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PRESS RELEASE

International trade in services

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Although the service activities represent a dominant share of activity and employment, they have only a minor position in international trade. Generally speaking, trade in services has therefore attracted less interest than trade in goods in the context of competitiveness policy, and economic research has paid less attention to it. Moreover, economic analysis of trade in services has been hampered by the fact that it is difficult for statisticians to cover trade in services, the trade is heterogeneous and the market players are scattered.

Apart from under-assessment due to the statistical problems to measure international trade in services, various factors contribute to the relative weakness of this trade. For instance, the need for the service provider to be geographically and temporally close to the service consumer, the existence of alternative channels for the export of services, including sales via foreign subsidiaries, and regulations which are tighter than those applicable on the goods market all tend to curb and limit cross-border trade in services.

Yet despite the low gross amount of international trade in services, the services balance – taken as the difference between exports and imports of services – has grown in Belgium over the past fifteen years, from 0.1 % of GDP in 1995 to 2.4 % in 2010. Compensating in part for the deteriorating balance of trade in goods, net exports of services have gradually become the primary driver of the current balance, which stood at 3.1 % of GDP in 2010. At macroeconomic level, they therefore help to preserve the economy's external position by providing additional resources which permit the balanced financing of domestic demand.

Belgium's central position in the European economic fabric is one of the main contributory factors in the good performance of Belgium's trade in services. This position at the heart of Europe favours a geographical intermediation role which has been reflected in a range of services suited to the internationalisation of trade. This has led to the development of trade and logistics services, particularly thanks to the importance of the port of Antwerp in maritime traffic.

However, Belgium's role as a hub is not confined to services relating to trade in goods. Combined with its central position, the quality of its human capital is another decisive factor in the growth of Belgium's exports of services. That human capital has strengthened the attractions for major institutions, both public and private. As the location for the headquarters of the European institutions and several multinational bodies, Belgium has gained a foothold in an economy which has become global in the past two decades.

However, Belgium's good general performance in trade in services is not seen in all service categories. Some, such as building or civil engineering, are usually offered to foreign consumers via alternative channel for cross-border trade. In these sectors, foreign direct investment is in fact a way of overcoming the closeness requirement necessary for trade. The analysis presented in this article was therefore unable to confirm the strength of that trade.

Other service categories are also less developed. In particular, services connected with information and communication technologies have not grown particularly strongly. Moreover, the share of services which centre on creativity, such as research and development or patents, is still modest. Yet all these services constitute a growth catalyst that could benefit the whole economy, and the human capital needed for such a development is available in Belgium.

In the end, while the expansion of services connected with Belgium's central position in Europe is a good indication for the future, the more tentative development of certain services conducive to growth still requires attention. The policies implemented must therefore endeavour to reinforce the latter by supporting the development of firms active in these areas while continuing to underpin the growth of the former.