Trade in Tasks and Global Value Chains

Stylized Facts and Implications

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The nature of 21st century trade has changed

*From trade in final goods to trade in tasks*

**Trade in Final Goods**
- All products are made from the same country’s components

**Trade in Tasks**
- Countries specialize in segments of the Value Chain

*Custom value of the finished product:*
  - Good estimate of the country’s contribution to the total production cost

*Custom values* are not enough to estimate each country’s contribution to the total value of the finished product
An Example of Vertical-Specialization-Based Trade

double counting and bilateral trade biases

Country I

- $30 million parts

Country II

- $20 million domestic parts
- $100 million computers
- $20 million labour

Country III

- $100 million imports of computers from II

Double counting effect:
Gross Trade Flows: 160 millions
V-A Trade Flows: 107 millions

BILATERAL origin of VA:
- $30 from I (vs. 0)
- $40 from II (vs. $100)
- $30 reimports (III) (vs. 0)

$30 million Components and licence fees
What do we learn when comparing Gross and Value Added figures

Services double their share in World Trade

Services enter the value chains:
- Directly in the manufacturing process
- Pre- or post-manufacturing stage
- Post-retail services and recycling
Importing intermediary products is good for export performance

Export performance increases with imported content

Manufacturing sector, 1995-2007

Based on WIOD data
Bilateral Trade Balances are Resized

Comparing Trade Balances in Gross and in Value-Added

**USA:** Net **Goods and Services** trade with selected countries (adjusted*)

- **V-A**
- **GROSS**

(*) Billions USD, including services and adjusted for presentation purposes.
The new OECD-WTO database results from a close *inter-agency cooperation*

- Builds on previous research realised by universities and national institutions in the past 10 years
- The OECD-WTO cooperation inserts itself into a much wider international statistical programme, which explores different approaches
- The OECD-WTO database presents a set of trade in value-added indicators that build on the results of a long-standing OECD programme of work on input-output analysis.