three representatives from each Member State and the Commission. Its main task is to lay down guidelines for the Commission's harmonisation programme, in addition it has a number of specific functions under the Directive of 1977. It is entrusted, for example, with the examination of the present authorisation requirements and, where appropriate, makes recommendations to the Commission for their harmonisation.

c) Criteria for authorisation

aa) Minimum conditions

For the competent authorities to grant an authorisation the following conditions must be fulfilled:

- the credit institution must possess separate own funds.  
The directive does not specify what legal form a credit institution must take but it does require the institution to have "separate own funds", i.e. capital resources which can be clearly distinguished from the capital of the owners or those who control it. The effect of this provision is to outlaw sole proprietorships or one-man banks, subject to certain exemptions for existing institutions. Article 10:1 permits Member States to allow "one-man banks" in existence at the time of notification of the Directive, i.e. December 15, 1977, to continue in business indefinitely;
- the credit institution must possess adequate minimum own funds;
- the credit institution must have two persons who effectively conduct its business and who should be of sufficiently good repute and have sufficient experience (Article 3:2);
- Member States must require applications for authorization to be accompanied by a "programme of operations setting out inter alia the types of business envisaged and the structural organization of the institution".

bb) The criterion of economic need

Apart from the minimum conditions laid down in the Directive, Member States may impose other conditions before banking authorization is granted. These conditions may not, however, include the so-called "economic need" criterion, unless this was already a condition for authorisation on December 15, 1977. Member States applying the "economic need" criterion at that date can retain it until the end of 1984 by virtue of Article 3:3 b). If "technical or structural difficulties in its banking system" do not allow it to abandon the criterion before the end of 1984, the deferment period can be extended for a further period of five years, i.e. until the end of 1989, unless the Council decides unanimously to end the exemption. This deferment possibility has been invoked.

Application of the "economic need" test allows a Member State to refuse authorization to a credit institution on the grounds that there are already an adequate number of credit institutions to supply the economic needs of the market, either in the country as a whole or in a particular region. It may only be applied in accordance with predetermined criteria, which have to be published and notified to the Commission and the Advisory Committee. These criteria must be aimed at promoting:

- the security of savings;
- higher productivity in the banking system;
- greater uniformity of competition between the various banking networks;
- a broader range of banking services in relation to population and economic activity.

d) Solvency and liquidity ratios

Article 6 provides that the Advisory Committee must establish ratios between the various assets and/or liabilities with a view to monitoring the solvency and liquidity of credit institutions, and other measures which may serve to ensure that savings are protected. The same Advisory Committee was charged with deciding on the content of the various factors of the observation ratios. It is specified that the different calculations shall be made for observation purposes, that the compulsory ratios in force in the Member States are not thereby affected, and that at the end of a certain period of experience, the length of which is not fixed, the Advisory Committee may make suggestions to the Commission with a view to a possible coordination of the "ratios". The observation ratios are already calculated on a regular basis, especially in the case of the solvency ratio.



e) Withdrawal of Authorization

Article 8 of the 1977 Directive restricts the right of a Member State to withdraw the authorization granted to a credit institution in two respects only: first those Member States which apply the "economic need" criterion to applicants for authorisation may not use it as a ground for withdrawing an institution's authorization. Secondly, Member States may not revoke an authorization on the grounds that an institution's capital has fallen below the figure needed to obtain authorization in the first place. Loss of initial capital, however, must be distinguished from insufficient operating capital which can be used as a basis for withdrawing authorisation.

The supervisory authority must give the institution concerned its reason for withdrawing the authorization and must notify the Commission of the withdrawal.

Appeals

Article 13 of the Directive provides that decisions taken in respect of a credit institution in pursuance of measures adopted in accordance with the Directive must be subject to a right of appeal to the courts. A similar right shall be given if a supervisory authority fails to decide on an application for authorization within six months of its submission, provided that the application contained all the information required. A right of appeal is also granted by Article 13 where the supervisory authority fails to decide on an application within the 12 months overall time limit (Art. 3:6).

3. The regulation of bank branches

a) Inside the Community

The 1973 Directive on freedom of establishment for banks required Member States to abolish all restrictions preventing EEC banks from establishing themselves in the host country under the same conditions and with the same rights as nationals of that country (Art. 3:1 a). Member States were also required to abandon any administrative practices which resulted in discriminatory treatment being applied to banks from other EEC Member States.

The 1977 Directive allows Member States to subject EEC bank branches to the same authorization procedures as national credit institutions, but they are not allowed to refuse authorization to an EEC bank on the grounds that it has been set up in a legal form which would not be permitted in the host country (Art. 4:2). This does not apply, however, to credit institutions without separate own funds so that

a "one-man bank" established in a Member State on December 15, 1977 has no automatic right of establishment. The Commission must be notified of the authorization of all EEC bank branches (Art. 4:3).

b) Third countries

Member States are not allowed to grant more favourable treatment to branches of credit institutions having their head office outside the Community than to those having it within (Art. 9.1).

