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## PRESS RELEASE

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### **The Belgian economy in global value chains An exploratory analysis** (Article for the September 2013 Economic Review)

With the development of transportation methods, advances in information and telecommunications technologies, and lowering of customs barriers, international trade has exploded in recent decades. The exchange of goods continues to account for the lion's share, even though, paradoxically, service activities dominate the economy. Most firms rely on imported inputs for their production activities. This trend reflects the fact that the activities and tasks comprising the production chain have been divided into successive links. Over time, these links have grown more fragmented and formed a complex network of international relations, thereby helping to break down the walls between individual economies.

While these trends have been observed for many years now, until recently it was impossible to precisely gauge their extent due to the lack of a suitable statistical tool. This obstacle has now been partially overcome, notably thanks to the work of the OECD/WTO that we use in this article. To do so, national input-output tables, which reflect the economies' production structure, were linked together with the help of foreign trade statistics. In a context where exports contain a significant portion of imported inputs, the statistics on global value chains make it possible to distinguish the domestic value added created during the process of production for export. Despite certain weaknesses and limits, these data offer the great advantage of incorporating domestic production and foreign trade into a coherent framework, and in so doing shed new light for the purposes of economic analysis.

After first describing the key elements used to create this database, the article presents some exploratory results for the Belgian economy. With the port of Antwerp, notably, Belgium acts as a trading hub for the exchange of goods between the European economies and the rest of the world. Such imports and subsequent exports boost the exchange of goods, which partly explains their prevalence in foreign trade.

Furthermore, in the course of their production activities, including those intended for export, companies incorporate not only their own value added generated by their factors of production, but also domestic inputs from other branches of the economy, as well as inputs from abroad. Exports from the manufacturing industry in particular rely to a large extent on intermediate services. Throughout the process of dividing up the value creation chain internationally, certain services thus prove to be closely linked in the production and international exchange of industrial goods. As such, they are a key component in an economy's external competitiveness.

Lastly, the article assesses the relative importance of European countries in general, and neighbouring countries in particular, in terms of their role as outlets for Belgian industrial exports. It appears that Belgian exports to neighbouring countries are in turn used as inputs in production destined for more far-flung markets. In this respect, an analysis of the value chain is a useful tool for putting conventional studies of export performance or industrial decline into a broader perspective. Apart from the insights that emerge from this exploratory use of the new data, some potential avenues for future research and analysis are presented in the conclusion.