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Research Report

Transatlantic ties beyond goods trade: Significance and policy implications of EU-U.S. services trade

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KIEL POLICY BRIEF

Frank Bickenbach, Holger Görg and Wan-Hsin Liu

Transatlantic Ties beyond Goods Trade: Significance and Policy Implications of EU-U.S. Services Trade



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OVERVIEW/ÜBERBLICK

- International services trade is important yet generally neglected in the political and public discourse. It also grows much faster than trade in goods.
- In the EU-U.S. bilateral relationship, services trade is of similar size to trade in goods. The U.S. have a sizeable trade surplus with the EU in terms of services trade. However, U.S. President Trump's announced "reciprocal tariffs" are based solely on the goods trade deficit of the U.S.
- There are sizeable differences in the value and the balance of services trade depending on whether it is measured by the EU (Eurostat) or the U.S. agencies (Bureau of Economic Analysis, BEA). Eurostat estimates a service trade surplus for the U.S. of 148.0 bn Euro in 2024 (about three quarters of the goods trade deficit at 197.4 bn Euro) while BEA puts the services trade surplus at only 69.9 bn Euro (and the goods trade deficit at 218.7 bn Euro).
- The importance of EU-U.S. trade in services and the size of the U.S. bilateral trade surplus are particularly high for digitally deliverable services including "charges for use of intellectual property" and "digital business services".
- From a policy perspective, services trade needs to be part of the EU-U.S. trade negotiations. This provides some policy leeway in the ongoing trade negotiations. Apart from raising awareness of the importance of services trade, the EU can go for a carrot (offering concessions) and stick (threatening retaliation) approach with respect to services trade.
- As carrots, the EU can offer to remove services trade barriers and enable (U.S.) digital services providers to more easily access the EU market. This would also be of benefit to the EU itself, as services trade barriers are not only barriers between the EU and non-EU-members but are often also barriers to the realization of European Single Market in services. Barriers to services trade that have already been objected by the U.S. administration include, e.g., excessive bureaucratic requirements related to several EU regulations in the digital field, differing regulations in EU Member States in fields like audiovisual services or shortcomings in the regulations and practices for protecting data and intellectual property rights in the digital environment.
- As sticks, the EU can threaten to target services industries with retaliatory measures: The EU could threaten to further tighten its regulations on competition and data protection and privacy policies and to become (even) tougher on companies including U.S. tech giants in these fields. The EU could also threaten to introduce a Digital Service Tax at the EU level.
- There is an urgent need for research into the causes of the discrepancies between U.S. and EU data on EU-U.S. bilateral services trade, and recommendations on how these discrepancies can be reduced in order to obtain reliable data for urgently needed policy advice.

Keywords: services trade, trade balance, digitally deliverable services, U.S., EU

- Der globale Handel mit Dienstleistungen ist wichtig, wird aber im politischen und öffentlichen Diskurs meist vernachlässigt. Zudem wächst er deutlich schneller als der Warenhandel.
- In den bilateralen Beziehungen zwischen der EU und den USA hat der Dienstleistungshandel einen ähnlichen Umfang wie der Warenhandel. Die USA erzielen dabei im Bereich des Dienstleistungshandels einen beträchtlichen Handelsüberschuss. Die von US-Präsident Trump angekündigten „reziproken Zölle“ basieren jedoch ausschließlich auf dem US-Defizit im Warenhandel.
- Der Wert und der Saldo des Dienstleistungshandels unterscheiden sich erheblich, je nachdem, ob er von der EU (Eurostat) oder den US-Behörden (Bureau of Economic Analysis, BEA) gemessen wird. Eurostat schätzt für die USA einen Überschuss im Dienstleistungshandel von 148,0 Mrd. Euro im Jahr 2024 (etwa drei Viertel des Defizits im Warenhandel von 197,4 Mrd. Euro), während das BEA den Überschuss im Dienstleistungshandel auf nur 69,9 Mrd. Euro (und das Defizit im Warenhandel auf 218,7 Mrd. Euro) beziffert.
- Die Bedeutung des Dienstleistungshandels zwischen den USA und der EU und die Höhe des bilateralen U.S.-Handelsüberschusses sind besonders groß bei „digital erbringbaren Dienstleistungen“ („digitally deliverable services“), insbesondere bei „Gebühren für die Nutzung von geistigem Eigentum“ und „digitalen Unternehmensdienstleistungen“.
- Aus politischer Perspektive sollte der Dienstleistungshandel Teil der Zollverhandlungen zwischen der EU und den USA sein. Dies bietet einen gewissen politischen Spielraum bei den laufenden Verhandlungen. Neben der Sensibilisierung für die Bedeutung des Dienstleistungshandels kann die EU in Bezug auf den Dienstleistungshandel mit einer Strategie von Zuckerbrot (Zugeständnisse) und Peitsche (Androhung von Vergeltungsmaßnahmen) vorgehen.
- Als „Zuckerbrot“ kann die EU Handelshemmnisse im Dienstleistungsbereich beseitigen und somit (US-amerikanischen) Anbietern digitaler Dienstleistungen einen leichteren Zugang zum EU-Markt ermöglichen. Dies wäre auch für die EU selbst von Vorteil, da Handelshemmnisse im Dienstleistungsbereich nicht nur zwischen der EU und Nicht-EU-Mitgliedern bestehen, sondern oft auch die Verwirklichung des europäischen Binnenmarktes für Dienstleistungen behindern. Zu den von der US-Regierung bereits beanstandeten Hindernissen für den Dienstleistungshandel gehören übermäßige bürokratische Anforderungen im Zusammenhang mit mehreren EU-Verordnungen im Digitalbereich, unterschiedliche Regelungen in den EU-Mitgliedstaaten bei audiovisuellen Dienstleistungen sowie Mängel bei den Vorschriften und Praktiken zum Schutz von Daten und geistigen Eigentumsrechten im digitalen Umfeld.
- Als „Peitsche“ kann die EU damit drohen, Vergeltungsmaßnahmen im Dienstleistungsreich zu ergreifen: Die EU könnte damit drohen, ihre Vorschriften in den Bereichen Wettbewerb, Datenschutz und Schutz der Privatsphäre weiter zu verschärfen und (noch) härter gegen Unternehmen, insbesondere gegen die US-Tech-Giganten, in diesen Bereichen vorzugehen. Die EU könnte zudem damit drohen, eine Steuer auf digitale Dienstleistungen auf EU-Ebene einzuführen.

- Es bedarf dringend einer Untersuchung der Ursachen für die Diskrepanzen in den EU Daten und den U.S. Daten zum bilateralen Dienstleistungshandel sowie Empfehlungen, wie diese Diskrepanzen verringert werden können, um zuverlässige Daten für die dringend benötigte Politikberatung zu erhalten.

Schlüsselwörter: Dienstleistungshandel, Handels- und Dienstleistungsbilanz, digital erbringbare Dienstleistungen, USA, EU

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TRANSATLANTIC TIES BEYOND GOODS TRADE: SIGNIFICANCE AND POLICY IMPLICATIONS OF EU-U.S. SERVICES TRADE

Frank Bickenbach, Holger Görg and Wan-Hsin Liu¹

1 MOTIVATION

U.S. President Donald J. Trump does not like trade deficits. This, at least on the surface, motivates the recent tariff policy where tariffs are calculated using the trade deficits as a starting point.² Either by neglect or by oversight, trade deficits in Trumps' sense are only considered in terms of trade in goods – cars, aluminum, whiskey etc. Yet, trade in services is an important component of international trade, and is becoming increasingly more important with growth rates exceeding the rates with which goods trade increases. This is also true in the bilateral U.S. – EU relationship: Trade in services, and especially trade in digitally deliverable services, is a highly important element of the economic relations between the U.S. and the EU. And it is growing much faster than goods trade between the two economies.

The significant U.S. deficit in goods trade with the EU, which Trump heavily laments, is partly offset by an also significant U.S. surplus in services trade and in trade in digitally deliverable services, in particular.

Despite its importance, trade in services has received much less attention in political and public discussions on the transatlantic trade relationship – even beyond the current narrow focus on the goods trade deficit. This may partly be due to the fact that an adequate consideration of trade in services is complicated because trade in services is much more difficult to measure reliably than goods trade. And measurement issues for trade in services are somewhat obscure and in some cases inconsistent internationally.

