

Measuring Trade in Value-Added

A joint OECD-WTO initiative

The Organisation for Economic Cooperation and Development and the World Trade Organization are working on a joint initiative to help policymakers, academics and the public at large better understand trade in the 21st century.

Economies and businesses around the world are increasingly interconnected by production networks. Many products are no longer manufactured in a sole country but are the result of parts, components and services sourced globally and produced through international supply chains. The statistical bias created by attributing the full commercial value to the last country of origin may distort economic analysis and affect the political debates, leading to unfounded perceptions and misguided decisions.

Correcting this bias requires a new approach to trade statistics, one that identifies where and how value is added at each stage of the production process as goods and services cross borders. Key to this are the new global input-output tables (GIOs), developed by the OECD, which describe interactions between industries and consumers for 58 economies, reflecting 95% of global output. The new tables and the measurement methodology draw on earlier work by the OECD and the WTO as well as other organizations active in this field, such as the Institute of Developing Economies (IDE-JETRO), the US International Trade Commission (USITC) and the World Input-Output Database (WIOD).

Based on OECD's GIOs, the new database provides a series of indicators which complement existing trade statistics with a view to:

- measure bilateral trade in value-added terms, and better reflect the true nature of economic interdependencies in today's international economy, in particular the role of emerging economies and the contribution of production networks in transmitting and amplifying supply and demand impulses
- better reflect the significantly higher contribution made by services in global value chains and their role in defining comparative advantages
- identify the role of imports of intermediate goods and services in determining export performance
- resize bilateral trade balances by discounting the effect of double counting
- characterize downstream and upstream industries engaged in trade, providing much needed information on how countries can capitalise on global production networks to generate employment and move up the value chain.

A preliminary version of the indicators, covering 40 countries with aggregated industries, will be publicly released online on 16 January 2013. At the occasion of the Aid for Trade Policy Dialogue, a roundtable discussion will take place at the OECD Headquarters with the participation of the OECD Secretary General Angel Gurría, Pascal Lamy, Director-General of the WTO, Karel de Gucht, EU Trade Commissioner, Tim Groser, New Zealand Trade Minister, and Alan Wheatley, Reuters.

On the same day, the WTO will hold a seminar in Geneva, presenting this new database as well as other initiatives dedicated to creating a better knowledge of international trade and market access.