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PRESS RELEASE

Services versus goods trade: Are they the same?

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For a long time, trade has been solely identified with the commerce of manufactured goods. In recent years, however, services have become increasingly widely traded and today they represent two complementary components of world trade. While they are both traded, services and goods differ in many aspects: first, services are intangible, while goods are physically tangible; second, product characteristics are observable before purchase and they can be produced, stored, moved and consumed in different locations and times; whereas services are not storable, their characteristics are not observable before purchase and their production and consumption often coincide (WTO, 2010). These differences might suggest that services are traded differently than goods. However, recent studies using firm-level trade data (Breinlich and Cricuscolo (2011) for the UK; Kelle and Kleinert (2010) for Germany; Walter and Dell'mour (2010) for Austria; Gaulier *et al.* (2010) for France; and Federico and Tosti (2010) for Italy) surprisingly find that both types of trade share many qualitative features and only few, if any, differences. In this paper, we use a more detailed dataset with exports and imports of Belgian firms with non-European countries for the period 1995-2005 to make both a qualitative and quantitative comparison of trade in goods and trade in services at firm level.

The findings confirm on the one hand qualitative affinities between goods and services trade found in previous studies: trade participation is rare, commercial values are concentrated in the hands of a few firms trading multiple services in many countries and heterogeneity of firms' trade flows is a key component of commerce at the individual company level. On the other hand, we find profound quantitative dissimilarities and some crucial key differences. First, service exporters and importers only make up a small share of firms that engage in trade and, at the same time, trade in services represents a small share of total trade, both across and within firms. Yet, even though they start on a smaller scale, new service exporters and importers tend to become bigger than their goods trade counterparts after five years, leading services and goods shares to converge over time. Second, transaction size and trade frequency differ across goods and services, and they are the most crucial components of export and import growth, while product and country expansions play only a marginal role. Finally, firms choosing different trade options (export versus import and services versus goods) differ in firm characteristics, but the distinctive features of trade in goods and trade in services do not vary much from one firm to another.