



# EVIDENCE BASE FOR GVC POLICY MAKING: TIVA

High Level on the Future of Arab  
Economic Integration in a  
Changing Global Trade Landscape

1-2 July 2019  
Tunis, Tunisia

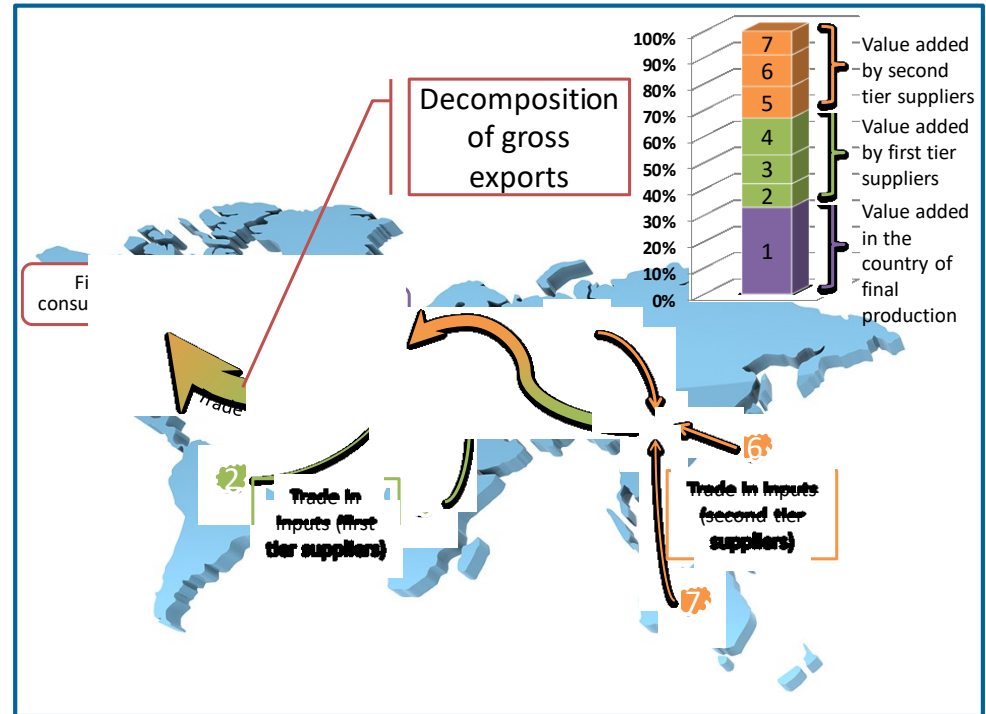
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OECD Trade and Competitiveness Statistics Division



# Increasing international fragmentation of production

Explosion of trade in intermediates as firms specialise in stages (tasks) of production



Gross trade flows increasingly embody components (and so value) created elsewhere



# But conventional trade statistics don't reflect this...

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Creating 'misleading perceptions' and imperfect policies: in a GVC world, **exports require imports** >> **protectionism can damage domestic industries.**

Export driven growth strategies may target the wrong sectors

- High export value but low GDP contribution

They mask:

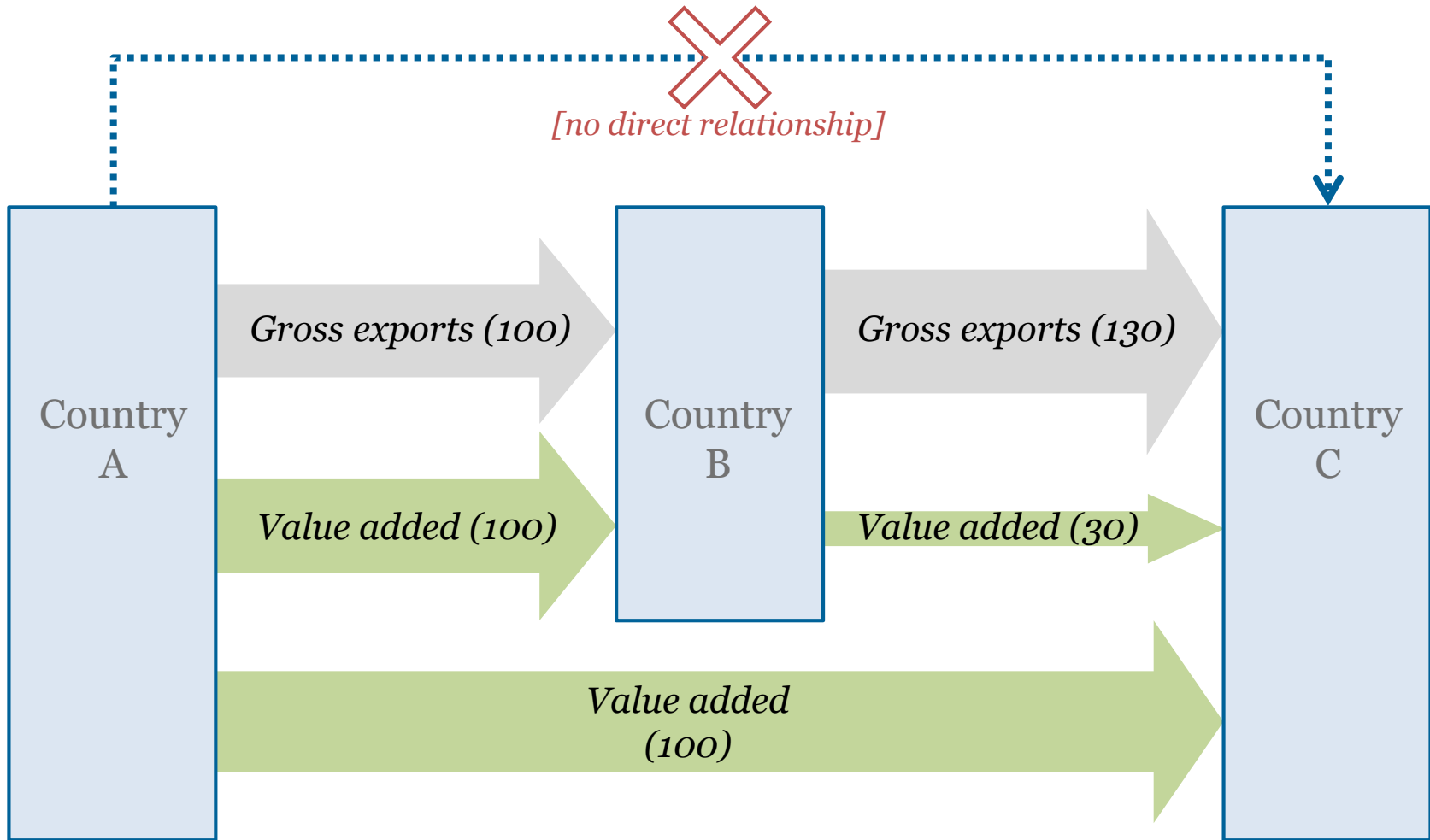
- underlying nature of bilateral trade relationships and production inter-dependencies
  - Systemic risks - impact of macro-economic shocks on supply-chains
- And true nature of competitiveness – upstream matters as much as downstream; especially services >> **services trade restrictions can hurt exporting manufacturers**

And are silent on

- Jobs, skills
- And the importance of regional value chains for global integration



