Characteristics and development of Belgium's foreign trade

W. Melyn[1]

Introduction

Belgium's economic development and prosperity are largely based on transactions with neighbouring countries, and more generally on those with the rest of the world. Owing to the small size of the Belgian economy and the limited availability of raw materials, Belgium has to import on a large scale in order to obtain goods and services which are not available at home or which can be produced more cheaply abroad. Conversely, Belgium exports a large proportion of its output, so that it can finance its imports and take advantage of economies of scale.

In the last twenty-five years, international trade has undergone radical changes, notably owing to the globalisation of the economy and the emergence of new markets and new competitors. This article explains the principal changes in the international context and examines how Belgium's foreign trade has behaved in that altered context.

The article is in three parts which reflect the main stages in the analysis. The first part discusses the characteristics of globalisation and its influence on the development and structure of foreign trade. The second part contains an analysis of the main characteristics of Belgian foreign trade, focusing principally on the export side. The third part presents the results for Belgium in terms of movements in the balance of trade and shares of foreign markets. Those results can be used as the basis for examining how Belgium has responded so far to the growing integration of the world economy. In the process, the development of Belgium's foreign trade is compared with that of neighbouring countries, because – apart from their monetary policy – those countries have a considerable number of common economic characteristics.

An additional stage in the analysis would consist in explaining these results by linking them to the factors determining competitiveness. Here it is important to point out that, as a result of the structural changes in the world economy, the competitiveness of an economy can increasingly be defined as its capacity to create and maintain a favourable environment for the development of its prosperity, beyond maintaining its position in international trade. In consequence, the factors to be taken into account have been extended, going beyond the mere comparison of prices and costs with those of trading partners. The selection of appropriate indicators, e.g. in the field of innovation or the business environment, is still under discussion and many of the data concerned have yet to be collected and harmonised. The factors determining the Belgian economy's competitiveness are therefore not addressed in this article.

1. Structural developments in international trade

1.1 Globalisation and international trade

International trade in goods, indicated in this part of the article by the average development in import and export flows at constant prices, expanded sharply in the period 1975-2002, growing at an average rate of 5.6 p.c. per annum. In contrast, world output measured in terms of GDP showed an average annual increase of only 2.9 p.c. over the same period. It is mainly since the second half of the 1980s that the expansion of international trade has outstripped the rise in output.

The fact that international trade is growing faster than output reflects the increasing globalisation of the economy, which also features the strong expansion of international capital movements and international migration.

The increasing globalisation can be explained by a number of fundamental changes in the world economy. First, barriers to the free movement of goods have been reduced by the conclusion of free trade agreements, and capital movements have been liberalised. In addition, the technological progress achieved in recent decades, particularly in transport and telecommunications, has stimulated international trade by reducing transaction costs and by promoting the exchange of information and the mobility of persons and goods. Finally, keener international competition has prompted firms to take advantage of economies of scale by expanding their outlets.

The more efficient allocation of the factors of production – a result of the globalisation of the economy – has been beneficial in boosting both productivity gains and world income. It has also led to fragmentation in the creation of added value in the production process. As a result of this fragmentation, the final output is currently derived from a number of successive phases in the production process in various entities, rather than production in a single entity as used to be the case. Such a production process is common in the manufacturing industry, e.g. in the motor vehicle sector, but is also increasingly seen in the services sector, where it takes such forms as remote data processing for the purpose of business management operations (accounting, administration, distribution) or customer services (call centres). The fact that international trade in goods is growing faster than world production should also be considered from this perspective, as imports and exports are calculated on the

INTERNATIONAL TRADE IN GOODS AND WORLD GDP

(Indices 1975 = 100, at constant prices)
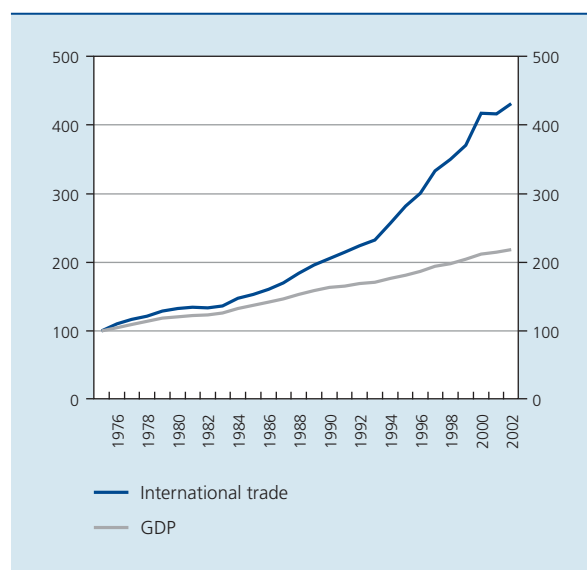
Sources : OECD, World Bank.

basis of gross flows between production entities which are usually located in different countries. In contrast, the final output is calculated on the basis of the sum of the value added in each production entity.

International trade in goods is concentrated mainly in the industrialised countries, since in 2002 the OECD countries accounted for just over 71 p.c. of total world trade. The international trade of the United States represented almost 15 p.c. of the total, and that of Japan came to nearly 6 p.c. The euro area is the biggest trading region with just over 29 p.c. of the total, if transactions between euro area countries are taken into account. Disregarding those transactions, the euro area's share is comparable to that of the United States. While international trade grew faster than GDP in each region during the period from 1975 to 2002, there were nevertheless some variations between regions. In the United States and the euro area, foreign trade expanded most strongly in relation to output, namely by a factor of 2.2 to 2.3. In Japan and in the non-OECD countries, on the other hand, the relative expansion of foreign trade was less marked.

TABLE 1   DEVELOPMENT AND GEOGRAPHICAL STRUCTURE OF INTERNATIONAL TRADE IN GOODS [1]

	Development (annual average growth percentages 1975-2002, at constant prices)			Geographical structure (percentages of the total in 2002, at current prices)	
	International trade	GDP	Ratio	International trade	GDP
World	5.6	2.9	1.9	100.0	100.0
OECD countries	5.8	2.8	2.0	71.3	81.4
of which :					
Euro area	5.4	2.3	2.3	29.4	20.6
United States	6.9	3.2	2.2	14.7	32.1
Japan	4.8	2.8	1.7	5.7	12.4
Non-OECD countries	5.1	3.5	1.5	28.7	18.6

Sources : OECD, World Bank.
(1) Average of imports and exports.

## 1.2 Structural developments in international trade

THE GROWING IMPORTANCE OF MULTINATIONAL ENTERPRISES

The fragmentation of the production process is driven mainly by the multinational enterprises, which want to organise their production process in the best possible way in an increasingly competitive environment. In order to take maximum advantage of economies of scale and optimise their cost structure, these enterprises create new entities or acquire control over firms based in other countries. Foreign direct investment plays a key role here. The desire to have a presence on important markets, or on growth markets, may also provide an incentive for investing directly in foreign countries.

Foreign direct investment may act as a catalyst for foreign trade or it may inhibit it. The net effect is not certain in advance, and depends among other things on the objective of the direct investment : fragmentation of the production process among various entities, or relocation of production closer to the sales market. In any case, both foreign trade and foreign direct investment have expanded considerably in the past two decades, despite a steep decline after 2000, the year in which investment and the stock market bubble reached their peak. Thus, between 1980 and 2002 the expansion of foreign direct investment, which increased by a factor of 12, far out-paced the expansion of international trade, which grew by a factor of 3.5.

In recent decades, multinationals have greatly increased their share in international trade. According to estimates by UNCTAD, in the second half of the 1990s those enterprises accounted for roughly two-thirds of all world trade [1].