The competent authorities notify the Commission and the Advisory Committee of authorizations granted to branches of credit institutions having their head office outside the Community.

The Community may through agreements with third countries, (Art. 9:3) agree to apply provisions which, on the basis of the principle of reciprocity, grant to branches of a credit institution having its head office outside the Community identical treatment throughout the territory of the Community.

4. Regulation of subsidiaries and consolidation

On 13 June 1983 the Council adopted a Directive on the supervision of credit institutions on a consolidated basis.

This Directive is a logical step forward from the Council Directive of 12 December 1977.

The Directive requires all credit institutions which either have a majority holding in or otherwise effectively control another credit or financial institution to be subject to supervision on the basis of the consolidation of their financial situation with that of the other credit or financial institutions concerned.

Consolidation is only required where a credit institution is the head of a group or sub-group.

Although financial institutions are included within the scope of the consolidation, if a group is headed by a financial institution (e.g. a non-bank holding company) then the Directive does not apply to that financial institution. However, if a non-bank holding company is situated within the structure of a group headed by a credit institution then the parent institution is required to look through the holding company and consolidate any credit or financial institutions which it holds indirectly.

The Directive requires Member States to remove any legal impediments to the flow of information across national boundaries which is necessary for consolidation to be effected.

The Directive can, of course, only apply to institutions situated within the Community. It is, however, hoped that institutions situated in third countries can, where appropriate, be brought within the scope of consolidation by means of bilateral agreements between the supervisory authorities of the parent institution and those of the third country concerned. Such arrangements will be coordinated by the Advisory Committee for Banking Coordination and the Commission.

The Directive must be implemented by the Member States by 1 July 1985.

## 8. STOCK EXCHANGES

### COMMUNITY LEGISLATION IN THE FIELD OF STOCK EXCHANGES

1. Up to now the three following directives have been adopted:
  - a) Council Directive of 5 March 1979 coordinating the conditions for the admission of securities to official stock exchange listing (79/279/EEC, OJ No L 66 of 16 March 1979);
  - b) Council Directive of 17 March 1980 coordinating the requirements for the drawing up, scrutiny and distribution of listing particulars to be published for the admission of securities to official stock exchange listing (80/390/EEC, OJ No L 100 of 17 April 1980);
  - c) Council Directive of 15 February 1982 on information to be published on a regular basis by companies the shares of which have been admitted to official stock exchange listing (82/121/EEC, OJ No L 48/26 of 20 February 1982).
2. For all three directives implementation by Member States should have been carried out by June 30, 1983. (2)
3. The main objective of the three directives has been to provide minimum standards of investor protection throughout the Community as far as listed securities are concerned. The obligations imposed on companies issuing officially quoted securities are applied both to domestic and to foreign issuers on a non-discriminatory basis. In member countries where national requirements were lower it might become more difficult to obtain a listing and more information will have to be disclosed to the investing public. This applies however both to domestic and foreign issuers. On the other hand it will be easier to have securities listed on stock exchanges of several member countries as national conditions will be brought in line with each other, notwithstanding the fact that member countries remain free to impose additional requirements on a non-discriminatory basis.
4. No directives have been proposed aiming at the coordination of national legislations governing the access to the activity of stockbroking or dealing in securities or the exercise of that activity. This applies also to the rules governing the rights and obligations of members of recognized stock exchanges, which have not been coordinated. However the Treaty provisions on the right of establishment and the freedom to render services apply also to stockbroking, that means that nationals of one member country can become stockbrokers in another one, subject to the same requirements imposed by that state on its own nationals. This right is limited in countries where stockbroking is connected with the exercise of official authority.

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(2) This common implementation date was agreed upon in Council Directive 82/148/EEC of 3 March 1982 (OJ No L 62 of 5.3.1982).

## 9. OTHER SERVICE SECTORS

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Description of Community law in the following service sectors:  
professions, firms providing services (notably building and construction  
firms, hotels, restaurants and travel agencies) franchising, and auditing

1. As far as the right of establishment and freedom to provide services are concerned, in general Community law prohibits Member States from discriminating in any way against the nationals of other Member States on grounds of nationality. Nor can a Member State require nationals of other Member States who are established in another Member State to reside in its territory in order to provide services. Member States are required to afford nationals of other Member States the same treatment as their legislation stipulates in the case of their own nationals (national treatment). The national treatment rule, which applies in the first instance to natural persons (Articles 52 and 59 of the EEC Treaty), is extended by Article 58 of the EEC Treaty to legal persons, thus also allowing companies from one Member State to carry on business in another Member State. However, Community law does not affect the right of Member States to grant - or refuse - national treatment to the nationals and companies of non-Community countries.
2. The establishment of the principle of national treatment does not, however, remove the obstacles to the freedom of movement of business and professional people created by rules governing business and professional activities which apply without distinction to foreigners and to the nationals of a Member State. Consequently, Community law provides for the possibility of adopting measures intended to facilitate the effective exercise of the right of the establishment and of freedom to provide services, notably through the mutual recognition of diplomas, certificates and other evidence of formal qualifications and through the coordination of the provisions of Member States concerning the taking up and pursuit of activities as self-employed persons (Article 57 of the EEC Treaty).