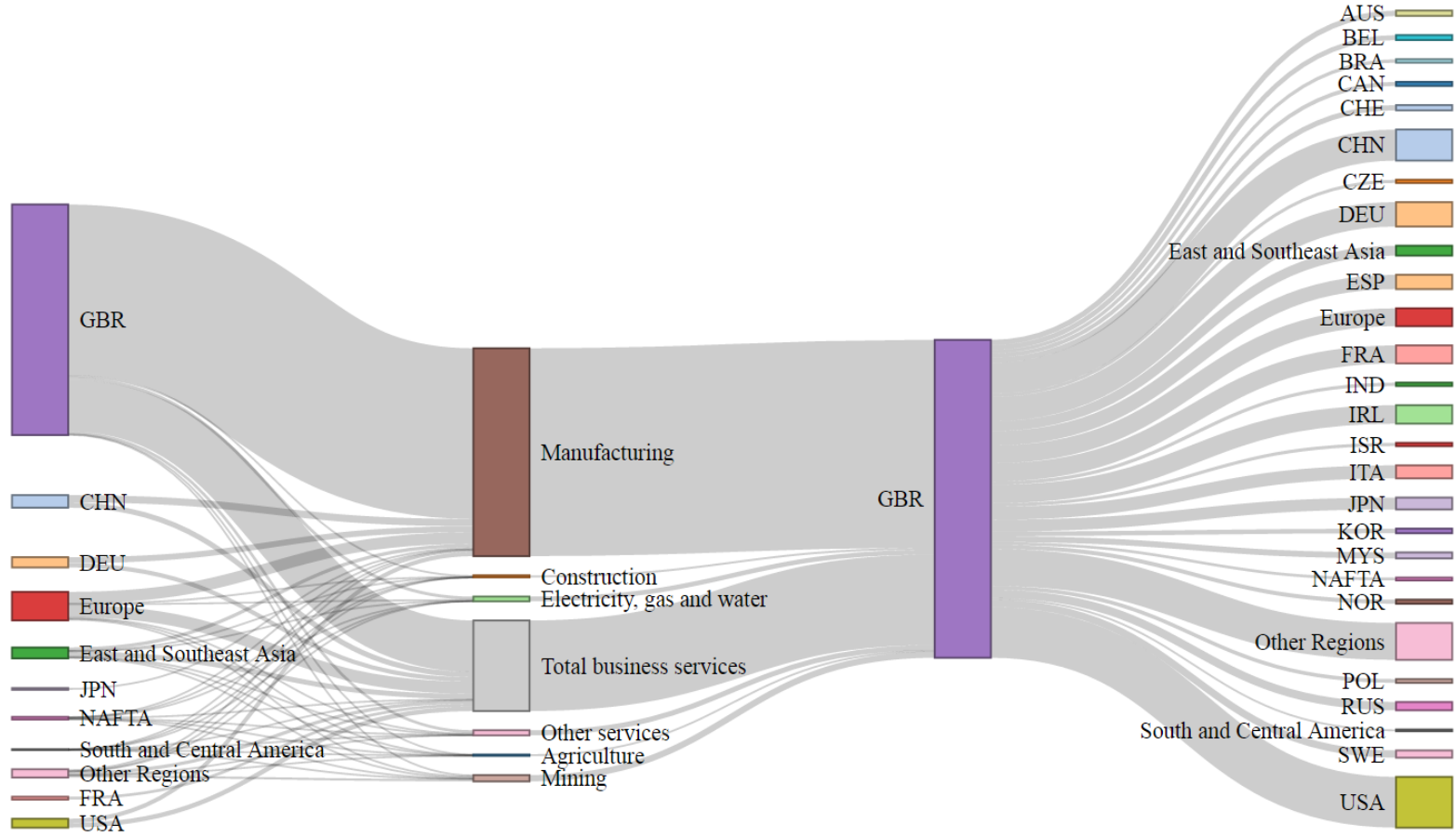
# Requiring a new statistical response: TiVA



*[in value added terms, there is a direct relationship between A and C]*



# Origin and destination of UK's ICT exports in value-added terms





# TIVA: WHAT DOES IT TELL US?



## Trade Policy Implications of GVCs

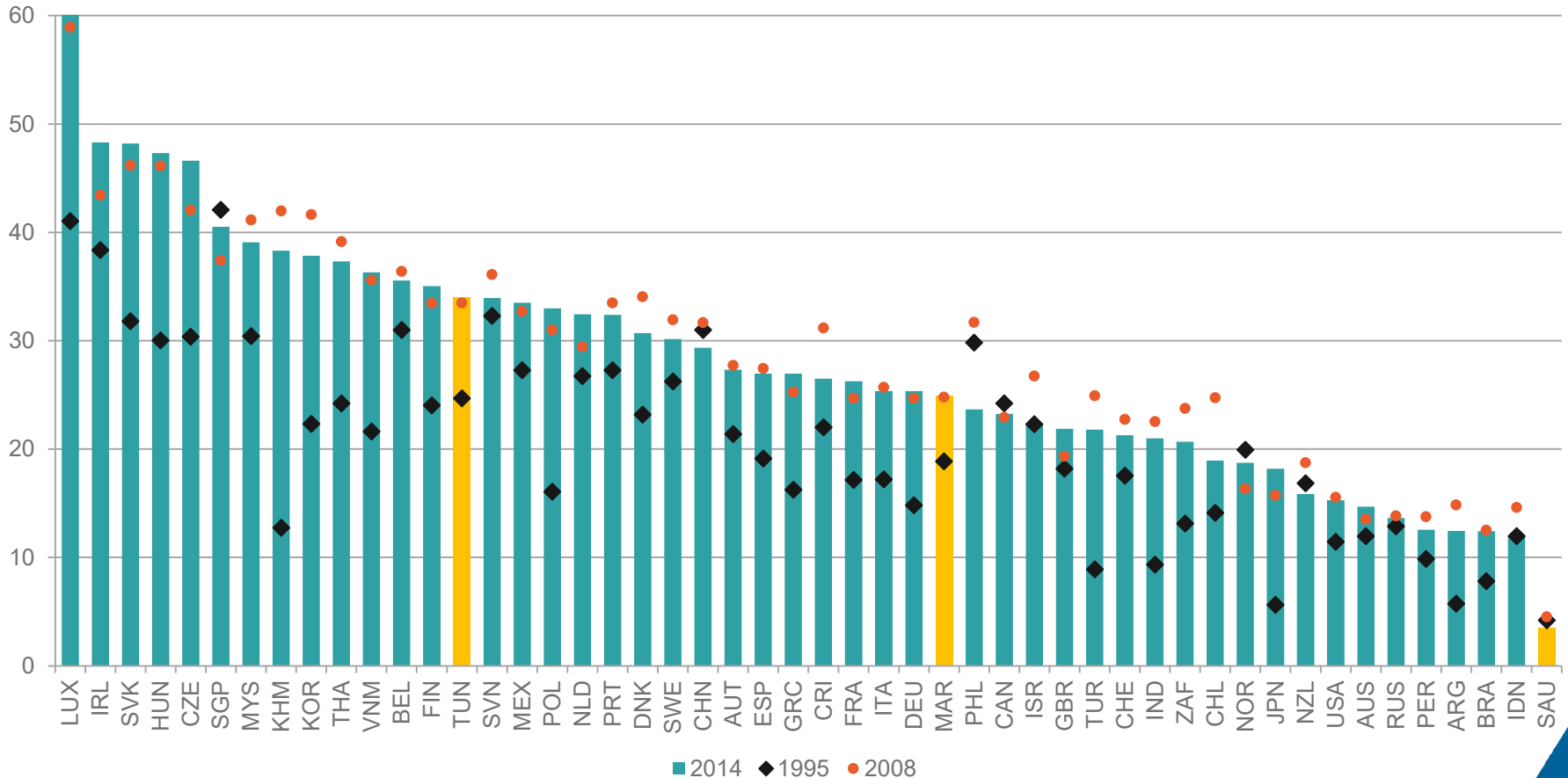
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- Today, 70% of international trade is for production in GVCs
- Services, raw materials, parts and components trade across countries before being incorporated into final products
- Implications for trade policy, as border barriers result in cumulative costs



