Preliminary implications from trade in value added estimates: The OECD-WTO TiVA Database

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BETTER POLICIES FOR BETTER LIVES

Trade in value-added – why?

- The rise of global value chains
  - due to advances in ICT, logistics, and more open markets
  - enables international specialization and production fragmentation
  - intermediate inputs represent 56% of goods trade, 73% of services

- Gross trade statistics can be misleading
  - bilateral trade balances
  - importance of policy measures at the border
  - role of service sectors in trade
  - implications for policy

- Trade in value-added can provide a more complete picture of the underlying patterns of economic activity and beneficiaries (income, jobs, and profits),

- …and both the trade and domestic policy implications (opportunities and threats) for countries at various stages of development

Trade in value-added – how?

- A joint-initiative with the WTO, collaborating closely with
  - USITC, IDE-JETRO, WIOD, recently China
  - potentially WB, IMF, Eurostat, UNSD, UNCTAD & others

- Draws on OECD's database of national IO tables and bilateral trade flow data
  - 58 economies and 37 industries for 1995, 2000, 2005, 2008, 2009

- 16 January release of preliminary TiVA database; selected indicators:
  - Domestic and foreign content of gross exports, by industry; foreign content broken down by source country
  - The services content of gross exports by industry, broken down by foreign/domestic origin
  - Bilateral trade balances based on value-added embodied in domestic final demand
  - Intermediate imports embodied in exports, as a % of total intermediate imports

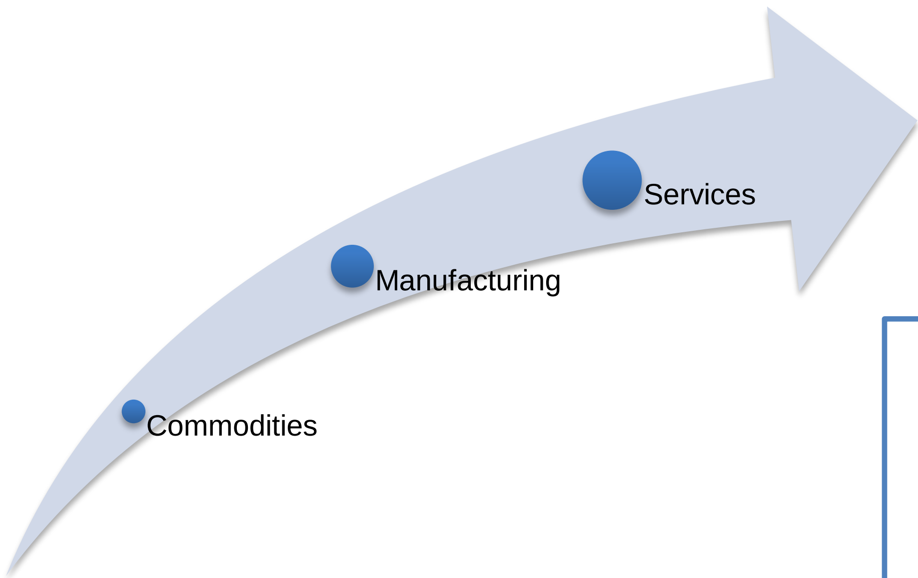
www.oecd.org/trade/valueadded - methodological notes and FAQs

