

The Global Services Trade Revolution

Fuelling post-pandemic economic recovery and growth.

WesternUnion WU | Business Solutions

The Global Services Trade Revolution
Report

This special industry report seeks to provide insights into these segments of international commerce, with a focus on the modern digital services that are driving the growth of these flows.

Aided by practical and unique insights from leaders within the Western Union business, the report examines the trends and key drivers of services trade over the past 15 years and offers a forecast outlook to 2025.

It also examines some of the enduring obstacles to faster growth in services trade and the potential for liberalisation of trade policy to boost future growth. Finally, we examine some of the technological developments that could drive the next generation of international trade in services.

Developed in partnership with:

WesternUnion WU Business Solutions

OXFORD ECONOMICS













Foreword

The phrase “international trade” typically conjures images of mammoth shipping containers and the exchange of goods produced in remote parts of the world. Less commonly thought of is the intangible global trade of “services” – by this we mean the exchange of expertise, business functions, and intellectual property. As a result, we often undervalue the vital importance of cross-border services trade.



Andrew Summerill
President, Payments at Western Union

The last decade has seen rapid change in global business, with new technology and communication tools making us more connected than ever before. Today, ‘services trade’ is woven into the fabric of our international community. In fact, our study estimates services contribute to over half (55%) of all global trade flows.

The global pandemic created unprecedented disruption and uncertainty, which for many businesses meant the rapid adoption of digital tools and remote working practices. As we move into the next phase of recovery and growth, the role of services in the global economic recovery cannot be understated. For many industries, the ability to pivot and continue to function and grow will be a vital factor in the recovery effort.

Through this report, we aim to shine a new light on the valuable contribution global services trade brings to the economy now and its potential for the future.

At Western Union, we are in the business of moving money, and as the world around us changes at pace, we are focussed on helping organisations transact across borders and fuelling economic growth and recovery.

We hope you find the report interesting and a valuable resource to aid your business planning for the path that lies ahead.

Andrew Summerill

Overview



This report examines the trends and key drivers of services trade over the past 15 years. It offers a forecast outlook to 2025 and examines some of the enduring obstacles to faster growth in services trade.

Introduction

Trade in services is harder to visualise than a giant container being off-loaded at a port, and the services sector also comprises an extremely diverse range of intangible activities.

The services sector can therefore be overlooked in discussions of international trade, which tend to focus on cross-border flows of goods.

Yet failing to account for trade in services creates a highly distorted picture. The importance of services in international trade has grown significantly over time as new technologies, and the increasing sophistication of many consumers, have expanded the potential for services to be readily traded across borders. Moreover, as business processes become digitally transformed, and delivery of goods and services become increasingly intertwined, trade in services has been growing faster than the underlying growth of international trade in goods.

International trade in services takes place when services are exchanged between residents and non-residents of a country, including those provided by foreign affiliates established abroad.

> **The importance of services in international trade has grown significantly over time.**

Examples of activities included in the service sector include:

Business-to-business (B2B) services
Professional services (e.g. engineering, legal) and royalty & license fees (e.g. fees for the use of patented technology).

Information and communications technology (ICT) services
Services related to computers (e.g. software development) and communication devices (e.g. telephone services).

Financial services
Activities of the finance industry including banking, insurance and asset management.

Transport & distribution
Services related to the international movement of goods (e.g. shipping, air cargo and cross-border road & rail transport) or transport of people (e.g. air passenger services).

Tourism & travel
Spending by temporary visitors to another country for leisure, business or other purposes such as education or medical tourism (exports are defined as inbound tourism flows).

Construction
Services relating to the construction/demolition of buildings and other structures, as well as installations and building repairs.

Public services
Services commissioned by the public sector.

Key findings

This report, which aims to shine a light on the valuable contribution global services trade bring to the economy, uncovers cross-border services trade has typically been undervalued when compared to trade in goods or manufacturing.

However, it is set to be a major driver of economic recovery – we project the value of international trade in services rising from $6.1trn in 2019 to $8.0trn by 2025, equating to an increase of almost a third (31%) in the value of global flows over this period. This growth will be accelerated by the adoption of new technology and digitisation of working practices forced by the onset of the COVID-19 pandemic – which, combined with a shift in attitudes to online interactions, is likely to further fuel growth of cross-border trade in services in the coming five years.

The services trade revolution

55%

Services account for over half of all global trade flows, equating to US$13.7trn of cross-border transactions in 2019.

24%

the share of services in total trade has risen to 24% in 2019 from 19% in 1995.

The value of global trade in services increased by

50%

between 2010 and 2019, double the pace of growth in merchandise trade.

Forecasts for the next five years

+31%

Increase in the value of international trade in services to $8.0trn by 2025, up from $6.1trn in 2019.

$1.9 trillion

increase in the value of overall services trade predicted by 2025.

62%

Nearly two-thirds of the increase in the value of overall services trade will come from B2B, ICT and Financial Services.

The next generation of services trade

$900 billion

To be invested worldwide in 5G networks between 2020 and 2025.

25 billion

Global IoT connections will more than double to almost 25 billion by 2025.

11%

Potential boost to global trade services in next five years by trade liberalisation.

Services already represent an increasingly important, though often undercounted, share of global trade.

Services have emerged as an increasingly important component of the global economy, as the nature of global commerce has dramatically changed over the past few decades. We estimate that services contribute to over half (55%) of all global trade flows, which amounts to US$13.7trn of cross-border transactions in 2019 alone.

The growth of international trade in services has outpaced overall trade growth in recent years. Between 2010 and 2019, the value of global trade in services increased by around 50%, double the pace of growth in goods trade.

The rise of new technologies and a supportive policy environment have enabled businesses to outsource many business processes, such as accounting, legal and payroll. Rapid growth in these knowledge-based, often digitally-delivered business services has outstripped gains in more traditional services categories like shipping and tourism.

Services contributed

$13.7 trillion

of cross-border transactions in 2019.

50%

The increase between 2010 and 2019 of the value of global trade in services.



Growth in ICT-enabled services trade will help lead the economic recovery from the COVID-19 crisis.

Trade in modern, digital services is proving resilient during the crisis. We estimate that the value of cross-border flows of B2B, ICT and Financial Services will decline by around 6% in 2020, while total services trade (which includes hard-hit categories of travel and tourism) will slump 18% and the value of goods trade will decline an estimated 13%.

As the crisis intensifies efforts to digitise the economy, ICT-enabled services will likely play a critical role in promoting economic recovery.

New technologies will further fuel the digital services boom.

The digitalisation of work practices already underway, combined with a shift in attitudes to online work that resulted from the pandemic, will likely reshape nearly every industry in the post-pandemic era. Companies recognise that their survival will depend on the speed at which they adopt new technologies and new mindsets.

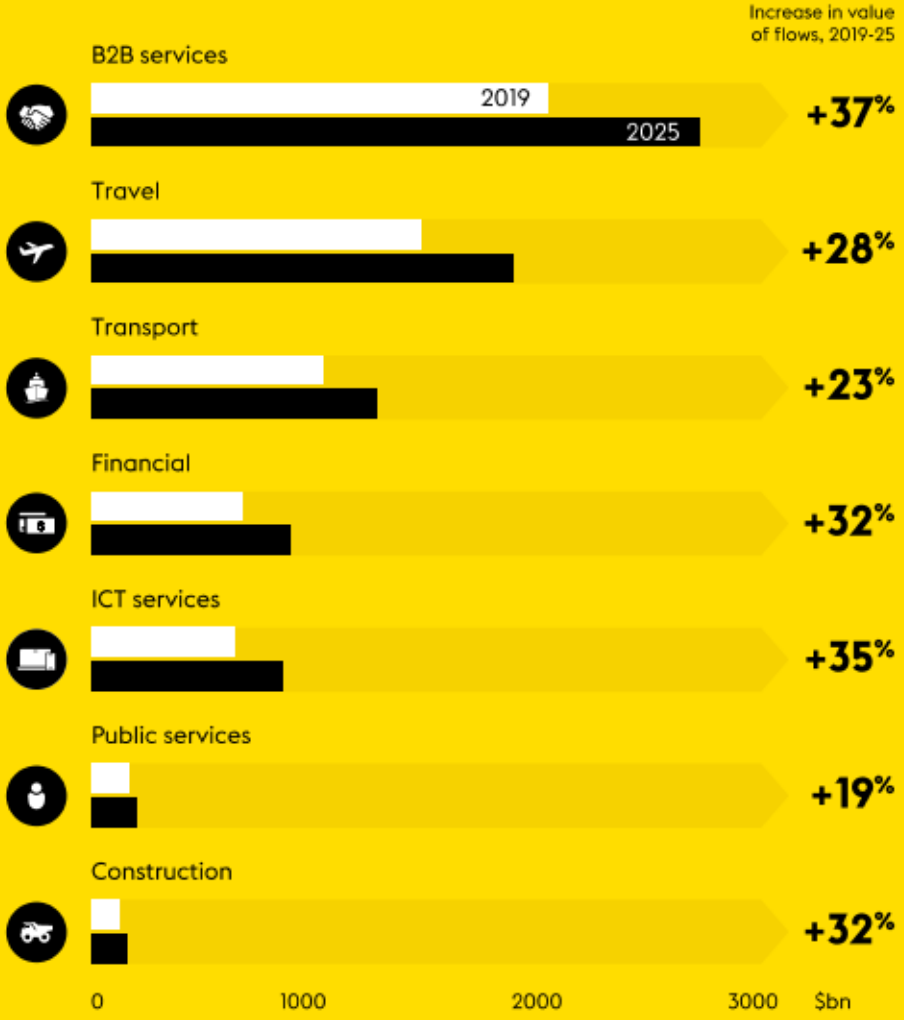
Enhanced fibre broadband coverage and the rollout of 5G networks promise to further supercharge the international tradability of a broad range of professional services. Operators are expected to invest $900 billion worldwide in 5G networks between 2020 and 2025.[1]

As a result of these trends, we expect digitally deliverable B2B, ICT and Financial Services to contribute an outsized share of growth in services trade, or nearly two-thirds (62%) of the expected $1.9 trillion increase in the value of overall services trade between 2019 and 2025.

We find a number of countries that could be potential new 'hotspots' for digital services export growth in coming years, reflecting their technological capacity. These include Korea and Japan (building on high-tech leadership), Australia and New Zealand (leveraging domestic services capacity) and Qatar and Saudi Arabia (which are investing heavily in diversifying their economies).

1. Global System for Mobile communications Association (GSMA), "The Mobile Economy 2020"

2019-2025
Predicted growth in international services trade (central scenario)



Source: Oxford Economics, WTO

Liberalisation of trade policy could further boost growth.

Liberalisation of trade policy could provide additional support to the growth of digital trade. A broad, multilateral liberalisation of trade policies on services could provide an additional 11% boost to the value of global services trade by 2025, which would equal an $890bn increase in the value of these cross-border transactions.

The next generation of services trade: the scope of what is possible to trade across borders may soon expand.

New digital technologies will generate new services flows in coming years, sometimes replacing the flow of physical goods, such as design software that can guide additive manufacturing (3D printing). Likewise, the proliferation of high-speed connected devices and sensors within objects will create enormous flows of interactive data from which new services will develop.

Advances in telerobotic devices (robots controlled at a distance) and virtual reality systems could also make tradeable a broad variety of previously "non-tradeable" services. As conventional trade in goods confronts challenges to further expansion, we may be on the cusp of an exciting conclusion in which service and data flows lead the next wave of globalisation.





Nearly two-thirds of the increase in the value of overall services trade will come from B2B, ICT and Financial Services.



Potential boost to global trade services in next five years by trade liberalisation.

CHAPTER 1

The services trade revolution

Services now account for **two-thirds of global GDP.**



The rise of the services economy.

Often little recognised, or grossly undervalued, the growing dominance of services industries over the past three decades has reshaped the global economy. Services now account for over two-thirds (68%) of global GDP and nearly half (49%) of all employment. The importance of services is particularly pronounced in developed economies, where such jobs represent around 75% of total employment.

The service sector encompasses a very rich variety of economic activities. Many having little in common other that their principal outputs are intangible, rather than actual objects you might hold in your hand. Service organisations also vary widely in size, ranging from some of the world's largest airlines and banks, to small and medium-sized enterprises (SMEs) such as hairdressers and restaurants.

Based on official statistics, the share of services in total trade has risen to 24% in 2019 from 19% in 1995. Yet official data also likely understate, by a large percentage, the true contribution of services to trade flows. This is because the value assigned to the production of agricultural and manufactured products, for example, also includes significant amounts of underlying service activities, like Research & Development, accounting and legal services, as well as marketing and distribution services. After-sales support services such as training and maintenance/repair may also be included in the value of goods.



Services industries now account for over two-thirds of global GDP.



Services jobs account for nearly half of all employment globally.

