

TRADE IN VALUE ADDED: BELGIUM

The international fragmentation of production in global value chains (GVCs) challenges the way we look at the global economy. Today, “what you do” - the activities a firm or country is involved in - matters more for growth and employment than “what you sell” - the products that make up final sales or exports.

Understanding how GVCs work and how they affect economic performance is essential, as is determining which policies help derive the greatest benefits, and reduce the risks. The OECD-WTO Trade in Value Added (TiVA) database facilitates analysis of GVCs by measuring trade in value-added terms to generate new insights about the commercial relations among economies and the process of value creation. Drawing on the third version of the TiVA database, this note describes Belgium’s trade patterns in value-added terms, with a view to informing policy debates in a range of areas, including trade, innovation, and investment.

Accompanying this note is a User Guide designed to assist interpretation and provide context to the indicators presented: http://www.oecd.org/sti/ind/TiVA_2015_Guide_to_Country_Notes.pdf

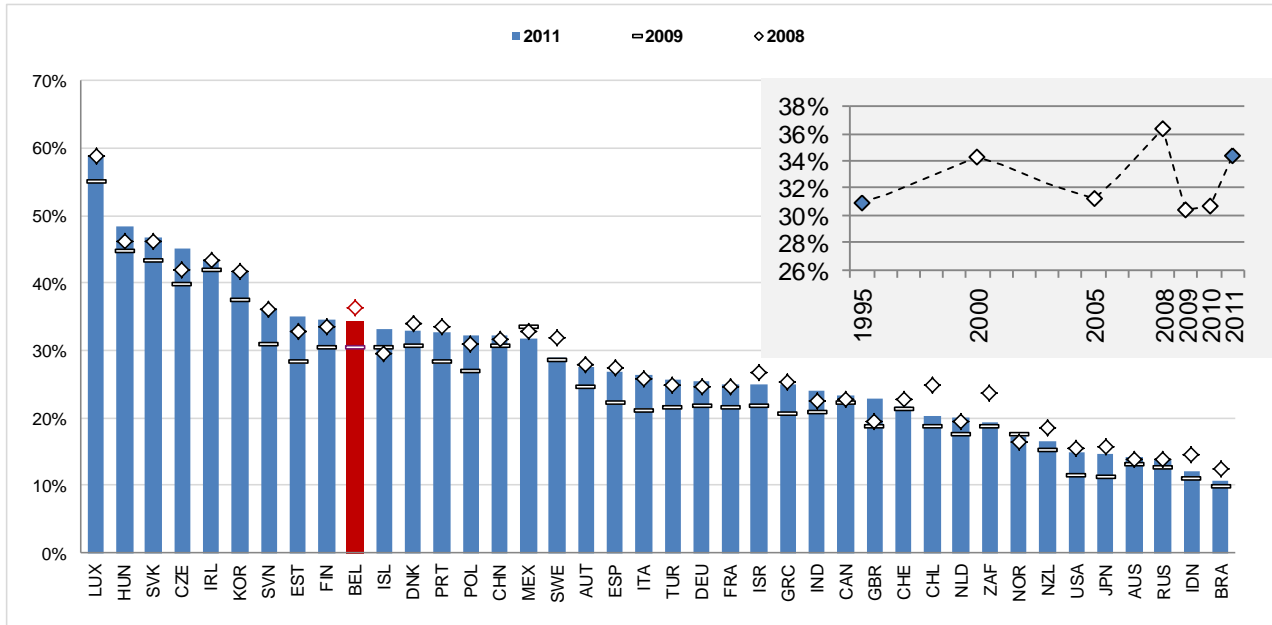
Key findings

- Belgium is highly integrated within GVCs with over one-third of the value of exports reflecting foreign content.
- Similarly one-third of the total value of all intermediate imports is subsequently embodied in Belgium's exports.
- Services form a significant part of Belgium's integration within GVCs accounting for around half of the value of manufactured exports alone; the second highest in the OECD.
- Belgian industries have a high degree of export orientation with between 30% and 80% of all value-added driven by foreign consumers.