CHART 2   FOREIGN DIRECT INVESTMENT AND INTERNATIONAL TRADE IN GOODS [1]

(Indices 1980 = 100, at current prices)

— Foreign direct investment
— International trade
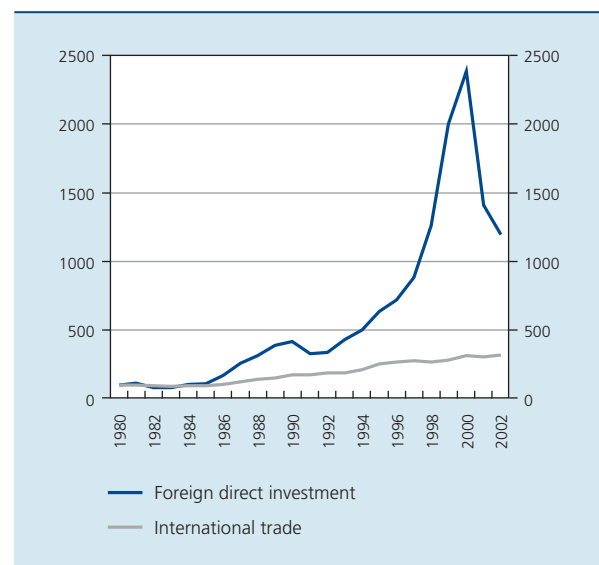
Sources : OECD, UNCTAD.
(1) Average of imports and exports.

(1) UNCTAD (2002).

GROWING INTRA-INDUSTRY TRADE

The increasing internationalisation of production is triggering a strong expansion in international intra-industry trade, which means that products of the same type are imported and exported. A yardstick for the growing importance of this type of international trade is the Grubel-Lloyd index. This indicates the extent to which the product structure is the same on the import side and on the export side.

Since the early 1960s, that index has risen significantly in the industrialised countries. Since the 1990s, international intra-industry trade has represented on average around 72 p.c. of trade in the manufacturing industry of the euro area and the United States, against an average of just around 55 p.c. in the 1960s. In Japan, intra-industry trade accounts for a smaller share of foreign trade, although it does represent almost 60 p.c. In the euro area, Belgium, the Netherlands and France have the highest percentage of international intra-industry trade, and Germany is in an intermediate position.

THE CHANGING PRODUCT STRUCTURE OF INTERNATIONAL TRADE

If the product structure of international trade in goods in 1980 is compared with that in 2002, it is apparent that the share of the total represented by manufacturing industry products has increased substantially, namely from 59 p.c. to 83 p.c. That growth is due to the fact that the prices of manufacturing industry products have risen more sharply than those of agricultural products, food

TABLE 2   INTERNATIONAL INTRA-INDUSTRY TRADE IN MANUFACTURING INDUSTRY [1]

(Percentages of total foreign trade of manufacturing industry)

	1961-1970	1991-2000	2001
Euro area [2]	52.6	71.6	73.7
Germany	54.6	76.5	76.7
France	76.4	86.5	85.6
Netherlands	78.5	87.9	87.4
BLEU/Belgium	73.4	85.4	88.9
United States	57.4	71.8	71.8
Japan	34.8	50.0	58.0

Sources : OECD, NBB.
(1) Grubel-Lloyd index.
(2) Non-weighted average of international intra-industry trade of the twelve euro area countries.

TABLE 3   WORLD TRADE IN GOODS : STRUCTURE PER PRODUCT CATEGORY [1]

(Percentages of total trade in goods, average imports and exports at current prices)

	1980	2002
Agriculture, food and raw materials	41.0	17.0
of which :		
Energy	23.7	7.7
Manufacturing industry products . .	59.0	83.0
Chemicals	7.3	10.1
Manufactured goods classified chiefly by material	16.3	13.6
Machinery and transport equipment	24.8	42.3
Other	10.7	17.0
Total	100.0	100.0

Source : UNCTAD.
(1) The classification in product categories is based on the SITC nomenclature (see Annex).

and raw materials, and primarily to the strong expansion of the product category covering "machinery and transport equipment". The fact that international trade in this last category has grown strongly in relative terms is due partly to the expanding trade in parts and components which plays an important role in this product category. Detailed figures reveal that the increase in trade in manufacturing industry products was most marked in the case of products with a high technological content, which may be explained by the higher income elasticity of demand and the greater potential for product innovation and productivity growth in the case of these products.

In addition, the share of services in total international trade has risen from just under 17 p.c. in 1980 to almost 20 p.c. in 2002. The expansion of trade in services is attributable partly to the growing importance of the production and consumption of services. In addition, technological progress has also encouraged trade in services by making it possible for large and constantly growing volumes of data to be transferred rapidly at ever lower cost. This progress was of decisive importance in financial services, for example. Technological developments have also fostered trade in services, as firms have tried to spread the associated fixed costs by extending their geographical market beyond their national borders. Finally, the growth of foreign trade in goods has also led to more international trade in a number of services, particularly transport and financial services. However, this article focuses mainly on trade in goods.

GROWING IMPORTANCE OF INTRA-REGIONAL TRADE

The growth of international trade in goods during recent decades was also accompanied by the expansion of intra-regional trade. A large and ever growing proportion of international trade takes place between, and principally within, a number of regional blocs, more particularly the European Union, North America and South-East Asia. Roughly two-thirds of all international trade takes place between and within these blocs, mainly as a result of formal regional trade agreements which were concluded particularly during the 1980s. In addition, geographical proximity, economies of scale and the growth of foreign direct investment play a key role within the blocs.

Since the 1980s, trade within the European Union has been encouraged by such factors as the accession of Spain and Portugal in 1986, and by the gradual implementation of the internal market. Monetary union could provide a further impetus for trade between the euro area countries. According to the economic literature, monetary integration has an impact on international trade via three channels: cost reductions resulting from the abolition of the different currency units (simpler accounting, lower transaction costs, etc.), the elimination of the risks associated with nominal exchange rate fluctuations and greater price transparency. Empirical studies on the subject conclude that the net effect of these three factors on trade within the euro area is positive, but the results vary widely, ranging from an increase of 5 p.c. to 50 p.c. in the case of imports[1]. According to these studies, a positive effect is already apparent, but the full effect will only be seen in the longer term.

The enlargement of the European Union by ten countries in May of this year could perhaps provide a further stimulus for trade within the European Union. However, these countries had already concluded "Europe Agreements" (Malta and Cyprus in the 1970s, the others in 1991) and thus created free trade zones – mainly for industrial production – with EU countries[2]. These countries have therefore already been opened up to the European markets to some extent. However, it does look as if their trade with the European Union will expand further in the coming years, though when assessing the potential effect on foreign trade it must be remembered that their markets are rather small in size.

1.3 Implications for the analysis of international trade

The structural developments in international trade have implications for the analysis of foreign transactions and for the assessment of a country's competitiveness.

First, when analysing the movements in the volume of trade in goods it is preferable to examine at the same time the movements in the volume of imports and exports. That neutralises temporary or structural deviations from the pace of globalisation observed at world level. If the movement in the volume of exports or imports is considered on its own, that can lead to biased, and in some cases even erroneous, conclusions.

In addition, owing to the increasing segmentation of production, the short-term pattern of a country's foreign trade will be less affected by temporary fluctuations in cost and price factors, such as the relative costs of labour or the exchange rate. Recent research has indicated that this phenomenon is most common in high-technology sectors and in the core countries of the euro area[3]; furthermore, the high level of re-exports in Belgium and the Netherlands seems to make exports less price-elastic in those countries[4].

2. Belgium's foreign trade

2.1 General importance of foreign trade for Belgium

The tendencies characterising the development of world trade in recent decades are also largely found in the foreign trade of Belgium and of the euro area, as both form an integral part of world trade.

Over the period 1980-2003 the volume of Belgium's foreign trade[5] grew by an annual average of 4.2 p.c., far outpacing the 1.9 p.c. increase in economic activity. Nevertheless, the expansion of Belgium's foreign trade was the weakest of the euro area countries, where the average growth rate was 4.8 p.c.