# A tax on imports can be a tax on exports: Exports require imports

Foreign value added content of gross exports

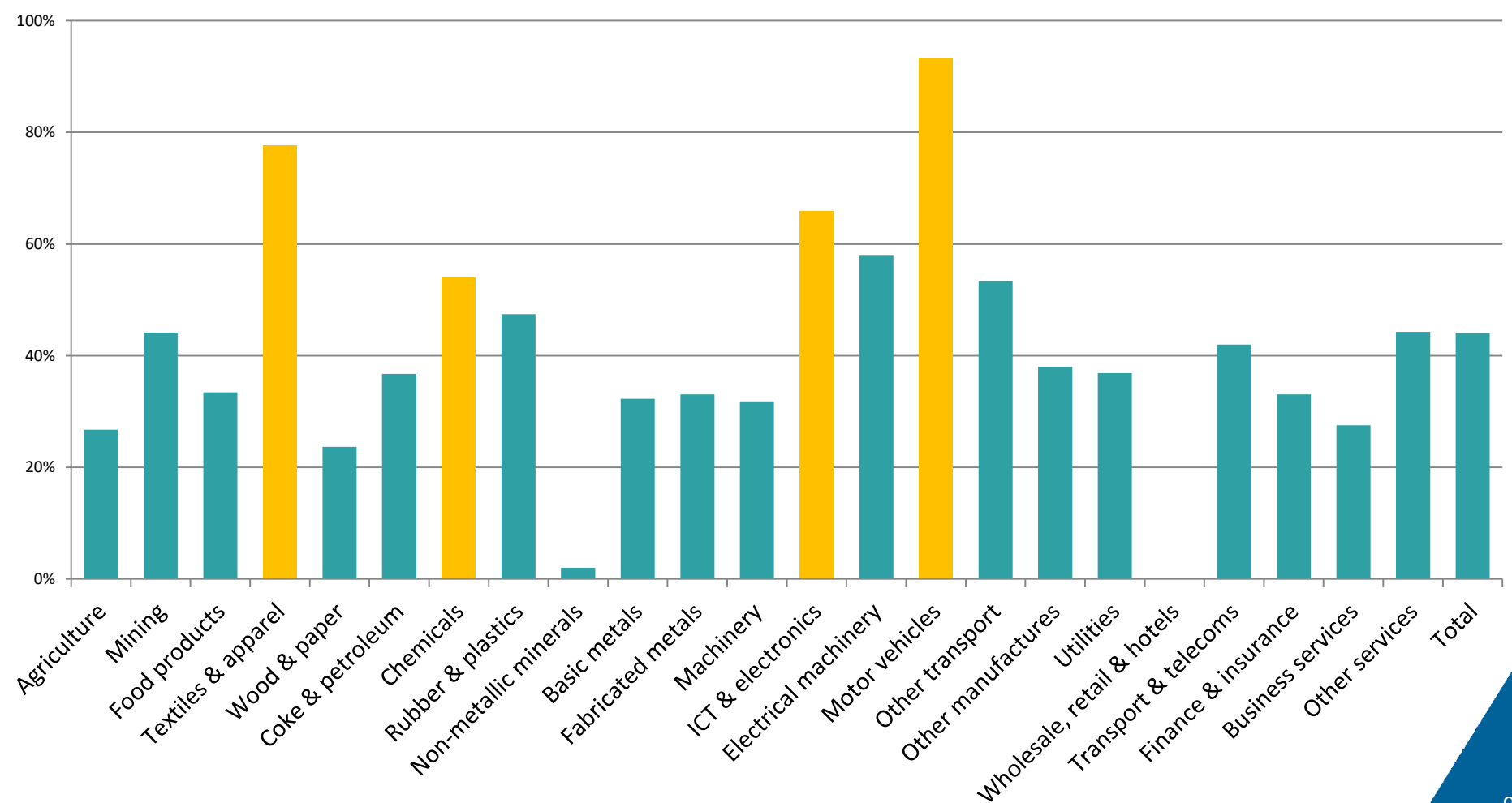






# And imports can drive global integration

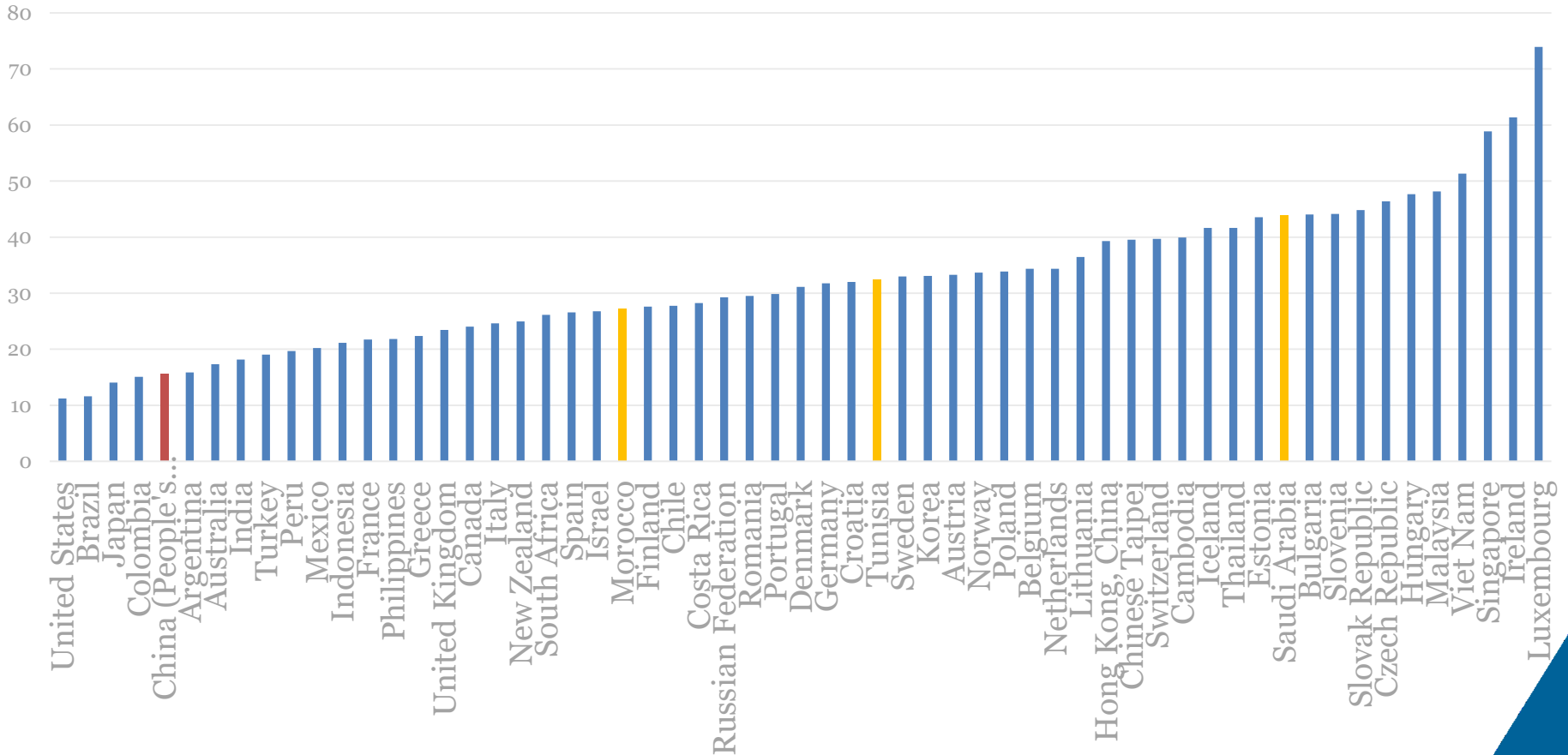
**Morocco's imported intermediate inputs used for exports, by import category, percent of intermediate imports,**  
*percent of intermediate imports,*