The role of foreign and domestic value added in exports

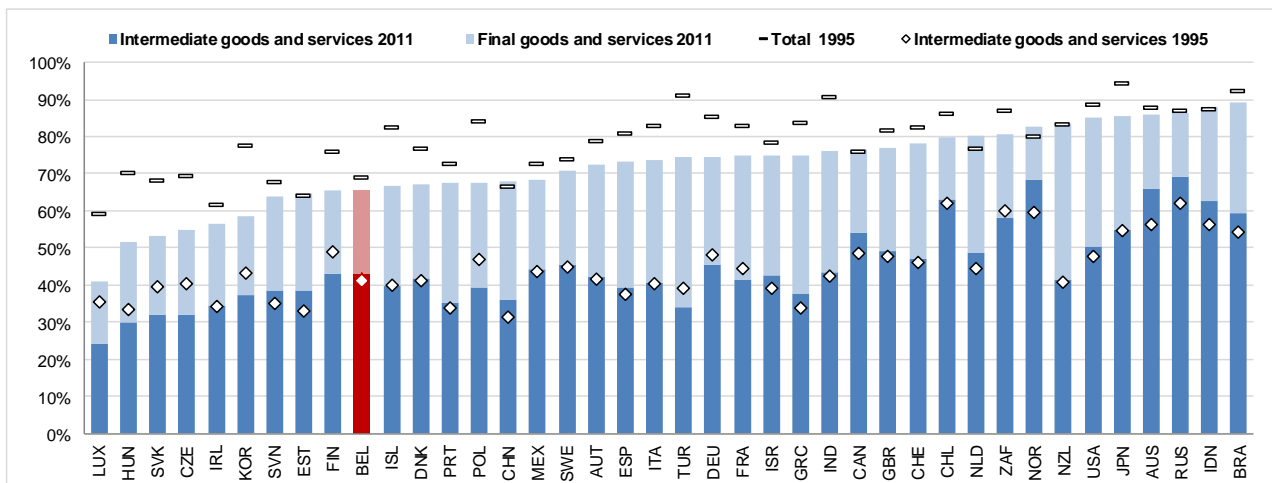
The foreign content share of Belgium's exports has rebounded strongly to 34.4% in 2011 since the recent crisis low of 30.4% in 2009 but remains below the 2008 high (36.4%) (Figure 1).

Figure 1. Foreign value added content of gross exports by country
percent, 2008, 2009, and 2011 (right insert = time series for Belgium)



Of Belgium's total exports of domestic value added in 2011, 65.5% reflected exports of intermediates, slightly higher than the OECD average (61.5%) and higher than the equivalent shares in 2009 (61.6%, in part reflecting the rebound in GVCs that were disproportionately affected by the crisis), and 1995 (59.7%) (Figure 2).

Figure 2. Domestic value added content of gross exports by end-use category by country
percent, 1995 and 2011



Direct exports by Business services generated the greatest source (both direct and upstream) of domestic value added in 2011, accounting for 10.3% of the total value added of exports. The next three most important industries were Transport & Telecoms (10.2%), Wholesale, Retail & Hotels (9.6%, reflecting tourism and upstream distribution services to exporters) and Chemicals (7.9%) (Figure 3a).

For most industries, the foreign content share of exports has changed relatively little in the last two decades, with the notable exceptions of Coke & petroleum, and Other Transport equipment. Very high levels of integration in GVCs occurred in the Coke & Petroleum, Motor vehicles, and Basic metals industries, with shares of 78.6%, 54.5%, and 48.8% respectively in 2011 (Figure 3b).

Figure 3a. Belgium's industry share of domestic and foreign value content of gross exports
percent of total gross exports, 2011