Against this background this policy brief attempts to explore major developing trends over time in EU-U.S. services trade in general and EU-U.S. trade in digitally deliverable services in particular, based on an up-to-date analysis of available statistical data on international services trade from both Eurostat and the U.S. Bureau of Economic Analysis (BEA). In addition to services trade, we analyze the development of services supplied by affiliates of U.S. multinationals in the EU and of those supplied by EU affiliates in the U.S. We provide policy suggestions based on data-driven insights derived from the analysis.

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² Davies (2025) provides a theoretical discussion that teases out the assumptions inherent in this tariff formula.

2 INTERNATIONAL SUPPLY OF SERVICES: FORMS AND DATA SOURCES

International supply of services refers to the sale and delivery of intangible products or activities between a supplier and a customer that are residents of different countries or territories and services provided through foreign affiliates established abroad. For example, a consulting firm based in Germany advising a U.S. based customer, or a U.S. tech firm hosting data for a European customer on its servers.

The WTO's General Agreement on Trade in Services (GATS) distinguishes four modes of supplying services internationally (GATS Article I). The different modes are defined based on the location of the supplier and the consumer of a service, taking into account their nationality or origin (Mann, 2019). The four modes are:

- *Cross-border supply* (Mode 1), where both the supplier and the customer remain in their respective territories and the service is supplied from the territory of the supplier to the territory of the customer (which would correspond to the traditional notion of trade).
- *Consumption abroad* (Mode 2), where the service is supplied in the territory of the producer to a consumer from another territory (as is the case for tourists consuming travel services).
- *Commercial presence* (Mode 3), where the service supplier establishes or acquires an affiliate, branch, or representative office in another territory through which it provides the services (as in the case of an IT company from the U.S. that establishes a subsidiary in the EU to provide IT services to customers in the EU).
- *Presence (movement) of natural persons* (Mode 4), where individuals (employees or self-employed service suppliers) are present abroad in order to supply a service (as in the case of employees of a U.S. consulting firm who travel abroad to advise a customer there).

In the following, we refer to supply through Modes 1, 2, and 4 as **trade in services**, and to supply through Mode 3 as **services supplied through affiliates** (or services supplied through foreign direct investment). Given our focus on EU-U.S. service supply relations, in the following, trade in services mostly refers to services traded (exported and imported) between EU residents and U.S. residents. Services supplied through affiliates mostly refers to services supplied by (majority-owned) U.S. affiliates of European multinational enterprises (MNEs) and services supplied by (majority-owned) EU affiliates of U.S. MNEs.

Data on the international supply of services is thus provided by two different statistical frameworks (Mann, 2019):

- the International Trade in Services Statistics of the **Balance of Payments (BOP)** accounting system, covering the supply of services through GATS Modes 1, 2 and 4, and
- the **Foreign Affiliates Statistics (FATS)**, covering the supply of services through GATS mode 3.

In the EU, Eurostat provides data on “International trade in services” by partner country and by type of service, roughly corresponding to Modes 1, 2, and 4. Data on activities of foreign MNEs’

affiliates in the EU and activities of EU MNEs' affiliates abroad are provided by the EU's inward FATS data and outward FATS data.

In the United States, the U.S. Bureau of Economic Analysis (BEA) publishes statistics on International Services, including data on "U.S. Trade in Services" (Modes 1, 2, and 4), as well as on "Services Supplied to Foreign Persons by U.S. MNEs through Their MOFAs" and on "Services Supplied to U.S. Persons by Foreign MNEs Through Their MOUSAs" (Mode 3).³

Services trade is generally much more difficult to measure than goods trade, for a number of reasons. Factors that strongly impede a reliable measurement of service trade include *inter alia* the large heterogeneity in business and consumer services, the lack of a visible border with customs posts and tariffs, and difficulties in determining the nationality or residence status of (ultimate) service providers and consumers (Langhammer, 2023).⁴ And the increasing digitalization of services is making it even more difficult to measure services trade reliably. Digitalization contributes to the increasing "servicification of manufacturing" and the blurring of boundaries between goods and services. It increases difficulties in determining nationality or residence of (ultimate) providers and customers of services, who may never meet but interact with each other only via communication networks and often through a chain of middlemen. Digitalization is, however, also contributing to a trend of dis-intermediation. International (service) transactions that in the past have been mostly business-to-business are increasingly replaced by international business-to-consumer transactions, where consumers directly order from foreign suppliers without employing a mediator. These (direct) orders often comprise only small quantities or values that are below the de minimis thresholds below which transactions are exempted from reporting requirements (Braml and Felbermayr, 2019). For this reason, among others, the share of unreported trade in services is likely large and with digitalization also increasing.

The many problems of measuring trade in services have also contributed to often very large asymmetries between service trade statistics of different countries in general, and between the EU services trade statistics and U.S. services trade statistics, in particular (see Box 1).

³ The "Mode3-statistics" cover services supplied by majority-owned foreign affiliates (MOFAs) of U.S. MNEs to foreign residents, both in the host country and in other foreign markets, and services supplied by majority-owned U.S. affiliates (MOUSAs) of foreign MNEs to U.S. residents (Stein et al., 2024).

⁴ There are also historical and political reasons. As services were of far less economic importance than agricultural or industrial goods in the past, efforts to improve and standardize trade statistics focused primarily on goods and less on services. And since customs duties are only levied on goods but not on services, only imports of goods are a source of customs revenue. It has thus always been in the interest of governments to ensure a high quality of statistical coverage of international goods trade, but not of services trade (Braml and Felbermayr, 2019).

Box 1:**Why are values for EU-U.S. service trade so different between Eurostat and U.S. BEA?**

In theory, EU (Eurostat) and U.S. (BEA) data on bilateral services imports and exports should mirror each other (EU services imports from the U.S. should equal U.S. exports to the EU). In practice, there are, however, persistent and very large asymmetries in these statistics. These asymmetries have raised doubts about the accuracy of these statistics and led to problems in their interpretation.

Experts from BEA and from the European Commission have jointly analyzed the most significant asymmetries in the data as well as potential reasons for these asymmetries. There are numerous sources of the asymmetries, the importance of which may differ between different sub-items of the service accounts (Howell et al., 2017, 2019).

To a large extent, asymmetries are the result of different data sources and data collection methods. The compilation of the different sub-items mostly builds on household surveys or specialized surveys. This produces asymmetries due to different sampling methods, sampling frequencies and sample sizes, survey coverage or reporting thresholds. In addition, BEA and Eurostat make differing use of administrative data in complementing their survey data (Howell et al., 2019).

Missing or false information of surveyed agents on the nationality or residence status of the ultimate service providers or consumers may lead to different partner country allocations. This may lead, in particular, to an overemphasis of the role of EU financial centres in U.S. statistics or of the U.S. as a partner of financial services trade in EU statistics ("intermediators bias").

Also, although both Eurostat and BEA follow, in principle, the methodology specified in the 6th edition of the IMF Balance of Payments and International Investment Position Manual (BPM6), for some sub-items BEA practices deviate from internationally agreed BPM6 recommendation. These deviations, sometimes forced by a lack of sufficiently differentiated data, lead to the recording of certain services transactions (particularly certain financial services and other business services) under a different service sub-item or may even lead to the recording of certain services trade components as goods trade or as primary income flows (for further details see Howell et al., 2019: Section 2.2).

Although the experts from BEA and from the European Commission have also made suggestions as to how asymmetries between BEA and Eurostat service trade data could possibly be reduced, the discrepancies between EU and U.S. service trade statistics remained about as high as before.