# TiVA provides new perspectives: on export intensities

*Exported domestic value added as % of GDP*





# Services are the Key to Competitiveness

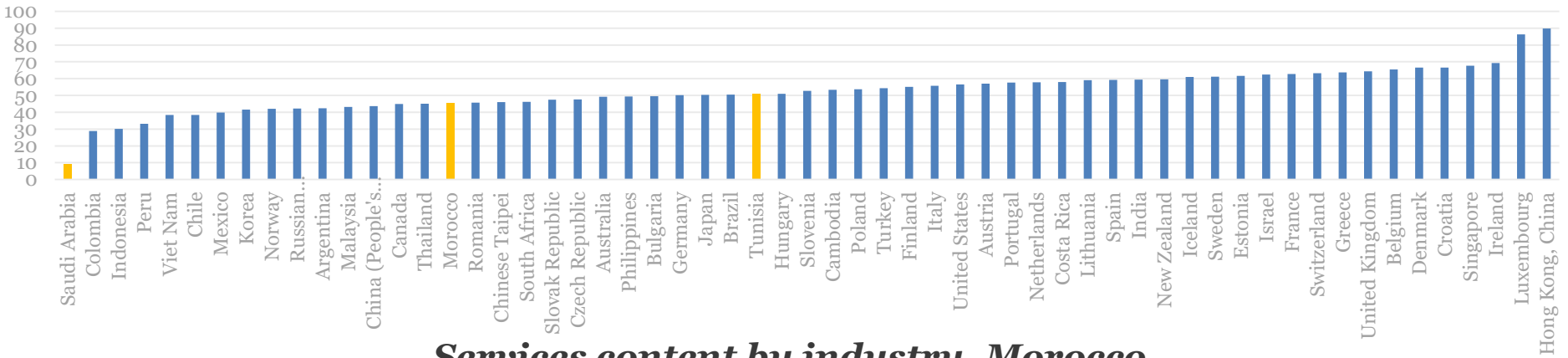
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- Global production networks rely on the logistics chain, which requires efficient network infrastructure and complementary services.
- Trade flows in value added terms reveal transport, logistics, finance, communication services etc. play a significant role in exports of goods.
- Value created by services as intermediate inputs represent over a third of the total value added in manufacturing exports.
- More efficient service sectors enhance the competitiveness of manufacturing firms.

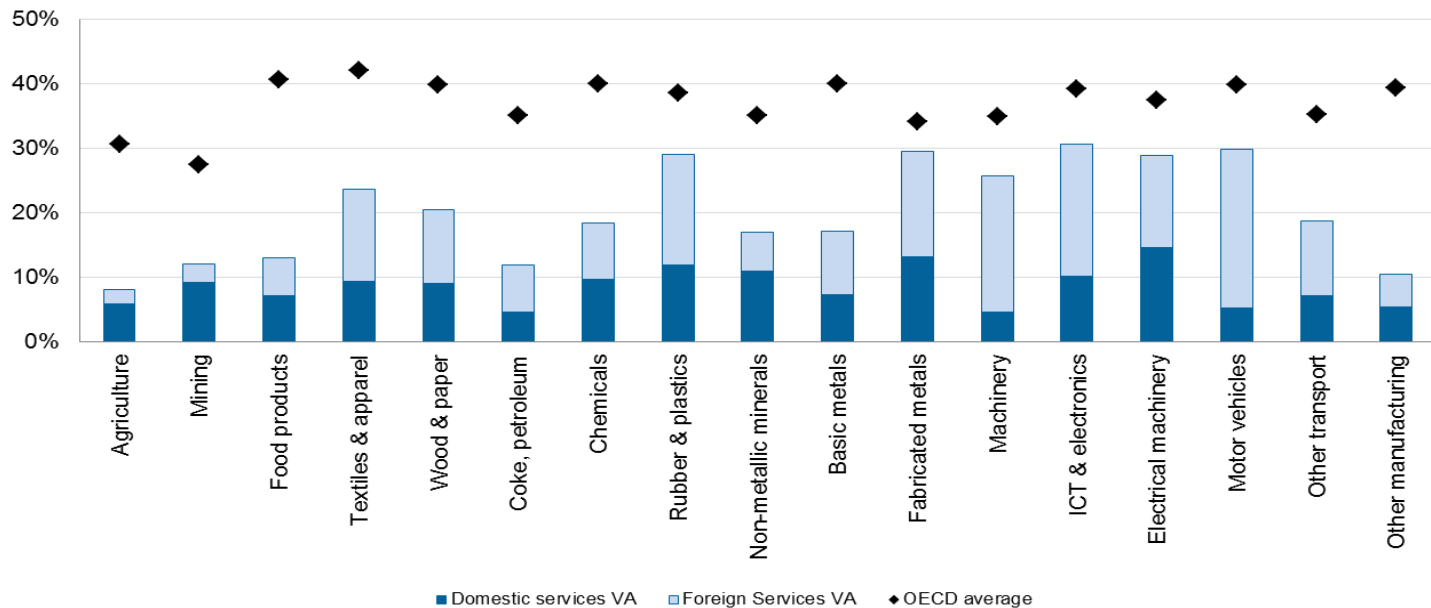


# Competitiveness requires a whole of supply view of production: **services matter.**

*Services content of gross exports, percent, 2014*



*Services content by industry, Morocco*

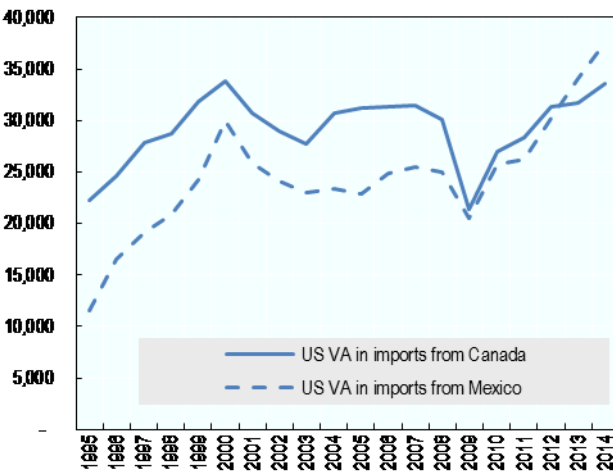
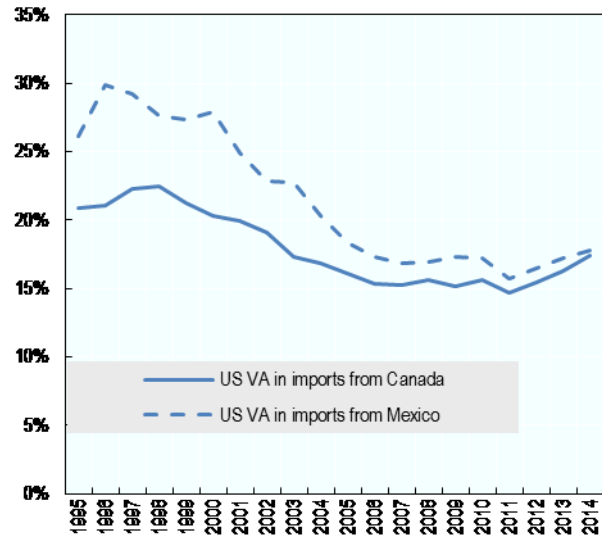