Trade policy implications

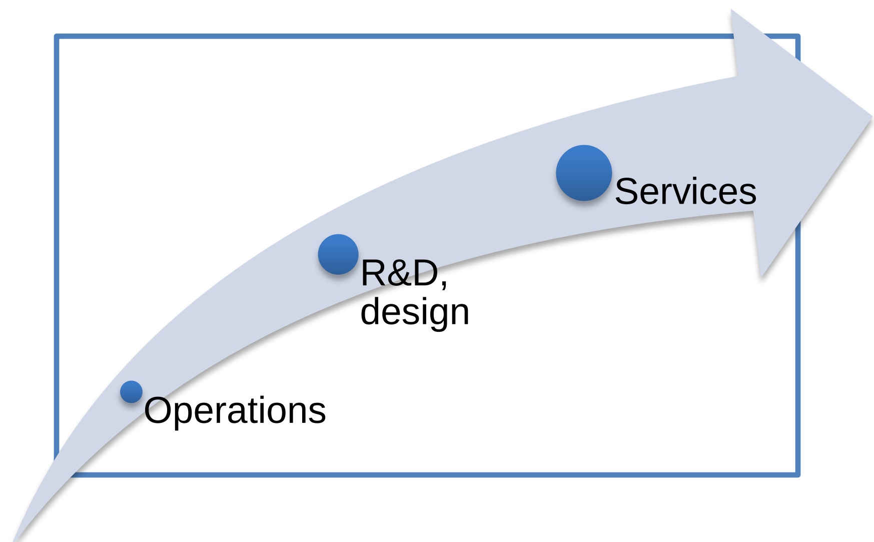
- Tariffs are cumulative, magnifying the costs of protectionism
- Border bottlenecks are also magnified (trade facilitation)
- Reducing border thickness as important for imports as for exports; costs can even be prohibitive for trade and investment
- Standards (public and private) matter, especially for SMEs
- Efficient services sectors underpin manufacturing as well as services sector growth
- The benefits of comprehensive trade opening on a multilateral (and plurilateral) basis are also magnified
- Trade openness needs to be accompanied by appropriate policies:
  - public investment in people (education, skills, ALM, social protection)
  - public investment in innovation, ICT, infrastructure
  - regulatory frameworks and institutions (attract private investment)

Creating value – ‘upgrading’