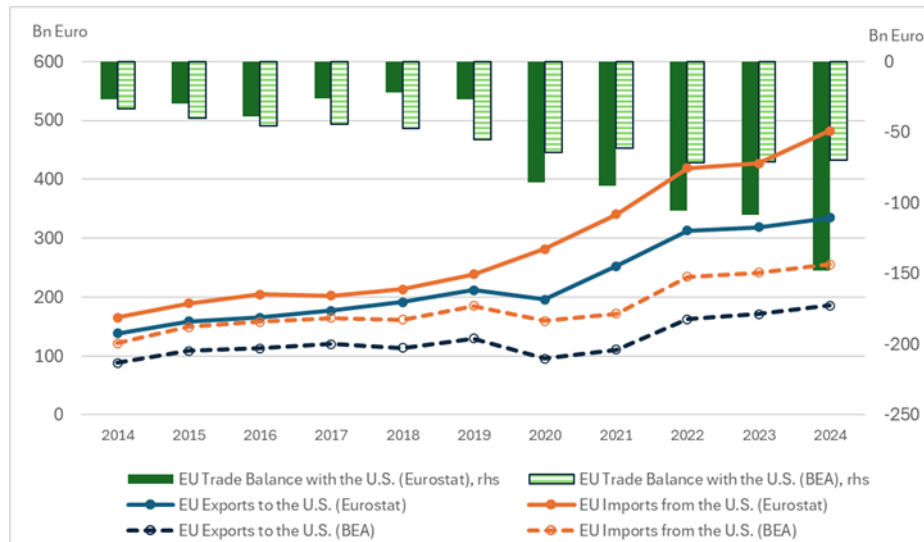
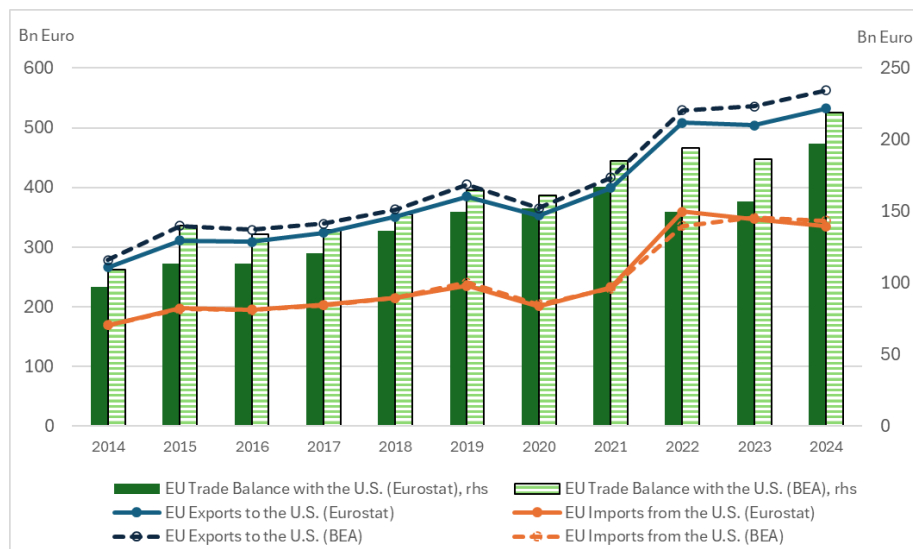
3 EU-U.S. TRADE IN GOODS AND SERVICES: AN OVERVIEW

Looking at total trade volumes (imports plus exports), total services trade between the U.S. and the EU is of similar size to total goods trade between the two economies, according to Eurostat. And services trade is growing considerably faster than goods trade.

Total services trade between the EU and the U.S. amounted to about 816.9 bn Euro in 2024, whereas total goods trade between the two economies was around 867.1 bn Euro and thus only slightly larger than the former (see Figures 1a, 1b and Table A1 in Appendix). Importantly, bilateral services trade has been growing considerably faster than goods trade. Between 2014 and 2024 total services trade between the EU and the U.S. increased by about 169% whereas goods trade "only" doubled (+99%).⁵

In 2024, EU exports of services to the U.S. totaled 334.5 bn Euro, while EU imports of services from the U.S. totaled 482.5 bn Euro. This resulted in a bilateral services trade surplus of the U.S. (service trade deficit of the EU) of 148.0 bn Euro, which was about three quarters of the goods trade deficit of the U.S. with the EU (about 197.4 bn Euro in 2024, according to Eurostat). And the U.S. surplus in services trade with the EU has been growing much faster (+450% between 2014 and 2024) than its deficit in goods trade with the EU (+103%).

⁵ In this section, EU always refers to the EU27. For EU27-data in the years before Brexit (before 2020), data for the United Kingdom have been factored out, where applicable.

Figure 1: EU-U.S. Total Trade - Services Trade vs. Goods Trade**Figure 1a: EU-U.S. Total Services Trade****Figure 1b: EU-U.S. Total Goods Trade**

Sources: Figure 1a: Eurostat – International Trade in Services (since 2010) (BPM6) (bop_its6_det); U.S. Bureau of Economic Analysis – International Trade by Selected Countries and Areas (Services). Figure 1b: Eurostat – International Trade of EU and non-EU Countries since 2002 (ds-059341_custom_16862888); US Bureau of Economic Analysis – International Trade by Selected Countries and Areas (Goods).

In theory, Eurostat and U.S. data from BEA on bilateral trade should mirror each other – at least approximately. EU services (goods) imports from the U.S. should equal U.S. services (goods) exports to the EU. In practice, there will always be some differences between the corresponding statistics, however.

A comparison of U.S. BEA and Eurostat data shows that goods trade is reported fairly similarly by both agencies (Figure 1b and Table A1 in Appendix).⁶ Still, in recent years (2021–2024), EU goods exports to the U.S. are on average about 5% higher in BEA than in Eurostat statistics. For EU imports, the difference is generally smaller, with BEA sometimes even reporting lower EU imports than Eurostat. As a result, the U.S. goods trade deficit with the EU has recently been 10% to 30% higher according to the BEA statistics than the Eurostat statistics. This is not trivial, given that the ratio of the U.S. goods trade deficit and the U.S. goods imports in 2024 was the critical factor in the determination of the so-called “reciprocal tariffs” that Donald Trump announced on April 2, 2025.⁷

For EU-U.S. services trade the differences between Eurostat data and BEA data are considerably larger throughout the observation period. Eurostat reports consistently higher imports from the U.S., and higher exports. This discrepancy has become much larger, and persistently so, since 2019. This has led to a significantly larger services trade deficit with the U.S. reported in Eurostat than in BEA data.

Specifically, Eurostat figures on EU-U.S. services trade are recently between 75% and more than 90% higher than the corresponding BEA figures, for both EU exports and EU imports (Figure 1a and Table A1 in Appendix). As a result, the U.S. services trade surplus with the EU has been around 50% higher between 2021 and 2023 and even more than twice as high for 2024 according to Eurostat data than according to BEA data. For 2024, according to BEA, EU imports of services from the U.S. have been only 255.7 bn Euro (compared to 482.5 bn Euro in Eurostat data), while EU services exports to the U.S. have only been 185,8 bn Euro (compared to Eurostat’s 334.5 bn Euro). As a result, the BEA estimated EU services trade deficit with the U.S. has only been 69.9 bn Euro rather than the 148.0 bn Euro resulting from Eurostat data.

These very large differences between the data provided by the two agencies lead to significant problems in the interpretation of these statistics. In the following we therefore focus our analysis on the main features and trends in EU-U.S. service trade rather than the exact statistical figures.

The EU and the U.S. are each other’s largest trading partners in services (Figure 2). The shares of the respective partner in each others’ total services trade have been increasing since 2014 and have been larger than the corresponding shares in goods trade. In 2024, for the EU, the U.S. accounted for 28.0% of total extra-EU services trade, 21.5% of extra-EU services exports

⁶ All values taken from U.S. BEA statistics are originally in U.S. Dollars. They are converted into Euros based on annual average exchange rates between the U.S. Dollar and the Euro as published by the European Central Bank (<https://data.ecb.europa.eu/data/datasets/EXR/EXR.A.USD.EUR.SP00.A>).