A number of factors account for this divergence in dynamism compared to the euro area. First, the average rate of economic growth in Belgium during that period, at 1.9 p.c., was lower than that of the euro area where it came to 2.2 p.c.; part of the reason was that Spain, Portugal and – above all – Ireland were making up lost ground, but it was also due to growth in Belgium lagging behind that in the three main neighbouring countries – Germany, France

(1) EC (2003).
(2) The "Europe Agreements" offer these countries faster access to the EU market than vice versa.
(3) Carlin W., Glyn A., and J. Von Reenen (2001).
(4) Banco de España (2003).
(5) Average imports and exports of goods and services at constant prices.

TABLE 4

DEVELOPMENT AND GEOGRAPHICAL STRUCTURE OF THE FOREIGN TRADE OF THE EURO AREA [1] [2]

	Development (average annual growth percentages 1980-2003, at constant prices)			Geographical structure (percentages of the total in 2003, at current prices)	
	Foreign trade	GDP	Ratio	Foreign trade	GDP
Euro area	4.8	2.2	2.2	100.0	100.0
Germany [3]	4.4	2.3	1.9	28.6	29.4
France	4.6	2.0	2.2	15.6	21.4
Italy	4.3	1.8	2.4	13.0	17.9
Netherlands	4.7	2.3	2.1	10.6	6.3
Spain	7.6	2.8	2.8	8.6	10.2
Belgium	4.2	1.9	2.2	8.6	3.7
Austria	4.9	2.2	2.2	4.6	3.1
Ireland	9.4	5.3	1.8	4.0	1.8
Finland	4.8	2.4	2.0	1.9	2.0
Portugal	6.1	2.6	2.3	1.8	1.8
Greece	4.6	1.8	2.5	1.5	2.1
Luxembourg	6.6	4.7	1.4	1.3	0.3

Sources : EC, NAI.
(1) Average imports and exports of goods and services.
(2) Countries are ranked according to the relative size of their foreign trade.
(3) Data for West Germany up to 1992.

and the Netherlands – during the first half of the 1980s. In addition, the integration of the former countries into the European Union also generated a steep rise in international trade, apart from the effects on GDP. Thus, in Spain and Portugal, and furthermore also in Italy and Greece, the expansion of foreign trade in relation to GDP exceeded the average for the euro area. Finally, Belgium – and more generally the BLEU – already had a high degree of openness before 1980.

The openness of the Belgian economy, measured as the ratio between average imports and exports of goods and services on the one hand and final demand on the other, totalled 43.7 p.c. on average during the period 1995-2003. Belgium is in third place among the euro area countries, and also far exceeds the average for those countries, which stands at 24.9 p.c. The degree of openness can be broken down on the basis of the data for trade in services and those for trade in goods. The latter

TABLE 5

DEGREE OF OPENNESS
(Average imports and exports expressed as a percentage of final demand, average for 1995-2003, at current prices)

	Belgium	Ranking within the euro area	Euro area [1]	Germany	France	Netherlands
Total trade	43.7	3	24.9	23.1	20.1	37.7
Services	7.5	4	5.0	4.0	3.4	6.9
Goods	36.2	1	19.8	19.1	16.7	30.8
Euro area	22.5	1	–	8.7	9.4	18.4
Extra-euro area	13.7	3	–	10.4	7.2	12.4

Sources : EC, NAI.
(1) Including trade within the euro area.

can be further subdivided into trade within the euro area and trade outside the euro area.

In the case of foreign trade in services, Belgium has the fourth highest degree of openness of countries in the euro area, at 7.5 p. c, after Luxembourg – where the financial sector is extremely important – Ireland and Austria. In contrast, France and Germany have a very low degree of openness as regards foreign trade in services.

In foreign trade in goods, Belgium has the highest degree of openness of the euro area countries, namely 36.2 p.c. This is because, owing to its central location, Belgium trades on a large scale with the countries of the euro area. However, a number of countries which are more on the outskirts of the euro area, such as Ireland or Finland, have a higher degree of openness than Belgium in the case of transactions with countries outside the euro area.

Since 1980, the expansion of foreign trade in goods and services has almost continuously outpaced the growth of final demand, and that trend persisted in the euro area countries in the second half of the 1990s. In that respect, the creation of the single market evidently acted as a catalyst, since the growth of foreign trade accelerated from 1994 onwards. The degree of openness of the euro area thus increased from 21.7 p.c. in 1980 to 25.9 p.c. in 2003, rising in Belgium from 36.5 p.c. to 45 p.c. over the same period.

2.2 Product structure of foreign trade[1]

If the product structure of Belgian foreign trade in goods is compared at a fairly aggregate level, over the period 1995-2003, it is evident that the percentage of the total represented by agricultural products, food and raw materials (SITC 0 to 4) is rather greater overall than for the three main neighbouring countries and greater than for the euro area. One reason for this is the sale of petroleum products distributed or processed in Belgium.

(1) The classification by product category is based on the SITC nomenclature (see Annex).

Box 1 – Figures for foreign trade in goods according to the national concept

The statistics for Belgian foreign trade in goods are compiled by the NBB for the NAI in accordance with both the Community concept and the national concept. The first concept is based on international standard rules and is used mainly in international publications. The second is determined independently by each country and takes account of the specific characteristics of the country's foreign trade.

For Belgium, the figures according to the national concept are calculated by making a number of adjustments to the figures according to the Community concept. In 2003 the overall adjustment averaged around 20 p.c. of the figures according to the Community concept. The main element of this is the adjustment in respect of transactions across the customs border effected exclusively between non-residents. These transactions, which represent a growing proportion of the total transactions in goods according to the Community concept, are excluded from the figures according to the national concept[1]. That leads to variations between the development of the volumes – and to a lesser extent of the prices – of foreign trade according to the two concepts.

From an economic point of view, the figures according to the national concept offer the best picture of economic reality as regards output and demand in Belgium. They form the basis for compiling the "goods" heading in the balance of payments and the goods transactions in the national accounts.

From January 2004, the NAI has switched to publishing figures according to the national concept, although the Community concept figures are still available. The figures used in this article are the ones drawn up according to the national concept, available from 1995 onwards.

(1) For more information on the method of calculating the national concept, see the articles in the Monthly Bulletin of Foreign Trade, March 2001, September 2002 and January 2004.

TABLE 6 PRODUCT STRUCTURE OF GOODS EXPORTS

(Percentages of total exports by value, averages 1995-2003)

	Belgium	Three main neigh-bouring countries	Euro area
Agriculture, food and raw materials	16.9	14.0	13.7
of which :			
Energy	4.2	2.8	2.6
Manufacturing industry products	83.1	86.0	86.3
Chemicals	20.3	13.6	13.8
Manufactured goods classified chiefly by material	24.3	13.6	16.4
Machinery and transport equipment	29.5	46.5	42.3
Other	8.9	12.4	13.8
Total	100.0	100.0	100.0

Sources : EC, NAI.

In Belgium, as in the other countries of the euro area, manufacturing industry products (SITC 5 to 9) represented the bulk of exports, at roughly 85 p.c. Within this product category, however, there are variations in the specialisation of countries. For instance, Belgium specialises in exporting products made by the chemical industry (SITC 5) and products made by processing raw materials (SITC 6). The diamond trade accounts for about 6 percentage points of the larger share of this last product category in Belgian exports; other products within this category which are relatively significant in Belgium are textile yarn, fabrics and made-up articles, iron and steel and non-ferrous metals. In contrast, the product category covering machinery and transport equipment (SITC 7) is relatively under-represented in Belgian exports, despite the very large percentage accounted for by the motor vehicles industry.

With the exception of raw materials, which are not abundant in Belgium, the structure of Belgium's imports is very similar to that of its exports. As already stated in part 1, Belgium therefore has one of the highest percentages of international intra-industry trade of all the countries in the euro area. Overall, the figures per product category reveal that the total trade balance surplus, averaging an annual 8.3 billion euro over the period 1995-2003, is due principally to chemicals and to manufactured goods classified chiefly by material. Plastics, textile yarn, fabrics and made-up articles made a particularly large contribution to the overall surplus, along with road vehicles, which form part of the machinery and transport equipment category. Their positive

contribution more than offset the deficits, particularly in the other items of the machinery and transport equipment category, in the energy products and in clothing.

