

TRADE IN VALUE ADDED: BELGIUM

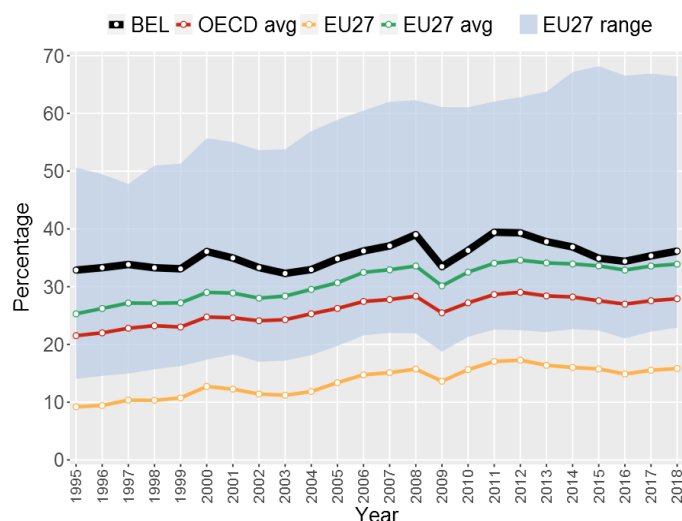
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Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Belgium, with a view to informing policy making for a range of areas including trade, innovation, and investment.

Key findings

- ▶ The foreign content of Belgium’s exports decreased between 2008 and 2018 but remained at a high level in 2018 (36.2%), above the OECD average of 27.9% (Figure 1). *Chemicals and pharmaceuticals*, which accounted for about 16% of Belgium’s gross exports in 2018, was the industry contributing the highest foreign content to total exports (6.4%), highlighting the importance of imports for exports (Figure 3b).
- ▶ High shares of Belgium’s domestic value added are driven by foreign final demand. For example, 94.3% of the value added of the *Motor vehicles* industry is for final consumers abroad (Figure 2). The share of domestic final demand is higher than foreign final demand in only two services activities, *Accommodation and food services* and *Finance and insurance*.
- ▶ While France, Germany and the Netherlands were Belgium’s largest export markets in gross terms in 2018, the United States was the second largest final destination for Belgium’s value added (Figure 5), illustrating the role of European value chains in serving final consumers outside the EU.
- ▶ Services accounted for 65.4% of Belgium’s gross exports in 2018 - significantly above the OECD average of 55.7% (Figure 7). This high services content came both from direct exports of services (e.g. *Other business services*, accounting for 10% of gross exports in 2018) and indirect exports of services embodied in goods. In 2018, the services content of manufactured exports was 41.3% (Figure 7).

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



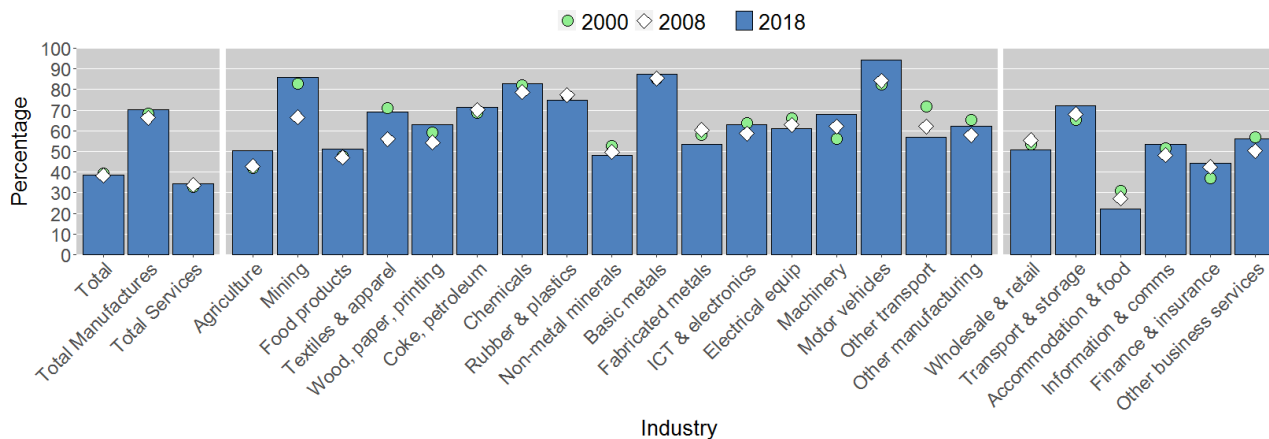
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Belgium’s exports is estimated to have decreased from 39% to 36.2% - above the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 2.9 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 38.5% of Belgium's domestic value added was driven by foreign final demand, up from 38.3% in 2008. By industry, the shares ranged from Motor vehicles (94.3%) and Basic metals (87.3%) at the higher end to Accommodation and food services (22%) at the lower end.

