International Trade in Value Added: trade statistics and trade policy implications -- the WTO perspective

Andreas Maurer
World Trade Organization
Economic Research and Statistics Division
Switzerland
andreas.maurer@wto.org

Christophe Degain
World Trade Organization
Economic Research and Statistics Division
Switzerland
christophe.degain@wto.org

The last three decades saw the creation and intensification of global value chains due to changed business models. Today, the production of final goods often requires performing several tasks across countries. This paper describes the factors that have led to "trade in tasks" and explains the bias of traditional trade statistics in depicting this new trade reality. Approaches to correct this bias by estimating trade in value added are described with their respective statistical challenges. Changing the perspective from a "gross" reporting to a "trade in value added" angle has implications on trade indicators. Some common considerations are revisited such as the importance of services, the interpretation of trade balances, export competitiveness, the trade/GDP ratio and risks associated with increased interdependencies between economies. The paper concludes with trade policy incentives that help fostering participation in global value chains.

Key words: Global value chains, trade in tasks, trade rules and trade policy.