⁷ For the U.S. goods trade with the EU, this ratio was about 38.9% in 2024 according to the BEA data. After rounding the ratio and dividing it by two, this gives a “reciprocal” tariff of 20% for U.S. imports from the EU (United States Trade Representative, 2025a). Had the U.S. administration used the Eurostat data the ratio would have been slightly lower (37.1%).

and 35.4% of extra-EU services imports.⁸ For the U.S., the EU accounted for 24.9% of its international services trade, 25.0% of its services exports and 24.8% of its services imports.⁹

Figure 2: Top 5 Trading Partners for the EU and the U.S. in International Services Trade

Figure 2a: Major Partners of the EU

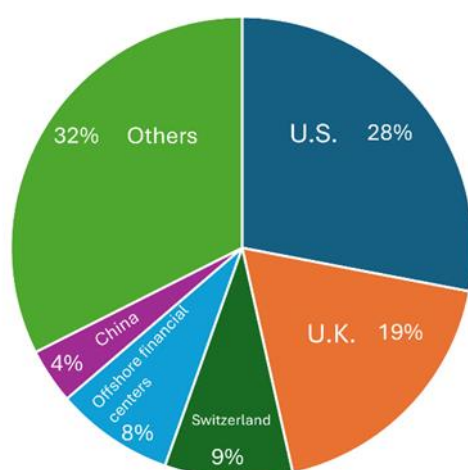
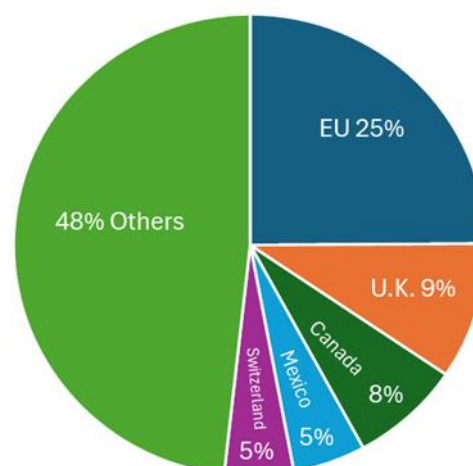


Figure 2b: Major Partners of the U.S.



Sources: Figure 2a: Eurostat – International Trade in Services (since 2010) (BPM6) (bop_its6_det). Figure 2b: U.S. Bureau of Economic Analysis – International Trade by Selected Countries and Areas (Services). For definition of offshore financial centers in Eurostat statistics see [Eurostat – Statistics Explained](#). Figure 2a: only extra-EU trade.

In each year between 2014 and 2024 the U.S. recorded a (substantial) service trade surplus with the EU. The service trade surplus of the U.S. with the EU amounted to, on average, about 80.0% (Eurostat) or 35.6% (BEA) of its goods trade deficit with the EU in the same period. The U.S. services trade surplus thus offsets a considerable part of its goods trade deficit with the EU. In 2024, the combined U.S. deficit in goods and services trade was estimated at 148.9 bn Euro using BEA dataset (or about 19.9% of aggregate U.S. goods and services imports) considerably lower than the trade deficit purely based on goods trade at 218.7 bn Euro) according to BEA.¹⁰ Using Eurostat data, the combined trade deficit is significantly less, at 49.5 bn Euro (or about 5.7% of aggregate U.S. goods and services imports).

⁸ The EU's second most important trading partner for services was the U.K. with 19.1% of extra-EU exports and 17.7% of extra-EU imports (18.5% of total EU service trade) in 2024.

⁹ The U.S.'s second most important trading partner for services was the U.K. with 8.5% of U.S. services exports and 11.1% of U.S. services EU imports (9.6% of total US service trade) in 2024.

¹⁰ Had the Trump administration used the aggregate goods and services trade data to calculate its "reciprocal tariffs" (using the otherwise same formula), reciprocal tariffs on EU imports would have been only 10%.

4 EU-U.S. TRADE IN DIGITALLY DELIVERABLE SERVICES

Technological advances and cost reductions in ICT and the digitalization of business models have greatly increased the ability to provide and procure services remotely across international borders (Grimm, 2016). Many services are only tradeable internationally, or are only being traded as much as they are, because digital delivery can be used to bridge the physical distance between the service provider and the consumer (IMF et al., 2023). The bilateral EU-U.S. services trade relations are even more important for the two partners for the subset of “digitally deliverable services”, which can be defined as those “services that *can* predominantly be delivered remotely over ICT networks, without identifying the services that *are* actually delivered over ICT networks” (Stein et al., 2024, see also Box 2).

The majority of total services trade between the U.S. and the EU is in digitally deliverable services. For 2023, the most recent year for which sufficiently differentiated data on services trade are available (as of July 1, 2025), total trade (exports plus imports) in digitally deliverable services accounted for more than three quarters (77.2%) of trade in “all services” between the EU and the U.S. according to Eurostat data, or more than two thirds (67.8%) of it according to the BEA data. In 2023, total trade in digitally deliverable services between the EU and the U.S. amounted to 575.7 bn Euro (215.5 bn Euro EU exports to the U.S. and 360.2 bn Euro EU imports from the U.S.) according to Eurostat. According to BEA data total trade in digitally deliverable services between the EU and the U.S. was only about half that number (280.3 bn Euro), however (90.2 bn Euro EU exports to the U.S. and 190.2 bn Euro EU imports from the U.S.) (Figure 3).¹¹

Even more so than for services trade in general, the EU and the U.S. are each other’s dominant trading partners in digitally delivered services. This is especially true for U.S. exports of digitally deliverable services to the EU. In 2023, the U.S. accounted for 25.2% of extra-EU services exports, and 42.7% of extra-EU services imports.¹² For the U.S., the EU accounted for 30.2% of its services exports and 23.9% of its services imports.¹³

Between 2014 and 2023 digital services trade (both exports and imports) between the U.S and the EU has grown substantially faster than total services trade between the two economies. The difference in growth is quite substantial for the Eurostat data (+181.0% versus +145.3% for

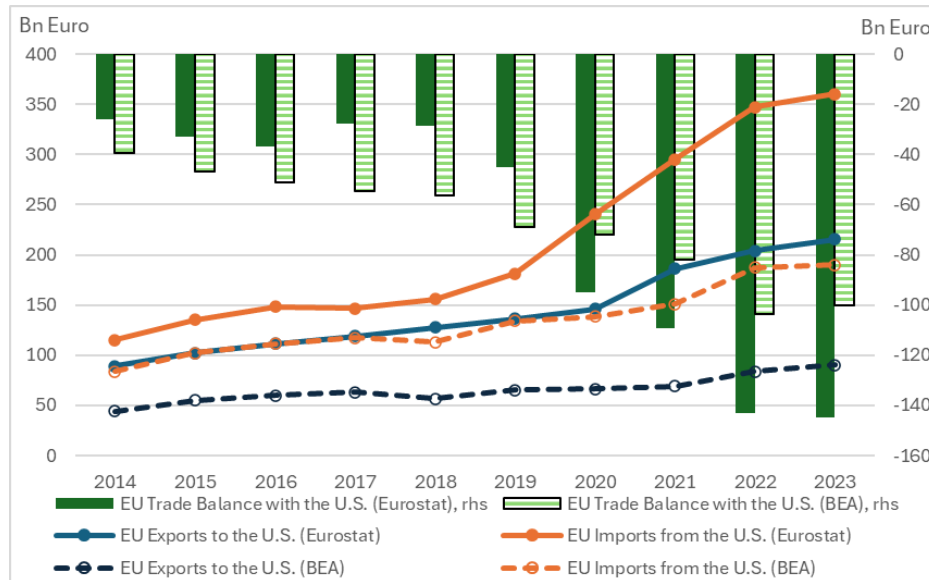
¹¹ A limited number of service trade values in specific sub-categories had to be estimated by the authors using BEA data. The following interpolations were applied: EU imports of “trade-related services” from the U.S. for 2020 and 2022 were interpolated using data from the preceding and subsequent years. EU exports of “other business services n.i.e.” to the U.S. for 2021 and 2022 were estimated based on values from 2020 and 2023. EU exports of “audiovisual services” and “other personal, cultural, and recreational services” to the U.S. for 2016 were interpolated using data from 2015 and 2017. Similar interpolation methods have been applied to estimate missing values in the BEA international services trade by service type dataset, when possible. More information can be obtained from authors upon request.

¹² The EU’s second most important trading partner for digitally tradable services was the U.K. with 20.4% of extra-EU exports and 20.8% of extra-EU imports (20.6% of total EU service trade) in 2023.

¹³ The U.S.’ second most important trading partner for digitally tradable services was the U.K. with 10.4% of U.S. services exports and 15.4% of U.S. services EU imports (12.2% of total US service trade) in 2023.

total services trade), but smaller for the BEA data (+ 118.5% versus +96.5% for total services trade).

Figure 3: EU-U.S. Total Trade in Digitally Deliverable Services



Sources: Eurostat – International Trade in Services (since 2010) (BPM6) (bop_its6_det); U.S. Bureau of Economic Analysis – U.S. Trade in Services, by Country or Affiliation and by Type of Service.