Figure 2. Belgium - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were Coke and refined petroleum products (72.9%), Motor vehicles (59.5%) and Basic metals (52.1%). Other business services generated the greatest source of domestic value-added content of exports in 2018, accounting for 10% of gross exports (Figure 3b), followed by Chemicals and pharmaceuticals (9.8%) and Wholesale and retail trade (8.4%). The most foreign content in total exports came from Chemicals and pharmaceuticals (6.4%).

Figure 3a. Belgium - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

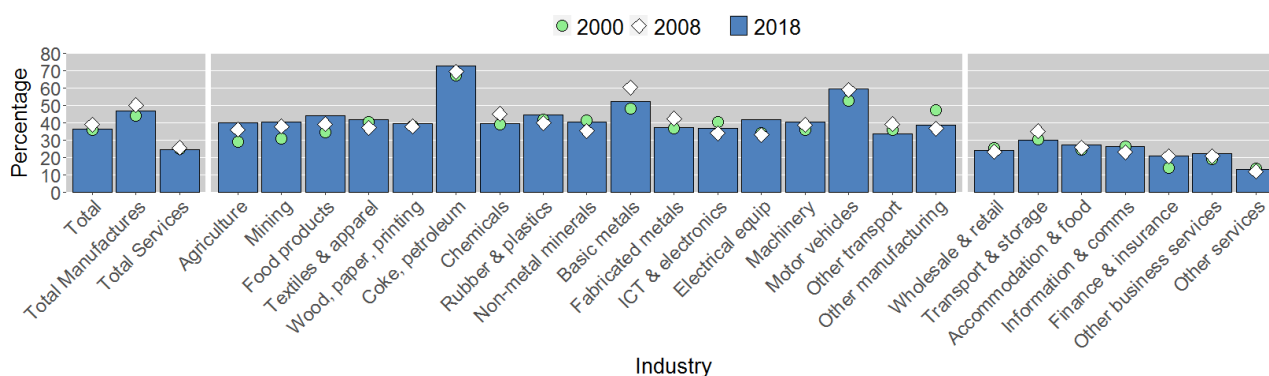
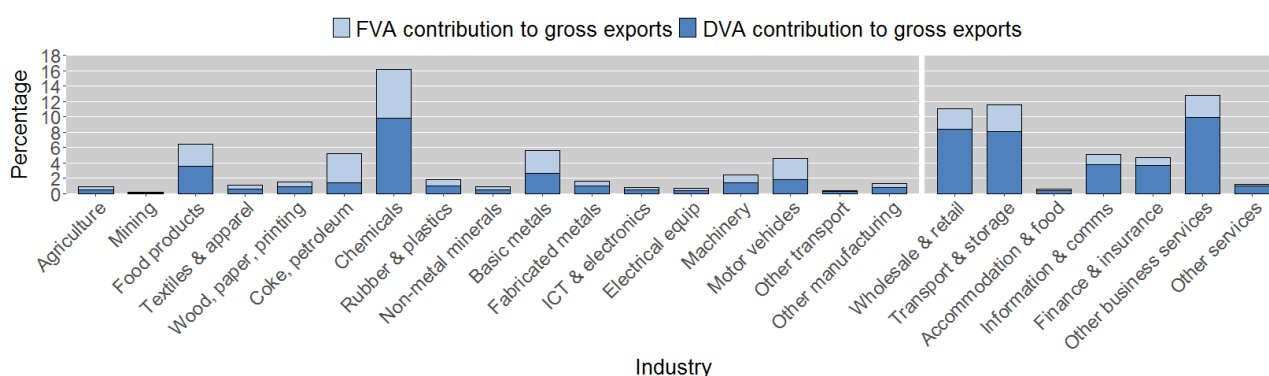
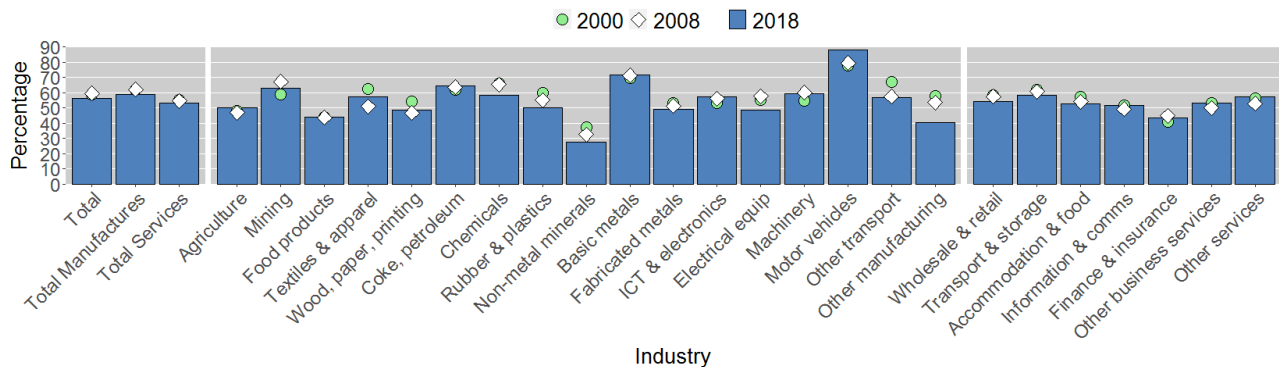