Old paradigm:
From low to high value-added sectors

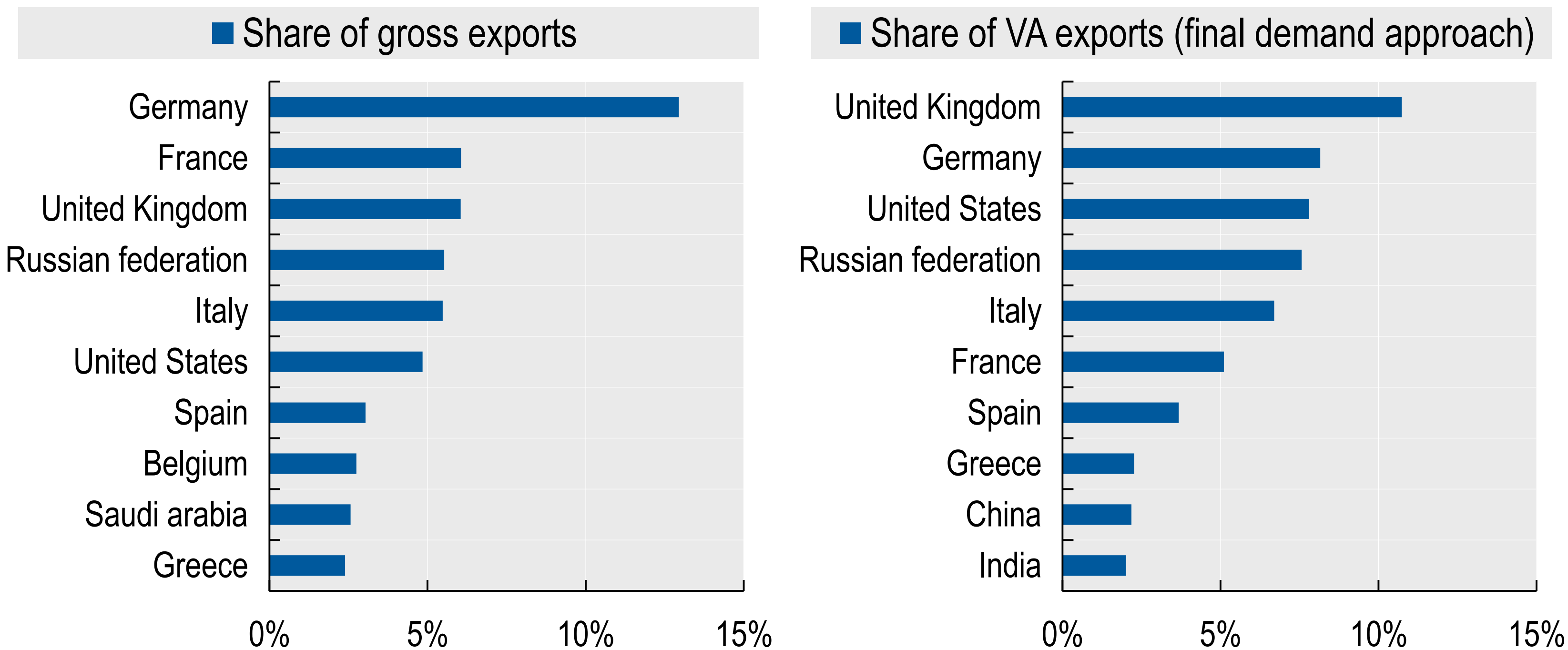


New paradigm:
From low to high value-added activities **within** sectors



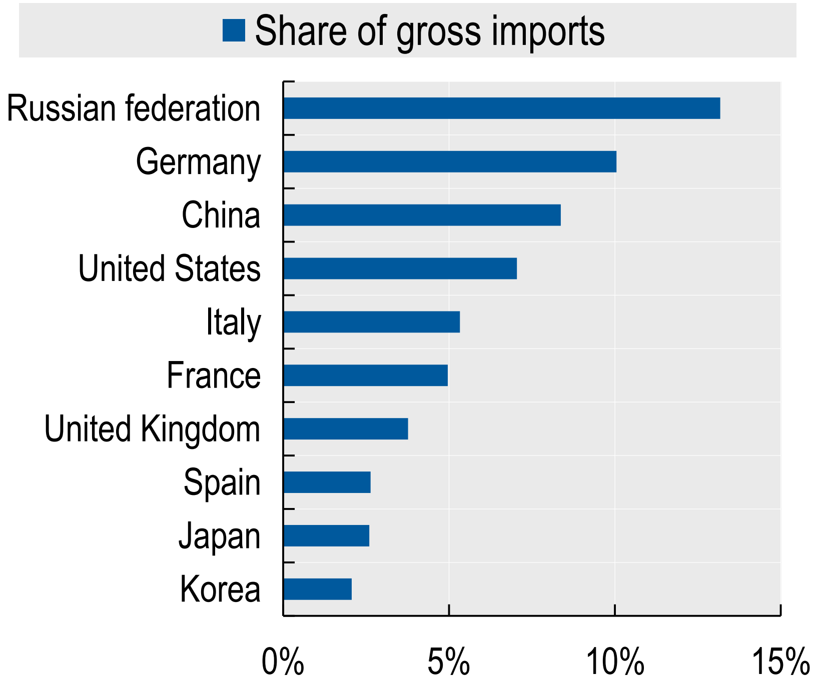
Turkey exports in gross and value-added terms

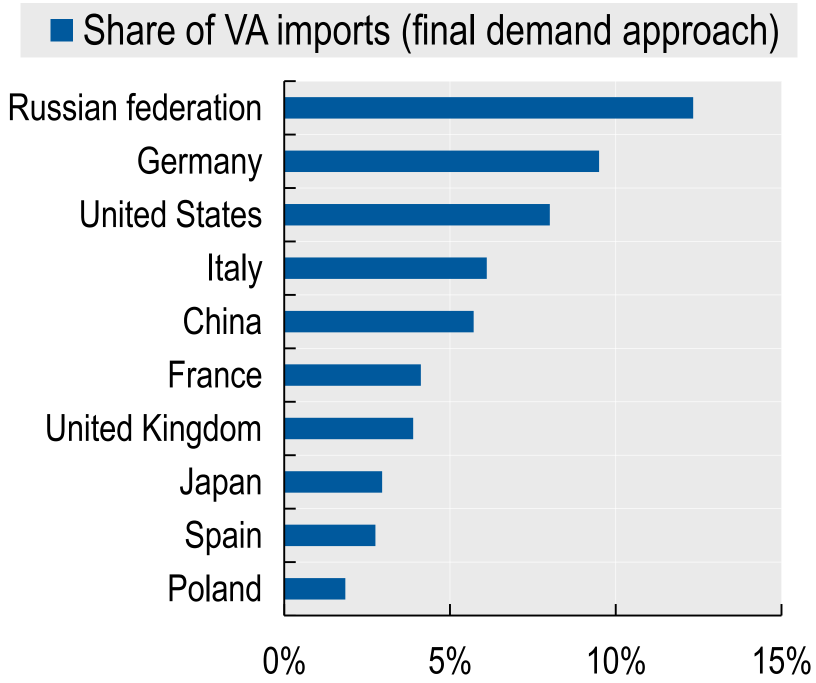
By partner country (as a % of total), 2009