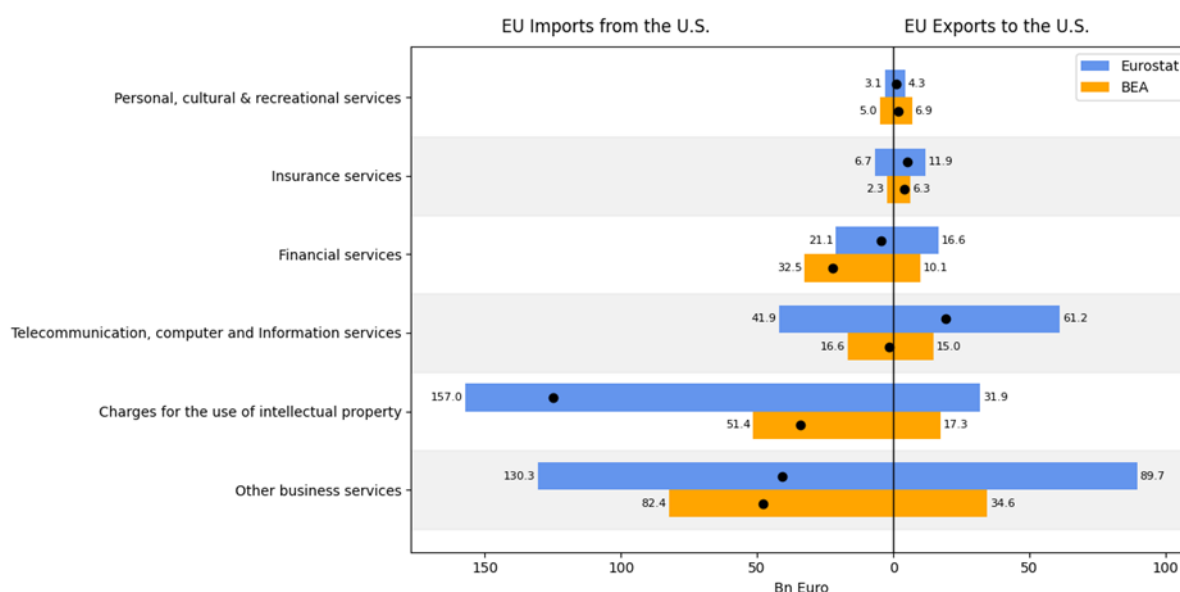
In each year between 2014 and 2023, the U.S. recorded a (substantial) surplus with the EU in trade with digitally deliverable services. In almost every year, the U.S. surplus in digitally deliverable services trade has been larger than its surplus in the overall trade in services, implying that the U.S. has actually a trade deficit with the EU in its trade with “non digitally deliverable services”. In 2023, the U.S. surplus in its trade in digitally deliverable services with the EU was 144.7 bn Euro according to Eurostat, but “only” 100.0 bn Euro according to BEA. Relative to U.S. imports of digitally deliverable services from the EU, the U.S. surplus was even larger for the BEA data than for the Eurostat data, however. For the BEA data the surplus was 110.9% of U.S. imports of digitally deliverable services, for the Eurostat data it was 67.1% of these imports. The larger-than 100% ratio of the U.S. surplus with the EU in digitally deliverable services to its imports of these services from the EU indicates that the U.S. exports of such digital services to the EU were actually more than twice as high as its imports from the EU.

The two most important components for EU-U.S. trade in digitally deliverable services are the digitally tradable elements of “other business services”, and “charges for the use of intellectual property”. In 2023, these two types of services accounted for 38.2% and 32.8% of total trade in digitally deliverable service between the EU and the U.S. according to Eurostat, respectively. According to the BEA data the respective shares were 41.7% and 24.5%.¹⁴

¹⁴ The third most important type of digital services was “telecommunications, computer and information services” (17.9%) according to the Eurostat data but “financial services” (15.2%) according to the BEA data.

These two types of digital services also contribute the most to the large U.S. trade surplus with the EU in digitally deliverable services. According to the Eurostat data “charges for the use of intellectual property” contributed 125.1 bn Euro (86.5%) and the digitally tradable types of “other business services” 40.6 bn Euro (28.1%) to the U.S. surplus of 144.7 bn Euro, in 2023. According to U.S. BEA the two types of services contributed 34.1 bn Euro (34.1%) and 47.9 bn Euro (47.9%), respectively, to the U.S. surplus of 100.0 bn Euro (Figure 4).

Figure 4: EU-U.S. Trade in Digitally Deliverable Services by Type (2023), Eurostat data vs. BEA data



Notes: Solid circles in black refer to the EU's trade balance with the U.S. by service type. A circle positioned left (right) to the zero line means that the EU has a trade deficit (surplus) with the U.S. in the corresponding traded service category.

Sources: Eurostat – International Trade in Services (since 2010) (BPM6) (bop_its6_det); U.S. Bureau of Economic Analysis – U.S. Trade in Services, by Country or Affiliation and by Type of Service.

The massive increase in the U.S. surplus with the EU in trade in digitally deliverable services reported by Eurostat has mainly been due to a massive increase in U.S. exports of “charges for the use of intellectual property” between 2019 and 2021. Data for the individual EU members states (not displayed here) suggest that this increase is almost entirely due to an increase of U.S. exports in “charges for the use of intellectual property” to the Republic of Ireland.¹⁵ For all major components of digitally deliverable services, Ireland accounts for a disproportionately large share of EU-U.S. trade in digitally deliverable services. Ireland's shares are particularly high for U.S. exports (of the main types) of digitally deliverable to the EU.¹⁶ Trade between the U.S.

¹⁵ According to Eurostat, EU imports in “charges for the use of intellectual property” increased from 39.5 bn Euro in 2019 to 85.3 bn Euro in 2020 and 128.4 bn Euro in 2021. The corresponding U.S. surplus increased from 16.0 bn Euro in 2019 to 60.2 bn Euro in 2020 and 85.2 bn Euro in 2021. Ireland's imports in “charges for the use of intellectual property” increased from 7.3 bn Euro in 2018 (data for 2019 are not available) to 53.3 bn Euro in 2020 and 90.5 bn Euro in 2021. The corresponding U.S. surplus with Ireland increased from 8.0 bn Euro in 2019 to 47.6 bn Euro in 2020 and 83.1 bn Euro in 2021.

¹⁶ In 2023, Ireland was according to Eurostat (BEA) responsible for, e.g., 73.6% (50.6%) of U.S. exports to the EU in “charges for the use of intellectual property”, 38.1% (47.0%) in (digitally tradable elements of) “other business

and Ireland thus also dominates the EU-U.S. trade balance in digitally deliverable services.¹⁷ Despite many qualitative similarities between the Eurostat and BEA data, the quantitative differences between the two data sets are often large. This is also true with respect to the role of U.S.-Irish trade for total EU-U.S. trade. The U.S. surplus with Ireland in digitally deliverable services trade is significantly higher in the Eurostat data than in the BEA data (143.1 bn Euro versus 54.6 bn Euro) and makes up for a much larger share of the respective U.S. surplus with the whole of the EU (98.9% versus 54.6%).¹⁸

Box 2:
Digitally Deliverable Services: Definition and Characterization

Due to data limitations and the wide variety of traded services, it is generally not possible to precisely identify services trade that is actually digitally delivered. It is thus necessary to distinguish “digitally *delivered* services” and the broader concept of “digitally *deliverable* services” (Grimm, 2016, Stein et al., 2024), with the latter being the focus of our analysis:

“**Digitally delivered services**” (previously called ICT-enabled services) refers to services delivered (remotely) over ICT networks.”

“**Digitally deliverable services**” (previously called potentially ICT-enabled services) includes “services that *can* predominantly be delivered remotely over ICT networks, without identifying the services that *are* actually delivered over ICT networks” (Stein et al., 2024: 2).

This broad definition includes a variety of types of services, excluding those types of services that necessarily involve the movement of physical objects or people (like transport services) or those that require face-to-face contact (like many personal services) (Grimm, 2016). Measuring digitally deliverable services thus requires, as a first step, the identification of services that can be delivered through computer networks (most often the internet). In doing so, we follow the recommendation of IMF, OECD, United Nations and WTO (IMF et al., 2023). A corresponding list of digitally deliverable services is given in Table 1 together with the data structure definition codes used for the corresponding items in the Extended Balance of Payments Service Classification 2010 (EBOPS 2010).

