PRESS RELEASE

Creating export value. An analysis of Belgium
(Article for the September 2014 Economic Review)

A country’s exports of goods and services are the yardstick against which the external competitiveness of its economy is generally measured. However while in the past the export basket largely comprised goods and services produced by the exporting country, this is less the case nowadays. Two of the factors behind this are: a) the goods re-export trend is on the rise and b) manufacturing processes now involve imported inputs to a greater extent, particularly energy products or raw materials. Ultimately, exports are fuelled by prior imports, which have to be removed from the export value in order to identify the domestic economy’s real source of income and employment: exported value added.

The purpose of this article is to introduce the exported value added approach, while presenting the initial findings for Belgium. Accordingly, assessed from the exported value added perspective, Belgium’s degree of openness amounts to roughly 30% of GDP compared with 80% in the case of the traditional indicator based on exports of goods and services. Equal to nigh-on 50% of GDP, the difference between these two ratios is seen to be the foreign value in the exports. As this serves to cover import costs, the value cannot be regarded as a source of income for domestic inputs.

This approach also qualifies the changes in export market shares reported between 1995 and 2008. When the contribution made by the exported value added is singled out, the market share losses are slightly less than when calculated on the basis of exports of goods and services. The gap between Germany and the Netherlands is also narrowed, with the performance of these two countries resulting from an increase in the foreign value in their exports.

The focus is also on the vital role played by firms belonging to services sectors, even though the part they play is sometimes indirect. Goods do account for the bulk of exports but the products are often exported by companies operating in the services sector. Sometimes they re-export goods passing through Belgium in transit, sometimes they act as export intermediaries for products manufactured by Belgian industrial firms. More fundamentally, exported value added is chiefly generated by firms operating in services sectors, particularly as a result of providing intermediary services to industrial companies.

Lastly, this approach completes the trading partners’ profile as a result of identifying the final destination of exports. After all, exports to a country may in turn be redirected to a third country after processing, if need be. The final consumers of the value added Belgium exports are further away than the direct recipients of the exports. Consequently, the three neighbouring countries consume less than 30% of the value added Belgium exports, while nearly 50% of Belgian exports of goods are intended for them.