



ABSTRACT

Title: Trade in Value Added for European Union regions

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Subject area: 6. Globalization, foreign sector, foreign direct investment and interregional flows

Abstract: Trade in value added is becoming more relevant as a source of integrating global value chains (GVCs) into the trade analysis of countries. Surprisingly, although GVCs are a regional phenomenon that is helping countries to exploit their internal comparative advantages, to our knowledge there are not studies assessing the GVCs at the regional level¹.

In this paper we try to fill this gap. Using a novel dataset of interregional input-output matrices and bilateral interregional trade flows between regions within the European Union, we compute the value added content of trade and the value added to gross exports ratios at the regional level to quantify i) the cross-border production linkages; and ii) the spatial location of the production chains. With disaggregated data of 10 sectors for 267 NUTS2 regions in 2013, we are able to disentangle those regions that create the highest value-added export ratios and which sectors add more value to the interregional production chains.

Results show that product sharing processes – vertical specialization – at the regional level within the European Common Market follow the same patterns as those at the country level. Indeed, we find that the lowest value added exports are located in manufacturing while ratios are higher in the different services sectors. Finally, we perform a gravity analysis facing our flows in value added with the classical gravity variables to compare these results with those obtained from a more standard gravity set up based on gross trade flows.

Keywords: Trade, Value added, Input-output tables, Regions

JEL codes: F10, C67, D57, R15

¹Johnson and Noguera (2012), and Johnson (2014) measure the value added content of trade at country level using GTAP 7.1 Data base and the World Input-Output Database respectively.