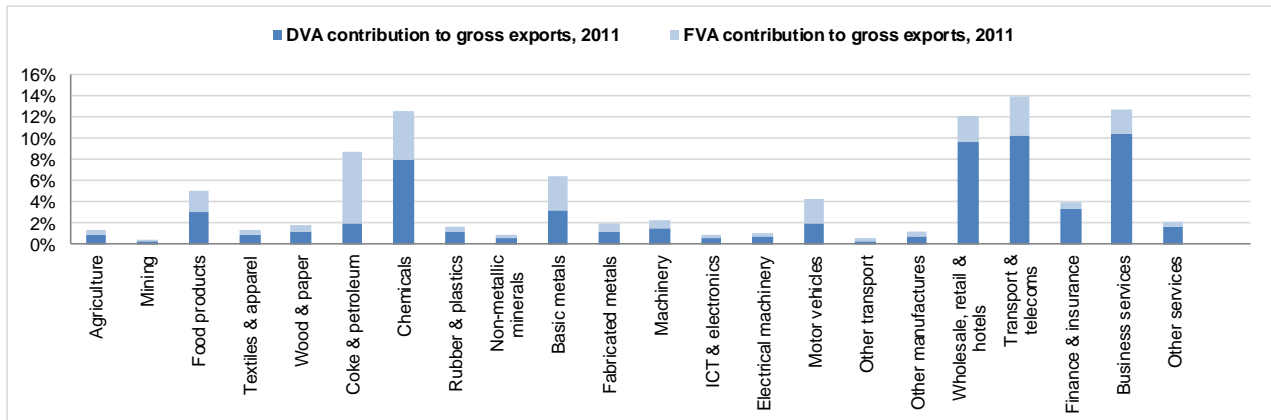
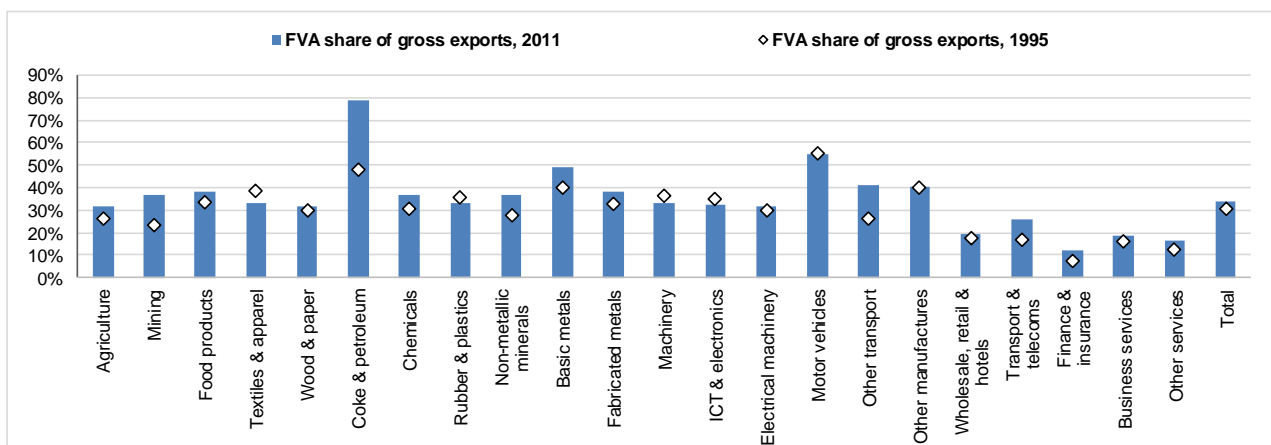
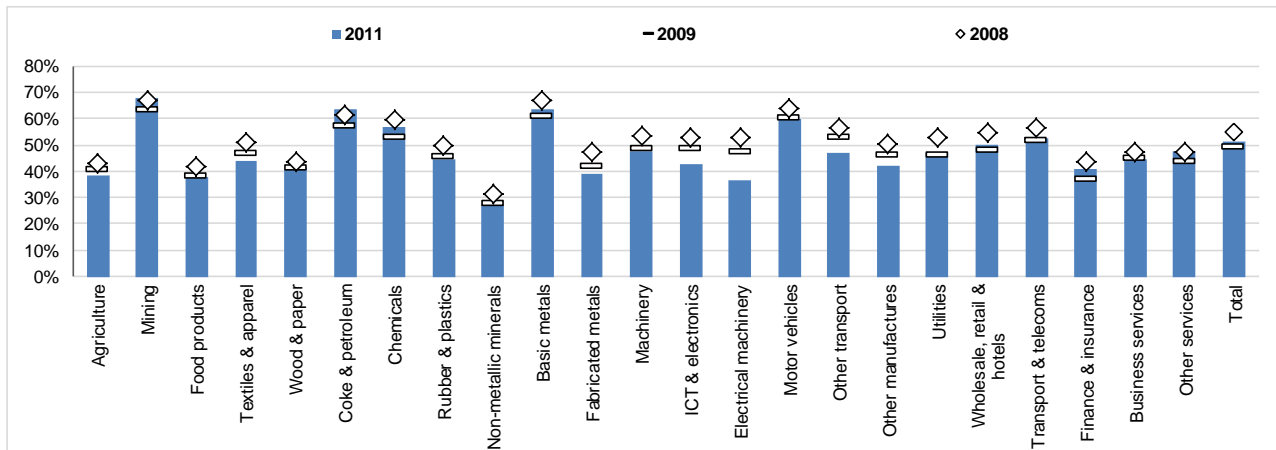


Figure 3b. Belgium's foreign value added content of gross exports
1995 and 2011



Of the total value of Belgium's imports of intermediate products and services, over half (51.3%) was subsequently embodied in exports; significantly higher than the OECD average (39.3%), and slightly higher than in 2009 (49.6%) (Figure 4). The products with the highest import shares were Mining, Coke & Petroleum and Basic metals, at 68.1%, 63.4% and 63.2% respectively.