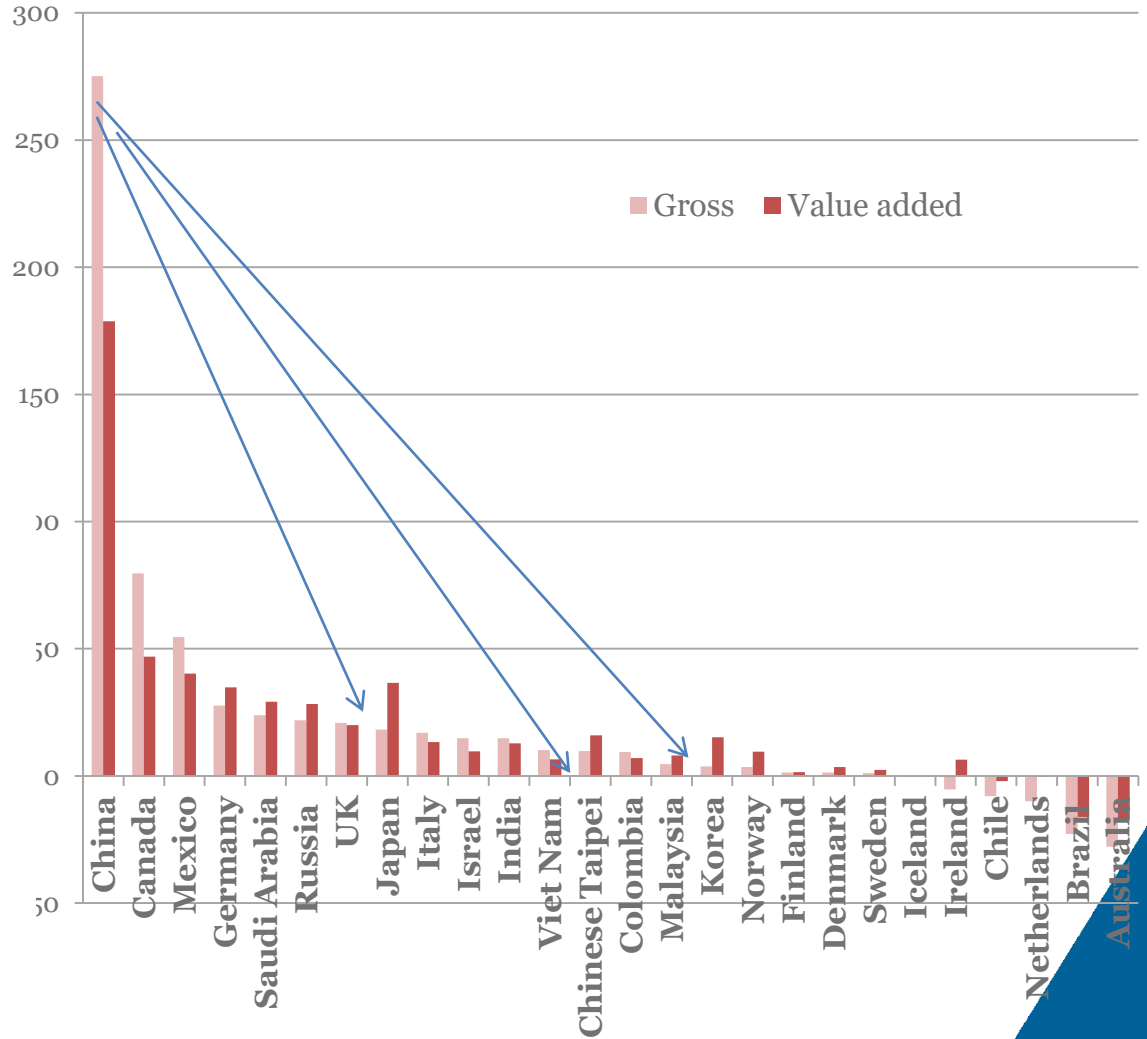
# Production is fragmented and inter-connected: Who does protectionism hurt