The “telecommunications, computer and information services” and “audio-visual and related services” categories contain many services that are *inherently digital in nature*, such as software downloads, cloud computing services, digital communication services, datasets traded as products, or streaming media. This also applies to “heritage and recreational services”, which include (online) gambling services and “trade-related services” which include the fees paid for intermediation services provided by digital intermediation platforms (IMF et al., 2023).

The “professional and management consulting services”, “research and development services” and “architectural, engineering, scientific and other technical services” include many activities where *in-person interactions are being replaced with interactions online* (voice/ video calls or typed messages) or where the *physical delivery of documents* (reports, designs, blueprints) *is increasingly being replaced by the delivery of digital files* transmitted via computer networks. Two other categories, where in-person interactions are increasingly being replaced with online interactions are internationally supplied “education services” (e-learning) and “health services” (telehealth) (IMF et al., 2023).

In insurance services and financial services many transactions/services (such as risk management, liquidity provision and transformation, underwriting, record-keeping and payment services) that were previously mainly provided through in-person interactions are now commonly accessed and *supplied through online interfaces*.

services”. For some, likely small, sub-categories of digitally tradable elements of other business services Eurostat and BEA do not provide trade data for Ireland for 2023. The effect on the Ireland’s share of U.S. exports to the EU is expected to be small.

¹⁷ According to Eurostat (BEA) the U.S. surplus with Ireland is, e.g., 89.4% (68.4%) of the U.S. surplus with the EU in “charges for the use of intellectual property”, and 87.6% (64.0%) in “other business services”, respectively. The same limitation as in the previous footnote applies here as well.

¹⁸ The same limitation as in the previous footnote applies here as well.

Table 1
Digitally Deliverable Services

Component Code	Description
SF	Insurance and pension services
SG	Financial services
SH	Charges for the use of intellectual property n.i.e.
SI	Telecommunications, computer and information services
SJ1	Research and development services
SJ2	Professional and management consulting services
SJ31	Architectural, engineering, scientific and other technical services
SJ34	Trade-related services
SJ35	Other business services n.i.e.
SK1	Audio-visual and related services
SK21	Health services
SK22	Education services
SK23	Heritage and recreational services

Source: IMF et al. (2023). Notes: Sum of SJ1, SJ2, SJ31, SJ34 and SJ35 are referred to as “digitally tradable elements of other business services”; Sum of SK1, SK21, SK22 and SK23 are referred to as “digitally tradable elements of personal, cultural and recreational services”.

For digitally deliverable services it is likely that most international service trade covered by the balance of payments (BOP) trade data will take place through GATS Mode 1 (cross-border supply). While IMF et al. (2023) explicitly acknowledge that digitally deliverable services may also be consumed abroad (Mode 2), most available sources of services trade data would not list these transactions separately but record it in the much broader category “Travel” (SD). Accordingly, these transactions are not counted as digitally deliverable services in our analysis. Trade via Mode 4 should, in principle, be covered by the data but is likely to be only a minor share of digitally delivered services trade, as Mode 4 requires, by definition, the physical presence of a natural person. International supply through commercial presence (Mode 3) is likely to be important for some types of digitally deliverable services but is not covered in the balance of payments (BOP) data.

It is worth noting that the concept of digitally delivered services has to be further distinguished from the broader concept of “digital trade”, where digital trade is all international trade that is digitally ordered and/or digitally delivered (remotely over computer networks). Digital trade includes digitally ordered goods and services and digitally delivered service items that are digitally delivered. Whereas all types of goods and services can potentially be digitally ordered, only certain services can be digitally delivered (IMF et al., 2023).

5 SERVICES SUPPLIED THROUGH FOREIGN AFFILIATES

Despite the strong increase in U.S.-EU trade in services just discussed, foreign affiliate sales (not exports) are still the primary means by which U.S. firms deliver services to their European customers and by which European firms deliver services to their U.S. customers (Hamilton and Quinlan, 2025).

In 2022 (the latest year for which data are available), services supplied by U.S. MNEs through their EU affiliates were 668.4 bn Euro, and services supplied by EU MNEs to the U.S. market through their U.S. affiliates were 537.4 bn Euro (Figure 5, Table A1 in Appendix) according to BEA data.¹⁹ Thus, U.S. MNEs supplied 131.0 bn Euro more services through their EU affiliates

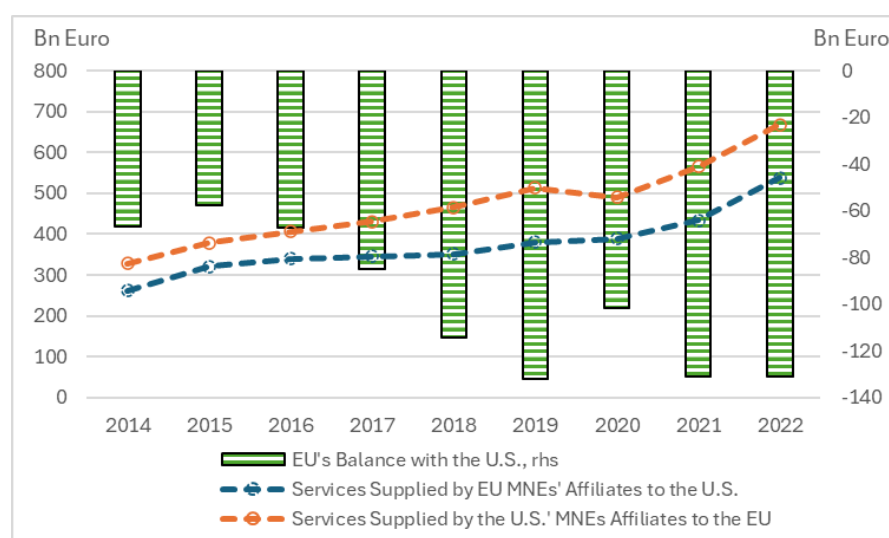
¹⁹ In this section we only use data from BEA. Eurostat data on foreign affiliate sales generally do not distinguish between service sales and goods sales of affiliates. In addition, there have been significant changes between 2020

than EU MNEs supplied to U.S. persons through their U.S. affiliates. All three quantities broadly doubled between 2014 and 2022.

While numbers are not directly comparable,²⁰ this suggests that **service supply through foreign affiliates is substantially larger than services trade between the EU and the U.S.** And it has also **grown slightly faster between 2014 and 2022 than services trade.** In 2022, services supplied by U.S. MNEs through their EU affiliates were about 2.9 times larger than U.S. services exports to the EU and services supplied through by EU MNEs to the U.S. market through their U.S. affiliates were about 3.3 times larger than U.S. services imports from the EU according to the BEA data.²¹ Between 2014 and 2022, services supplied by U.S. MNEs through their EU affiliates grew by 103.9%, while services supplied by EU MNEs through their U.S. affiliates grew by about 105.7%. Over the same period U.S. services exports to the EU grew by about 92.4%, while U.S. service imports from the EU grew by 84.2%.

As for trade in services, **the EU is the prime business partner of the U.S. also in terms of service supply through foreign affiliates.** The EU holds a share of 33.5% of services supplied by U.S. MNEs through all their foreign affiliates worldwide and a share of 37.3% of services supplied through all foreign MNEs' affiliates in the U.S.

Figure 5: Services supplied by foreign affiliates



Sources: U.S. Bureau of Economic Analysis – Services Supplied through Affiliates by Country of Affiliate/UBO and by Industry of Affiliate.

and 2021 in the way the data on foreign affiliates activities are reported by Eurostat. As a result, data based on the revised methodology is currently available for only two years (2021 and 2022). Note that the BEA data cover services supplied by majority-owned foreign affiliates of U.S. MNEs to foreign residents, both in the host country and in other foreign markets, and services supplied by majority-owned U.S. affiliates of foreign MNEs to U.S. residents (Stein et al., 2024).

²⁰ There are, for example, significant differences in the coverage of service types. Wholesale and retail trade distributive services, e.g., are included in services supplied through affiliates but are not included in trade in services statistics, due to lack of separate information (Stein et al., 2024).

²¹ They were still 1.6 times and 1.7 times higher than service trade according to the trade data from Eurostat.

Data on services supplied through foreign affiliates is not differentiated by type of services but by the industry classification of the affiliates. It is therefore not possible to identify “digitally deliverable services” supplied through foreign affiliates in the currently available data. Instead, we can look at the respective numbers for different (broad) industries of the foreign affiliates. The two most important industries in terms of services supplied through foreign affiliates are the “information services” industry and the “professional, scientific, and technical services” industry.