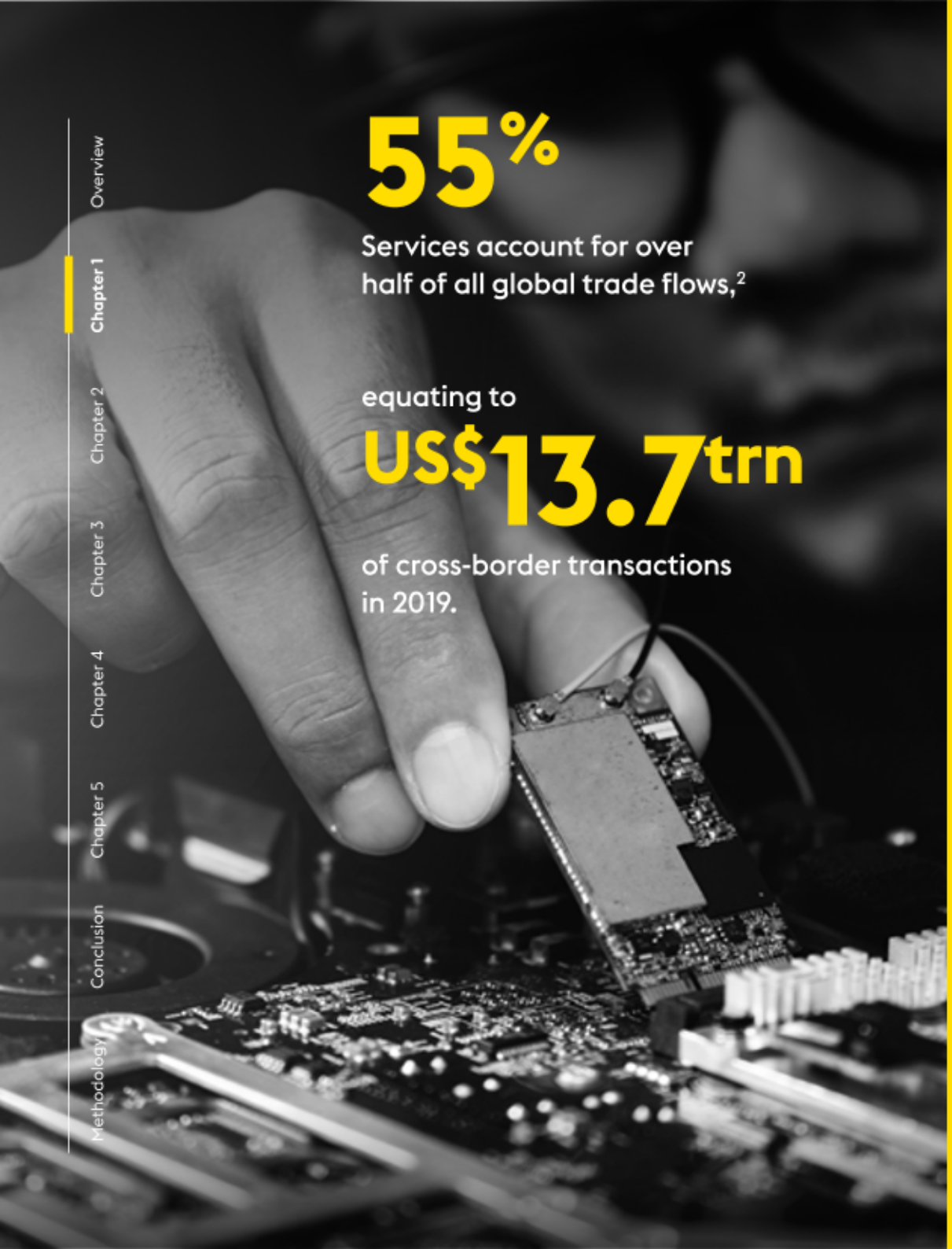


Services jobs in developed economies represent around 75% of total employment.



Services account for over half (55%) of all global trade flows,[2] equating to US$13.7trn of cross-border transactions in 2019.

2 Oxford Economics estimates based on the OECD Trade in Value-Added (TiVA) database, together with services activities within manufacturing firms as reported in Miroudot and Cadestin (2017), "Services in Global Value Chains: From Inputs to Value-Creating Activities", OECD Trade Policy Papers No. 197



55%

Services account for over half of all global trade flows,[2]

equating to

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of cross-border transactions in 2019.

WORLD

The role of services in the global economy

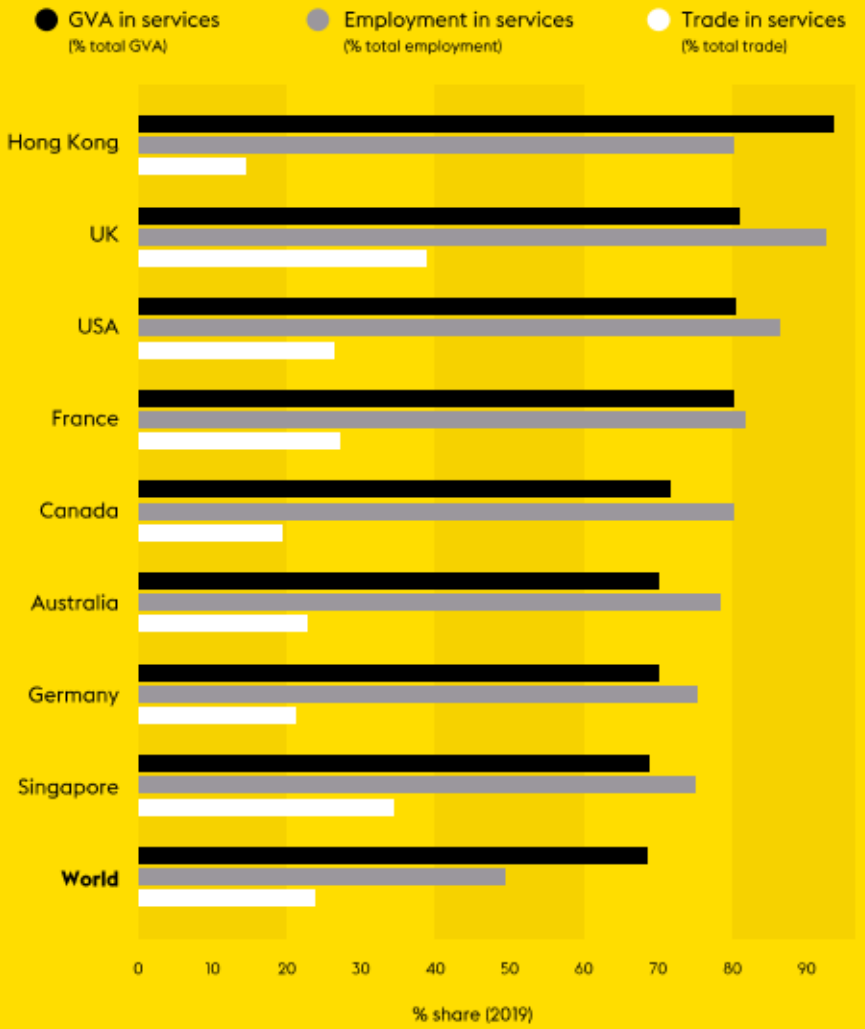


Fig. 1 | Source: Oxford Economics, Haver Analytics, World Bank, WTO

Services trade has been outpacing trade in goods.

Only a few decades ago, much of the service sector was deemed to be "non-tradeable" because it was assumed that most services required face-to-face interaction. This is still true for certain service activities, such as childcare, taxi driving or hairdressing. But digital technologies, especially the development of broadband networks and video conferencing, have significantly reduced the need for physical proximity for a wide array of service activities.

As a result, growth of international trade in services has proved relatively robust in recent years, especially when compared to the weaker performance of trade in goods.

Without the need for a supplier to be physically close to the consumer, services become easier to trade across borders.

50%

The value of global trade in services increased by around 50% between 2010 and 2019, double the pace of growth in merchandise trade.

+33%

Increase in the value of international trade in services, equating to to $8.0trn, by 2025.

WORLD

Value of global trade in goods and services

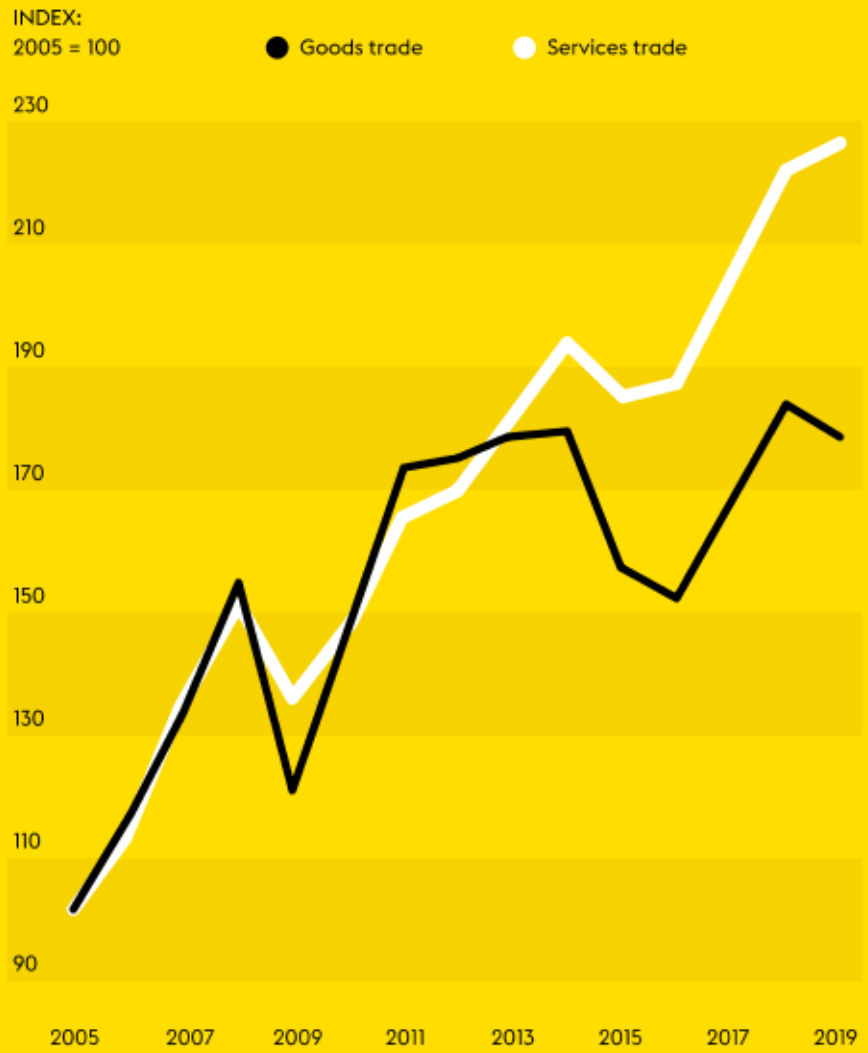


Fig. 2 | Source: Oxford Economics, WTO

Modern digital services are driving growth in cross-border flows.

The advance of new Internet-driven technologies, as well as broad liberalisation of trade rules, have enabled many business processes to be outsourced (i.e. contracted to an external service provider). Today many corporate services such as accounting, legal, human resource management, customer support and payroll have been sent offshore.

Many organisations also outsource a range of technical services such as design, research, engineering and architectural services. Demand for external business services stems from the need to increase flexibility, improve focus on the core business and generate cost savings, especially where it is not economical or practical to acquire the in-house expertise to solve specific problems.

As a result, growth in knowledge-based business services has significantly outstripped more traditional services categories such as shipping and tourism in recent years.

2005-2019
Growth in services trade by sector

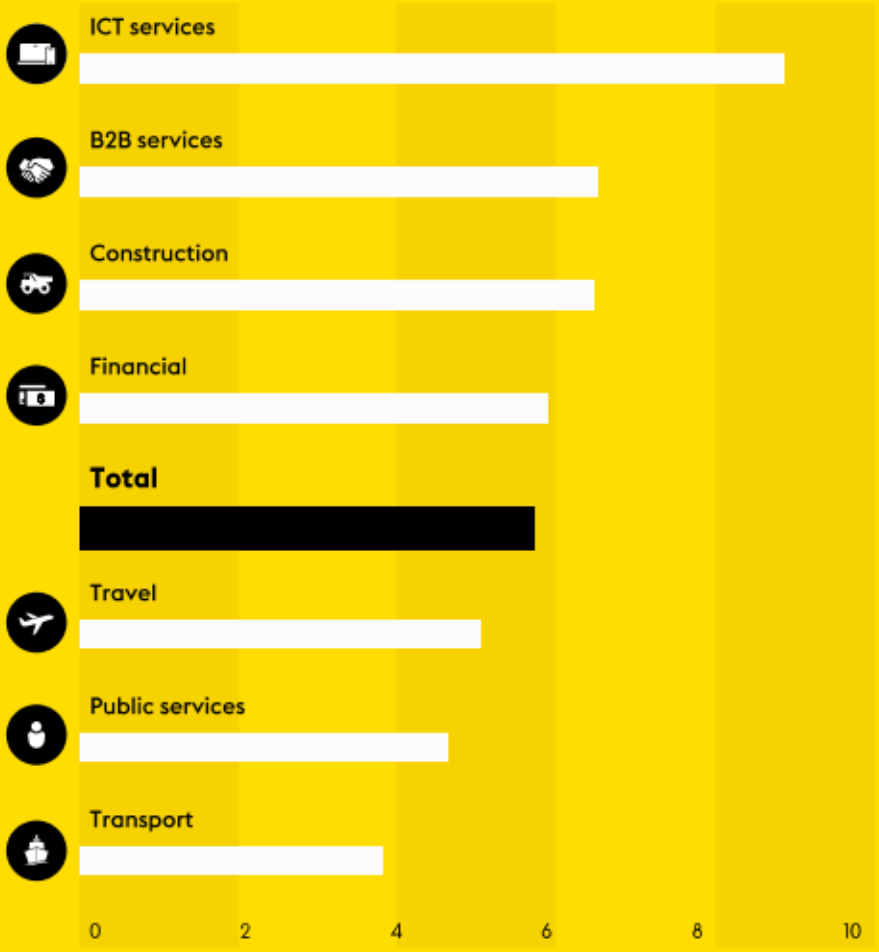


Fig. 3 | Source: Oxford Economics, WTO

Advanced economies dominate trade in modern digital services.

Today the United States is the world's top services exporter, and in recent years, B2B services has become the fastest-growing export category. Revenues from royalty and license fees (for example, payments received by publishers for use of their music on Spotify and other streaming services) are especially large by international standards, highlighting the US's leading role in developing and marketing media content, as well as new technologies. Bilateral trade in B2B services with the US also dominates Canada's services exports given its close interlinkages with its southern neighbour.

By region, Europe is the world's largest services exporter, with the UK having an especially large share of services in total exports. This reflects its role as a financial and business services hub. Germany and France are also key players, in part reflecting their ability to leverage expertise in manufacturing industries to export specialist capabilities in ancillary services such as engineering. The Asia Pacific region is also catching up rapidly, however, with Hong Kong and Singapore building upon their roles as regional trade and financial hubs.

Knowledge-intensive, ICT-enabled services tend to be exported by countries with the proper supporting infrastructure and high levels of educational attainment. This gives advanced economies a natural comparative advantage.