If the structure of Belgium's exports is compared in more detail with that of the foreign trade of a reference area, on the basis of some sixty product categories[1], it is possible to identify more precisely which product categories have a positive or negative influence on the course of foreign trade.

This is done by combining two criteria. The first criterion concerns the degree of specialisation of foreign trade and consists in comparing the share of a particular product category in total Belgian exports with that in the imports of a reference area. The difference between the two gives the degree to which Belgium specialises in a particular product category : if the difference is positive, then Belgium specialises in that particular product category. The second criterion concerns the relative dynamism of demand for the various product categories compared to trade in general. A particular product category is called progressive if imports in that category increase faster on average than total imports. In the opposite situation, the product category is regressive.

(1) Based on the SITC nomenclature, 2-digit level.

TABLE 7 PRODUCT STRUCTURE AND TRADE BALANCE FOR BELGIUM PER PRODUCT CATEGORY

(Averages for the period 1995-2003, at current prices)

	Exports	Imports	Trade balance
	(Percentages of the total)		(Billions of euro)
Agriculture, food and raw materials	16.9	21.6	−5.4
of which :			
Energy	4.2	8.1	−5.4
Manufacturing industry products	83.1	78.4	13.7
Chemicals	20.3	16.3	7.6
Manufactured goods classified chiefly by material	24.3	20.6	7.4
Machinery and transport equipment	29.5	30.7	0.6
Other	8.9	10.8	−1.8
Total	100.0	100.0	8.3

Source : NAI.

Box 2 – The importance of diamonds in Belgium's foreign trade

Owing to the key international role of Antwerp as a transit centre, the diamond trade occupies an important position in Belgium's foreign trade. However, this sector is much less significant for value added and employment.

Between 1995 and 2003, Belgian imports and exports of diamonds represented, on average, 6.1 and 6 p.c. respectively of the total value of imports and exports. During that period, the trade balance fluctuated between 33 million euro and 836 million euro.

In general, the annual pattern of the international diamond trade is volatile in terms of both prices and volumes. It can therefore have a considerable impact on the overall foreign trade picture. However, in the medium term these movements generally cancel one another out. Thus, in the period from 1995 to 2003, the large fluctuations in volume evidently offset one another to a large extent, so that they had hardly any influence on total foreign trade. Since the growth of the diamond trade was, on average, relatively comparable to that of trade in general, the pattern of Belgian imports and exports in volume terms over the period 1995-2003 was much the same regardless of whether or not the diamond trade was taken into account. In terms of prices, developments in Belgian imports and exports also offered a relatively similar picture, with or without the diamond trade. The prices used by the NAI are market prices supplied by the Belgian Diamond Council.

INFLUENCE OF DIAMONDS ON BELGIUM'S FOREIGN TRADE

|	Total	Diamonds	Total excluding diamonds
	(Billions of euro, annual averages 1995-2003)		
Value			
Exports	152.7	9.2	143.5
Imports	144.3	8.8	135.5
Balance	8.3	0.4	7.9
	(Indices for the year 2003, 1995 = 100)		
Volume			
Exports	131.3	137.1	131.0
Imports	131.2	135.3	130.9
Coverage rate [1]	100.1	101.3	100.0
Prices			
Exports	116.4	113.5	116.6
Imports	120.1	115.6	120.5
Terms of trade [2]	96.9	98.1	96.8

Source : NAI.
(1) Ratio between exports and imports at constant prices.
(2) Ratio between export prices and import prices.

Analysis at a more disaggregated level (SITC nomenclature 2-digits) clearly reveals the impact of the diamond trade. Over the period 1995-2002, non-metallic mineral manufactures represented on average roughly 7.6 p.c. of the value of Belgium's exports and imports, while they accounted for only 2 p.c. of world trade.

CHART 3   SUMMARY OF THE PRODUCT STRUCTURE EFFECT FOR BELGIUM
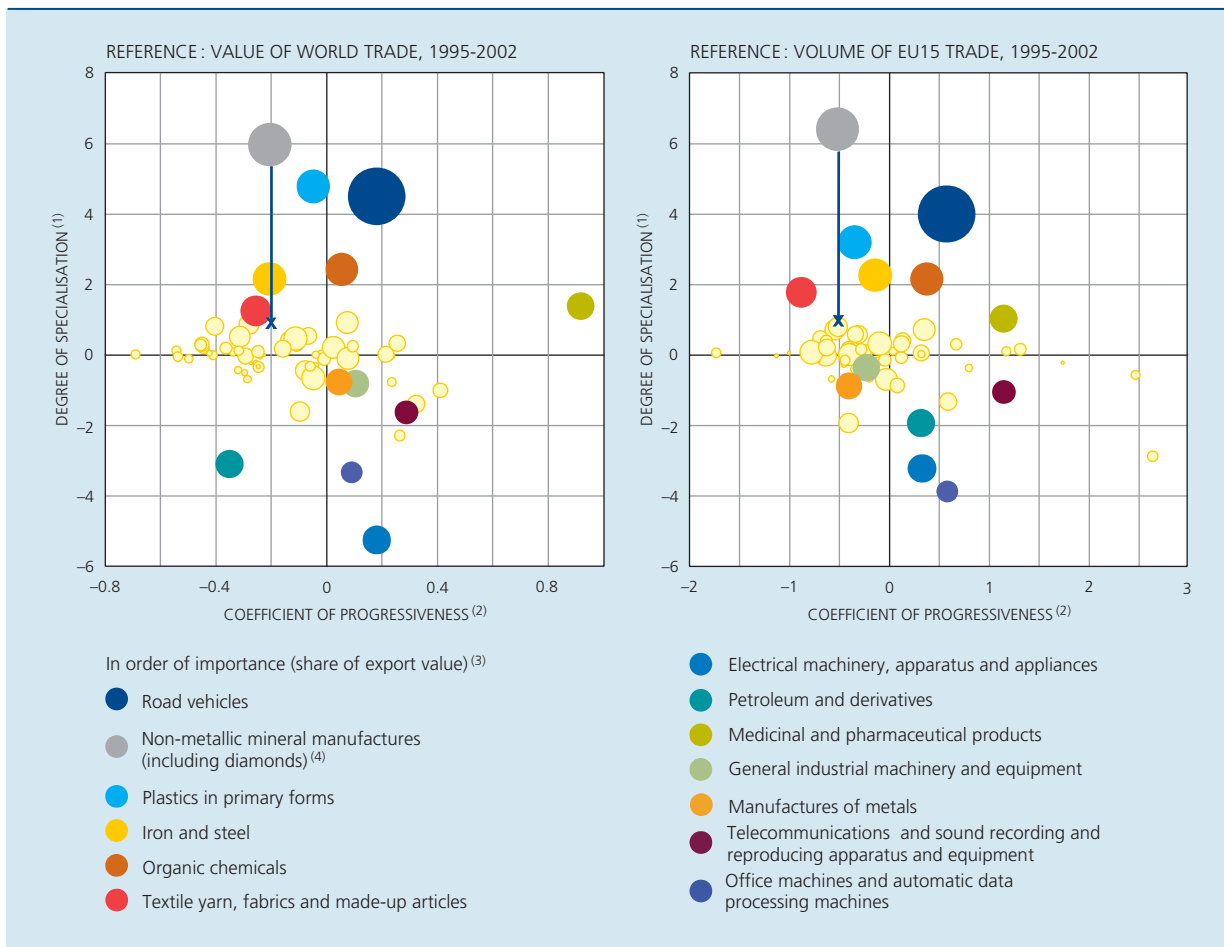
Sources : EC, NAI, UNCTAD.

(1) The degree of specialisation per product category is calculated as the difference between the share of a product category in Belgium's exports and its share in world trade and EU15 imports respectively.