In the two areas being considered, Community law comprises the following measures intending to facilitate the taking up and pursuit of the relevant activities.

a) Professions

The Council has adopted a system consisting of two Directives (a Directive on the mutual recognition of diplomas and a coordinating Directive) for each of the following five medical and allied professions:

- doctors: Directives adopted on 16 June 1975 (75/362/EEC and 75/363/EEC; OJ No L 167 of 30.6.1975), amended on 26 January 1982 (82/76/EEC; OJ No L 43 of 15.2.1982);
- nurses responsible for general care: Directives adopted on 27 June 1977 (77/452/EEC and 77/453/EEC, OJ No L 176 of 15.7.1977);
- dental practitioners: Directives adopted on 25 July 1978 (78/686/EEC and 78/687/EEC, OJ No L 233 of 24.8.1978);
- veterinary surgeons: Directives adopted on 18 December 1978 (78/1026/EEC and 78/1027/EEC, OJ No L 362 of 23.12.1978);
- midwives: Directives adopted on 21 January 1980 (80/154/EEC and 80/155/EEC, OJ No L 33 of 11.2.1980) and 22 December 1980 (80/1273/EEC; OJ No L 375 of 31.12.1980).

For each of the professions which they cover, the above Directives provide for a mutual recognition of diplomas on the basis of coordination of training. Such coordination (Article 57:2 of the EEC Treaty) involves fairly far-reaching harmonization of training, with Member States being required to maintain or introduce, as the case may be, training that at least meets the criteria laid down in the coordinating Directive for the taking up of activities in the relevant field. It should be noted that the recognition of diplomas applies only to nationals of Member States and to diplomas obtained in recognition of training undergone in a Member State.

In the case of lawyers, the Council adopted on 22 March 1977 a Directive that deals only with freedom to provide services (77/249/EEC; OJ No L 78 of 26.3.1977).

Within the limits and under the conditions which it lays down, the Directive allows persons entitled in their Member States of origin to pursue their professional activities under the professional title of lawyer or equivalent designation to provide services (= temporary activity) in another Member State.

b) Firms providing services

The following instruments should be mentioned here:

- in the field of construction, Directive 64/427/EEC of 7 July 1964 on certain activities of self-employed persons in manufacturing and processing industries (OJ No L 117 of 23.7.1964);
- in the hotel and restaurant sector, Directive 68/368/EEC of 15 October 1968 concerning certain activities of self-employed persons in the personal services sector (OJ No L 260 of 28.10.1968);
- in the case of travel agencies, Directive 82/470/EEC of 29 June 1982 on the activities of self-employed persons in certain services incidental to transport and travel agencies and in storage and warehousing (OJ No L 213 of 21.7.1982).

All the above Directives comprise measures intended to make it easier for individual business or professional people who are nationals of a Member State or firms established in a Member State, to pursue their activities in another Member State. Under such measures, a host Member State which lays down rules governing the relevant activity, notably by making the taking up and pursuit of the activity subject to the possession of specific qualifications, is required to recognize as being at their level the certificate under which a business or professional person coming to work in the host Member State pursued his activities legally and effectively for a specified period in another Member State.

c) Franchising

Franchising is not in itself an activity but a method of pursuing an activity which may apply to various sectors, which then take on a particular structure. Accordingly, account must be taken here of the rules applicable to the activities themselves, particularly those relating to activities of self-employed persons:

- in the hotel and restaurant sector, mentioned above under b);
- in the business sector.

As far as the right of establishment and freedom to provide services in the business sector are concerned, the following should be mentioned:

- Directive 64/222/EEC of 25 February 1964 concerning the wholesale trade and intermediaries in commerce, industry and small craft industries (OJ No L 56 of 4.4.1964), and
- Directive 68/364/EEC of 15 October 1968 concerning the retail trade (OJ No L 260 of 22.10.1968).

These two Directives also require Member States that lay down rules for the relevant activities to recognize as sufficient evidence of knowledge and ability certificates showing that a person has pursued the activity in another Member State for a given period.

### 3. Audit

In respect of auditors the Council adopted on 10 April 1984 the Eight Company Law Directive (84/253/EEC, OJ No L 126 of 12.5.1984, p. 20) which requires a high common standard for the qualifications necessary before a Member State may approve an auditor to audit the accounts required by Community law, in particular by the Fourth Directive (78/660/EEC OJ No L 222 of 14.8.1978 p. 11) and the Seventh Directive (83/349/EEC, OJ No L 193 of 18.7.1983, p. 1).

Thus the Directive requires education to university entrance level, theoretical instruction, practical training and success in an examination of professional competence at graduate level. The content of these matters is therein defined.