US VA content in US manufacturing imports from NAFTA

US trade deficit with selected partners



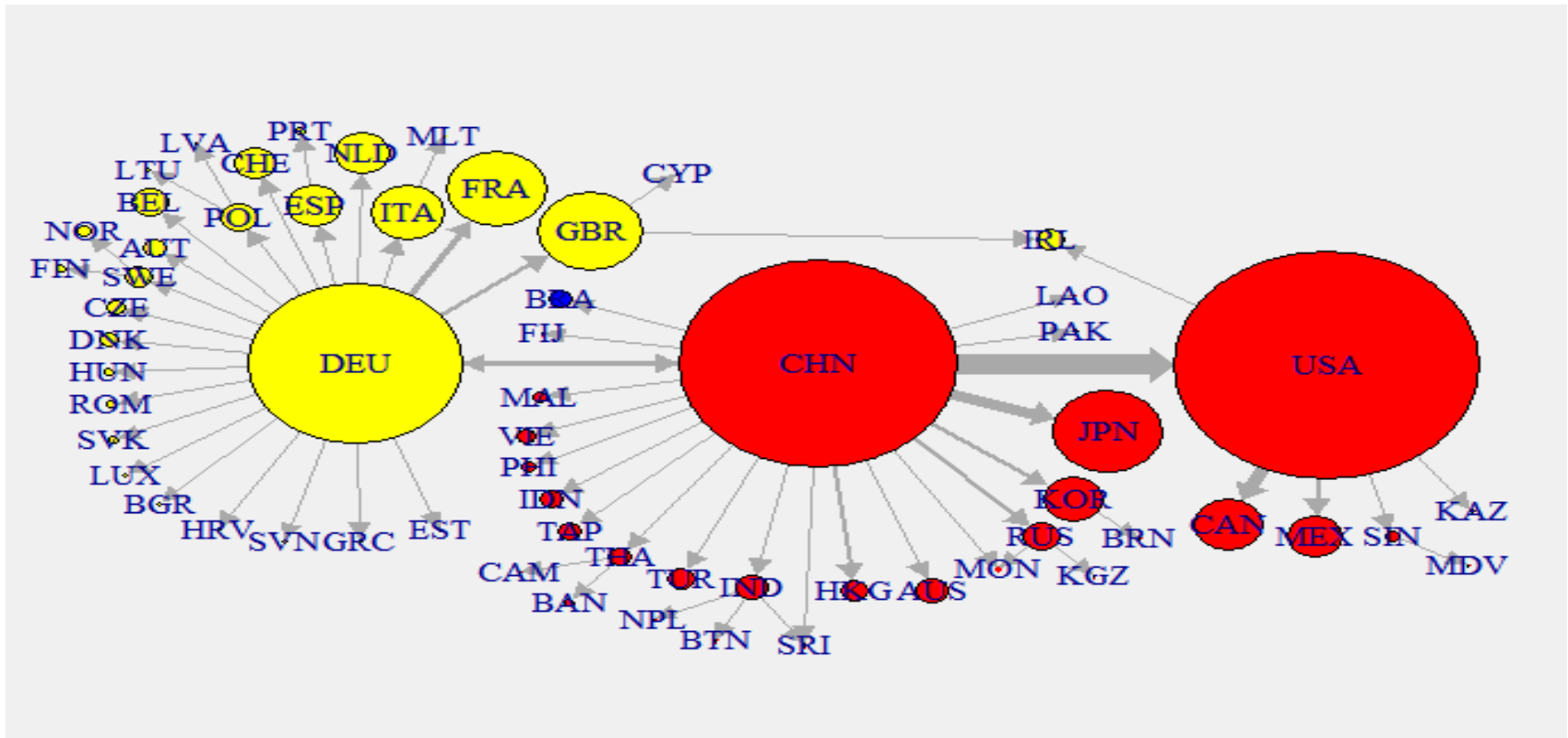
IN MILLION USD





# Distance still matters – GVCs require regional integration

Significant trade relationships in value-added terms

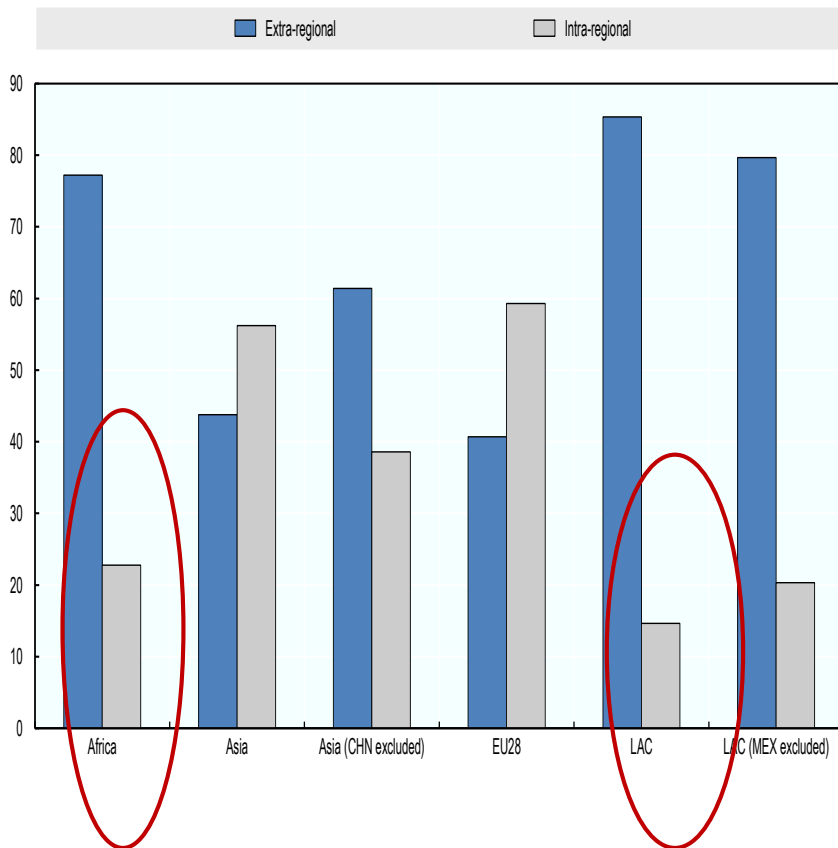




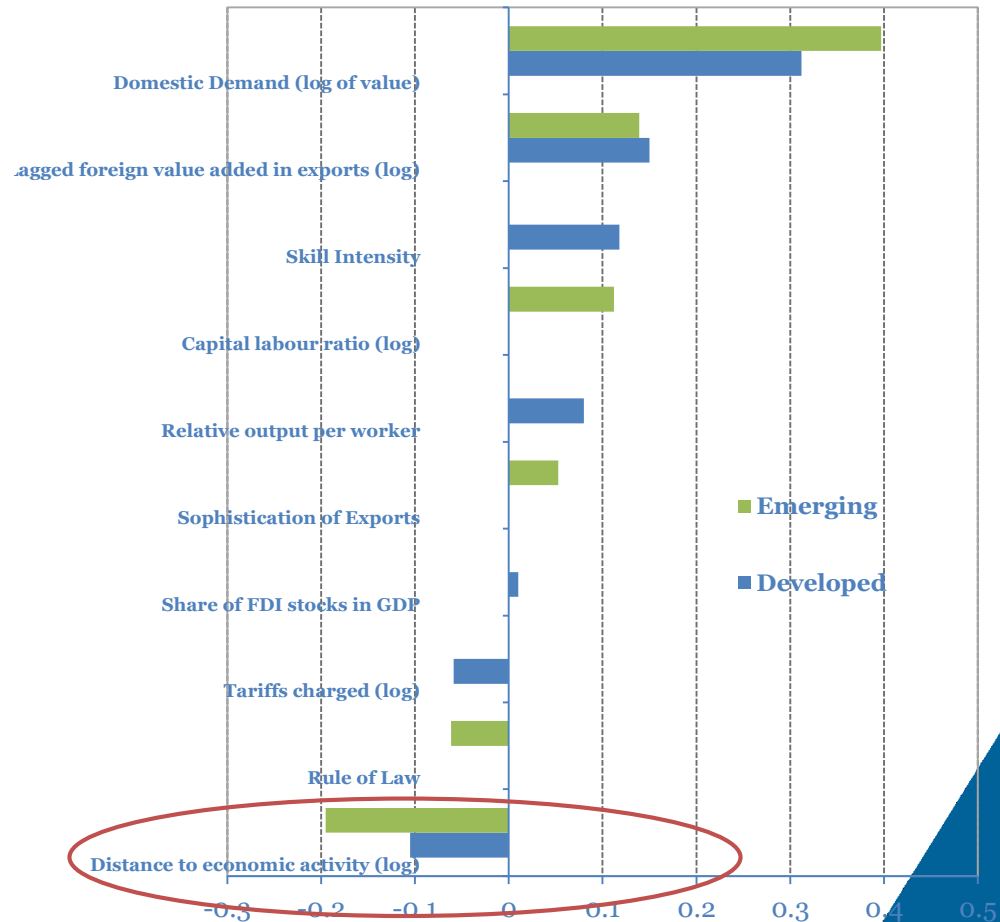
# Weak regional integration = weak global integration