The “information services” industry accounts for 39.0% of all services supplied by U.S. MNEs through their EU affiliates and for 18.7% of all services supplied by U.S. affiliates of EU MNEs’. For the “professional, scientific, and technical services” industry the respective numbers are 13.3% and 16.6%, respectively. Whereas the supplies in the two directions are quite balanced for the “professional, scientific, and technical services” industry, the U.S. MNEs’ EU affiliates in the “information services” industry supply much more services to the EU than the respective U.S. affiliates of EU MNEs’ in supply to the U.S. market. In 2022, the surplus of 160.4 bn Euro is actually substantially larger than the surplus across all industries which was 131.0 bn Euro.

The data for the information services industry largely reflect the globally dominant role that U.S. MNEs like Google, Meta or Microsoft play in that industry. These companies all have large affiliates in the EU, which are responsible for much of their European business, and their European headquarters or major affiliates are often located in Ireland. Of the 260.7 bn Euro supplied through U.S. MNEs’ affiliates in the EU information services industry, 157.1 bn Euro are supplied by affiliates located in Ireland. Between 2020 and 2021 alone, the services supplied by U.S. MNEs’ affiliates in the Irish information services industry has increased by 68.1%. U.S. MNEs’ affiliates in Ireland alone account for more than 60% of services supplied by U.S. MNEs’ affiliates in this industry in the EU. And they account for 97.8% of the respective US surplus in services supplied through their affiliates in that industry.²²

The services supplied by U.S. MNEs’ affiliates in Ireland’s information services industry are not only supplied to Irish customers, however.²³ Of all the services supplied through U.S. MNEs’ affiliates in Ireland (all industries) only 26.9% are supplied to customers in Ireland while 73.1% are supplied to customers in other countries.²⁴ These figures are likely dominated by affiliates in the information service industry which accounts for more than 70% of all the services supplied through U.S. MNEs’ affiliates in Ireland.

²² Ireland also accounts for 35.1% of services supplied by U.S. MNEs’ affiliates in the EU’s “professional, scientific, and technical services” industry. There are no data published on Ireland’s contribution to the EU-U.S. balance of services supplied through direct investment in this industry, however, due to confidentiality restrictions.

²³ Services supplied by a U.S. MNEs’ foreign affiliate in Ireland will partly be supplied to customers in third countries, in which case the respective share of services supplied should be counted as exports to these other countries (and not to Ireland, the country of affiliate’s location); the data necessary for doing so are often not available, however.

²⁴ These figures are calculated from U.S. BEA “Services Supplied to Foreign Persons by U.S. MNEs Through Their MOFAs, by Country of Affiliate and by Destination”, accessed on June 16, 2025.

6 BILATERAL SERVICE TRADE DATA BETWEEN THE U.S. AND INDIVIDUAL EU MEMBER STATES ARE GROSSLY MISLEADING: THE IRISH EXAMPLE

The previous analysis shows that Ireland assumes a very special role in trade between the U.S. and the EU. A disproportionately high share of, in particular, services exports from the U.S. into the EU goes to Ireland. And a very large share of services supplied by U.S. MNEs' through their affiliates in the EU is supplied through affiliates in Ireland. This is particularly true for services supplied through affiliates in the EU information services industry.

There are different factors that likely contribute to Ireland's outstanding role in EU-U.S. service trade: the European single market making it easy to supply services across EU internal borders, the different specializations and comparative advantages of different EU countries with Ireland's specializing on high-tech manufacturing and high-value services, English being the predominant language in Ireland, and Ireland's business-friendly corporate tax laws (IMF, 2017; Arnon et al., 2024).

For years, Ireland has played a significant role in U.S. MNEs' corporate tax planning strategies.²⁵ And these strategies are having significant effects on services trade between the U.S. and Ireland and between the U.S. and the EU, more generally (Felbermayr and Braml, 2018). At least until the second half of the 2010s, when important tax reforms were implemented both in Ireland and in the U.S., many U.S. MNEs shifted intangible assets, in particular patents, to their Irish subsidiaries to benefit from patent boxes and other favourable tax provisions in Ireland. Affiliates of these U.S. MNEs located in other European countries and all over the world, including the U.S., buy these services from the Irish affiliates and pay them royalties and license fees etc. This shifts corporate profits to Ireland where they were taxed at lower rate than in the U.S. Such strategies convert services exports, e.g. license fees and royalties, from the U.S. (to these other countries) into service exports from Ireland and primary income flows (dividends on foreign direct investments) from Ireland to the U.S. (Felbermayr and Braml, 2018; Braml and Felbermayr, 2019, Altshuler et al., 2024).²⁶

In 2015, Ireland started to phase-out (by 2020) the so-called "Double-Irish", a specific tax planning strategy much used by U.S. MNEs and in 2017, the U.S. passed the "Tax Cuts and Jobs Act" lowering rates and ending deferral of U.S. tax on foreign income (Arnon et al., 2024). These changes are likely to be one of the reasons for the above mentioned strong increase in services exports in the form of "charges for the use of intellectual property" from the U.S. to Ireland

²⁵ This is especially true for U.S. MNEs from the tech and pharmaceutical industries. Practically all the largest U.S. companies from these sectors have a significant business presence in Ireland. Tech giants Apple, Google and Meta have their European headquarters in Ireland. Johnson & Johnson, Pfizer, and Merck and other large biotech and pharmaceutical companies have large subsidiaries in Ireland.

²⁶ Often the tax planning strategies and the resulting (virtual) services trade and primary income flows are even much more complicated, involving more affiliates and additional countries, including tax havens outside the U.S. and the EU. Such strategies can result in corporate profits not being taxed anywhere, as each tax authority assumes that they are taxable/taxed by another (Braml and Felbermayr, 2019).

after 2019. The tax changes likely led to a significant degree of reshoring of U.S. MNE's intellectual property rights to the U.S., followed by increased services imports from the U.S. to Ireland and the accompanying royalty payments from Ireland to the U.S. (Arnon et al., 2024).

This shows that (i) services trade between the U.S. and the EU (and its Members States) has been affected significantly by (changes in) corporate tax laws and U.S. companies' tax planning strategies. (ii) For important types of services such as the use of intellectual property, and telecommunication and information services, trade flows between countries can easily be shifted to or re-routed through other countries, due to the intangible nature of these services and many of the underlying assets. And (iii) dividends on foreign direct investments and other corporate income are close substitutes to payments for purchases of services imports (Braml and Felbermayr, 2019). This implies that analyses of the economic and trade relations between the EU and the U.S. should not only consider goods and services, but also primary income flows between the two economies, which is beyond the scope of this policy brief, however.

Last but not least, the case of Ireland and its special role in the EU-U.S. services trade also shows that bilateral service trade balances between the U.S. and individual EU Member States are, generally, of little economic relevance, and should only be discussed with great caution and restraint.²⁷ In the European Single Market different specializations of Members States in combination with persisting significant differences in taxation and U.S. MNEs' tax avoidance strategies have led to a trade structure, where the large U.S. services trade surplus with the EU consists mostly of U.S. service trade surpluses with Ireland (and to a much smaller extent the Netherlands and Luxemburg), while other Members States such as Germany purchase large amounts of services from U.S. companies via their subsidiaries in Ireland – leading to a large service trade deficit of Germany with Ireland but a surplus with the U.S.

In 2024, the U.S. services trade surplus with the EU was about 148.0 bn Euro according to Eurostat, the U.S. surplus with Ireland alone was about 163.0 bn Euro (with the Netherlands it was 21.3 bn Euro and with Luxemburg about 17.4 bn Euro.) In the same year, Germany had a services trade surplus of about 3.3 bn Euro with the U.S. While the data on Germany's services trade balance with Ireland in 2024 is not yet available, data from 2023 shows that Germany has a deficit of about 11.5 bn Euro with Ireland.²⁸ Since 2019 Germany's annual services trade deficit with Ireland has been at around or more than 10 bn Euro.

7 CONCLUSIONS

Total services trade between the U.S. and the EU is quantitatively almost as important as total goods trade between the two economies, according to Eurostat. And bilateral services trade

²⁷ Due to the easy shifting of services trade flows, bilateral service trade balances are, in general, economically even less meaningful than bilateral goods trade balances.