2019

Service exports by region

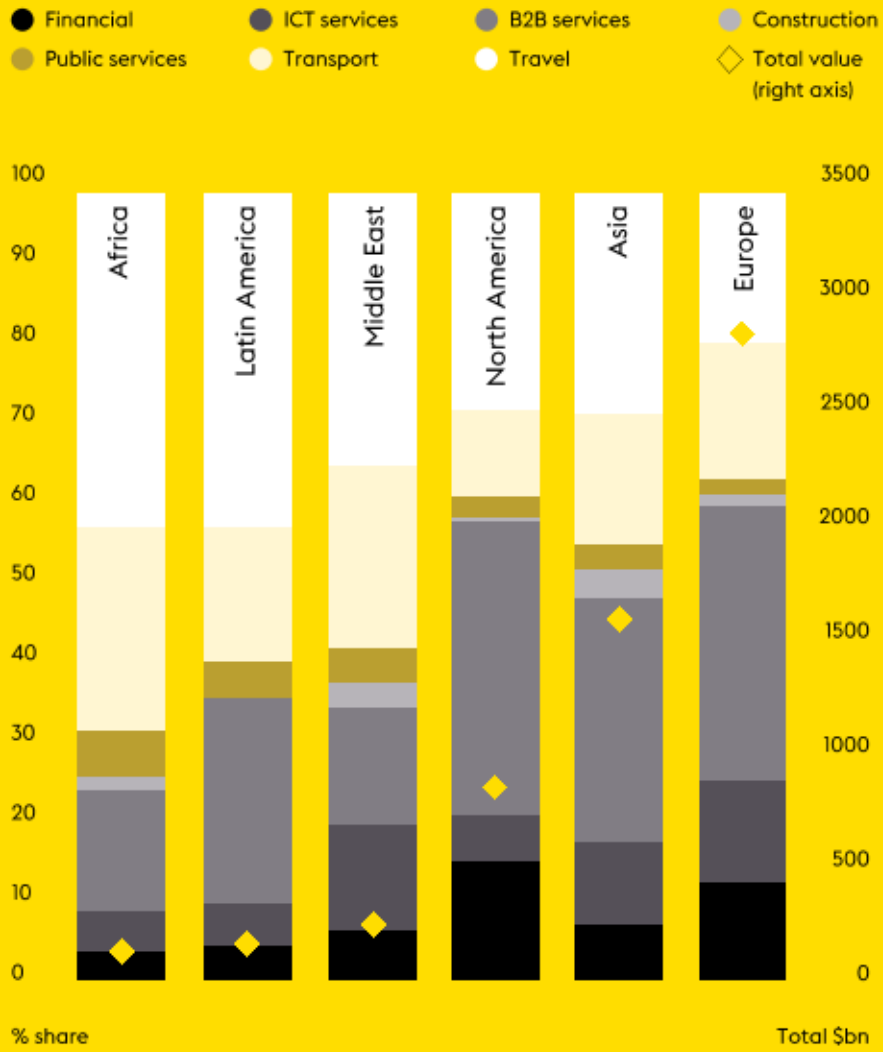


Fig. 4 | Source: Oxford Economics, WTO

However, some developing economies have been catching up.

Developing economies generally trail advanced economies in many areas of digital services trade, especially across Africa and Latin America. While B2B, ICT and financial services account for 55% of services trade globally, UNCTAD estimates that digitally deliverable services account for just 16% of total services exports amongst least developed countries (LDCs).[3]

Not only do these countries suffer from substantial ICT infrastructure gaps, many small businesses in developing countries also lack the capabilities, skills and awareness to leverage digital connectivity. Both international support and domestic policy responses will be required to enable these countries to better capture the opportunities associated with the expansion of digital services trade.

Nevertheless, some developing economies have managed to make rapid gains in wresting market share across a number of modern digital service categories. Much attention has focused on India, which has emerged as the world's largest exporter of ICT services, while also making strong inroads into a range of B2B services including accounting, medical transcription and engineering.

4% **India has doubled its share of global services exports to 4% in 2019 from 2% in 2005.**



3 United Nations Conference on Trade and Development (UNCTAD), Digital Economy Report 2019.



Digital technologies can help developing economies create new industries, participate in digital services trade, and improve welfare, as India and China demonstrate.

Perhaps less well recognised is that China has also become one of the world's largest exporters of services.

Although China's rapid growth over the past few decades was fuelled mainly by its dynamic manufacturing sector, government policies are now helping guide the economy towards a model more focused on consumption and services.

5% **China's share of global services exports increased from 3% in 2005 to 5% in 2019.**

"

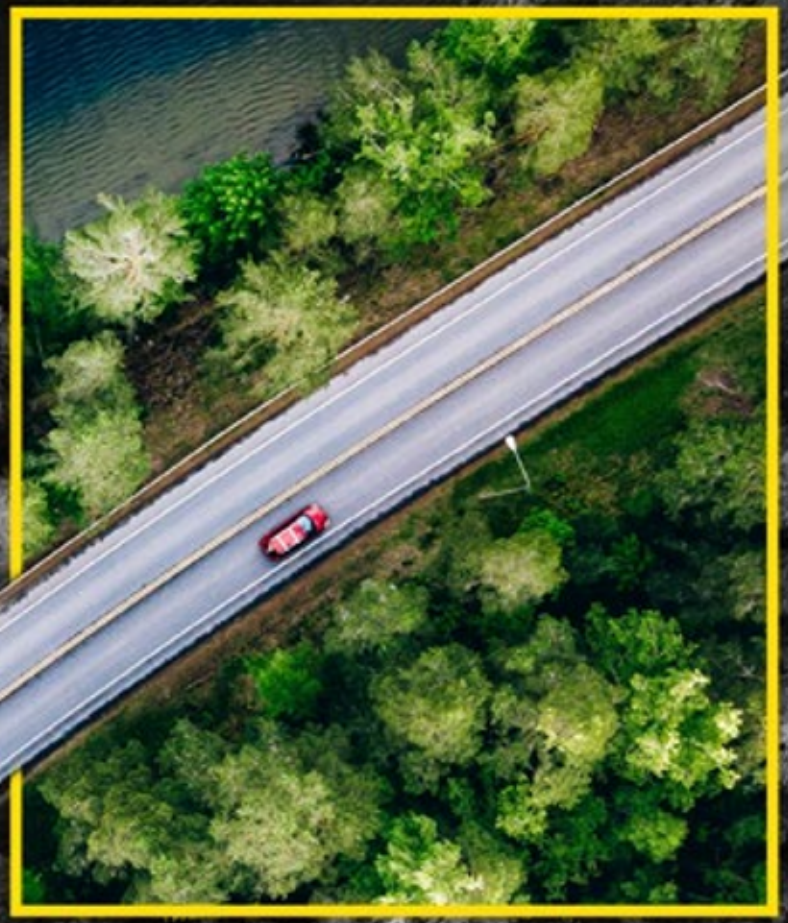
As countries and regions respond differently to the crisis, we are likely to see goods trade and supply chains become more geographically local in nature, and conversely our growing comfort with remote working and online collaboration will expand the international flow of services.

Andrew Summerill, President, Payments at Western Union

CHAPTER 2

Why COVID-19 will fast track digital transformation

Firms that lacked digital agility are now rapidly retooling. This new mindset will further stretch and redefine applications of digital technology.



The crisis has hastened digitalisation of the economy.

The ongoing COVID-19 pandemic is first and foremost a humanitarian crisis. But it has also created enormous economic damage, as efforts to control the virus through lockdowns have resulted in the largest fall in economic activity since the Great Depression.

Industries and companies which depend on traditional production and distribution processes have been hit hardest – whereas for some digital service providers like Netflix, business has been booming. Indeed, the crisis has accelerated the adaptation of digital solutions, tools and services as a result of the need for social distancing. Technologies that ease remote work have quickly grown in popularity, and millions of new customers have been introduced to online services including mobile banking, telemedicine, food delivery, online education, e-commerce, digital streaming services and social media.



IT managers expect to either accelerate or maintain digital transformation spending through the pandemic.[4]



We estimate that the value of cross-border flows of B2B, ICT and Financial Services will only decline by around 6% in 2020.

The crisis has also made clear the gap in performance between organisations that embrace new technologies, and digital laggards. Successful firms have been able to operate a digital workplace that maintains its output and productivity through the crisis while also staying connected to customers and suppliers. Reflecting the value of digital products and services during the crisis, a recent survey found that roughly three-quarters of IT managers expect to either accelerate or maintain digital transformation spending through the pandemic.[4]

As the global pandemic radically – and rapidly – alters business models, firms that lacked digital agility are now rapidly retooling. This new mindset will further stretch and redefine applications of digital technology.

> **"COVID-19 forced us to rapidly reassess and adapt the way we work. As trade in services becomes increasingly important, a critical differentiator for firms will be digital resources and access to talent, those with the ability to generate the best ideas, drive innovation and serve customers in new ways.**
>
> Andrew Summerill, President, Payments
> at Western Union

4. OpsRamp, "Thriving in the New Normal: How IT Operations Leaders Can Drive Digital Transformation During the Great Lockdown", April 2020.

Trade in modern digital services will be a driver of recovery.

Hard data is not yet available, but our analysis suggests that trade in modern, digital services is proving more resilient during the crisis than trade in goods or the broader economy. We estimate that the value of cross-border flows of B2B, ICT and Financial Services will decline by only around 6% in 2020, compared to a slump of 18% for total services trade and an estimated 13% decline in the value of goods trade. Our forecasts show the more traditional services categories such as tourism will be the most affected, with output collapsing by around 40% this year, while air passenger transport will decline by over 50%.

Workplace collaboration technologies have matured to the point where the knowledge economy has become much more flexible and resilient.

The rapid digitalisation of the economy during the pandemic creates the foundations for modern ICT-enabled services to play a critical role in the approaching economic recovery.



Decline in tourism spending this year.



The decline of air passenger transport this year.

2020

Predicted change in global services exports

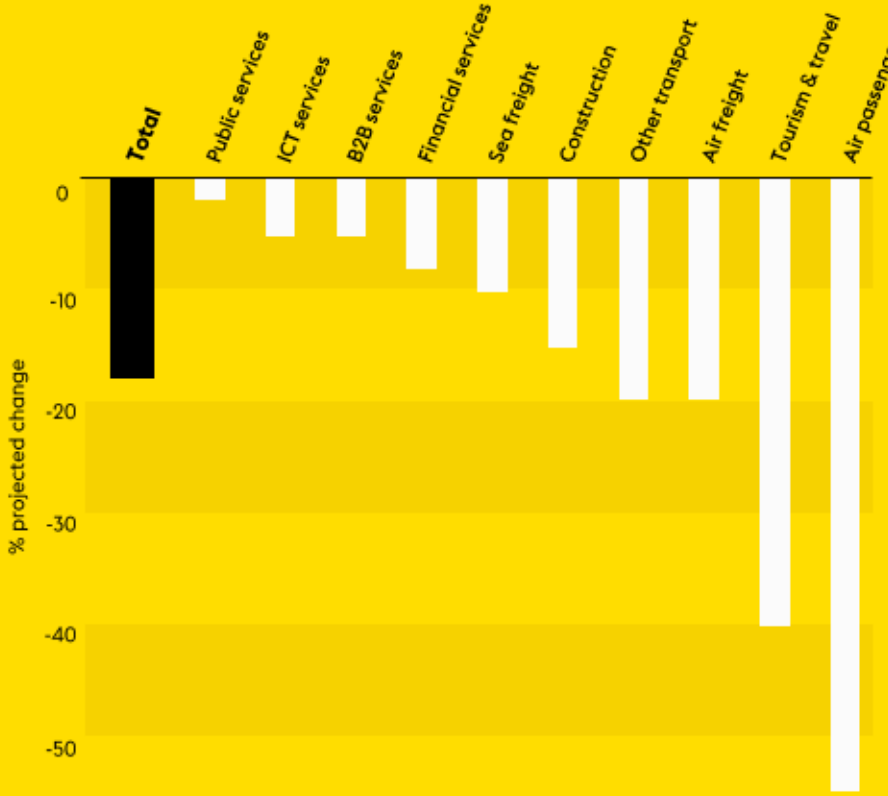


Fig. 5 | Source: Oxford Economics estimates

CHAPTER 3

Navigating the future

Looking past the pandemic we expect the value of international trade in services to rise significantly.



Outlook: activity should rebound as lockdown restrictions are eased.

Despite the pandemic, losses to economic activity in the medium term are expected to be only moderate, albeit risks remain tilted to the downside. While the coronavirus pandemic has delivered a massive negative short-term hit to the global economy, activity tends to bounce back rapidly after such steep declines.

Policy interventions so far have been enormous and rapid, which should also support a recovery in economic activity as lockdown restrictions are eased. Less positively, we acknowledge that the scale of the short-term hit is likely to be so large that some longer-term damage will be hard to avoid. While the outlook remains highly uncertain, we believe an economic recovery will soon begin to form.

Despite the expected near-term declines, looking past the pandemic we expect the value of international trade in services to rise significantly, to $8.0trn by 2025, up from $6.1trn in 2019, an increase of almost a third (31%).

We expect digitally deliverable B2B, ICT and financial services to contribute almost two-thirds (62%) of the expected $1.9 trillion increase in the value of total services trade between 2019 and 2025.



Some behaviours are likely to change permanently.

We may not appreciate for some time what the crisis means for longer-term trends in the world of business and commerce.

Economic life will not simply snap back to the way it was before the pandemic. The crisis has changed the way we live and work for the foreseeable future. New trends will emerge that will become part of our "new normal," but the crisis will also accelerate some of the more familiar structural changes that have been shaping the world in recent years (as summarised in Figure 6).

The digitalisation of work and shifts in attitude to online interactions will likely reshape every industry to some extent in the post-pandemic era. For example, more companies are likely to view telework as an essential component of any contingency operating plan, meaning that businesses will need to invest to upgrade the capacity and resiliency of their IT systems. Thus, companies will become able to more effectively collaborate and more efficiently deliver upgraded services to larger numbers of consumers across an expanded geographic landscape.

The crisis has fundamentally altered the mindset: companies recognise that their survival in an increasingly digital world will depend on the speed at which they adopt new technologies and revamp business models.

