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## PRESS RELEASE

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### Characteristics and development of Belgium's foreign trade

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The last twenty-five years have seen a strong expansion in international trade, which has grown at almost twice the pace of world production, as a result of the globalisation of the economy. During the same period, international trade has also undergone radical structural changes, such as the growing importance of multinational enterprises in international trade, the expansion of intra-industry trade and the emergence of new markets and competitors.

Belgium's economic development and prosperity are based largely on transactions with the rest of the world. Due to the limited size of its economy and the limited availability of raw materials Belgium is indeed forced to import many goods. Conversely, Belgium exports a large share of its production. Belgium therefore has the highest degree of openness among euro area countries in regard to foreign trade in goods, and that openness has increased even further in recent decades. Belgian foreign trade specialises mainly in products made by the chemical industry, the motor vehicle manufacturing, the metal industry and the textile industry. Geographically, trade focuses mainly on the euro area countries, more particularly on Belgium's three main neighbours.

This article examines how Belgium has adjusted to this altered international context. To this effect, the results of foreign trade have been analysed on the basis of movements in the balance of trade and market shares, in order to understand to what extent Belgium has succeeded in balancing its foreign trade transactions in goods and upholding its position in world trade.

Over the 1980-2003 period, Belgium's balance of trade improved dramatically, from a deficit of 2.4 p.c. of GDP in 1980 to a surplus of around 3 p.c. in 2003. Analysis of the factors determining these developments over the 1995-2003 period reveals that Belgium's competitiveness may have made a negative contribution to the decline in the surplus during that period.

Data expressed at current prices over the 1980-2002 period reveal a mixed picture as regards the changes in market shares on the import and export sides. Belgium's share of export markets remained relatively stable throughout this period at around 3 p.c., unlike that of the three main neighbouring countries - Germany, France and the Netherlands - which diminished. In contrast, on the import side, Belgium's share dropped from 3.4 p.c. to 2.9 p.c., while the share of its neighbouring countries also declined.

Finally, the movements in market shares were analysed in greater detail on the basis of harmonised foreign trade data at fixed prices. This analysis was carried out according to the 'customer market' approach, whereby the change in Belgium's market share was calculated as a ratio of its export growth and the growth of its potential export markets. According to this approach, Belgium suffered a 5.8 p.c. fall in its market share over the 1995-2002 period, compared to a trade-weighted average increase in market share of 3.8 p.c. for the three main neighbouring countries.

A more detailed analysis by category of exported goods shows that this loss of market share can be explained in part by Belgium's unfavourable product specialisation, with which its three neighbours are not confronted. In spite of the importance of products such as motor vehicles and pharmaceutical products, Belgian exports were largely made up of products which were in relatively weak demand in recent years, for instance in the fields of basic chemistry, metal industry or textile industry. In addition, Belgian exports are not sufficiently concentrated on machinery and data-processing hardware, electronic and telecommunication equipment, which are products in which international trade has grown the strongest in the relevant period, and which on average have a high technological content.