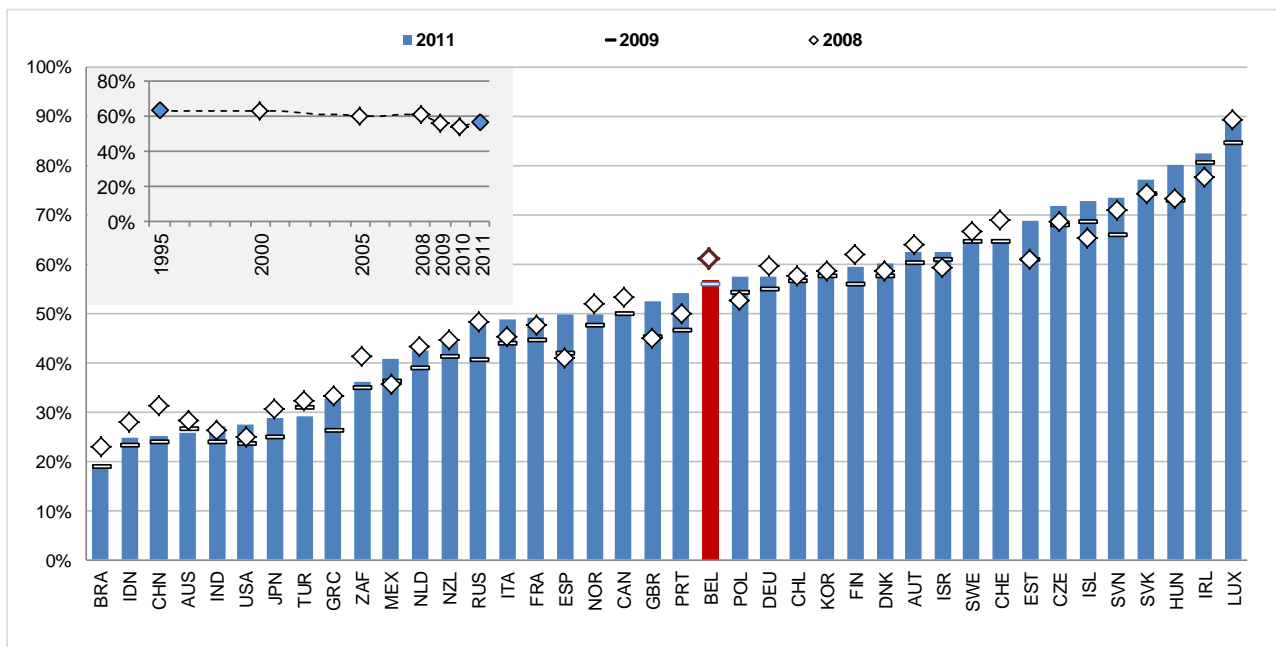
Figure 4. Belgium's imported intermediate inputs used for exports, by import category
percent of intermediate imports, 2008, 2009, and 2011



The destination of domestic value added produced in Belgium

Over half (56.6%) of the total domestic value added produced by the manufacturing sector in Belgium, was driven by foreign final demand in 2011, slightly up on the equivalent figure in 2009 (55.8%) but lower than in 2008 (60.9%) and 1995 (Figure 5).