Turkey imports in gross and value-added terms

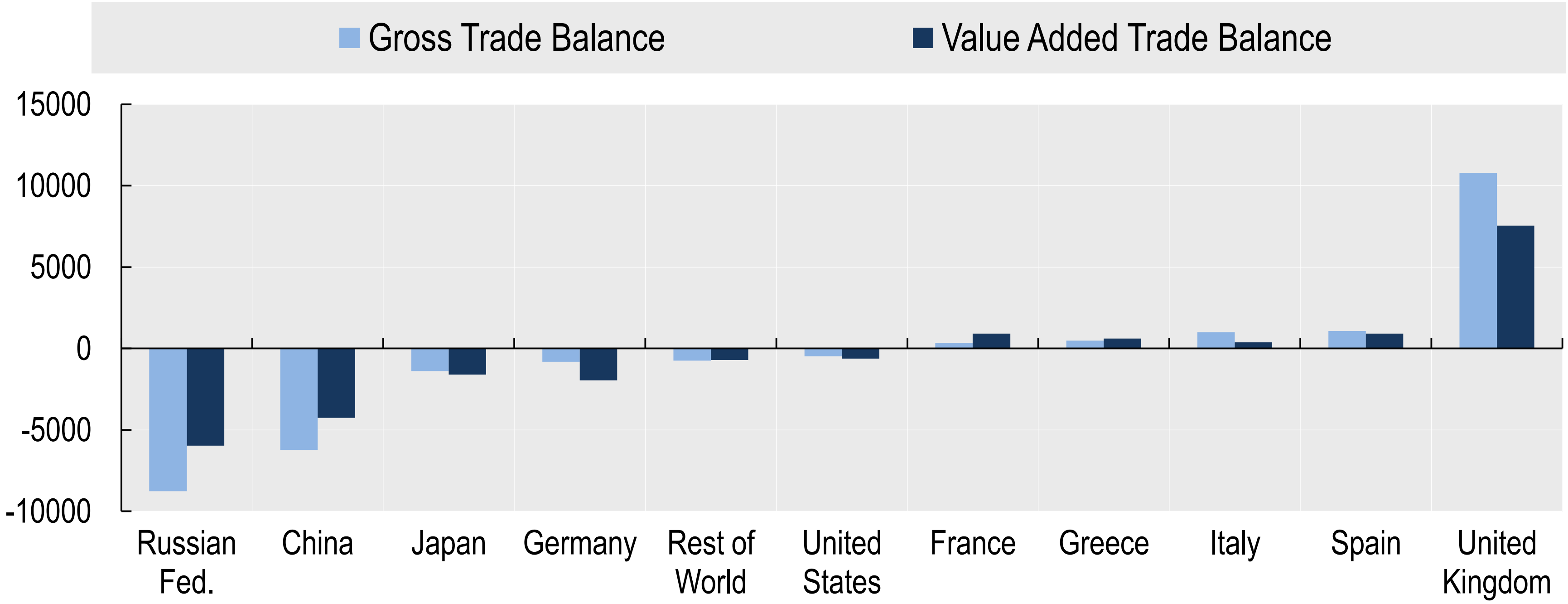
By partner country (as a % of total), 2009