Figure 3b. Belgium - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Belgium's imports of intermediate goods and services in 2018, 56.3% was subsequently embodied in exports, above the OECD average of 47.9%, and below the share in 2008 (59.4%). The originating industries with the highest shares of intermediate imports used in Belgium's exports were *Motor vehicles* (88.1%), *Basic metals* (71.7%), and *Coke and refined petroleum products* (64.6%).

Figure 4. Belgium - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Belgium: international flows of goods and services, main players

In gross terms, France (13.8%), Germany (12.5%) and the Netherlands (10.3%) were the three most important Belgian export market destinations in 2018. The top three final destinations for Belgium's value added were France (12.4%), the United States (10.8%) and Germany (10%).

For imports in gross terms, Belgium's top three partners in 2018 were the Netherlands (14.6%), France (14.2%) and Germany (10.4%), while in value-added terms, the top three were France (13%), Germany (10.7%) and the Netherlands (10.7%).

Figure 5 Belgium - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

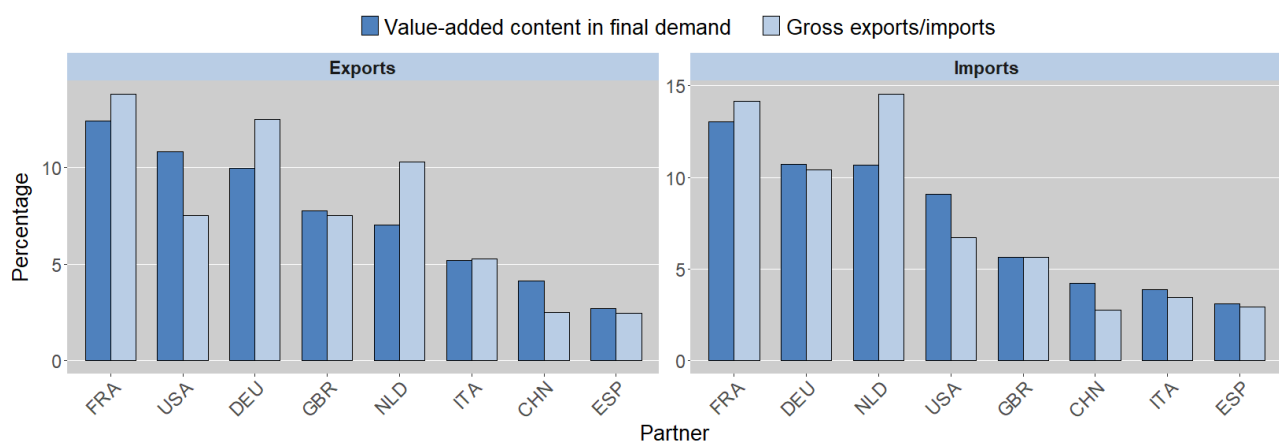
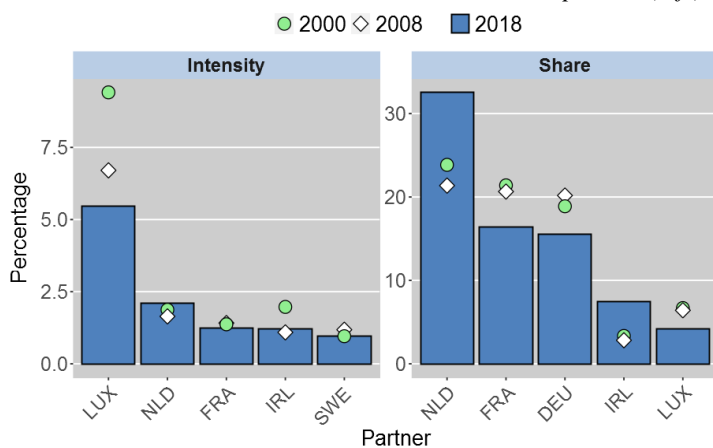