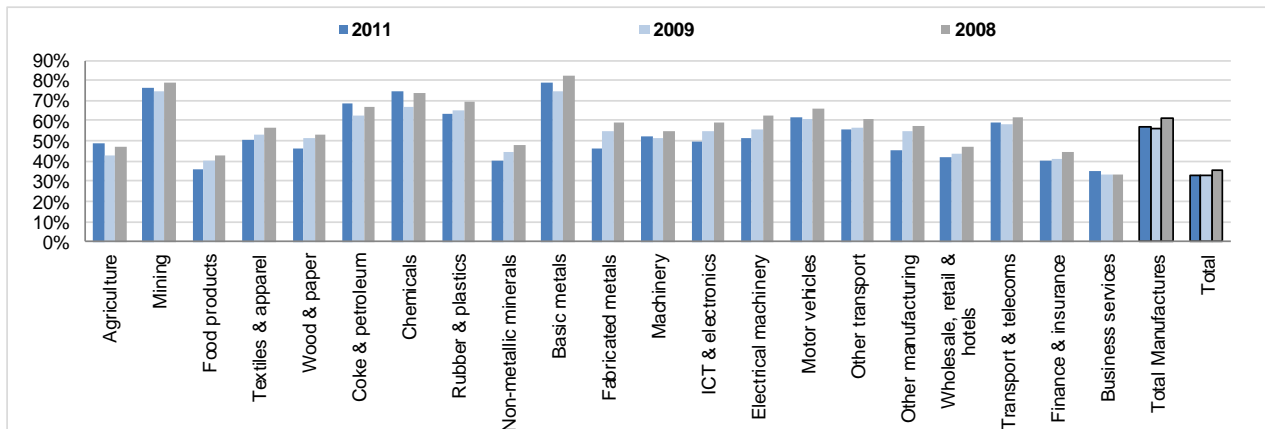
Figure 5. Manufacturing domestic value added in foreign final demand by country
percent of total manufacturing value added, 2008, 2009, and 2011 (left insert = time series for Belgium)



Note: Final demand excludes inventories: See also http://www.oecd.org/sti/ind/TiVA_2015_Guide_to_Country_Notes.pdf
Calculation excludes inventory adjustments.

At the total economy level, nearly one-third (33.1%) of Belgium's domestic value added was driven by foreign final demand, but significant differences exist across industries. Basic metals (78.8%) and Mining (76.2%) had the highest level of export orientation in Belgium, with the lowest shares in Business services (35.1%) and Food products (36.1%) (Figure 6).

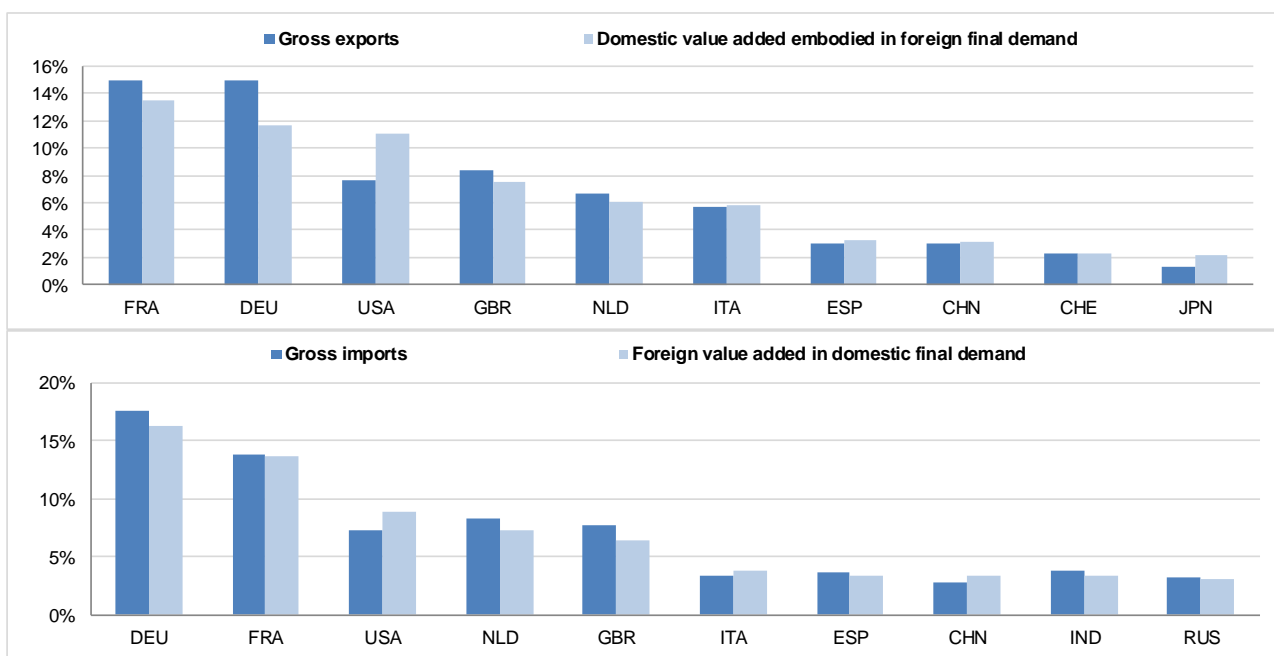
Figure 6. Belgium's domestic value added in foreign final demand
percent of value added by industry, 2008, 2009, and 2011