Extra-regional and intra-regional trade in intermediates, selected regions, 2014

% of total intermediate trade



Factors driving domestic value-added exports

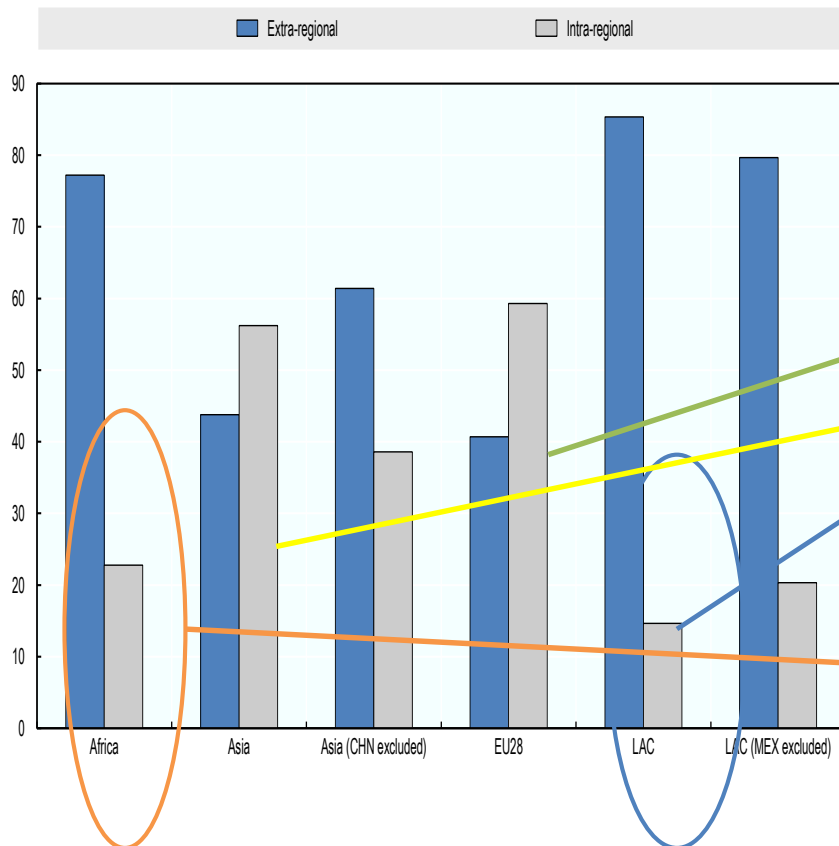




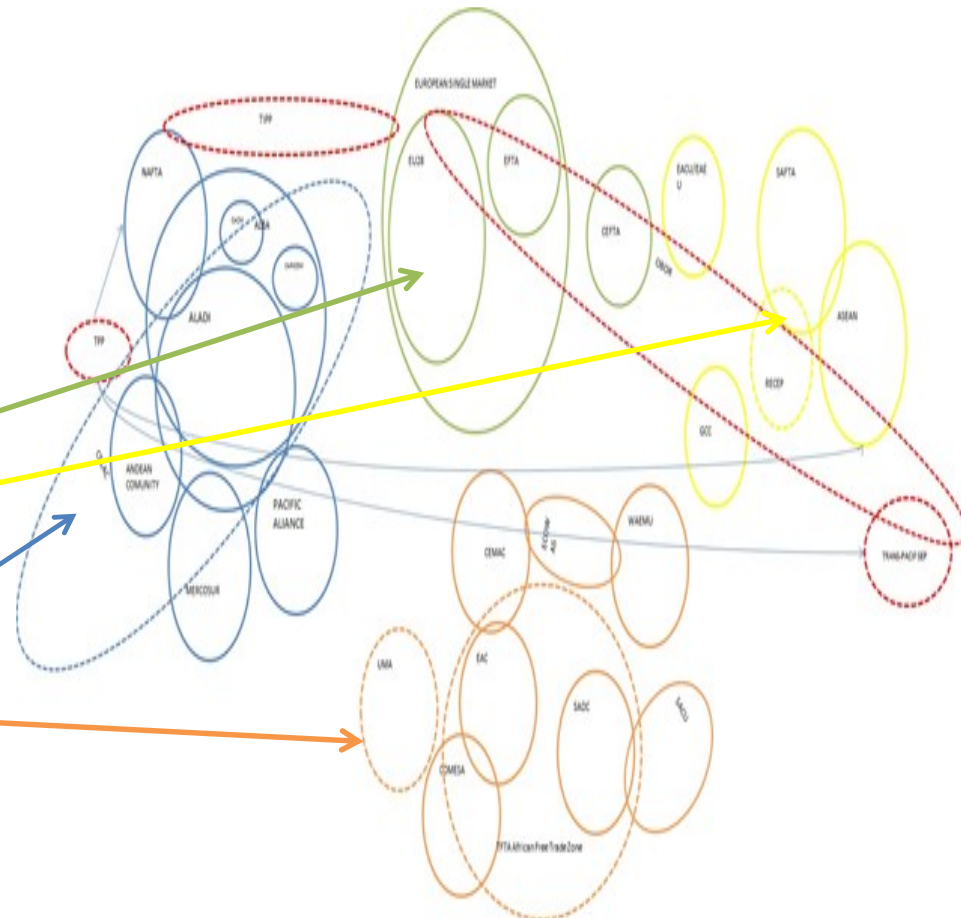
# And more is not necessarily better

Extra-regional and intra-regional trade in intermediates, selected regions, 2014

% of total intermediate trade



Regional and mega-regional agreements, 2016

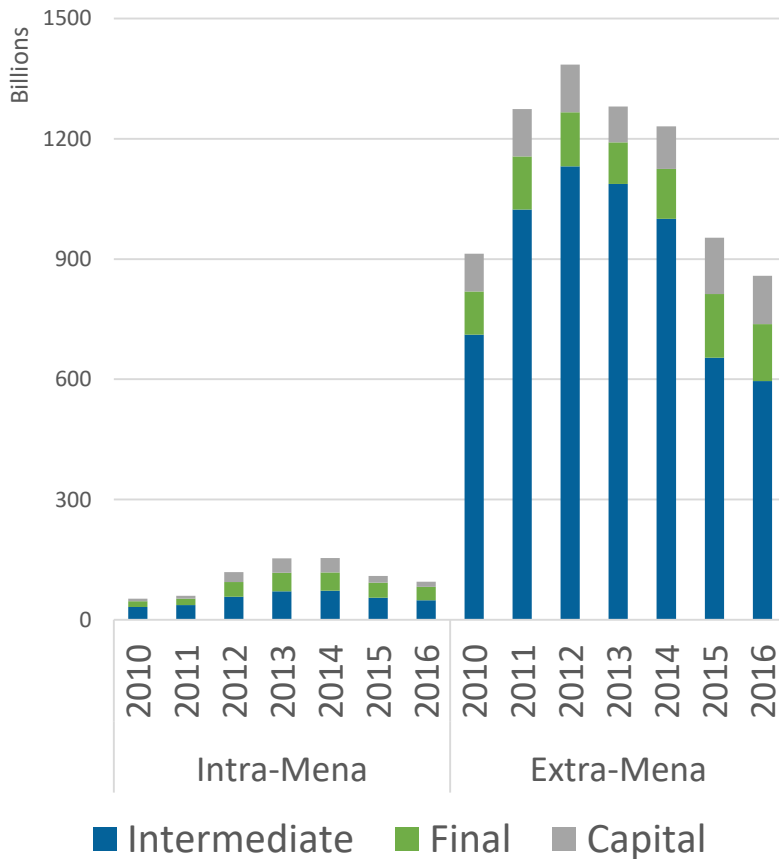




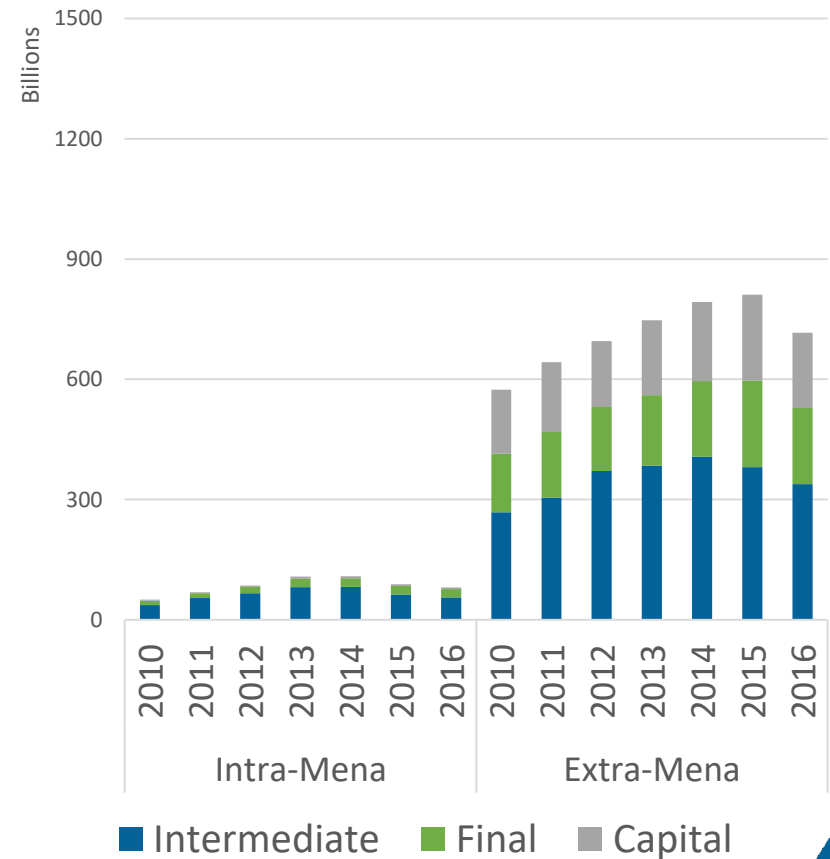


# Intra-MENA integration is very low > which may hamper diversification

## Exports



## Imports





# TIVA: HOW IS IT MEASURED?



# With a global input-output table

		Country A			Country B			Country C			Final Demand		
		Sector 1	Sector 2	Sector 3	Sector 1	Sector 2	Sector 3	Sector 1	Sector 2	Sector 3	Country A	Country B	Country C
Country A	Sector 1												
	Sector 2												
	Sector 3												
Country B	Sector 1												
	Sector 2												
	Sector 3												
Country C	Sector 1												
	Sector 2												
	Sector 3												
Taxes less subsidies on products													
Value added	Labour compensation												
	Operating surplus												
	Taxes less subsidies on production												
Output													

