GLOBAL VALUE CHAINS AND TRADE IN VALUE ADDED: THE NEED FOR NEW POLICY THINKING

Copenhagen: 21 November, 2016
International fragmentation of production

Explosion of trade in intermediates as firms specialise in stages (tasks) of production
Resulting in multiple counting.....

.....in conventional trade statistics

Gross Trade, % of GDP

- With the potential to create ‘misleading perceptions’ and imperfect policies:
Requiring a new statistical response: TiVA

Gross exports (100) → Value added (100) → Gross exports (130) → Value added (30) → Value added (100)

[no direct relationship]

[in value added terms, there is a direct relationship between A and C]
Most intermediate imports are used for exports.

Imported intermediate inputs used for exports, by import category: %

**Denmark**

**Finland**

**Norway**

**Sweden**
...driving exports and competitiveness

Foreign content of exports, % of exports

Denmark

Finland

Norway

Sweden

FVA share of gross exports, 2011

FVA share of gross exports, 1995
…but upstream domestic suppliers drive competitiveness too…

Gross exports by source of value added:
Manufacturing 2011

- **Foreign content**
- **Upstream domestic**
- **Direct value-added content**

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<tr>
<th>Country</th>
<th>Foreign Content</th>
<th>Upstream Domestic</th>
<th>Direct Value-Added</th>
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<td>Denmark</td>
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....including services..

Services value added embodied in manufacturing exports, by country

[Bar chart showing services value added by country and sector, with emphasis on construction, wholesale, retail & hotels, transport & telecoms, finance & insurance, and business services across various countries.]
...integration has increased...

Foreign Value Added share of gross exports, %

2011  1995
..and export orientation is significant…

... but the pace of integration has been slow compared to neighbours
...trade patterns change too....

Exports to main trading partners, % of exports

Denmark

Finland

Norway

Sweden
...adding important insights...

US trade deficit with selected partners, 2011, USD bn
Chinese households were important drivers of export growth in recent years. What does a slowdown imply?
...the feedback loop...
But this only scratches at the surface
Global production requires

- that we put ‘global’ at the heart of ‘national’
  - But with a granularity that provides insights on the actors and their heterogeneity
  - Improving our understanding of interconnectedness and benefits, challenges and consequences of globalisation
    - Whilst also improving GDP
  - In other words new internationally integrated economic accounting systems
To create expanded TIVA highlighting the role of SMEs and MNEs and Traders in global production
A large share of domestic value-added exports reflect foreign MNEs…. but non MNEs play an important upstream role

Shares of firms in gross exports and in exported value added, 2013
...meaning that SMEs are highly integrated (directly and indirectly)

... particularly dependent SMEs...

*Shares of firms in gross exports and in exported value added, 2013*
But spillovers are higher from domestic MNEs.

Value added generated at domestic suppliers for each Euro of value added at exporter, by firm type, 2013
partly because the orientation of foreign MNEs is more inward looking.

Value added due to exports as share of total value added, 2013
...around 30% of jobs depend on foreign markets...

*Employment embodied in exports, by firm type, as share of total employment*
...and up to 20% even in firms with no direct exports....

**Share of employment that is embodied in exports, by firm type, 2013**

- Exporters
- Importers
- Two-way traders
- Non-Traders

**Countries:**
- Denmark
- Finland
- Norway
- Sweden

**Denmark**
- Exporters: 50%
- Importers: 30%
- Two-way traders: 20%
- Non-Traders: 0%

**Finland**
- Exporters: 45%
- Importers: 35%
- Two-way traders: 20%
- Non-Traders: 0%

**Norway**
- Exporters: 55%
- Importers: 40%
- Two-way traders: 15%
- Non-Traders: 0%

**Sweden**
- Exporters: 50%
- Importers: 40%
- Two-way traders: 10%
- Non-Traders: 0%

**Direct exports**
- Blue bars

**Indirect exports**
- Red bars
Next steps

• Forthcoming report to accompany today’s report

• Build on momentum from the collaboration with the Nordics but also advance with other countries

• To help build the 21st century statistical information systems needed for 21st century production
Thank you:

Contact: nadim.ahmad@oecd.org