Note: Final demand excludes inventories: See also http://www.oecd.org/sti/ind/TIVA_2015_Guide_to_Country_Notes.pdf

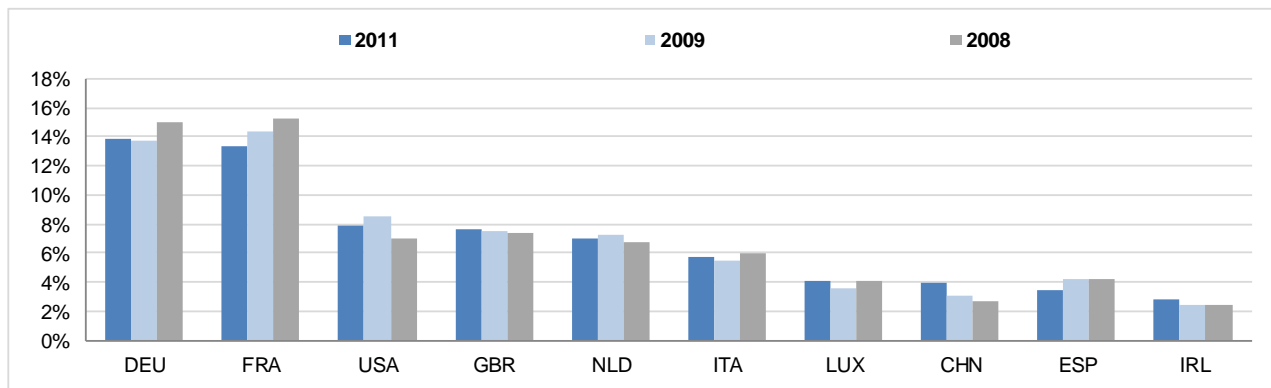
In value-added terms the United States as both a destination of Belgian exports and source of Belgian imports is significantly higher than in gross terms, with the importance of France, Germany and the United Kingdom correspondingly reducing in importance. Italy and China are both more important sources of imports in value-added terms, pointing in part to Chinese and Italian value-added embodied in downstream countries' exports to Belgium (Figure 7).

Figure 7. Belgium's exports to and imports from main partner countries
percent of total gross and value added exports and imports, 2011



In recent years an increasing share of Belgium's exports of value-added in intermediates has been to the United States and China, with corresponding declines in exports to France and Germany, (Figure 8).

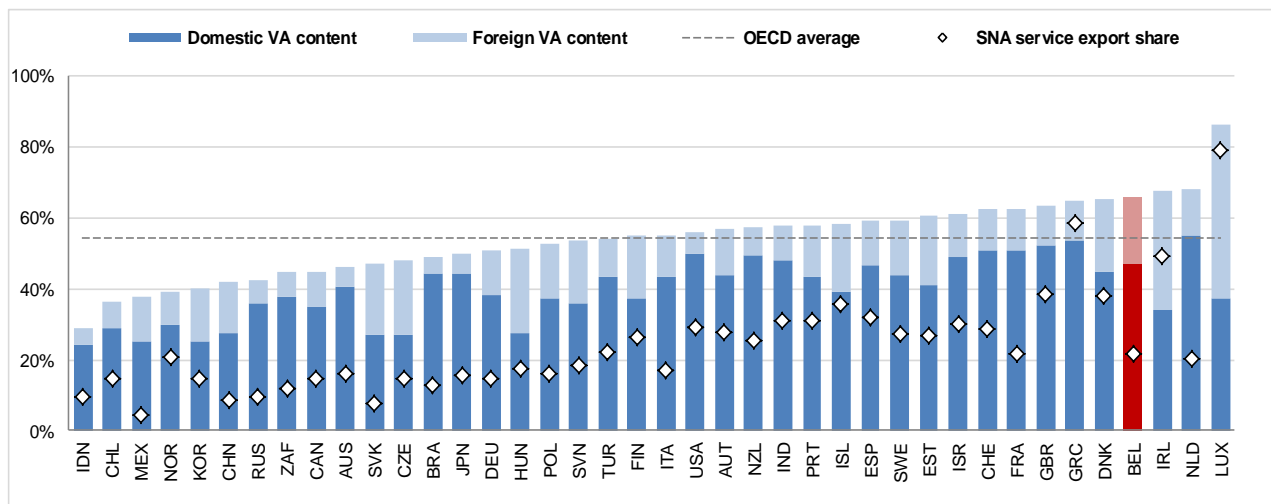
Figure 8. Belgium's domestic value added embodied in intermediate exports to main partner countries
percent of total intermediate exports, in value added terms, 2008, 2009, and 2011



The importance of services

In 2011 the service sector's share of total exports of domestic value added in Belgium was 65.8%, significantly above the OECD average of 54.3%, with over one-quarter provided foreign services (Figure 9).