***Industry AND country dimension:***

***Final demand by category and country:***

***Value added and output (National Accounts consistent):***



# Sourced from national data....

		Country A			Country B			Country C			Final Demand					
		Sector 1	Sector 2	Sector 3	Sector 1	Sector 2	Sector 3	Sector 1	Sector 2	Sector 3	Country A	Country B	Country C			
Country A	Sector 1	<b>1</b>			<b>4</b>						<b>3</b>			<b>5</b>		
	Sector 2															
	Sector 3															
Country B	Sector 1	<b>6</b>									<b>7</b>					
	Sector 2															
	Sector 3															
Country C	Sector 1	<b>6</b>									<b>7</b>					
	Sector 2															
	Sector 3															
Taxes less subsidies on products		<b>2</b>														
Value added	Labour compensation															
	Operating surplus															
	Taxes less subsidies on production															
Output		<b>2</b>														

## Directly from national Supply and Use Tables [SUTs] (converted to industries):

1. Intermediate domestic use; **2.** Value added, output per ind.; **3.** Final demand (**EXCL** exports)

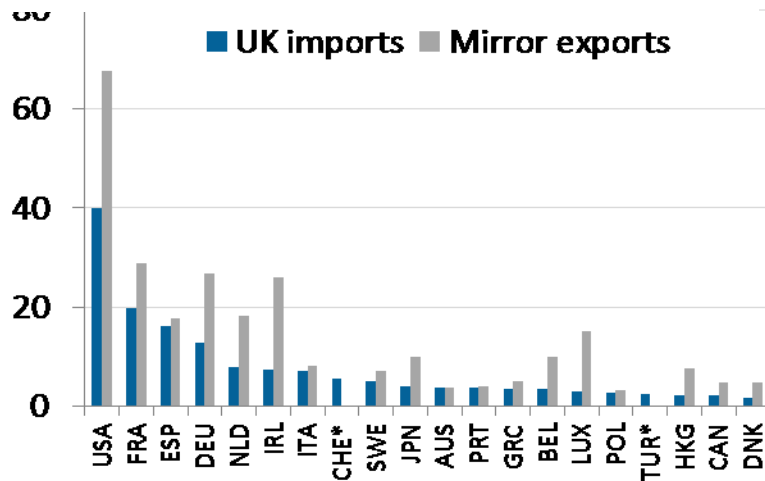
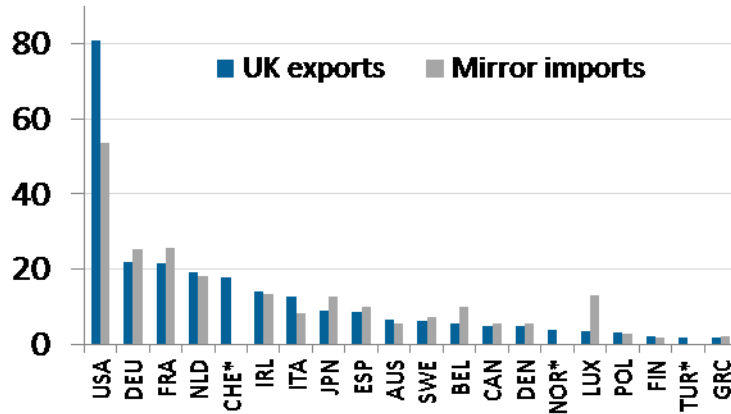
## With additional assumptions on source of imports by industries:

4. Exports of intermediates to specific industries by partner country (B and C)
5. Exports of final demand by partner country (B and C).
6. Imports for intermediate use, by partner country and importing industry
7. Imports for final use, by partner country and *exporting* industry.

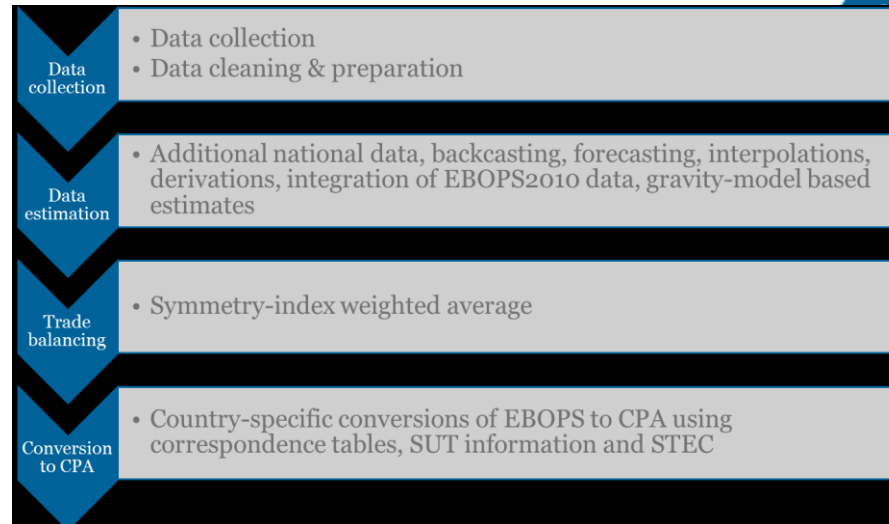
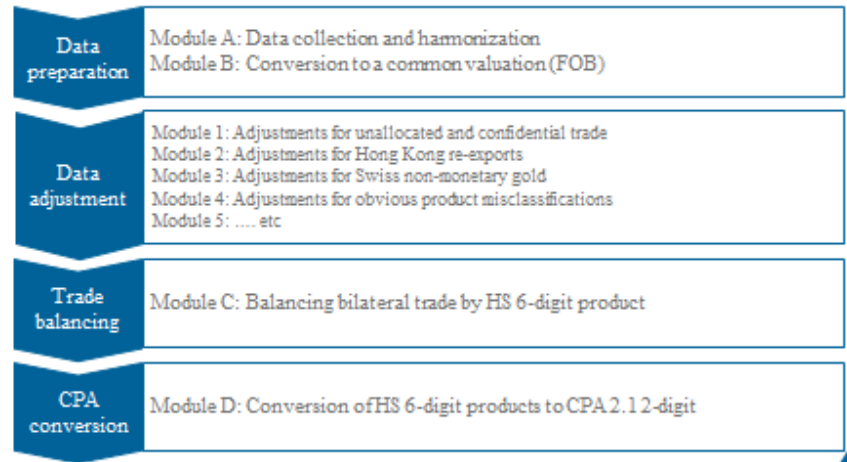


# Requiring a balanced view of trade

## Asymmetries in services



## Schema for merchandise trade and international trade in services





# TiVA 2018: Coverage - Countries

OECD	All OECD 36 countries
BRIICS	Brazil, China, India, Indonesia, Russian Federation, South Africa
Other EU28	Bulgaria, Croatia, Cyprus, Malta, Romania
Other G20	Argentina, Saudi Arabia
Other South Eastern Asia	Brunei Darussalam, Cambodia, Malaysia, Philippines, Singapore, Thailand, Viet Nam
Other Eastern Asia	Chinese Taipei, Hong Kong China
Other Africa/MENA	Tunisia, Morocco
Other Central and Southern America	Colombia, Costa Rica, Peru
Other	Kazakhstan, Rest of the World



# TIVA FOR ESCWA



# What's needed?

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- **What would we like?**
  - **Improved information for the region on GVCs**
  - **All countries**
  - Supported by **optimum quality SUT tables**
    - More timely, more regular, more detailed.
  - OECD has developed a SUT questionnaire with Eurostat being promoted as international benchmark
  - **OECD is** engaged in ‘technical’ support programmes (e.g. Morocco): ESCWA?





## Round-up

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- Weak regional integration may be hampering global integration
- High natural resource dependencies may be crowding out investment, innovation and diversification into potential high-growth high skilled activities.
- Evidence base needs to be strengthened:
  - Particularly on employment: skills, education levels, salaries, gender.



**FIND OUT MORE**

**[www.oecd.org/trade/valueadded](http://www.oecd.org/trade/valueadded)**

