Decomposing trade in value added

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We decompose (net) trade flows in value added and its components like capital and labour and the respective subcomponents. The approach distinguishes between direct, indirect and re-imports with a similar distinction for exports. Trade flows will be differentiated by types of products like intermediate and final goods. Further, we relate this approach to the existing methods applied in the literature on trade in value added and vertical specialisation. Empirically we present selected results of an application of the proposed decomposition method based on the recently compiled World Input-Output Database (WIOD) covering 40 countries and 35 industries over the period 1995-2006.