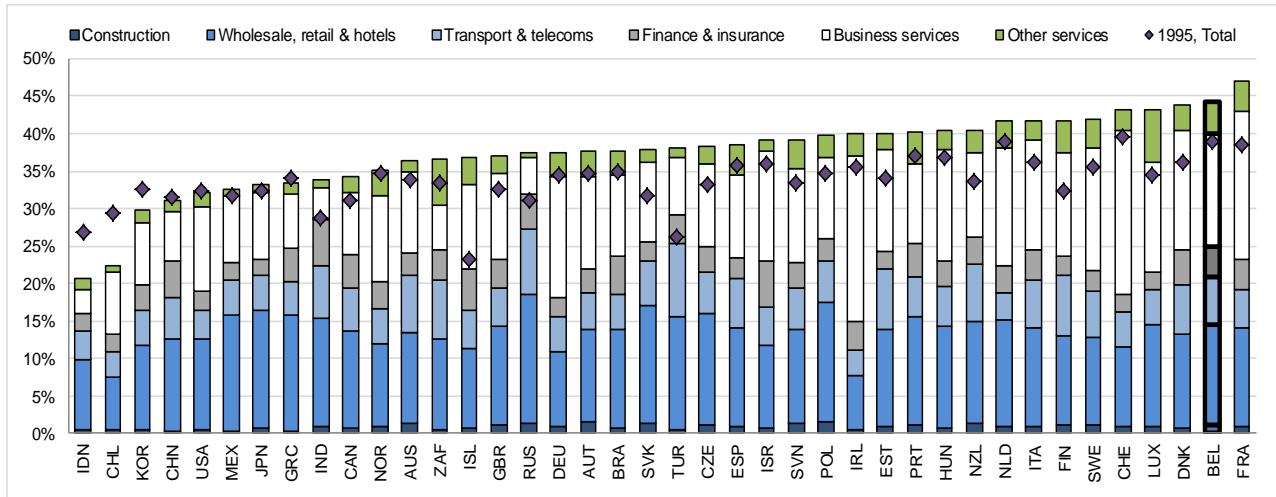
Figure 9. Services content of gross exports by country, gross and value-added terms
percent of total gross exports, 2011



Note: SNA services export shares include re-exports in the denominator, and include any actual differences in free on board and basic prices (the distribution margin provided by resident distributors to resident exporters) in goods.

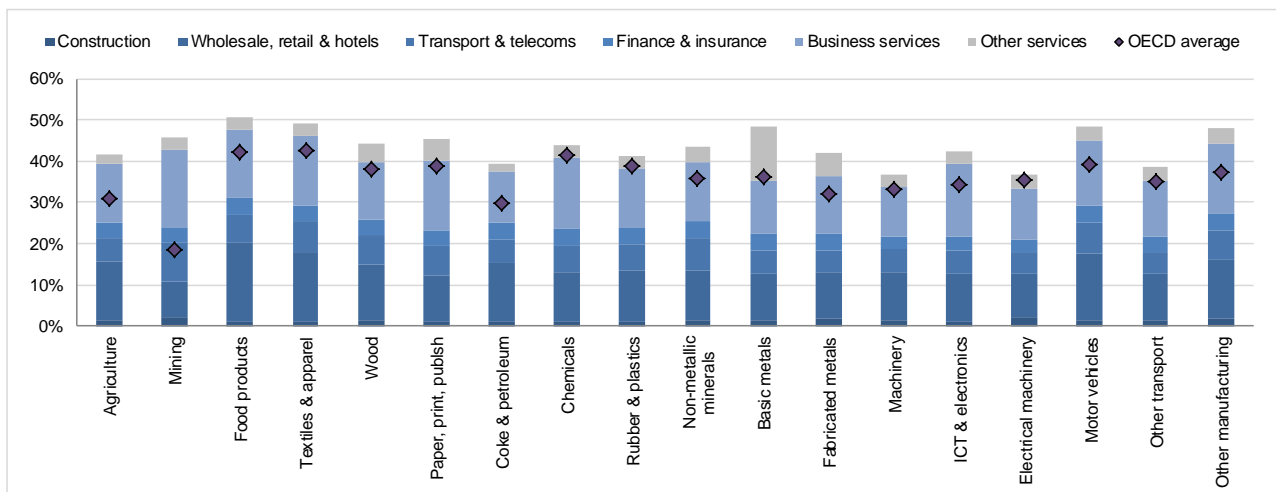
As for exports of manufactured goods alone, 44.3% of the total value reflected services sector value-added, the second highest in the OECD and above the OECD average (36.9%). Of this share, Business services sector accounted for 15.1 percentage points, Wholesale, Retail & Hotels (13.4 pp, and Transport & Telecoms, 6.3 pp).

