

Measuring bilateral trade in terms of value added

Topic: Value Added in Trade and the OECD ICIO

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The increase in the fragmentation of production across countries and the subsequent growth in the trade of intermediate products have raised concerns about the suitability of conventional trade statistics to understand the economic consequences of trade. Several authors have attempted to disentangle value added content of trade. None of the suggested approaches, however, has been able to: (1) fully decompose the factor content of bilateral trade measured at the border; and (2) account for the role of the different countries and industries participating in the global value chain. In this paper we propose a novel framework that enables these two analyses. Furthermore, because of the country and industry detail of our approach, we are also able to provide a new extension of the standard value added to exports ratio.