²⁸ Taking Ireland as a reporting country, the Ireland services trade surplus with Germany was according to Eurostat even 17.0 bn Euro in 2023 and 21.2 bn Euro in 2024.

has been growing considerably faster than bilateral goods trade. The EU and the U.S. are each other's largest trading partners in services.

Among different services types, the bilateral EU-U.S. trade relations in digitally deliverable services are of paramount importance to the two economies. This is especially true for U.S. exports of digitally deliverable services to the EU. In almost every year of the research period, the U.S. surplus in digitally deliverable services trade with the EU has been even larger than its surplus in the overall trade in services with the EU.

The two most important components for EU-U.S. trade in digitally deliverable services are the digitally tradable elements of "other business services", and "charges for the use of intellectual property". They also contribute the most to the large U.S. trade surplus with the EU in digitally deliverable services.

Despite the strong increase in EU-U.S. trade in services, foreign affiliate sales are still the primary means by which U.S. firms deliver services to their European customers and by which European firms deliver services to their U.S. customers. The most important industry in terms of services supplied through foreign affiliates is the "information services" industry. The U.S. MNEs' EU affiliates in this industry supply much more services to the EU than vice versa. This is largely attributed to the globally dominant role that U.S. MNEs like Google, Meta or Microsoft play in that industry. These companies are all operating in the EU with their European headquarters or major presences being often located in Ireland.

It is worth emphasizing that services trade is generally more difficult to measure reliably than goods trade and that there are significant data asymmetries and methodological differences between U.S. and EU statistical agencies in measuring EU-U.S. trade in services.

Recognizing the existing data challenges in this field, we propose three policy options that could be pursued by the EU Commission in its ongoing and future negotiations with the Trump administration.

First, the EU should broaden the view of the Trump administration on trade balances to include services trade. It needs to get the message across to U.S. President Trump that a narrow focus on goods trade balances misses an important aspect of EU-U.S. trade relations – namely trade in services where they are each others' most important trade partners. It is worth emphasizing that the U.S. trade deficit with EU shrinks considerably if both goods and services trade are considered. Due to the existing data differences in services trade, it is recommended that the EU also considers the trade data from the U.S. BEA where possible, as a supplement to Eurostat data, to create a common (data) basis for the negotiations.

Second, the EU could broaden the scope for possible EU offers in tariff negotiations with the U.S. by providing some carrots (offering concessions) related to services trade. The EU could offer the Trump administration some carrots, especially related to trade in digitally deliverable services, to demonstrate the good-will of the EU to further open its services market to foreign services providers, including those from the U.S.

It could offer to remove some existing barriers in services trade which would allow the U.S. to better exploit the U.S.'s comparative advantage in (digitally deliverable) services. This would

also be of benefit to the EU itself, as services trade barriers are often not only barriers in services trade between the EU and non-EU-members but also barriers to the realization of European Single Market in services. Barriers in services trade that have already been objected by the U.S. administration include, for example, excessive bureaucratic requirements related to several comprehensive EU regulations in the digital area, differing regulations in EU Member States in fields like audiovisual services and in professional services, or shortcomings in the regulations and practices for protecting data and intellectual property rights in the digital environment (United States Trade Representative, 2025b).

The EU could also offer commitments to not introduce a Digital Services Tax (DST). The EU first proposed a digital services tax in 2018, but this initiative stalled due to disagreements among the EU Member States and due to OECD negotiations on global corporate tax coordination (Thomadakis, 2025). For various reasons, including increased public fiscal pressure and the further expanding digital economy, there has recently been renewed momentum within the EU to rethink the DST policy, however.

At the same time, the EU could use some sticks (threatening retaliation) with respect to policies related to services trade. The EU could threaten to introduce or intensify trade barriers on imports of (digitally deliverable) services from non-EU countries, including the U.S. It could also threaten to further tighten its regulations on competition and data protection and privacy policies and to become (even) tougher on U.S. tech giants in related EU law cases. And it could threaten to introduce a DST at the EU level, which could raise significant fiscal revenues, especially from U.S. tech companies, for the EU (Thomadakis, 2025).

The carrots and sticks options are not mutually exclusive but can complement each other. The EU needs to be aware, however, that any combination of the policy options proposed above is accompanied by various risks and challenges. On the one hand, it will be almost impossible to implement effective trade barriers only against (digital) services imports from the U.S. More stringent barriers for services imports from the U.S. (or any other selected country) could be easily circumvented especially for digitally deliverable services, because the (virtual) location of services providers could be changed at almost no cost and no time delay. Trade policy measures would thus need to be targeted against all (non-EU) providers of certain services. In many digital services this would currently still impact predominantly U.S. tech companies, as they possess a near monopoly position in these markets. Additional trade barriers mean, however, additional protectionism that hinders free trade, distorts market competition and leaves possible gains in economic efficiency, supply variety and welfare unrealized.

Another option for the EU could be to directly target selected U.S. companies. A possible legal basis for this could be the EU Anti-Coercion Regulation (Regulation (EU) 2023/2675) (Martens, 2025). This may, however, bear a risk of entailing prolonged legal processes with high uncertainties. And the EU needs to be well-prepared for hard retaliation measures or threats from the U.S. administration as reaction to the EU's U.S.-specific trade policies.

On the other hand, if the EU decides to offer the Trump administration some carrots related to services trade, in the sense of further opening its services market to U.S. services providers, it may further increase the EU's dependence on U.S. tech giants which are already holding a dominant position in several EU digital services markets.

How to best negotiate a trade agreement with the Trump administration that is in line with the EU's economic and strategic policy interests is not only an economic but also a diplomatic challenge. Trade-offs of possible policy measures need to be assessed thoroughly. It is highly likely that any policy decision in this area would at the end require the EU to make certain significant concessions to the U.S., with some Member States bearing a greater share of the costs of these concessions and their impacts than others. Still, including trade in digitally deliverable services as part of the negotiations can help to reduce these costs for the EU as a whole.

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APPENDIX

Table A1: EU-U.S. Economic Relations in Goods Trade, Services Trade and Services Supplies (Bn Euro)

		2021	2022	2023	2024
Goods + Services					
Eurostat	EU Exports	652.1	821.9	822.5	866.7
	EU Imports	573.0	777.9	774.4	817.3
	Balance	79.1	44.0	48.1	49.5
U.S. BEA	EU Exports	527.1	692.2	707.2	748.7
	EU Imports	403.3	569.7	591.5	599.8
	Balance	123.8	122.5	115.7	148.9
Goods					
Eurostat	EU Exports	399.5	508.6	503.8	532.3
	EU Imports	232.6	359.1	347.2	334.8
	Balance	166.9	149.5	156.6	197.4
U.S. BEA	EU Exports	416.3	529.4	536.0	562.8
	EU Imports	231.0	335.3	349.5	344.1
	Balance	185.3	194.1	186.5	218.7
Services					
Eurostat	EU Exports	252.6	313.3	318.7	334.5
	EU Imports	340.4	418.8	427.3	482.5
	Balance	-87.8	-105.5	-108.6	-148.0
U.S. BEA	EU Exports	110.8	162.9	171.2	185.8
	EU Imports	172.3	234.4	242.0	255.7
	Balance	-61.5	-71.6	-70.8	-69.9
Digitally Deliverable Services					
Eurostat	EU Exports	186.2	203.8	215.5	x
	EU Imports	295.4	347.1	360.2	x
	Balance	-109.1	-143.3	-144.7	x
U.S. BEA	EU Exports	69.1 [*]	83.6 [*]	90.2	x
	EU Imports	151.0	187.4 [#]	190.2	x
	Balance	-81.9	-103.8	-100.0	x
Services Supplied through Affiliates					
U.S. BEA	Supplies by EU Affiliates to U.S.	433.8	537.4	x	x
	Supplies by U.S. Affiliates to EU	565.0	668.4	x	x
	Balance	-131.2	-131.0	x	x

Notes: "Balance" refers to trade balance from the EU's perspective in the corresponding category. "x" for data not available (as of July 1, 2025).^{*}This includes estimated values for "other business services n.i.e.," where the figures for 2021 and 2022 are interpolated based on 2020 and 2023 data, assuming a constant absolute increase over the period. [#]This includes an estimated value for "trade-related services", with the figure for 2022 interpolated based on data from 2021 and 2023 data.

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