Figure 10. Services value added embodied in manufacturing exports, by country, percent of total gross exports, 1995 and 2011



At the individual sectoral level, the services content of exports was above the OECD average in all industries, with rates close to 50% in Food products (50.8%), Textiles & Apparel (49.1%) and Basic metals (48.4%) (Figure 11). In 2011, the business services industry was the most important source of services value added embodied in manufacturing exports in 2011.

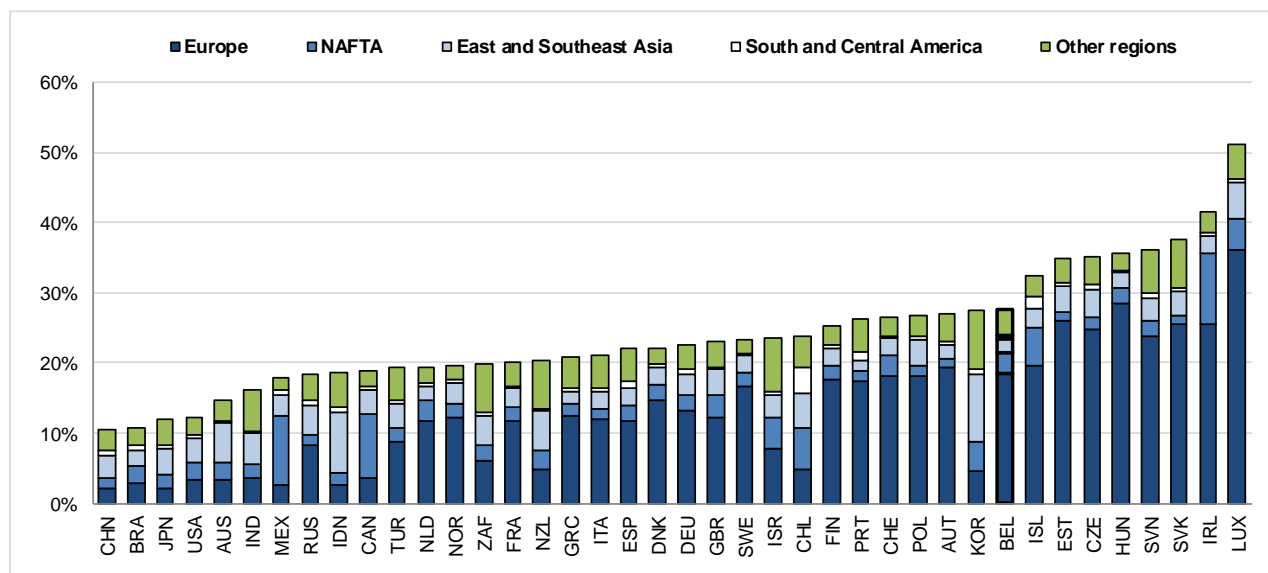
Figure 11. Belgium's Services content of gross exports, by exporting industry and service category percent of gross exports by industry 2011



The origin of domestic consumption

In 2011, 27.5% of Belgium's total final domestic consumption reflected foreign content, of which Europe contributed 18.6 percent points, NAFTA 2.9 pp, East and Southeast Asia 1.9 pp, South and Central America 0.5 pp and with 3.6 pp from other regions (Figure.12).

Figure 12. Foreign value added content of domestic consumption by country
by source region, 2011



Further Information

The information included in this note is based on the 2015 edition of the Trade in Value Added (TIVA) database.

» Access the data at <http://oe.cd/tiva>

» Please contact us with your questions at tiva.contact@oecd.org