> **"The pandemic has fast-tracked our attitudes towards remote working and collaboration, but we still can't replace the benefits of face to face interaction. However, the advent of virtual reality means we're on the precipice of massive change. We will quickly learn to embrace the notion of the 'virtual office' and bridge the gap between the virtual and physical space.**
>
> Scott Johnson, Head of Product
> Western Union Business Solutions



Growth in international services trade, 2019-2025
(central scenario)

	B2B services	ICT services	Financial services	Tourism and travel	Transport and distribution
Pre-crisis outlook	Technology facilitating rapid growth of demand for external business services from firms wishing to increase flexibility and reduce risk.	Increasing demand for ICT services as inputs to new businesses and new ways of doing business. Computer services increasingly being outsourced.	Positive economic outlook supporting cross-border flows of financial services for corporates. Retail services also picking up as online tools increasingly embraced by consumers.	Projected growth in the number of middle-class households globally means a positive outlook for international travel.	Outlook for international tourism to support air passenger traffic. But demand for freight transport likely to be more subdued due to sluggish growth in goods trade.
Short-term impact of the crisis (1-2 years)	Demand for professional services should fare better than average, as they are better suited to teleworking.	ICT services have proved relatively resilient as large swathes of the economy have moved online.	Sector is suffering some collateral damage from the economic downturn, although use of online services increasing, especially in the retail space.	Tourism flows have plunged due to travel restrictions. Flows to recover only gradually as restrictions are lifted.	Air passenger traffic has been hit hard and demand for shipping has been depressed by falling trade in goods. But demand for air freight has been buoyed by exports of essential goods.
Longer-term impact of the crisis (3+ years)	Digitalisation of work practices will further accelerate international outsourcing of business processes as geographic location becomes less relevant.	Crisis likely to encourage digitalisation of the economy and greater investment in digital infrastructure. The need for support services will also be accentuated.	Crisis has introduced new cohorts of SMEs and consumers to online financial services, setting the foundations for more rapid growth.	International tourism expenditure expected to take three years to recover to 2019 levels. Travel for business and education purposes may increasingly be replaced by online interactions.	Slower growth in tourism will hit air passenger traffic. Outlook for freight also dampened as companies shorten their supply chains to improve reliability, lowering the trade intensity of production.
Increase in value, 2019-25 (central scenario)	+37% $746bn	+35% $224bn	+32% $213bn	+28% $414bn	+23% $239bn

Fig. 6

Increased digitalisation will accelerate trade in modern services.

Enhanced fibre broadband coverage and the rollout of 5G networks promises to further supercharge the tradability of a broad range of professional services.[5]

As a result, we expect **B2B services** to continue to be the fastest growing category of services trade, fuelled by increased outsourcing of business processes and new forms of collaboration within companies as geographic location become less relevant less relevant. As digital business models lower traditional barriers to entry some sectors may encounter significant disruption.

ICT services will also grow in demand to bolster the rollout of the digital economy and needed investment in associated infrastructure. Computer services like hardware and software-related services and data processing will continue to make up the largest share of this category, as e-commerce and the Internet of Things become more significant business opportunities. These services will become increasingly globalised as businesses increasingly outsource functions such as software development, web development/hosting, technical support and database support. As more businesses transact across digital channels, demand for cybersecurity services will also rise.[6]



5 The transformative role of 5G networks is discussed in the World Economic Forum (2020) White Paper, "The Impact of 5G: Creating New Value across Industries and Society": https://www.weforum.org/whitepapers/the-impact-of-5g-creating-new-value-across-industries-and-society

6 The World Economic Forum's "Shaping the Future of Cybersecurity and Digital Trust" Platform addresses the need to tackle growing cybersecurity challenges as global interconnectivity accelerates: https://www.weforum.org/platforms/shaping-the-future-of-cybersecurity-and-digital-trust

While cross-border flows of **financial services** are likely to endure some damage from the economic downturn, increased adoption of digital financial services and products[7] should bolster longer-term growth. Digital tools will enable financial service providers to increasingly deliver their products remotely, with little or no human interaction and at lower cost. With customers increasingly willing to conduct transactions with foreign providers of financial services, governments and regulators may also seek to stimulate the expansion of cross-border fintech solutions to help strengthen weakened economies.

Increased flows of data and information could represent the "new normal" of globalisation that emerges from the pandemic.

7 According to Fidelity National Information Services (FIS), which works with 50 of the world's largest banks, there was a 200% jump in new mobile banking registrations in early April 2020, while mobile banking traffic rose 85%.

2019-2025

Predicted growth in international services trade (central scenario)

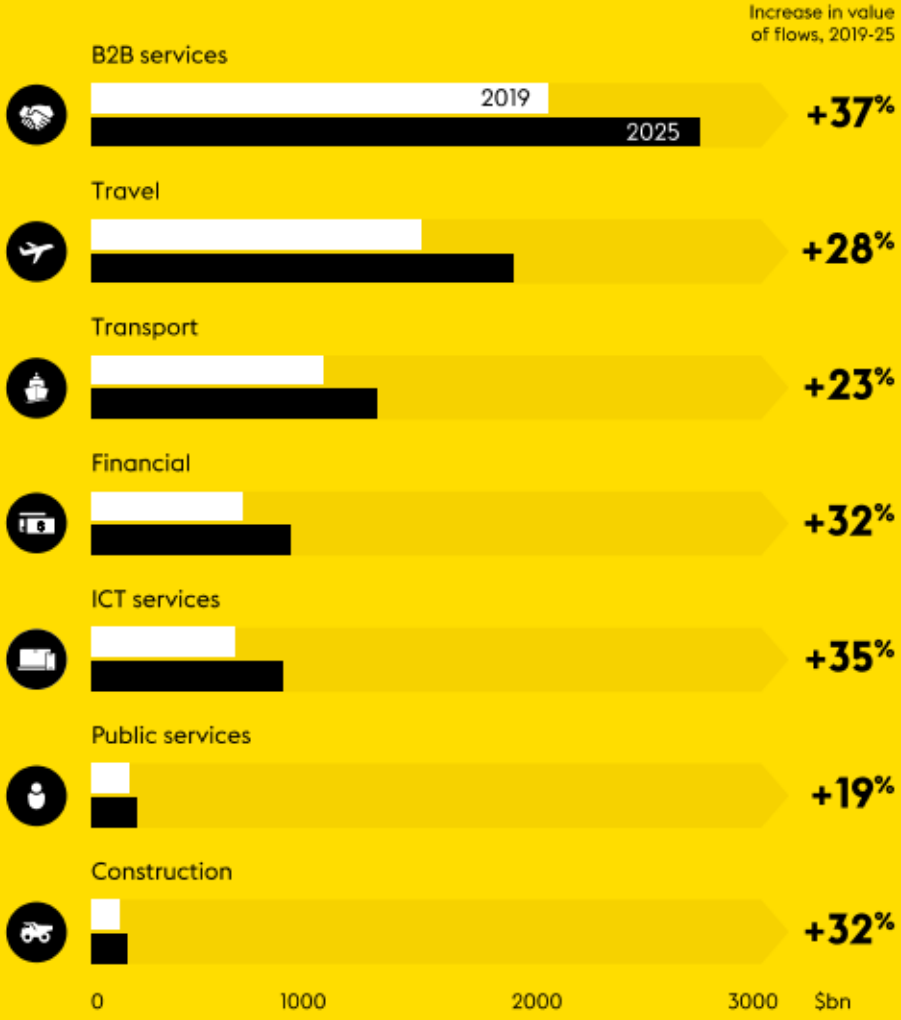


Fig. 7 | Source: Oxford Economics, WTO

The recovery in transport and tourism flows will be more sluggish.

Few sectors have been harder hit by the global pandemic than travel and tourism. It is likely to be one of the slowest to recover, as many will avoid non-essential travel or be kept from travelling. Indeed, our projections indicate it will take almost three years for spending in the sector to reclaim 2019 levels.

While prospects for air passenger travel remain diminished by the downbeat outlook for international tourism, supply chain challenges dampen the outlook for **freight transport services** (e.g. shipping). The fragility of many globally-dispersed supply chains have been exposed by the health crisis, where a singular focus on cost controls has created a lack of resiliency or flexibility in the base of suppliers. As a lasting consequence, producers may well seek to shorten and/or diversify their supply chains to improve reliability. This in turn can be expected to encourage both reshoring and regionalisation of manufacturing capacity, reducing some demand for global trade in goods.

The fragility of many globally-dispersed supply chains have been exposed by the health crisis.





In a central baseline scenario travel and tourism sector could still see some postive growth between 2019-2025.



Modest growth for transport services between 2019-25, reflecting slow recovery of air passenger traffic and small growth in freight.

Regulatory constraints remain significant in some sectors.

Construction represents a small share of total cross-border trade in services, due to a combination of restrictive national regulations and the fact that most physical construction activities are local in nature (associated professional services such as architectural design are part of the 'other business' category). China has recently emerged as a significant exporter of construction services, with its investment in infrastructure development projects across the developing world accelerating as part of its "Belt & Road Initiative." This giant investment program is likely to remain a significant source of growth in this category in coming years.

Public services also tend not to be frequently traded across borders, mainly due to laws prohibiting the outsourcing of government contracts, or government procurement of services to foreign firms abroad. Moreover, the economic fallout of the crisis will likely fuel protectionist tendencies as nations seek to promote national resilience. This category will likely be the slowest to grow in coming years.



Digital competitiveness can help economies recover from the crisis.

Despite the expected near-term declines, we expect the value of international trade in services to rise significantly, to $8.0trn by 2025, up from $6.1trn in 2019, an increase of almost a third (31%). Rapid growth in knowledge-intensive, ICT-enabled service categories will tend to favour those advanced economies with the digital infrastructure, innovation ecosystems and workforce skills necessary to succeed. Moreover, these countries also host companies with very strong market positions in certain digital services.

Fig. 8 illustrates these trends across eight large developed economies. The chart shows that for most of these countries, B2B services will be the main driver of export growth in coming years, while financial services will boost growth in key hubs like the US, UK, Hong Kong and Singapore. The US will post the largest overall increase in services exports during the forecast period, the result of its global leadership in many categories of professional services, as well as its investments in digital infrastructure and technological innovation. Other countries are also expected to post strong gains, however, with services increasing as a share of overall trade.



Increase in value of international trade in services by 2025.

2019-2025

Predicted growth in services exports by country

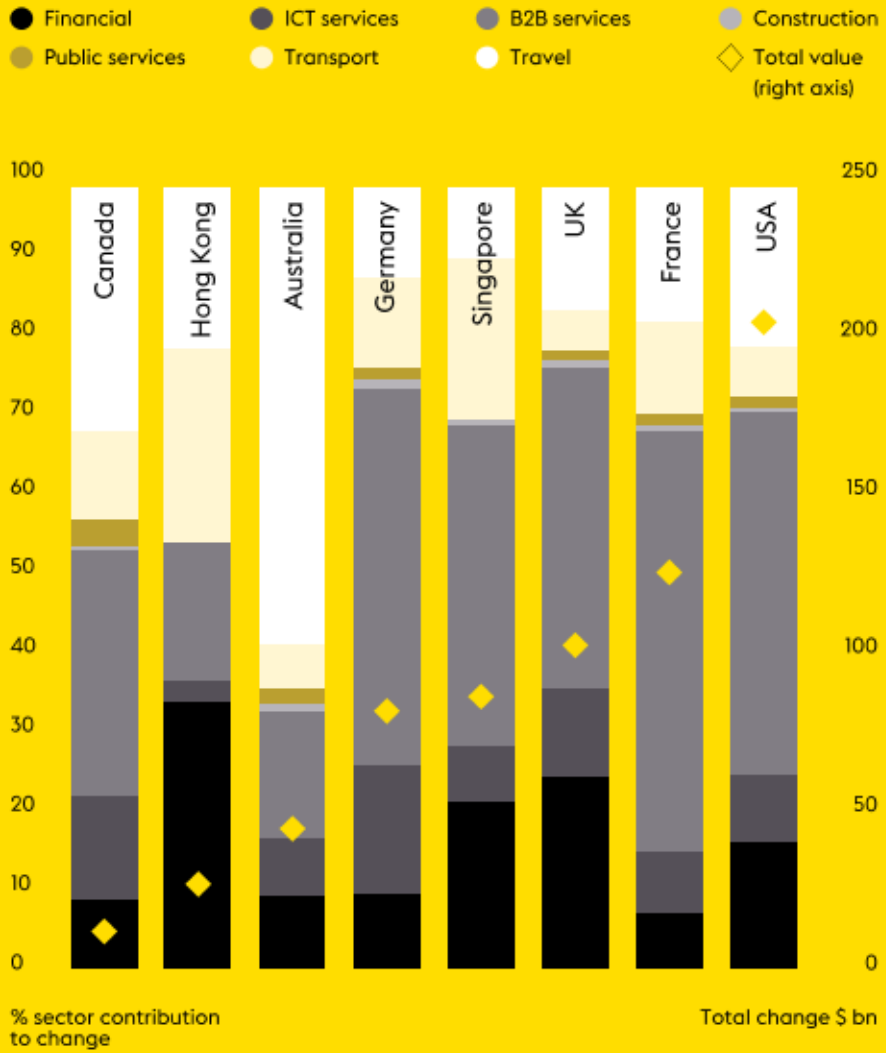


Fig. 8 | Source: Oxford Economics, Haver Analytics

The growing importance of trade in services highlights the need for policymakers across advanced economies to hone their national competitiveness and trade agendas. This includes maintaining public and private R&D spending, investment in ICT infrastructure, strengthening intellectual property protections and reducing the costs of trade transactions (as discussed on page 42).

73%

IT managers expect to either accelerate or maintain digital transformation spending through the pandemic.

6%

We estimate that the value of cross-border flows of B2B, ICT and Financial Services will only decline by around 6% in 2020.

55%

B2B, ICT and financial services will account for more than half of services trade globally.

62%

Digitally deliverable B2B, ICT and financial services to contribute nearly two-thirds growth in services trade between 2019-2025.

Countries that **create a facilitating environment for digital firms** will be best placed to succeed in coming years.



Digital competitiveness highlights future hotspots for growth.

Measures of digital competitiveness can help to highlight countries that could be poised to rapidly increase their share of global trade in new digital services. Figure 9 provides a cross-country comparison of the importance of digitally deliverable services trade (B2B, ICT and financial services) in the economy relative to World Bank measures of innovation and technological readiness. These charts reveal a positive correlation in the cross-country data, highlighting how countries with innovative businesses and sophisticated ICT infrastructure have the foundations for success in the digital era.

The charts also highlight a number of countries that appear well placed to expand further their digital services exports given their technological capacity. These are countries toward the bottom-right corner of the charts, which have above-average competitiveness but relatively low shares of digital services trade.

