

How to Estimate the Value-added Generated by International trade: based on a Two-country IRIO model

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Based on the two-country IRIO model, this paper puts forward the model to estimate both domestic and foreign value-added generated by exports, by using the input coefficient method and the distribution coefficient method respectively, and further estimate the domestic value-added of each country induced by bilateral trade. The results show that domestic and foreign value-added generated by exports by both the input coefficient method and the distribution coefficient method are exactly the same. Furthermore, the results estimated by the two-country IRIO model are the same as that by the non-competitive IO model of single country. Therefore, to estimate the value-added generated by international trade, the IRIO model is not necessary.