(2) The coefficient of progressiveness per product category is calculated as the relationship, expressed as a percentage deviation, between the growth of the product category and the average growth of all the products in the reference area.

(3) The size of the circles indicates the importance of the product categories in Belgium's total exports.

(4) x : position of the product category non-metallic mineral manufactures, excluding diamonds.

On the basis of the combined results for the two criteria, the product categories can be divided into four classes. The product structure of foreign trade is favourable if exports, in comparison with the reference area, are specialised in progressive product categories and are not specialised in regressive product categories. In the opposite case, the product structure is unfavourable.

Two reference areas were considered for foreign transactions, namely world trade [1] on the one hand, and euro area imports on the other. Since the availability of the data is limited, the figures for the period 1995-2002 had to be expressed in nominal terms for the first reference area but in volume terms for the second. The results for Belgian exports are fairly similar on the basis of the two

reference areas and can be allocated as follows among the four classes :

– specialisation in products for which the markets are progressive (north-east quadrant in chart 3) : around 28 p.c. of exports. This concerns more particularly road vehicles, organic chemicals and medicinal and pharmaceutical products ;

– non-specialisation in products for which the markets are regressive (south-west quadrant) : between 14 and 17 p.c. of exports. Product categories in this class include petroleum and its derivatives if the reference area is taken as world trade, and manufactures of

(1) For statistical reasons, total imports do not tally with total exports at world level. The value of world trade was therefore calculated as the average of the two flows.

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TABLE 8 SPECIALISATION PROFILE OF BELGIAN EXPORTS AND OF THOSE OF THE MAIN TRADING PARTNERS, BY PRODUCTS

(World trade value data / EU15 trade volume data, average weights for the period 1995-2002)

	Belgium	Netherlands	Germany	France	Italy
A. Favourable for export market share					
1. Specialisation in progressive markets					
World trade [1]	28.9	33.1	47.1	46.0	25.7
EU15 trade [1]	28.4	24.1	38.4	43.9	9.2
2. Non-specialisation in regressive markets					
World trade [1]	14.3	19.4	16.4	17.2	10.3
EU15 trade [1]	16.6	16.2	16.5	21.3	10.5
Total					
World trade [1]	43.2	52.5	63.5	63.2	36.0
EU15 trade [1]	45.0	40.3	54.9	65.2	19.7
B. Unfavourable for export market share					
1. Specialisation in regressive markets					
World trade [1]	37.6	26.3	18.4	18.0	37.4
EU15 trade [1]	38.8	30.6	29.7	17.2	52.2
2. Non-specialisation in progressive markets					
World trade [1]	19.2	21.2	18.1	18.9	26.6
EU15 trade [1]	16.3	29.1	15.3	17.6	28.1
Total					
World trade [1]	56.8	47.5	36.5	36.8	64.0
EU15 trade [1]	55.0	59.7	45.1	34.8	80.3

Sources: EC, NAI, UNCTAD, NBB.
(1) Reference area.

metals and general industrial machinery and equipment if the reference area is taken as EU15 trade;
– specialisation in products for which the markets are regressive (north-west quadrant): roughly 40 p.c. of exports. This mainly concerns plastics in primary forms, iron and steel, textile yarn, fabrics and made-up articles;
– non-specialisation in products for which the markets are progressive (south-east quadrant): between 16 and 19 p.c. of exports. These markets concern electrical machinery, apparatus and appliances, office machines and automatic data processing machines, and tele-communications and sound recording and reproducing apparatus and equipment.

Thus, over the period 1995-2002, Belgium's export structure was roughly 44 p.c. favourable and 56 p.c. unfavourable. These calculations were also performed for Belgium's main trading partners. The Netherlands had a relatively similar export structure. In contrast, Italy's was far less favourable: 64 to 80 p.c. of exports are on the unfavourable side. France and Germany had a more

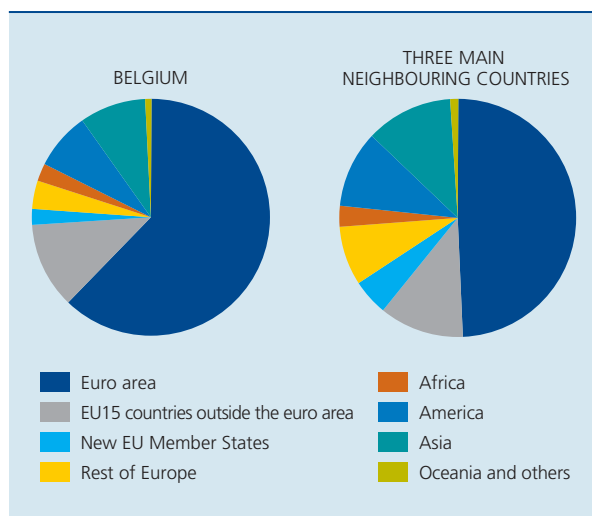favourable product structure, with a positive orientation for around 60 p.c. of exports.

This breakdown gives only a rough indication of the orientation of foreign trade, since it takes no account of the degree of specialisation or progressiveness. In that respect, it is more relevant to examine the impact of product specialisation on the trade results by calculating a product-weighted figure for market growth. The results of such a calculation are discussed in part 3.

2.3 Geographical structure of foreign trade

In terms of geographical structure, Belgium's foreign trade differs from that of the three main neighbouring countries in that transactions with euro area countries represent a higher proportion of total transactions. During the period 1995-2003, that region's share in Belgium's total imports and exports in fact averaged 62.4 p.c., against only 49.4 p.c. for the three main neighbouring countries.

GEOGRAPHICAL STRUCTURE OF FOREIGN TRADE

(Percentages of total foreign trade by value, averages for the period 1995-2003)

BELGIUM

THREE MAIN NEIGHBOURING COUNTRIES

- ■ Euro area
- ■ EU15 countries outside the euro area
- ■ New EU Member States
- ■ Rest of Europe
- ■ Africa
- ■ America
- ■ Asia
- ■ Oceania and others

Sources : EC, NAI.

As regards trade with the major regions outside Europe, a deficit is recorded in trade with Africa and America. In the latter case, this is due mainly to the negative balance of transactions with the United States. The balance is positive for trade with Asia, but negative for transactions with China and Japan. Finally, trade with Oceania and other regions is slightly positive on average.

In general, the trade balance of the three main neighbouring countries is also positive, but not as large in relation to GDP as that for Belgium. This difference is due mainly to the fact that, for those three countries, trade with the euro area made a smaller contribution to the trade surplus, and trade with Asia – alone – produced a negative balance. In contrast to Belgium, on the other hand, the neighbouring countries had a positive trade balance with America, Africa and the EU15 countries not belonging to the euro area.

Almost 50 p.c. of Belgium's total trade is in fact concentrated on these three countries.

The share of the total represented by EU15 countries not belonging to the euro area is comparable for Belgium and its three main neighbouring countries. In contrast, the share represented by all regions outside the EU15 – considered both jointly and individually – is always smaller in Belgium.

The geographical structure of Belgium's foreign trade has remained relatively stable since 1995, though the share of the new EU Member States has more than doubled since then, from 1.2 p.c. to 2.6 p.c. of Belgium's total trade, as these countries are becoming more integrated into international trade. Asia's share has also increased, namely from 8.8 p.c. to 9.8 p.c., mainly because of transactions with India and China. India's share rose from 1.2 p.c. to 1.4 p.c., boosted primarily by the diamond trade. China's share doubled over the period considered, from 0.8 p.c. to 1.6 p.c., partly as a result of that country's strong economic growth.

Belgium's trade surplus, which was running at or around 3.6 p.c. of GDP over the period 1995-2003, is due mainly to trade with European countries, more particularly trade with the countries of the euro area. Trade with the new EU Member States, like trade with the rest of Europe, makes a modest but structural contribution towards Belgium's positive trade balance.

