

Closing speech to the Bank's 2010 Conference

Just before closing our sixth biennial Conference, I would like to take this opportunity to thank all the speakers most heartily. Indeed, I must pay tribute to the quality of the research work undertaken by the different university teams who have been working in close collaboration with our own departments. The speakers and discussants, as well as participants' own questions, have enabled us to gain more acute insight into the essential aspects of the ever-increasing globalisation of our economies.

Your interventions have broached a wide spectrum of fundamental questions from a new perspective. The study of trade flows and direct investment from the standpoint of individual firms, rather than from the global performance angle, is a rapidly expanding research area. It has also proved to be rich in findings and insights, not only on the scientific front, but also from a practical point of view.

The findings, drawn from the situation facing Belgian firms, add to those already highlighted by eminent researchers hailing from other horizons. Here, the keynote speakers' contribution has been particularly enlightening.

It is patently clear that international trade flows are a key factor in determining our economic performance. The recent economic and financial crisis has brought up these issues once again. For a small and extremely open country like Belgium, preserving and strengthening the competitive edge of our firms on international markets is a vital element in the equation. We have learnt that this not only applies to enterprises that expand internationally, but also to firms geared exclusively to the domestic market, in so far as they benefit

from productivity gains via imitation mechanisms and the spread of technology.

It also seems that the assistance that can be given to firms in their efforts to conquer foreign markets should ideally be targeted according to the type of sector, market, and company, whether they are large enterprises or SMEs.

Measures to encourage trade go way beyond direct measures, such as market-research assistance in foreign outlets. For example, the development of information technologies has turned out to be one of the driving forces behind the growing internationalisation of service-sector firms.

Companies that have sought to diversify their product base and improve its quality have generally speaking experienced better performance on external markets, notably in the face of stronger competition from emerging economies. Belgian firms should therefore step up their R&D efforts and the public authorities must help them along.

International competition from low-wage countries can also have repercussions on domestic employment. Given that globalisation will tend to encourage skilled employment, at least in our developed countries, labour training also has a key role to play.

The international expansion of firms is of course not limited to trade flows alone. Foreign direct investment is becoming increasingly important. Furthermore, exports can reveal a lot about firms' capabilities to penetrate a new market, before taking the longer-term option of direct investment and setting up abroad.

The impact of multinational corporations on employment is many-sided. Overall, it seems that the foreign multinationals in Belgium have played a noticeably positive role in job creation. Nevertheless, the multinationals, whether Belgian or foreign, have more flexible means of managing the level of their workforce than domestic firms. In addition, relocating part of production, which inherently entails a risk for domestic employment, can help to strengthen or increase employment in the home economy when offshoring is accompanied by cost-cutting and gains in competitiveness.

Lastly, I would like to point out that the use of microeconomic data rather than aggregate statistics has made it possible to throw light on key questions about globalisation from a completely new perspective. However, in Belgium as elsewhere, access to individual data for research purposes is subject to a whole host of legal restrictions related to the confidential nature of this data. Going beyond ad-hoc formulas, like those put together especially for this conference, the Bank, together with the partner institutions of the National Accounts Institute, the Federal Planning Bureau and the National Statistical Institute, has taken steps to find structural solutions to these problems. Nevertheless, some points are still under discussion and the whole process depends on various factors and stakeholders.

For the time being, I would simply like to thank you all for coming along and playing an active part in this conference. May I now wind up these two days by inviting you to the reception that will be held in the foyer.