Accounting For International Trade In Value Added: Some Comments On The OECD-WTO Project

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Paper Abstract: In the global economy of today, what you “do,” the activities a firm or a country is involved in matters more for growth and employment than what you “sell,” the final product. Global value added chains (GVCs) allow firms and countries to “do” the part of the process they are best at. They affect countries’ competitiveness and patterns of trade and investment.

In response to this new reality OECD and WTO have joined forces, and launched a common statistics project of the “OECD-WTO Trade in Value Added (TiVA) Database.” The database links national input-output tables with bilateral trade data to develop inter-country input-output tables that provide a wide range of indicators on GVCs. The proposed paper reviews the report that sets out the main evidence and policy implications of this work, and points out some consequences which follow from this new empirical research for traditional economic theory of international relations. The observed rapid rise of production fragmentation established within a new global division of labor has impacts on national growth, jobs and productivity which cannot be handled within the old theoretical framework, alone.