Figure 6. Belgium's domestic value-added content of manufactured imports, top 5 partners
As a share of total Belgium's value added embodied in Belgium's imports (right) and as a percent of total imports by partner (left)



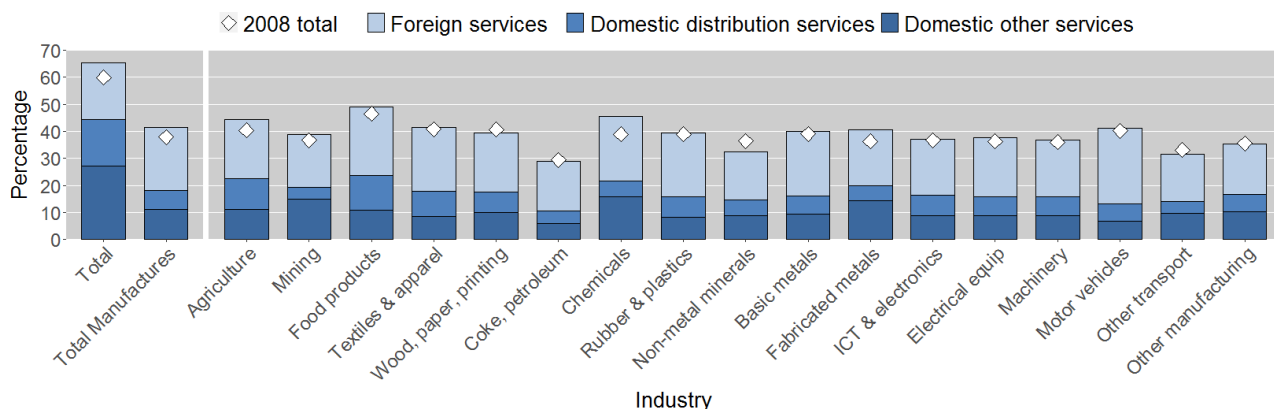
In 2018, the highest shares of Belgium's domestic value added embodied in Belgium's manufactured imports (Figure 6, right) came from the Netherlands (32.5%), France (16.4%) and Germany (15.5%).

The trading partners with the highest shares of Belgium's value added in their exports of manufactures to Belgium (Figure 6, left) in 2018 were Luxembourg (5.5 %), the Netherlands (2.1 %) and France (1.2 %).

The importance of services in international trade

Services are a major contributor to Belgium's economy, accounting for 65.4% of Belgium's gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. Foreign services contributed 21.1% to the value of total gross exports. For manufactures, services value-added content was 41.3% of gross exports, with the highest shares in Food and beverages (49%), Chemicals and pharmaceuticals (45.5%) and Agriculture, forestry and fishing (44.3%).

Figure 7. Belgium - services content of gross exports
As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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