

2013-06-07

PRESS RELEASE

Structural dynamics of Belgium's foreign trade

(Article for the June 2013 Economic Review)

The liberalisation of trade and financial transactions, the reduction in transport costs, and the progress made in information and communication technologies have led to a fundamental change in the international environment. Economies have become much more closely interconnected, with the result that international trade in goods and services has intensified. In that context, the types of goods and services traded have diversified and the list of trading partners has been extended.

The article presents an analysis of the structural dynamics of Belgium's foreign trade from 1995 to 2011. The aim is twofold: to assess the structural changes of the past fifteen years and to analyse the recent crisis period.

The current balance has deteriorated almost continuously over the past 15 years. The analysis of the macroeconomic data shows that this is due largely to a rise in fossil energy prices, causing a strong increase in import costs. While the dynamism of service exports has made a positive contribution to Belgium's current account balance, that has not been enough to offset the deterioration in the terms of trade. Belgian firms have in fact been unable to achieve a sufficient increase in the amount of their goods exports. Moreover, Belgium's share of total exports to its main markets declined by an average of 2.6% per annum in 1995-2011. Although this fall is common to all the industrialised countries, and reflects a rebalancing of world trade in favour of the emerging economies (China, Russia, and the former East European countries), it has nevertheless been more marked in Belgium than in the Netherlands and Germany.

However, these relatively unfavourable macroeconomic trends conceal profound structural changes which can be revealed by analysing the microeconomic data at firm level. Thus, in 2005 90 % of firms (excluding banks and insurance companies) were active solely on the Belgian market and did not form part of an international group, 6% were one-way traders, i.e. either importers or exporters, 3 % were two-way traders, i.e. firms involved in both exporting and importing, and finally, 1 % belonged to an international group, either as a subsidiary of a foreign company or as the parent company of a Belgian multinational.

Although they are relatively few in number, the multinationals active in Belgium represent almost 45 % of value added and 36 % of jobs in the private sector, excluding banks and insurance companies. Similarly, they have a major influence on Belgium's foreign trade since they account for almost 73 % of exports and imports of goods and services. These figures illustrate the importance of firms' external competitiveness for the Belgian economy.

Turning to the breakdown of annual export growth in 2007-2011, the figures show that growth originated mainly from the development of existing trade relations rather than the generation of new business. However, a more detailed breakdown of existing trade relations into "relations created in the past three years" and "old trade relations" shows that the former made a greater contribution to export growth, particularly at the time of the export recovery in 2010. Conversely, the decline in exports in 2009 was due essentially to trade relations established before 2006.