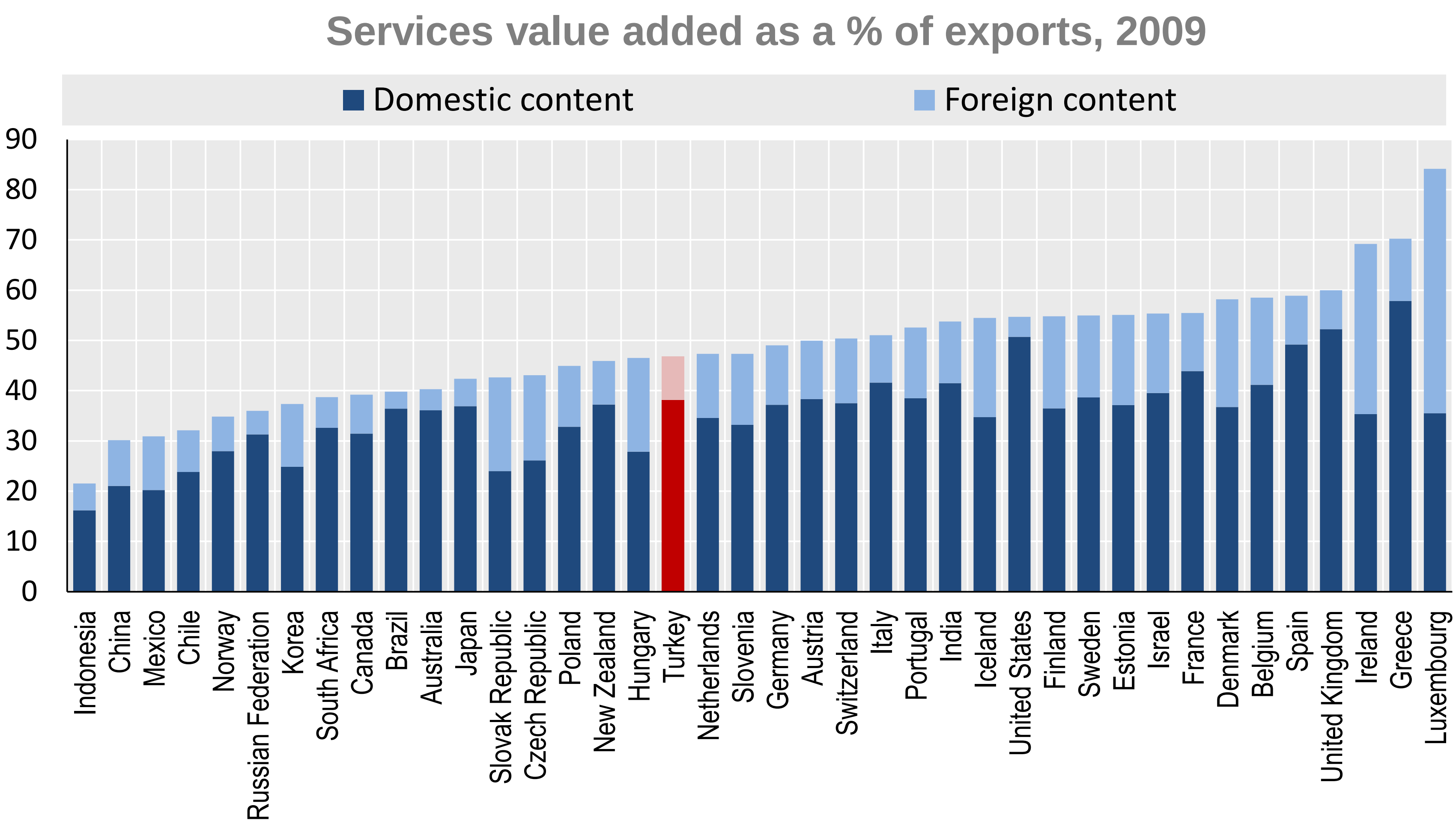


Turkey bilateral trade balances in gross and value-added terms

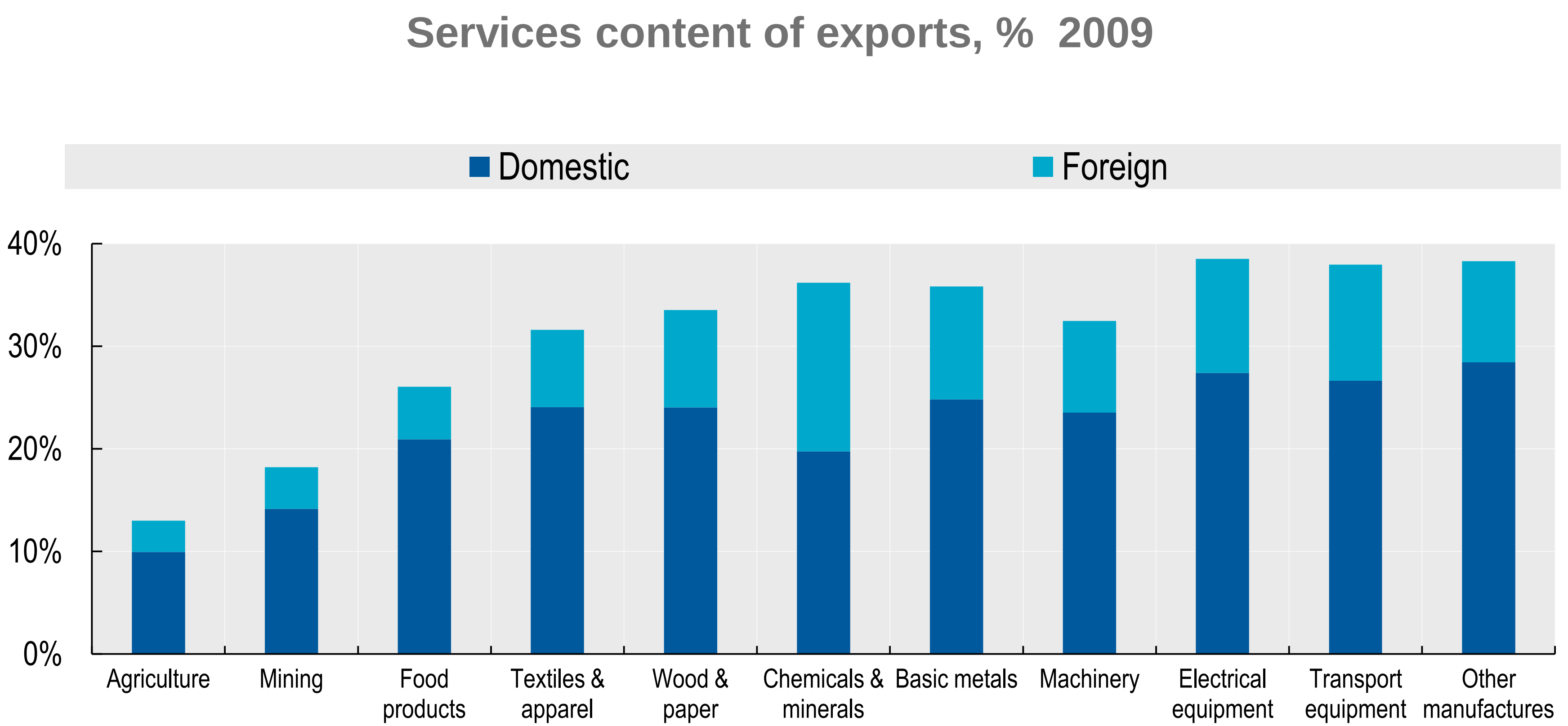
Billion USD, 2009



Turkey: services content in exports



Turkey: high services content in goods exports



TiVA: future plans

- Continual improvement in data quality
- Wider coverage
  - more years, countries, industries, indicators
- Linking value added to jobs…
- …and to income flows
- Implications for trade + domestic policies
- …globally and nationally

For more information

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