TABLE 9 TRADE BALANCE PER GEOGRAPHICAL AREA

(Percentages of GDP, averages for the period 1995-2003)

	Belgium	Three main neighbouring countries
Total	3.6	2.7
Europe	4.2	2.7
EU15	3.4	2.4
Euro area	3.5	1.5
EU15 countries outside the euro area	−0.1	0.8
New EU Member States	0.4	0.2
Rest of Europe	0.4	0.1
Africa	−0.6	0.2
America	−1.1	0.6
Asia	0.6	−0.8
Oceania and others	0.4	0.1

Sources : EC, NAI.

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3. Belgium's foreign trade results

Belgium's foreign trade results are analysed on the basis of the movement in the trade balance and, in more detail, on the basis of the movement in market shares. The intention is therefore to assess competitiveness in the narrow sense, namely a country's ability to maintain its position in international trade. The broader definition of the term competitiveness covers the capability of a country to keep up with its trading partners in a number of areas which are not confined to international trade but also concern growth and employment, for example, and more generally their prosperity.
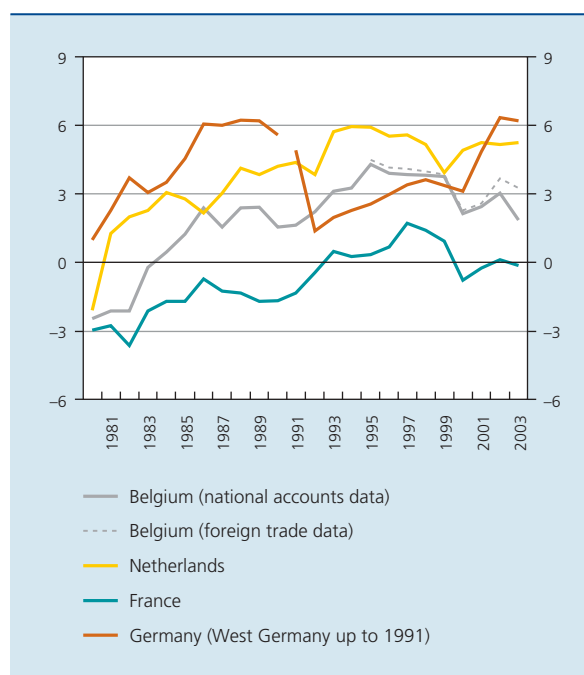
3.1 The development of Belgium's trade balance

The trade balance reflects a country's ability to maintain equilibrium between the value of goods imports and that of goods exports. Movements in the trade balance are influenced by a change in competitiveness, the effects of which may be felt by both imports and exports. However, they are also determined by other factors, such as commodity prices, exchange rates or divergences in the strength of domestic demand in the various countries.

According to the national accounts data, over the period 1980-1995 Belgium's trade balance was converted from a deficit of 2.4 p.c. of GDP to a surplus of 4.3 p.c. of GDP. That improvement was attributable at the beginning of the 1980s to the slower growth of Belgian domestic demand – in comparison with the main trading partners – as a result of the devaluation of the Belgian franc and the associated wage moderation measures. The devaluation and wage moderation also brought an improvement in Belgium's competitiveness, and therefore bolstered the growth of exports and curbed imports. From the mid 1980s, the improvement in the trade balance had more to do with the marked recovery in the terms of trade, caused by the weakening of the dollar and the fall in commodity prices. Since 1995 the trade surplus has been slowly declining. According to the foreign trade figures, containing the latest information for 2002 and 2003, it dropped from 4.5 p.c. of GDP in 1995 to 3.2 p.c. of GDP in 2003.

The national accounts data reveal that the three main trading partners also saw an improvement in their trade balance over the period 1980-2003. Except in Germany [1], where the effect of unification was a factor, the trends were generally the same as in Belgium. Over the period as a whole, trade produced an annual average deficit of 0.8 p.c. of GDP in France and a surplus of roughly 4 p.c. of GDP in Germany and the Netherlands, higher than the figure of 1.9 p.c. of GDP recorded in Belgium. From 1998

CHART 5 TRADE BALANCE OF BELGIUM AND ITS MAIN TRADING PARTNERS

(Percentages of GDP)

- Belgium (national accounts data)
- Belgium (foreign trade data)
- Netherlands
- France
- Germany (West Germany up to 1991)

Sources : EC, NAI.

to 2003, the various countries recorded an annual surplus of 0.2 p.c. in France, 3.3 p.c. in Belgium and 4.6 p.c. and 4.9 p.c. respectively in Germany and the Netherlands.

The fluctuations in the balance of foreign trade in goods can also be analysed by distinguishing between the movement in the coverage rate in volume, i.e. the ratio between exports and imports at constant prices, and the movement in the terms of trade, or the ratio between export prices and import prices. A residual statistical factor covers such aspects as the level effect and the combined effect of volume and prices. However, such a breakdown takes no account of the interaction between the various factors, as the movement in prices influences the economy's position in terms of competitiveness, and may therefore influence movements in volume.

Over the period 1995-2003, Belgium's net exports of goods declined by 1.2 percentage points of GDP as a result of the very unfavourable movement in prices which was not entirely offset by the positive contribution made by the movement in volume and in the residual component.

(1) Data for West Germany up to 1991.

The very negative contribution made by the movement in prices over the period considered, amounting to 12 percentage points of GDP, is attributable to the deterioration in the terms of trade over the period 1995-2001, caused by the strengthening of the dollar, since the improvement in the terms of trade in 2002, due to the weakening of the dollar, did not entirely compensate for this effect. In 2003 the terms of trade remained virtually unchanged, as the increase in commodity prices offset the effect of the continued weakening of the dollar.

The positive contribution made by the movements in volume, at 1.3 percentage points of GDP, is in turn the outcome of the opposing contributions made by relative domestic demand and other factors, which largely cancelled one another out.

Belgian domestic demand is of decisive importance for the movement in the import volume, while the domestic demand of Belgium's main economic partners determines the volume of Belgian exports. The divergent evolution in both demands is therefore a key factor in explaining the changes in the coverage rate in volume. A comparison between the development in the combined domestic demand of the twenty main trading partners[1] and that of Belgian domestic demand over the period 1995-2003 shows that the difference in growth rates underlies the improvement in the coverage rate in volume. The average growth of domestic demand among the trading partners, which was somewhat higher than 2.2 p.c., was in fact stronger than in Belgium, where the figure was somewhat lower than 2.1 p.c. This difference can be largely explained by the strong growth of domestic demand in the countries outside the euro area and in a number of euro area countries which produced strong growth in the second half of the 1990s, namely Ireland, Luxembourg, Spain, Portugal and Greece.

The other factors which explain the movement in the coverage rate in volume include the product specialisation of output and foreign trade, and competitiveness. Their contribution was negative over the period 1995-2003. That may point to a general loss of competitiveness on the part of the Belgian economy.

Finally, the residual component – which is calculated as the balance – made a strong positive contribution, amounting to 9.4 percentage points of GDP, primarily as a result of the "level effect". That effect is due to the fact that the trade balance is not equal to zero at the beginning of the period being analysed. Given a positive initial balance, as was systematically the case for Belgium over the period examined, the effect of equal growth in the value of imports and exports will be to cause a further increase in the balance.

3.2 The movement in Belgium's market shares

BELGIUM'S SHARE OF WORLD TRADE AT CURRENT PRICES

The results for Belgium's foreign trade can also be examined on the basis of the movement in the Belgian imports and exports as a percentage of total world trade.

On the basis of the OECD figures at current prices, it is evident that during the period 1980-2002 the share of total world trade represented by Belgian exports remained relatively steady at around 3 p.c. In contrast, the share of Belgium's three main neighbouring countries tended to decline over this period. Germany's share fluctuated widely, but only showed a modest fall, from 10.1 p.c. in 1980 to 9.9 p.c. in 2002. On the other hand, France and the Netherlands saw their share decline much more steeply, from 5.9 p.c. to 5 p.c. and from 3.4 p.c. to 2.9 p.c. respectively.