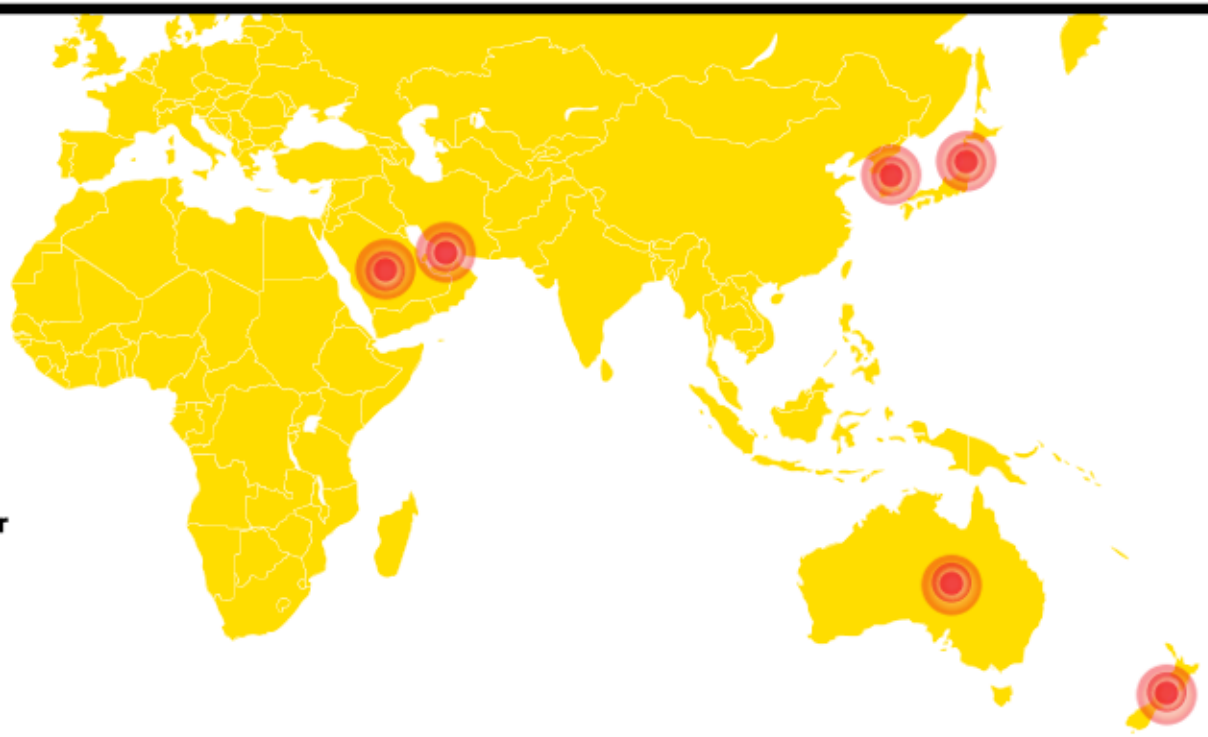
These could represent potential new hotspots for growth in coming years as international demand for a broad array of new digital services expands rapidly.

Hot spots that could emerge:

Korea and Japan, which could leverage their expertise in technology to expand into new services and data flows.

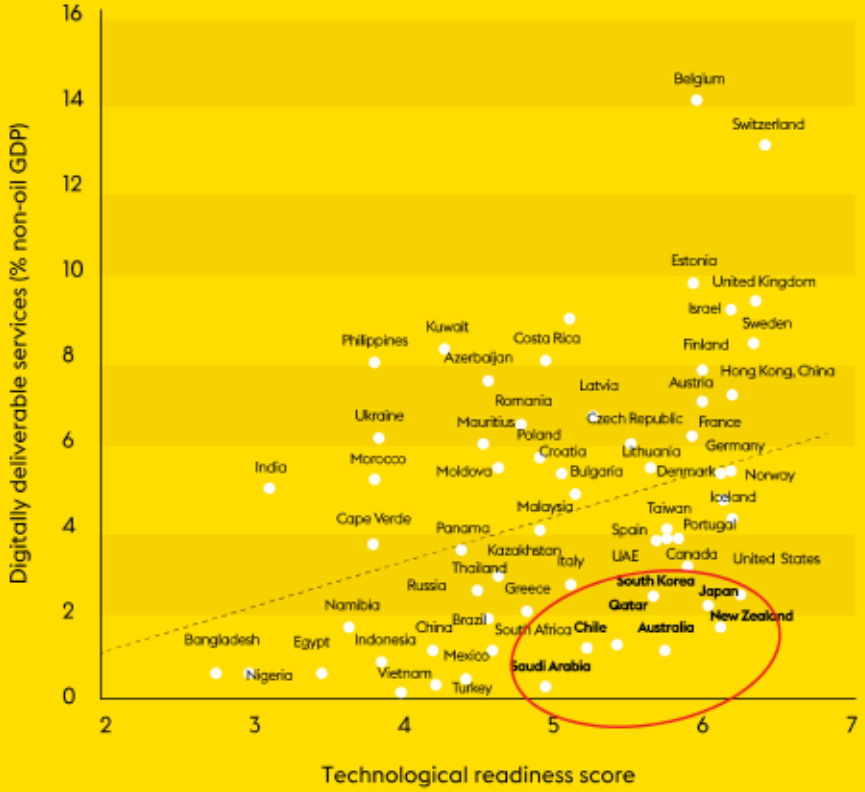
Australia and New Zealand, which should be well positioned to grow exports in knowledge-intensive services industries as distance becomes less relevant to trade.

Several countries in the Middle East, notably **Qatar** and **Saudi Arabia,** which have been investing heavily in upgrading their technological capacity with the aim of diversifying their economies.



Digital competitiveness: country comparison

Digital services trade and technological readiness



Digital services trade and innovation

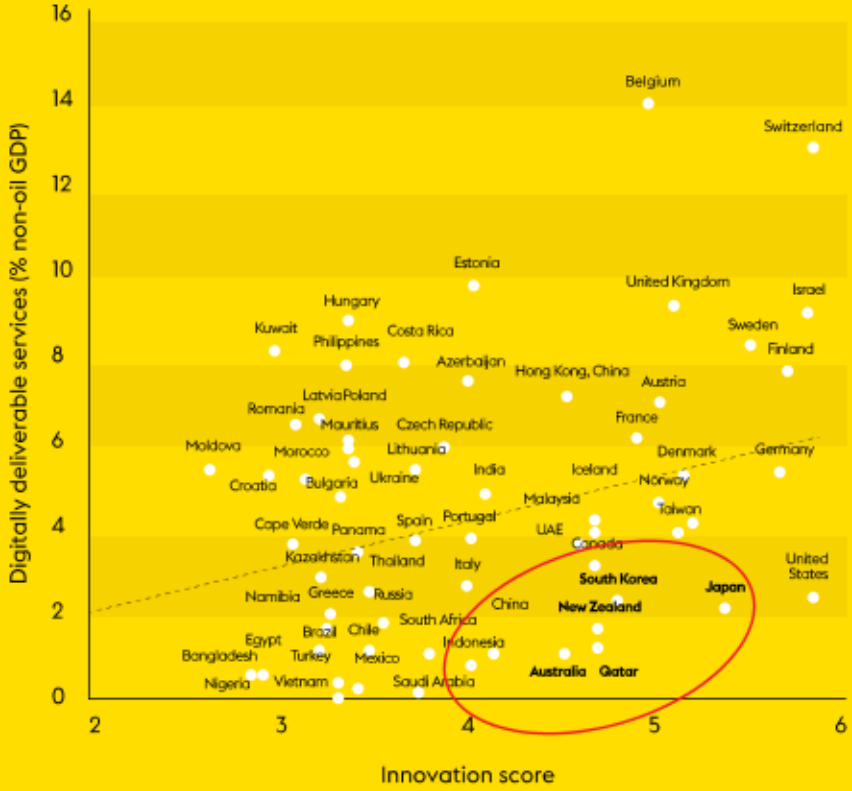


Fig. 9 | Source: Oxford Economics, Haver Analytics, World Bank

Risks to the outlook.

Downside risks only increase the digital imperative

Our primary scenario envisages a relatively strong rebound in economic activity, but it is also possible that a more pessimistic scenario unfolds, characterised by a steeper near-term contraction and a more prolonged and incomplete recovery. The key determinant of the ultimate recovery path will be the timing and speed at which lockdown restrictions are relaxed and how governments help economies to reboot. More prolonged lockdowns or a second wave of virus infections later in the year could plausibly lead to a far weaker outlook for global economic growth, which would also have negative implications for services trade.

As Fig. 10 illustrates, this "downside scenario" projects that the value of international trade in services would recover to pre-crisis levels only in 2023[8]. Services trade in this scenario rises to $6.8trn by 2025, equal to a relatively modest 11% increase from 2019 levels (compared to 31% in the baseline forecast).

While many of the factors driving trade in services, as outlined in Figure 6, remain intact, the short-term downturn would be prolonged. This means, for example, that tourism flows would take even longer to recover as travel restrictions remain in place. Conversely, economies would redouble their efforts to enable teleworking as the crisis persists. This scenario will only magnify the relative outperformance of sub-sectors that can readily achieve digital transformation compared to traditional services categories which require physical delivery or presence, even if overall growth is weakened.

WORLD

Comparison of global services export forecasts

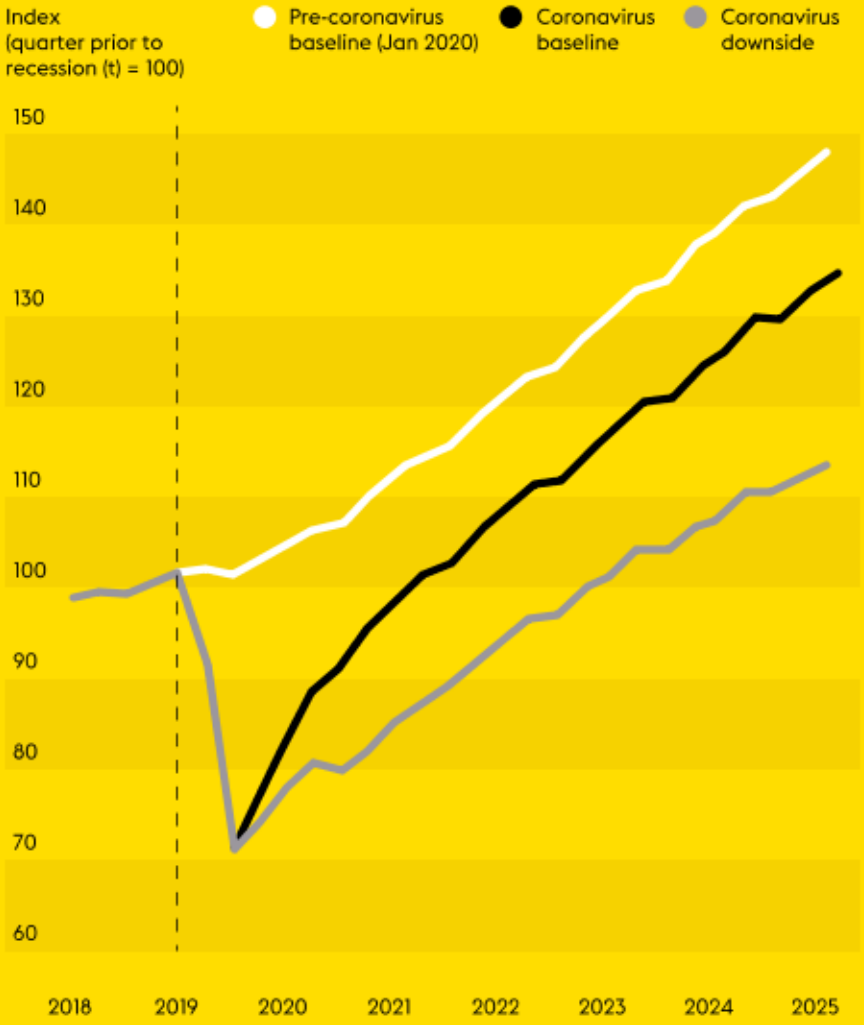


Fig. 10 | Source: Oxford Economics, Haver Analytics

$6.8trn

In a downside scenario services trade rises by 2025.

17%

B2B services would still see the largest increase by 2025.



2019-2025

Predicted growth in international services trade (downside scenario)

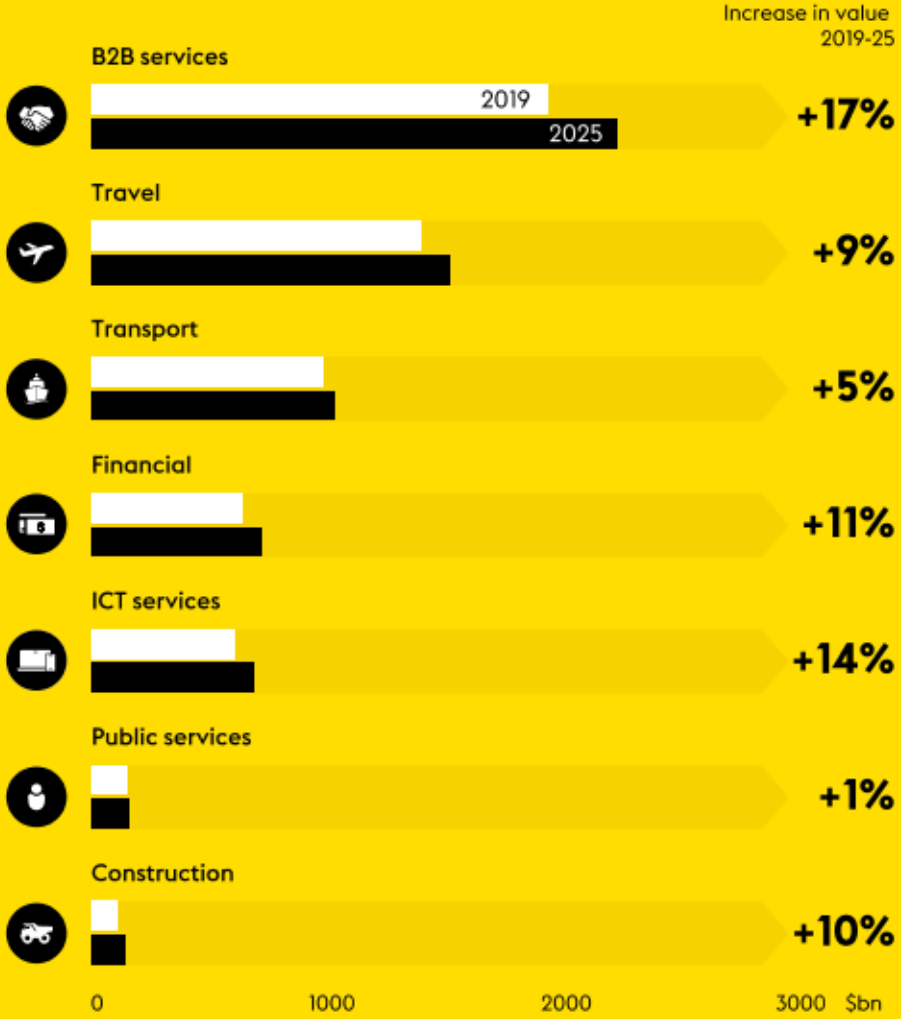


Fig. 11 | Source: Oxford Economics, WTO

CHAPTER 4

The next generation of services trade

The digital era has enabled seamless communication and instantaneous transfer of information across geographies.