On the import side, the period 1980-2002 brought a decline in the Belgian share of total world trade, down from 3.4 p.c. to 2.9 p.c., and in that of its main neighbouring countries. Germany's share fell from 9.3 p.c. to 7.6 p.c., that of France from 6.6 p.c. to 4.7 p.c., and that of the Netherlands from 4.7 p.c. to 3.5 p.c. For all countries, the fall was more marked than on the export side.

According to the WTO, Belgium was the world's tenth largest exporter and eleventh largest importer in 2002. The biggest exporters were the United States, Germany and Japan; the biggest importers were the United States, Germany and

TABLE 10	CONTRIBUTIONS TO THE CHANGE IN THE TRADE BALANCE AND TO THE COVERAGE RATE IN VOLUME (1995-2003) (Changes in percentages of GDP)
Trade balance	−1.2
Terms of trade	−12.0
Coverage rate in volume	1.3
Difference in domestic demand	4.0
Other factors	−2.7
Residual component	9.4

Sources : NAI, OECD, NBB.

(1) The domestic demand figures are added together according to the weight of the countries in Belgian exports. Altogether, they represented roughly 82 p.c. of Belgian exports over the period 1995-2003.

CHART 6   MARKET SHARES IN TOTAL WORLD TRADE

(Percentages of total world trade by value)
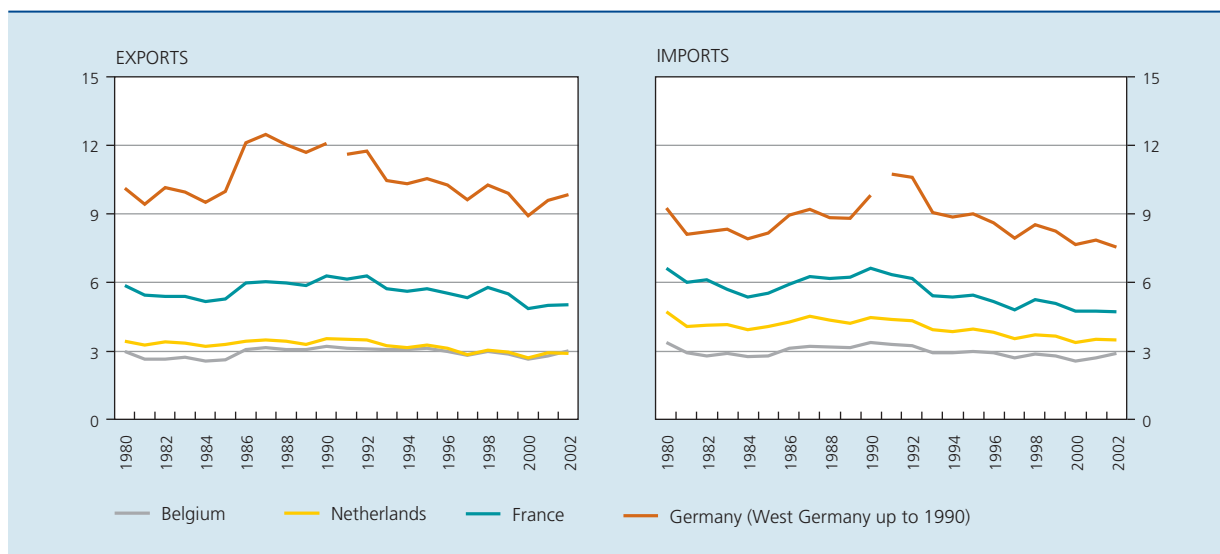
Source : OECD.

the United Kingdom. If the countries are ranked on the basis of world output [1], Belgium comes only 27th with 0.6 p.c. of the total. This illustrates once again the importance of foreign trade in the Belgian economy.

BELGIUM'S SHARE OF FOREIGN MARKETS AT CONSTANT PRICES

The "customer market" approach permits a more detailed analysis of the movement in market shares. It consists in comparing the growth of exports with the growth of the potential markets.

As in most studies of this type, volume data are chosen instead of value data since the former take no account of exchange rate and price movements during the period under consideration [2]. Those movements can in fact distort the analysis since they may also be influenced by factors other than competitiveness. For instance, movements of a speculative nature on the financial markets can trigger sharp exchange rate fluctuations which are liable to affect the movement of market shares in terms of value.

However, in order to obtain reliable figures in volume terms, adequate deflators are needed to neutralise the impact of exchange rate and price movements on the figures in value terms. A comparison of the deflators available at various international institutions in fact shows that there are problems in regard to international comparability, especially in the case of the national accounts figures. The

results obtained on the basis of those data for the movement in market shares must therefore be interpreted with due caution. In an international comparative study it is preferable to use deflators which are methodologically comparable. The foreign trade figures best satisfy that condition and will therefore be used in this article.

The growth of Belgium's potential export market is calculated as the weighted average of the change in the import volumes of Belgium's trading partners. It can be arrived at in two different ways, depending on the structural effects taken into account in the calculations. According to the first method, the weights are assessed on the basis of the share of the trading partners in the total value of Belgium's exports, thus only taking account of the geographical structure of Belgian exports. According to the second method, the weights are calculated on the basis of the trading partners' shares per product category, thus also taking account of the product structure of Belgian exports. While it is generally only the first measure that is used, e.g. for the prediction exercises conducted by the international organisations, this article calculates both.

[1] Percentages of world GDP in 2001, on the basis of purchasing power parities, according to World Bank data.
[2] Bundesbank (2002) and (2003).

The movement in Belgium's market share will be compared with that of its main trading partners in the euro area, namely the Netherlands, Germany, France and Italy.

The first – i.e. exclusively geographically weighted – measure of market growth was calculated on the basis of the European Commission figures for foreign trade for the EU15 countries[1] and the OECD figures for the other trading partners. In the latter case, seven large geographical regions are identified: OECD countries which are not among the EU15, Africa and the Middle East, dynamic Asia, China excluding Hong Kong, other Asian countries, Central and South America, and Central and Eastern Europe. The OECD data were adjusted to make them methodologically as comparable as possible with the foreign trade data for the EU15.

The results show that the development of market growth was fairly similar for Belgium and its trading partners over the period 1995-2002, with a trade-weighted average increase of 34.4 p.c. for the three main neighbouring countries. Belgium's market growth was slightly above that average, at 34.9 p.c., Germany saw the strongest expansion at 35.5 p.c., while growth was weakest in the Netherlands at 32.5 p.c. There were wider variations as regards the increase in the volume of goods exports over the same period. The average increase for the three main neighbouring countries was 39.4 p.c. against only

27.1 p.c. for Belgium, or 27.7 p.c. excluding diamonds. The volume of Germany's exports saw the strongest rise at 49.4 p.c., contrasting with increases of 34.2 p.c. in France and 32.5 p.c. in the Netherlands. Italy had the weakest rise in the volume of exports at 25 p.c.

Over the period 1995-2002, Belgium therefore saw its share of the foreign markets fall by 5.8 p.c., with a maximum cumulative loss of just over 8 p.c. in 1998. Italy's market share contracted even more sharply, namely by 6.6 p.c. between 1995 and 2002. However, the other important trading partners succeeded in maintaining a stable market share, particularly the Netherlands and France, or actually increasing it, with 10.2 p.c. in the case of Germany. On average, the market share of the three main neighbouring countries increased by 3.8 p.c.

As already stated, the second measure of market growth takes account of the influence of not only the geographical structure but also the product structure. The classification used here – in some sixty product categories – was the same as that used to calculate the specialisation structure in part 2. In the absence of sufficient detailed data for the other countries, market growth was calculated solely on the basis of the import volume data for the EU15 countries. These countries represented on average around 75 p.c. of Belgium's exports over the period 1995-2002.