New technological innovations will continue to transform services trade.

Many forces affect international trade flows, including trade policies, shifting patterns of demand, and the relative costs of labour and capital across countries. Technological innovation has been another major driver in recent years, as the Internet and digital revolution have enabled new kinds of services to be stored and transmitted, as well as spawning new forms of producer-consumer interactions. The digital era has also catalysed organisational change, by enabling seamless communication and instantaneous transfer of information across geographies.

As the pandemic has highlighted the potential for remote interactions to replace geographic proximity, we can expect greater investment in digital infrastructure to take place in coming years, including faster adoption of 5G technologies. Telecom operators are expected to invest around $900 billion worldwide in 5G networks between 2020 and 2025.[9]

These upgraded networks will support billions of interconnected devices, with almost no latency, at speeds up to 20 times faster than 4G. This will enable the development of a new kind of intelligent network that connects virtually everyone and everything ranging from machines to objects and devices. While many of the benefits of 5G are not yet evident, it is likely to prove revolutionary and spur new innovations and business models. Combined with advances in automation, robotics and artificial intelligence (AI), the range of what is possible to trade across borders may soon expand dramatically.

Telecom operators are expected to invest around

$900 billion

worldwide in 5G networks between 2020 and 2025.

The range of what is possible to trade across borders may soon expand dramatically.



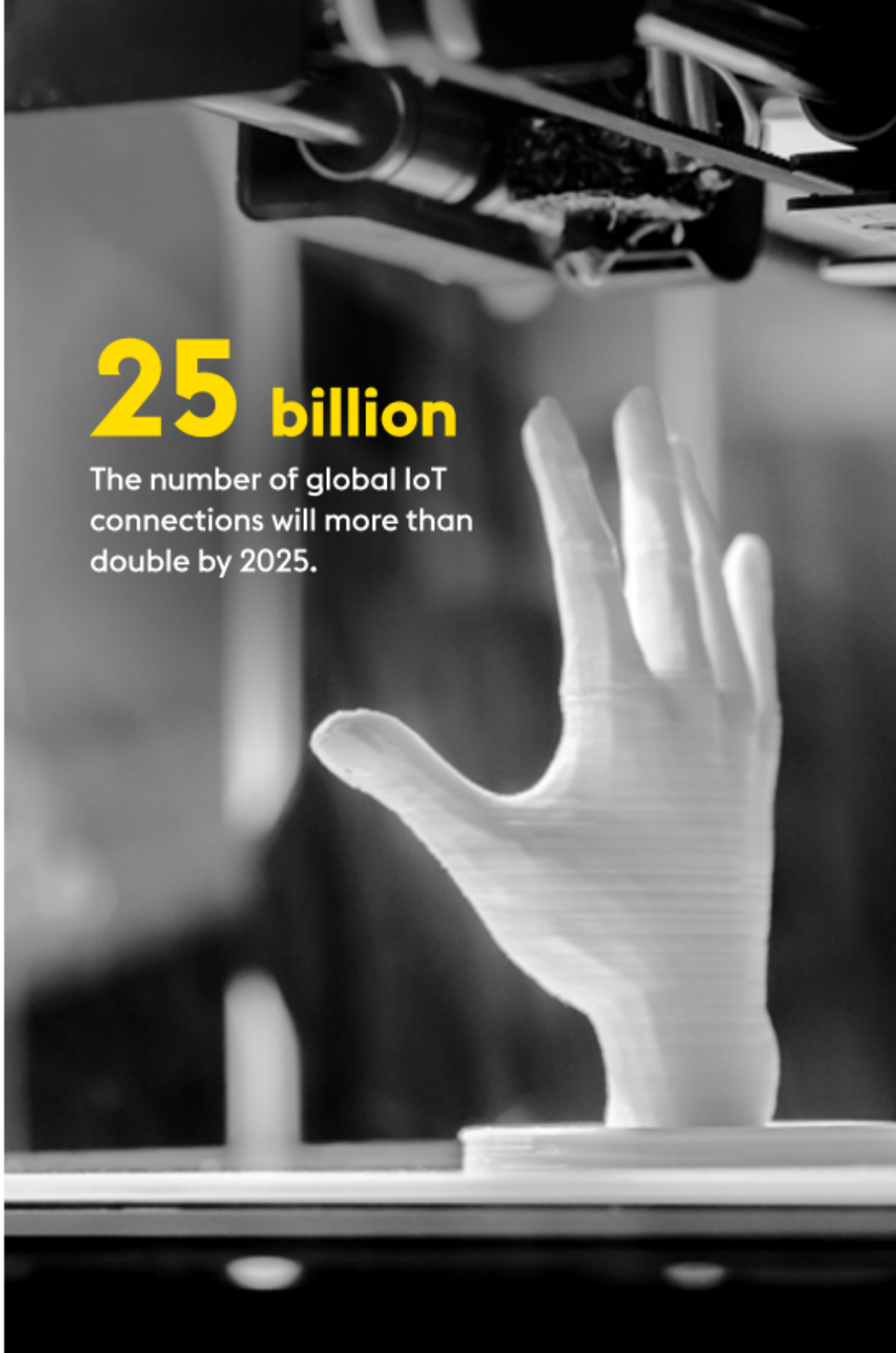
9 Global System for Mobile communications Association (GSMA), "The Mobile Economy 2020"

Globalisation will be defined by new services and flows of data.

In the near-future, digital technologies will create new services flows, sometimes replacing flows of physical goods. For example, additive manufacturing (3D printing) will allow goods to be produced locally at the customer's location, with digital designs and software services replacing the need to ship physical goods. While still in its infancy, 3D printing promises to upend existing manufacturing and supply chain processes, as companies transition from physical to digital inventories and to manufacturing on-demand. 3D printing technologies also promise to revolutionise a broad range of other industries – for example, there are potential applications in medicine, as 3D printing systems could regenerate tissue or create organs using the patient's unique DNA.

The boundary between physical goods and digital services will become increasingly blurred, as the Internet of Things (IoT) allows data to be captured remotely. For example, equipment sensors and real time cloud-based analysis can be used to upgrade industrial process efficiency, allow predictive maintenance of machinery and optimise customer experiences remotely. GSMA forecast that the number of global IoT connections will more than double to almost 25 billion by 2025.

This proliferation of devices and sensors throughout the economy and society promises to create new service and data flows in coming years.



Language and physical barriers to trade will become less relevant.

Healthcare is one sector for which digital delivery is expected to become far more important as new technologies emerge.

Supported by low-latency, HD-quality wireless networks, doctors will be able to diagnose, treat and even operate on patients without the need to be physically near them. Although the scope for increased trade may be greatest in countries where private health systems are more prevalent, and costs are higher relative to other countries. Wearable or implanted devices could capture a wealth of medical data and transmit them to health care professionals in real time. This could help shift medicine's focus towards preventive solutions, while enabling personalised medical treatments, which might be provided by professionals located in a facility hundreds of miles distant from the patient.

Language remains a significant barrier to international trade in services, but this too may become less relevant as real-time translation tools improve. As "virtual reality" and "telepresence" technologies become more powerful, they will enable the user to feel and appear present in a remote location and promote the physicality that drastically increases quality of communication and service delivery. Less-robust forms of such technologies, like Zoom, are already transforming industries, such as education, making remote learning more practical, allowing students to "attend" virtual classes without being physically present, while teachers can observe their students and provide instantaneous feedback. International students have typically been a major source of revenue for universities and competition may become even more fierce as global barriers are removed with the growth of distance learning. Virtual attendance at concerts and sports events could also become commonplace, with fans experiencing the crowd atmosphere from the comfort of their own home. It will also provide a significant boost to many professional services, accelerating the rise of the "global office" as businesses employ foreign workers remotely.

> **Collaborative telepresence is likely to transform how we work and play together, rendering physical location far less relevant.**



Telerobotic devices will allow people to offer more services remotely.

Advances in telerobotic devices (robots controlled at a distance) and virtual reality systems will also allow robots to respond more precisely to remote manipulation, with the human user accessing sharp images in real time. Operators can be located anywhere in the world, with the virtual environment system effectively providing controllable methods for generating new types of experiences remotely. Telerobotic devices could be applied to a broad variety of tasks. For example, robotic security guards in a London shopping centre could be controlled by someone sitting in Kenya; augmented and virtual reality systems could allow German engineers to repair specialised machinery in a Vietnamese factory; a US chiropractor could treat a patient in Brazil; we could even see an Italian hair stylist providing remote haircuts to clients located in a London salon.

> **The potential for growth over the next ten years is huge. With global 5G connectivity, we will see regions where bandwidth has been a challenge become a hotbed for growth and services – and see the more agile markets emerge with some of the most exciting and promising solutions.**
>
> Scott Johnson, Head of Product
> Western Union Business Solutions



CHAPTER 5

Overcoming barriers to services trade

Service companies face multiple hurdles when trying to cross borders, including policy barriers, regulatory differences, as well as cultural and institutional divergences.



Trade costs remain higher in services compared to goods.

Without question, services have become far more tradable in recent years, as technological innovations, infrastructure investments and policy reforms have taken hold. Yet service companies still face multiple hurdles when trying to cross borders, including policy barriers, regulatory differences, as well as cultural and institutional divergences that heighten transaction costs.

One result of these high costs is that growth in the volume of global trade in services is reduced. These barriers also shield domestic suppliers from competition, which can force consumers to pay higher prices and/or accept lower-quality services.

It is difficult to quantify the costs affecting global trade in services because of the wide variety of barriers imposed.

For example, transaction costs are increased by social and cultural disparities, as well as institutional differences. Language can be a barrier in the delivery of many services. The quality of ICT infrastructure can make it difficult to deliver services remotely, while time zone differences can also limit communication. For services that require face-to-face interactions geographic distance and variability in transportation infrastructure can also boost costs.

World Trade Organisation (WTO) estimates shown here indicate that overall trade costs for services remain significantly higher than trade costs for goods. Trading services across borders still meet multiple hurdles, making overall trade costs for services significantly higher than for goods.

WORLD

Trade costs by broad sector (2017)

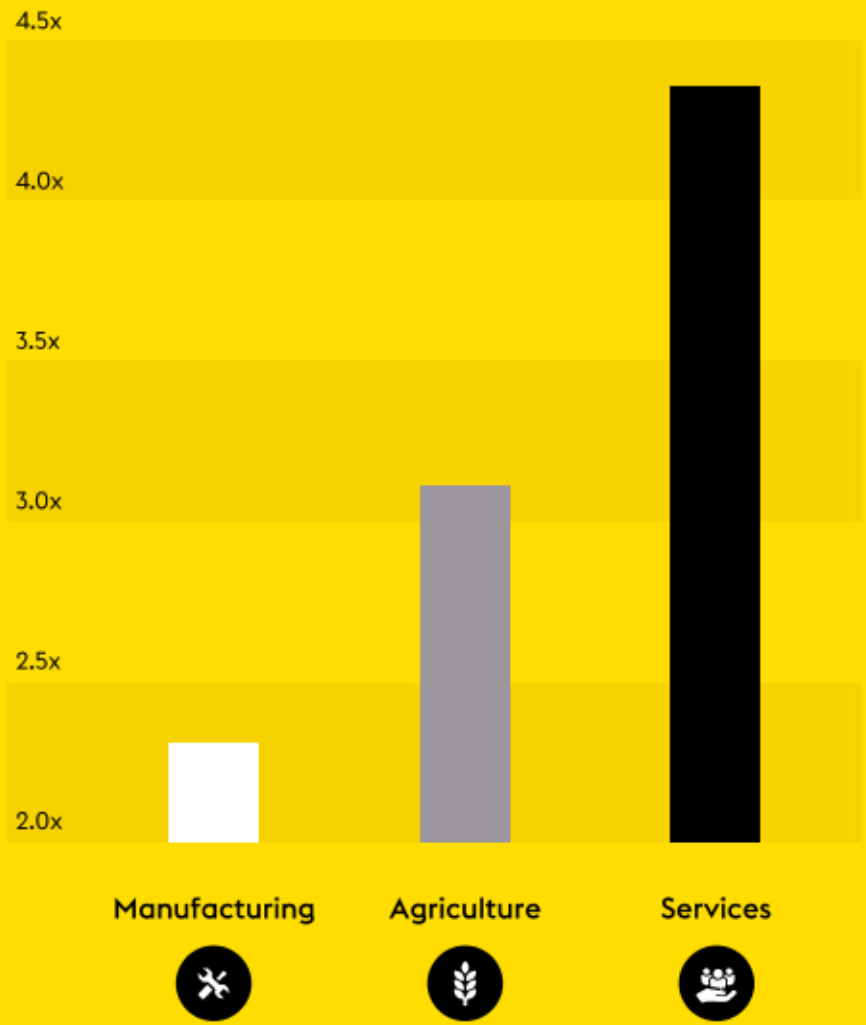


Fig. 12 | Source: WTO World Trade Report, 2019

Trade agreements could play a significant role in reducing costs.

Unlike goods trade, tariff barriers and border checks do not generally apply to the export of services. But they do encounter a range of non-tariff policy barriers, including restrictions on market access and regulatory requirements.

For example, limits may be placed on the number of foreign suppliers or total number of services transactions. Companies may also be required to obtain a license to provide services, find a local partner, or individuals may need national qualifications.

Although such rules are often implemented to correct market failures and protect consumers, they can also serve as disguised protection for domestic players. Such barriers can be complex and multi-faceted and their costs hard to assess. Available estimates suggest that policy-related costs differ substantially across country pairs and across sectors, though distributors often face the lowest trade costs on average while professional service firms absorb the highest.