The product structure effect corresponds to the ratio between the two measures of market growth. It is negative if the market growth weighted both geographically and by products is not as strong as the geographically-weighted market growth as such. This means that the export product structure is not sufficiently oriented towards the product markets which grew fastest during the period under consideration.

For Belgium, the product structure effect over the period 1995-2002 was negative, as it was – to an even greater extent – for Italy. In Belgium the cumulative effect was most negative in 1998; after that, it gradually improved. In contrast, in the three main neighbouring countries the product structure effect was positive, as those countries' exports were sufficiently oriented towards the fastest growing product markets. The detailed results reveal that the difference can be explained mainly by the relatively small share of Belgian exports represented by the "Machinery and transport equipment" category (SITC 7). This was one of the fastest growing categories

TABLE 11   MARKET SHARE OF BELGIUM AND ITS MAIN TRADING PARTNERS (2002)

(Geographically weighted market growth in relation to world trade, indices 1995 = 100)

	Volume of export	Market growth	Market share
Belgium			
Total	127.1	134.9	94.2
Total excluding diamonds	127.7	–	94.6 [1]
Netherlands	132.5	132.5	100.0
France	134.2	134.5	99.7
Germany	149.4	135.5	110.2
Three main neighbouring countries [2]	139.4	134.4	103.8
Italy	125.0	133.8	93.4

Sources: EC, CBS, NAI, OECD, NBB.
(1) Calculated on the basis of total market growth (including diamonds).
(2) Trade-weighted average.

TABLE 12   PRODUCT STRUCTURE EFFECT FOR BELGIUM AND ITS MAIN TRADING PARTNERS (2002)

(Market growth in relation to EU15 trade, indices 1995 = 100)

	Market growth (weighted both geographically and by products)	Market growth (geographically weighted)	Product structure effect
Belgium	131.7	132.3	99.5
Netherlands	131.7	127.9	102.9
France	140.4	131.6	106.7
Germany	137.0	134.0	102.3
Three main neighbouring countries [1]	136.8	131.5	104.1
Italy	127.2	129.9	97.9

Sources : EC, NAI, NBB.
(1) Trade-weighted average.

on the export markets. More specifically, the categories which explain the bulk of this difference are office machines and automatic data processing machines, telecommunications and sound recording and reproducing apparatus and equipment, and electrical machinery, apparatus and appliances.

Conclusion

In the last quarter century, the globalisation of the economy has brought a considerable expansion in international trade, which has grown almost twice as fast as GDP over that period. During the same period, international trade has also undergone fundamental changes. Multinationals are now playing an increasingly important role in foreign transactions, intra-regional trade has expanded strongly and new markets and competitors have emerged. These structural changes have culminated in the fragmentation of the value added creation process in the production chain, and that has had an impact on the pattern of international trade.

Belgium has long formed an integral part of the European and global economy, and Belgium's economic development and prosperity are largely determined by its close trading links with other countries. Besides, at the time when the globalisation of the economy was gathering momentum, the Belgian economy already featured a high degree of openness.

Since 1980, Belgium has succeeded overall in maintaining its competitiveness. Though its trade balance was still negative at that time, it soon recovered and has remained positive at around 3 p.c. of GDP since the mid 1980s. In value terms, Belgium's shares of the world market remained relatively stable overall.

However, a more detailed analysis of Belgium's export volume over the period 1995-2002, based on data which had been harmonised as far as possible between the various countries, reveals that Belgium has lost export market shares in comparison with the average of the three main neighbouring countries, and particularly in comparison with Germany. On the other hand, Italy has lost an even larger share of the market. One of the reasons for Belgium's loss of market share, which came to around 6 p.c., is an unfavourable export product specialisation. Despite the importance of such items as passenger cars and pharmaceuticals, Belgium's exports consist mainly of products for which demand has been relatively weak in recent years, e.g. basic chemicals, metal products and textiles. Belgium's exports are also insufficiently oriented towards machinery and data processing equipment, electronics and telecommunications, products in which international trade expanded the most during the period under consideration, and which have a high technology content on average.

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Annex: Breakdown of international trade by product category according to the standard international trade classification (SITC), 2-digit level

0	Food and live animals
00	Live animals other than those of division 03
01	Meat and meat preparations
02	Dairy products and birds' eggs
03	Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof
04	Cereals and cereal preparations
05	Vegetables and fruit
06	Sugar, sugar preparations and honey
07	Coffee, tea, cocoa, spices and manufactures thereof
08	Feeding stuff for animals (not including unmilled cereals)
09	Miscellaneous edible products and preparations
1	Beverages and tobacco
11	Beverages
12	Tobacco and tobacco manufactures
19	Beverages and tobacco n.e.s.
2	Crude materials, inedible, except fuels
20	Goods transported by post, from section 2
21	Hides, skins and furskins, raw
22	Oil seeds and oleaginous fruits
23	Crude rubber (including synthetic and reclaimed)
24	Cork and wood
25	Pulp and waste paper
26	Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)
27	Crude fertilizers (imports only), except those of division 56, and crude minerals (excluding coal, petroleum and precious stones)
28	Metalliferous ores and metal scrap
29	Crude animal and vegetable materials, n.e.s.
3	Mineral fuels, lubricants and related materials
32	Coal, coke and briquettes
33	Petroleum, petroleum products and related materials
34	Gas, natural and manufactured
35	Electric current
39	Mineral fuels, lubricants and related materials, not elsewhere specified or included
4	Animal and vegetable oils, fats and waxes
41	Animal oils and fats
42	Fixed vegetable fats and oils, crude, refined or fractionated
43	Animal or vegetable fats and oils processed; waxes and inedible mixtures or preparations of animal or vegetable fats or oils, n.e.s.
49	Animal or vegetable fats, oils and waxes not elsewhere specified or included

5	Chemicals and related products, n.e.s.

50	Goods from section 5, transported by post
51	Organic chemicals
52	Inorganic chemicals
53	Dyeing, tanning and colouring materials
54	Medicinal and pharmaceutical products
55	Essential oils and resinoids and perfume materials; toilet, polishing and cleansing preparations
56	Fertilizers (other than group 272)
57	Plastics in primary forms
58	Plastics in non-primary forms
59	Chemical materials and products, n.e.s.

6	Manufactured goods classified chiefly by material

60	Exported components of complete industrial plants from section 6
61	Leather, leather manufactures, n.e.s., and dressed furskins
62	Rubber manufactures, n.e.s.
63	Cork and wood manufactures other than furniture
64	Paper, paperboard, and articles of paper pulp, paper or paper board
65	Textile yarn, fabrics, made-up articles, n.e.s., and related products
66	Non-metallic mineral manufactures, n.e.s.
67	Iron and steel
68	Non-ferrous metals
69	Manufactures of metals, n.e.s.

7	Machinery and transport equipment

70	Special transactions and commodities from section 7
71	Power generating machinery and equipment
72	Machinery specialized for particular industries
73	Metalworking machinery
74	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.
75	Office machines and automatic data processing machines
76	Telecommunications and sound recording and reproducing apparatus and equipment
77	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts of household type, n.e.s.)
78	Road vehicles (including air-cushion vehicles)
79	Transport equipment, n.e.s.

8	Miscellaneous manufactured articles

80	Special transactions and commodities from section 8
81	Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.
82	Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings
83	Travel goods, handbags and similar containers
84	Articles of apparel and clothing accessories
85	Footwear
87	Professional, scientific and controlling instruments and apparatus, n.e.s.
88	Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks
89	Miscellaneous manufactured articles, n.e.s.

9	Commodities and transactions not classified elsewhere in the SITC

91	Postal packages not classified according to kind
93	Special transactions and commodities not classified according to kind
94	Exported components of complete industrial plants, not classified according to kind
96	Coin (other than gold coin), not being legal tender
97	Gold, non-monetary (excluding gold ores and concentrates)
98	Precious stones, precious metals and articles thereof, imitation jewellery, coins, transported by post
99	Confidential trade not classified according to kind.

Source : United Nations