Institutional and cultural factors are difficult to counteract, yet government trade agreements can play a role in overcoming restrictive policies that block services. In recent years, as the importance of services trade has become more apparent, the international trade community has shifted its attention to addressing some of these challenges through the design of so-called "deep and comprehensive" trade agreements. These pacts include an increased focus on behind-the-border regulatory requirements, as well as establishing provisions governing the digital economy, with the aim of liberalising services flows.



"

Undoubtedly there will be regulatory hurdles that could affect the growth of the global trade in services in the coming years. But policy liberalisation and a collaborative regulatory framework could deliver substantial gains for international trade in services and help reinvigorate the global economy in the years ahead.

Tristan van der Vijver, Head of Compliance
Western Union Business Solutions and WUIB

Reducing non-tariff barriers could boost growth in service exports.

Examples of such deals include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Canada Comprehensive Economic and Trade Agreement (CETA), both of which have been touted as "next-generation" trade agreements that can be used as models in subsequent negotiations. While these agreements go further than previous ones to liberalise services trade, they still leave much to be done.[10]

Moreover, the momentum for trade liberalisation has stalled in recent years, as there has been no substantial new services trade pact in recent years, although a Trade in Services Agreement (TiSA) is currently under negotiation, involving 23 parties including the EU and the United States.

While technological advances are necessary to expand services trade, reducing non-tariff barriers could boost growth in service exports, and greater cross-border regulatory cooperation could also help.

10 For example, see Magntorn and Winters (2018), "European Union services liberalisation in CETA", University of Sussex Working Paper No. 08-2018

The Organisation for Economic Co-operation and Development (OECD)

Services trade restrictiveness by sector

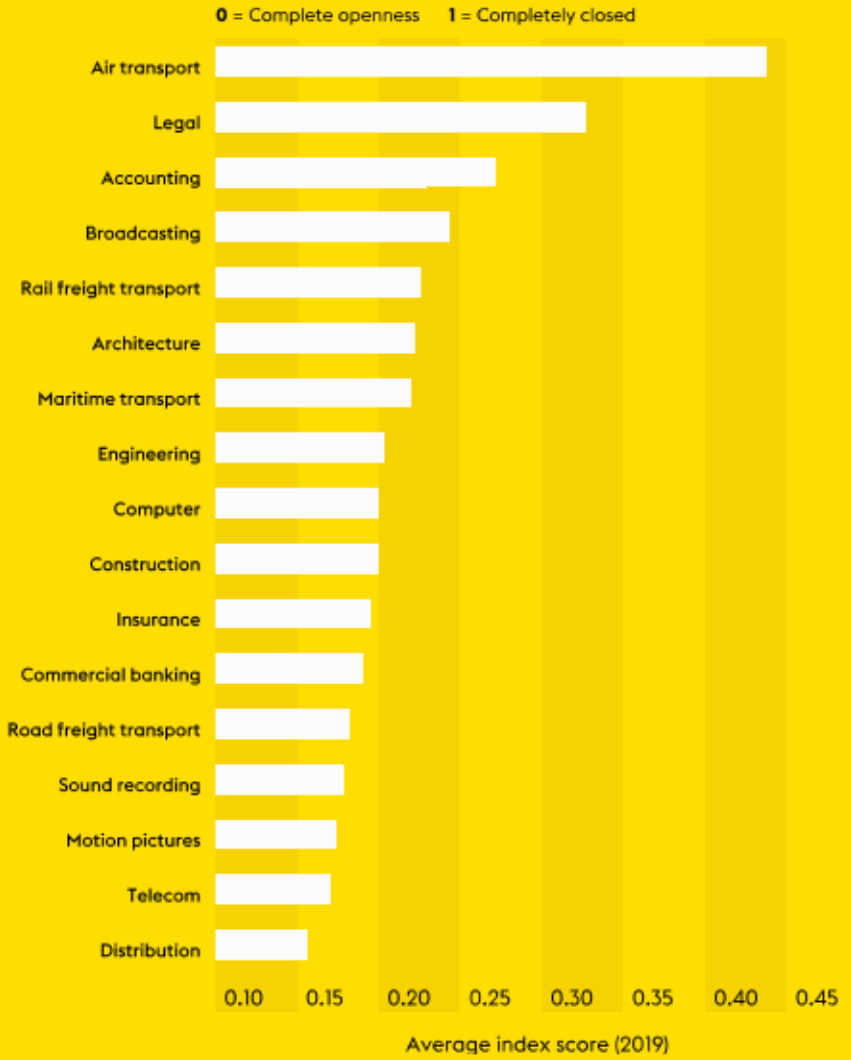


Fig. 13 | Source: OECD STRI index database, Oxford Economics calculations

Policy liberalisation could deliver substantial gains.

What kind of gains could be plausibly achieved if a wide-ranging, multilateral agreement to liberalise services trade was signed by the major economies?

In order to estimate the size of the benefits that might be achieved, we employed the benchmark global trade model of the General Trade Analysis Project (GTAP) centre at Purdue University.[1] Additional detail on the modelling assumptions and methodology are provided in the Annex.

While the full gains that result from trade liberalisation can take many years to be fully realised, our calculations show that this hypothetical liberalisation scenario could provide an additional 11% boost to global services trade by 2025, equalling an $890bn increase in the value of services traded globally. The largest gains would accrue to those sectors where services barriers have been the highest, notably professional services, where trade would grow by 14% relative to our baseline projections.

Export-related gains from services liberalisation are unlikely to represent the only benefits of liberalisation. However, although spill-over effects are not included in our analysis, it is likely that increased trade in services would also promote additional economic gains as they would boost competitiveness and efficiency in domestic markets.

At a time when the world is struggling to recover from the coronavirus crisis, services liberalisation could help reinvigorate the global economy.

1] The travel and tourism category was excluded from this exercise given limited scope for further relaxation of travel restrictions amongst developed countries.

WORLD:
Impact on trade flows from liberalisation

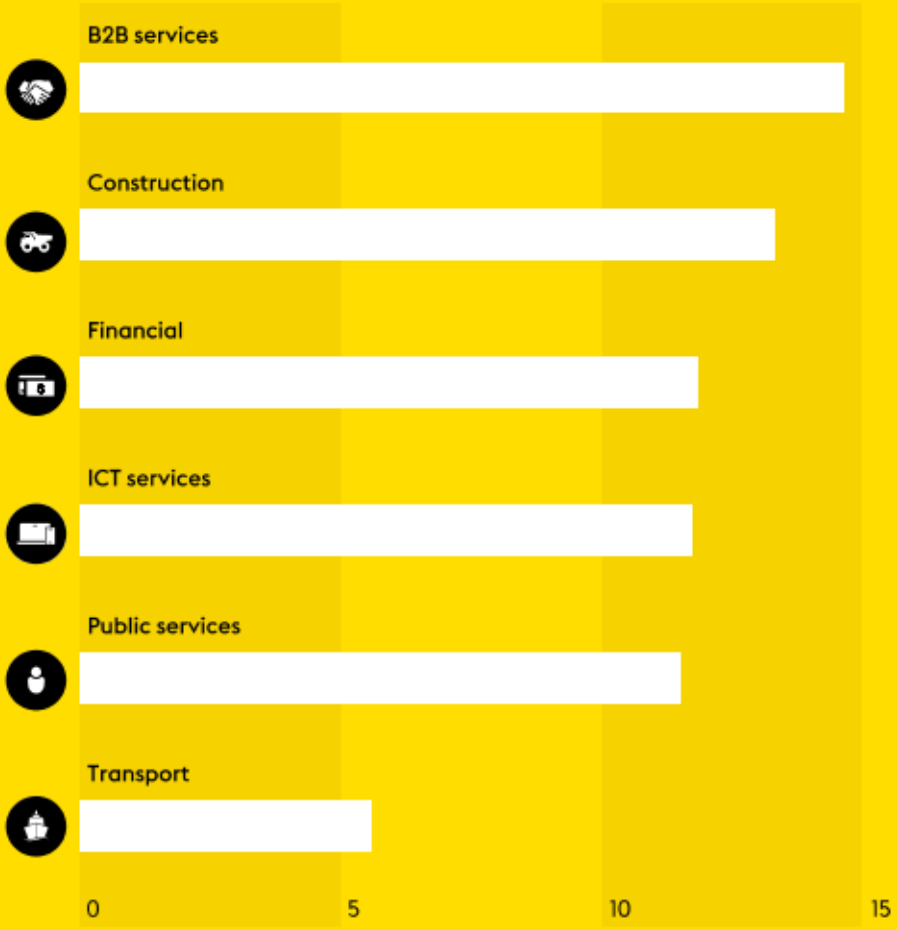
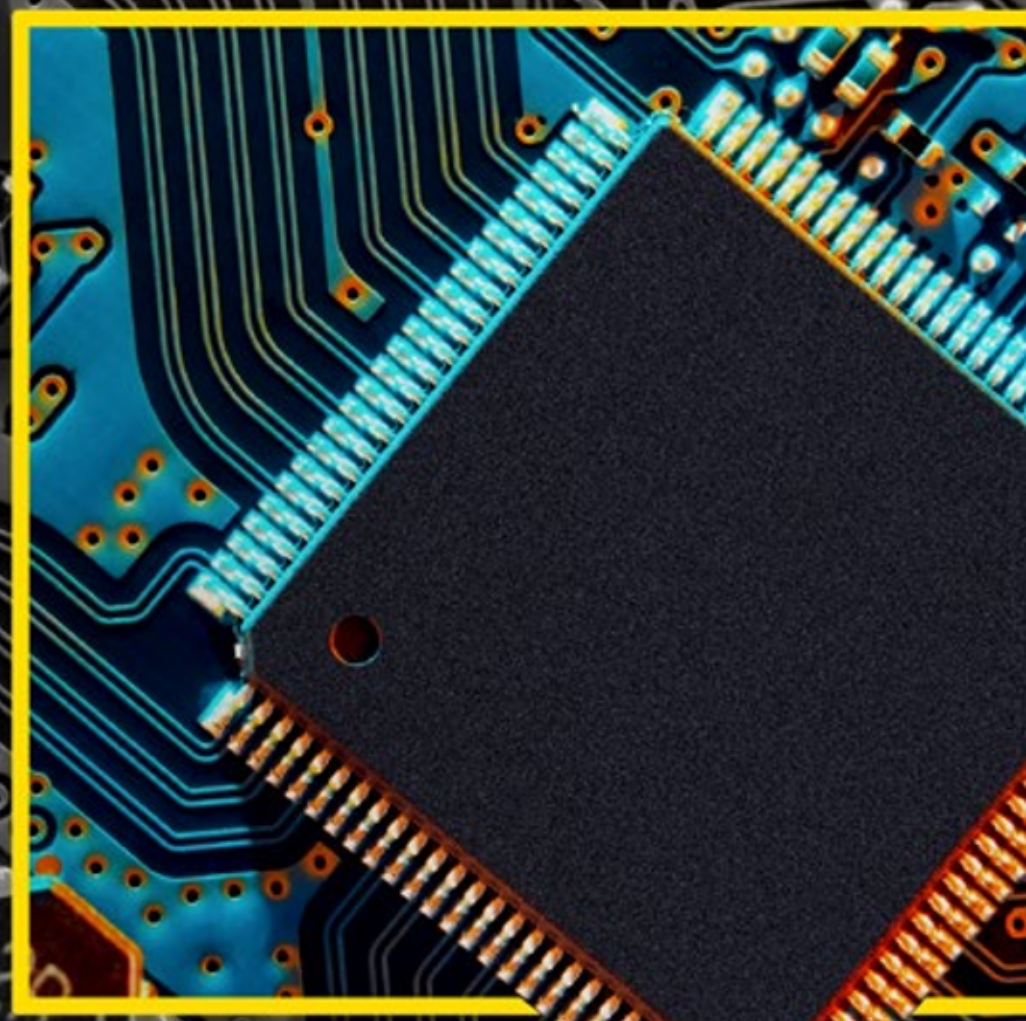


Fig. 14 | Source: Oxford Economics, GTAP

CONCLUSION

An exciting new era

As the potential for growth in trade of physical goods faces persistent challenges, we may be embarking on an exciting new era where services and flows of data spark the next wave of globalisation.



An exciting new era.

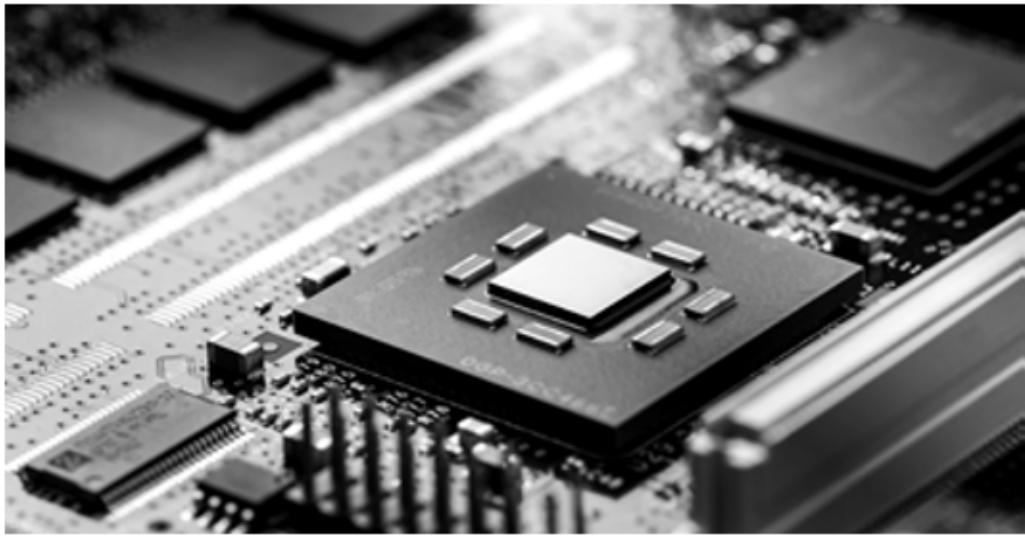
Through most of history, international trade has been viewed as analogous to the shipping of physical goods between countries. But the character of global commerce has changed dramatically over the past few decades, as technological advances have enabled a broad range of previously "non-tradeable" services to be delivered across borders. Policymakers and the media often underappreciate the rapidly growing importance of trade in services.

In reaction to the COVID-19 pandemic, cross-border trade in modern digital services is proving far more resilient than either trade in physical goods or growth of the broader economy.

> **"For too long global service trade has been undervalued and underestimated. This report shows that needs to change. The economic impact of COVID-19 will be felt for years to come, but we can clearly see regions and industries that embrace digital services will be in a better position to recover and prosper. Our aim is to champion industries fuelling recovery and provide a boost to support long-term growth.**
>
> Andrew Summerill, President, Payments at Western Union

This demonstration of "frictionless trade" illustrates how technology has made the knowledge economy increasingly flexible and durable. Moreover, the crisis has further accelerated the digitalisation of the underlying economy and created a new corporate mindset that will help to expand into new realms the application of digital technology. This sets the stage for digital services trade to play a crucial role in propelling economic recovery. Policymakers could provide an additional boost to these cross-border trade flows by agreeing to reduce barriers and implement policies that will favour additional growth in services trade.

Service industries represent a huge potential growth opportunity for trade, especially as ongoing technological innovations promise to further expand what is possible to trade across borders.



METHODOLOGY

Modelling approach



Assumptions: COVID-19 downside scenario

The key framework in which Oxford Economics' analysis is conducted is its own Global Econometric Model (GEM). The GEM replicates the world economy by interlinking 80 countries, 6 regional trading blocs and the Eurozone. These countries are interlinked through international trade in goods and services, competitiveness (measured by unit labour costs adjusted for the exchange rate), capital markets, interest rates and commodity prices. Historic data and forecasts are updated on a monthly basis by our country economists.

This model – which is unique among the commercial economic consultancies – provides a rigorous and consistent structure for analysis and forecasting, and allows the implications of alternative global scenarios and policy developments to be readily analysed at both the macro, sectoral and regional level.

Key assumptions underlying the downside scenario include:

1. Social distancing measures are extended, possibly due to a second wave of the virus, and the subsequent recovery of activity is slower than the baseline.
2. As a consequence of the collapse in activity and likely insolvencies, unemployment rates in most countries increase further.
3. A deeper recession is also associated with more long-lasting risk aversion among households and businesses.
4. The post-pandemic period is characterised by limited credit, deleveraging and fiscal austerity. This results in tepid productivity growth.

Oxford Economics Global Econometric Model

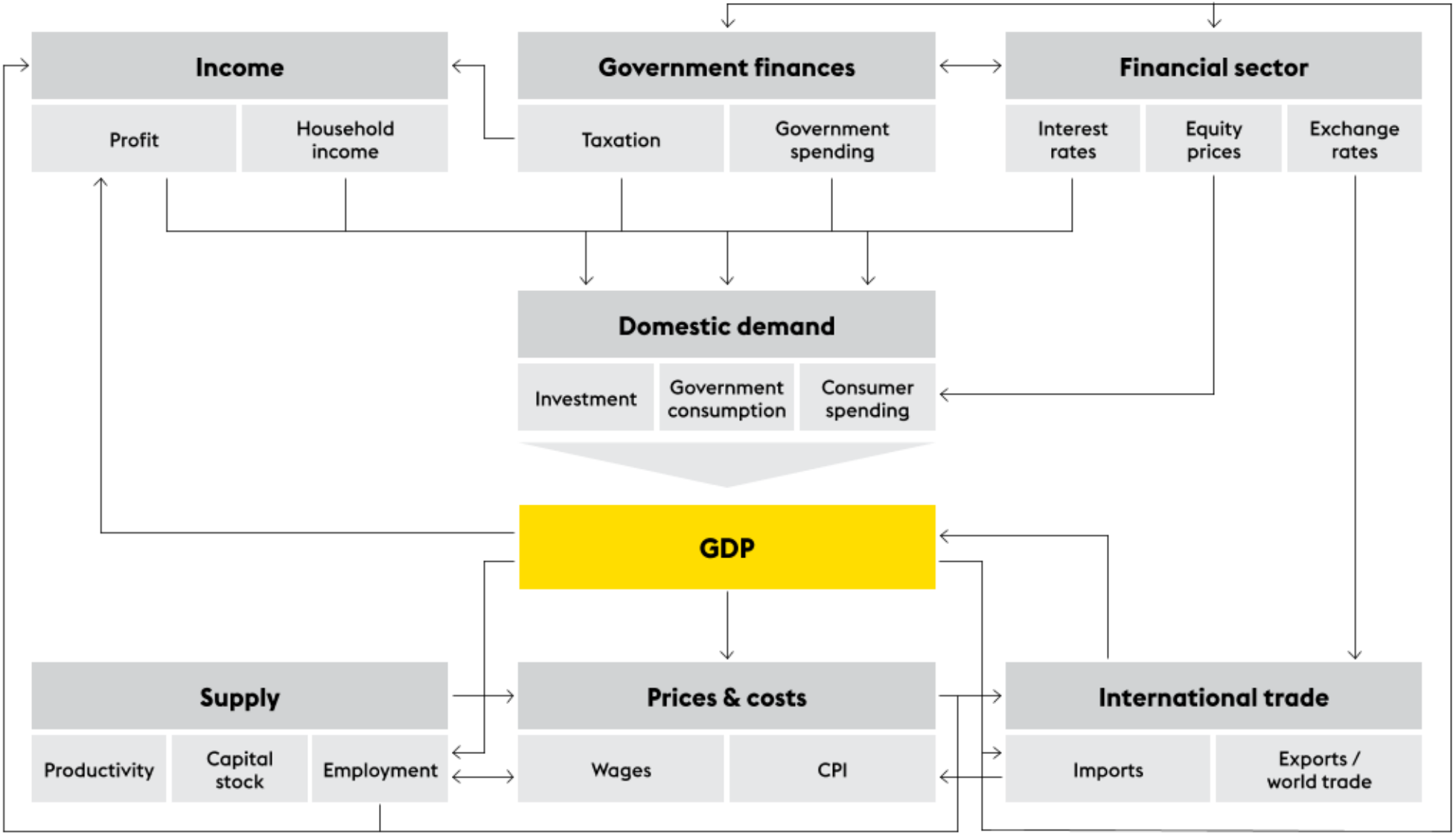


Fig. 15

Assumptions: services trade liberalisation scenario

The liberalisation scenario examined in this report considers the likely impact of ambitious, multilateral liberalisation of policies affecting services trade. It assumes an immediate, hypothetical reduction of trade barriers across all services sectors globally (tourism is excluded from the analysis given limited scope to reduce visa controls or other measures to facilitate international travel).

For other services sub-sectors, we began by estimating the current tariff equivalent level of regulatory barriers to trade across key countries and regions of the world. This was done by converting OECD services trade restrictiveness indices for each relevant sub-sector within each country/region into tariff equivalents.[12] We assumed that liberalisation would reduce the level of barriers by 25%, which reflects an ambitious reform agenda given a high share of trade costs are considered to be non-actionable.

The economic and trade impacts of these policy changes were quantified using GTAP model. Developed at Purdue University, this is the benchmark database and model for analysis of trade policy, and for estimating the impact of trade on output via the reallocation of resources across countries. It is a multi-region model, identifying 140 economic regions and 57 economic sectors. For each region and sector, trade flows are identified, as well as information on tariff and non-tariff barriers to trade.

We assume that the full impact of these reforms would be realised only gradually, reflecting time required for implementation as well empirical evidence that the full scale of liberalisation gains can take several years to be realised. The economic outcomes of this policy scenario were compared with our baseline projections under 'no policy change' assumptions.

12 We follow the methodology employed by Benz and Jaax (2019), "Quantifying the costs of regulatory barriers to trade in services: New estimates of ad valorem equivalents based on the OECD STRI", GTAP Conference Paper

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NORTH AMERICA

Canada

In Canada, Western Union Business Solutions is a division of The Western Union Company. Services in Canada are provided by Custom House ULC, a company within the Western Union Business Solutions division.

USA

In USA, Western Union Business Solutions is a business unit of The Western Union Company. Services in the US are provided by Western Union Business Solutions (USA), LLC (NMLS ID: 907333; MA MT license #: FT0041) (referred to as "WUBS" or "Western Union Business Solutions"). For a complete listing of US state licensing, visit http://business.westernunion.com/about/notices/. For additional information about Western Union Business Solutions USA, LLC visit http://business.westernunion.com/About/Compliance-Legal.

EUROPE

Austria

In Austria, Western Union Business Solutions is a division of the Western Union Company and provides services in Austria through Western Union's wholly-owned subsidiary, Western Union International Bank GmbH (referred to as "WUBS" or "Western Union Business Solutions").

Western Union International Bank GmbH is registered in Austria (company number FN256184t), Schubertring 11, 1010 Vienna, Austria.

Czech Republic

In the Czech Republic, Western Union Business Solutions is a division of The Western Union Company and provides services in the Czech Republic through Western Union International Bank GmbH, organizační složka (referred to as "WUBS" or "Western Union Business Solutions").

Western Union International Bank GmbH, organizační složka is registered in the Czech Commercial Register held by the Municipal Court in Prague, identification number 015 55 332, has a registered place of business at Václavské náměstí 62, 110 00 Prague 1, Czech Republic, and is a branch of Western Union International Bank GmbH (registration number 256184t) Schubertring 11, 1010 Vienna, Austria.

Western Union International Bank GmbH is a bank registered on a list of banks maintained by the Austrian Financial Market Authority (Finanzmarktaufsicht). Western Union International Bank GmbH, organizační složka is registered on a list of banks and branches of foreign banks maintained by the Czech National Bank.

France

In France, Western Union Business Solutions is a division of The Western Union Company and provides services in France through its wholly-owned subsidiary Western Union International Bank GmbH, French branch, (referred to as "WUBS" or "Western Union Business Solutions").

Western Union International Bank GmbH, French branch (RCS Nanterre 750 938 094) has a registered place of business at Tour Manhattan, 5-6 place de l'Iris, 92095 Paris La Défense Cedex, France and is a branch of Western Union International Bank GmbH (Registration Number 256184t), an Austrian company whose regsistered office is at Schubertring 11, 1010 Vienna, Austria.

Germany

In Germany, Western Union Business Solutions is a division of the Western Union Company and provides services in Germany through Western Union's wholly-owned subsidiary Western Union International Bank GmbH, Germany branch (referred to as "WUBS" or "Western Union Business Solutions").

Western Union International Bank GmbH, Germany branch, has a registered place of business at Solmsstrasse 18, 60486 Frankfurt am Main, Germany and is a branch of Western Union International Bank GmbH (registered in Austria, Registration Number 256184t, Regsistered Office address: Schubertring 11, 1010 Vienna, Austria).

Ireland

In Ireland, Western Union Business Solutions is a business unit of The Western Union Company. Services in Ireland are provided by Western Union International Bank GmbH.

Western Union International Bank GmbH is registered in Austria (Vienna Commercial Court, Commercial Registry Number: FN256184t, Sales Tax Identification Number: ATU 61347377), has its registered office at Schubertring 11, 1010 Vienna, Austria and is licensed by the Austrian Financial Market Authority (Finanzmarktaufsicht).Western Union International Bank GmbH is regulated by the Central Bank of Ireland for conduct of business rules.

Italy

In Italy, Western Union Business Solutions is a division of the Western Union Company and provides services in Italy through its wholly owned subsidiaries, Western Union International Bank GmbH, Italy Branch and Custom House Financial (UK) Limited (which does business under the trade name of Western Union Business Solutions).

Custom House Financial (UK) Limited offers the Online Foreign Exchange service (online FX); all other services are offered by Western Union International Bank GmbH, Italy branch.

Western Union International Bank GmbH, Italy Branch (Registered Office in Rome: via Virigilio Maroso 50, 00142 Italy; Fiscal Code and Companies House Registration number: 13068651002; Enrolled in the Bank Register held by Bank of Italy (no. 3446)), is a branch of Western Union International Bank GmbH, a company organised under Austrian Law (Companies House Registration number 256184t; Registered Office: Schubertring 11, A-1010 Vienna, Austria; Corporate Capital: €12.000.000; Sole Shareholder (and therefore subject to the direction and coordination activity of): Western Union Overseas Limited) and which is a bank registered on a list of banks maintained by the Austrian Financial Market Authority (Österreichische Finanzmarktaufsicht).

Custom House Financial (UK) Limited (Incorporated in England; Company Number: 04380026; Registered Office: 12 Appold Street, London EC2A 2AW; Corporate Capital £800,001.00; Sole Shareholder (and therefore subject to the direction and coordination activity of): Western Union Processing Limited), is authorised by the UK Financial Conduct Authority under the payment services regulations 2009 (register reference: 517165) for the provision of payment services.

Malta

Western Union Business Solutions is a business unit of The Western Union Company. Services in Malta are provided by Western Union Business Solutions (Malta) Limited, a limited company registered in Malta (Company Number C22339) with its registered office at W Business Centre, Level 5, Triq Dun Karm, Birkirkara By-Pass, Birkirkara, BKR 9033, Malta and which is licensed and regulated by the Malta Financial Services Authority to undertake the business of financial services in terms of the Financial Institutions Act.

Poland

In Poland, Western Union Business Solutions is a division of The Western Union Company and provides services in Poland through Western Union International Bank GmbH, Polish Branch (referred to as "WUBS" or "Western Union Business Solutions").

Western Union International Bank GmbH, Polish Branch (KRS No: 0000458059, NIP No: 1080015316), has a registered place of business at Al. Jana Pawła II 29, 00-867 Warsaw, Poland, and is a branch of Western Union International Bank GmbH (registration number 256184t) Schubertring 11, 1010 Vienna, Austria.

Switzerland

In Switzerland, Western Union Business Solutions is a division of The Western Union Company. Services in Switzerland are provided by Rüesch International, LLC (Swiss branch), with a registered place of business at Werdstrasse 2, P.O. Box 2063, 8021 Zurich, Switzerland (referred to as "WUBS" or "Western Union Business Solutions").

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United Kingdom

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WUIB (Branch Address: 131 Finsbury Pavement, London, EC2A 1NT) is a branch of Western Union International Bank GmbH (registered in Austria, company number FN256184t, VAT Number ATU61347377, with its registered office at Schubertring 11, 1010 Vienna, Austria), which is licensed by the Austrian Financial Market Authority (Finanzmarktaufsicht). WUIB is subject to limited regulation by the UK Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of WUIB's regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from WUIB on request.

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Western Union pioneered the idea of moving money around the world and has been connecting people globally for more than a century. As one of the world's leading providers of cross-border business payments, Western Union Business Solutions is transforming how businesses can expand globally through one of the largest and most diverse payment networks in the world.

To learn more **business.westernunion.com/en-gb**

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