

L.5. Trade in intermediate goods: producer and user industries

- Industries that produce imported intermediates are more or less the industries that “traditionally” produce inputs for other domestic industries: mining and quarrying, chemicals, metal products, transport and storage, and motor vehicles.
- Some industries that are large producers of imported intermediates are also large users of imported intermediates. Clear examples are motor vehicles, chemicals, metal products, and transport and storage. These industries are large users not only of imported but also of domestic intermediates as the domestic transaction flows between industries reveal.
- The user industries source a significant share of their imported intermediates from the same industries abroad, although differences exist across industries and countries. Domestic and international intra-industry

sourcing have increasingly become alternatives in the search for intermediates of the right quality at the right price. All this suggests the importance of global value chains in today’s global economy. Within these international production networks, intermediates are sourced from abroad through arm’s length relationships or through multinational companies’ networks.

Sources

- OECD, *Input-Output Database*, January 2010.
- OECD, *Bilateral Trade Database*, September 2009

For further reading

- Lanz, R., S. Miroudot and A. Ragoussis (2009), “Trade in intermediate goods and services”, *OECD Trade Policy Working Paper No. 93*, www.oecd.org/trade.

Trade in intermediate goods: distribution by producer and user industry

In order to calculate imported intermediates by user industry, trade statistics were combined with Input/Output tables. This requires first converting the trade statistics from their product classifications to the industry classification of I-O tables. These tables are classified according to industrial activity in terms of the International Standard Industrial Classification, Revision 3 (ISIC Rev. 3), while trade data are compiled according to product classifications, i.e. Standard International Trade Classification Revision 3 (SITC Rev. 3) for goods and the Extended Balance of Payments Services Classification (EBOPS) for services. Therefore, approach is slightly different for goods and services.

Bilateral imports of intermediates from trade data are combined with the information on the usage of intermediate imports found in I-O tables, which makes it possible to add the dimension of the user industry to trade flows of intermediate goods and services. As a result, obtained import flows have five dimensions: importer i , exporter j , industry of origin (intermediate input) p , using industry k and year t .

In the case of goods, the imports of intermediate input p from country j by user industry k in country i is calculated as:

$$I_{ijpkt} = \alpha_{ipkt} \cdot m_{ijpt}$$

where α_{ipkt} is the share of imported inputs p by user industry k in overall imported inputs p of country i (as calculated from I-O tables) and m_{ijpt} are the imports of input p of country i from country j (as measured by trade data using the BEC classification).

This allocation of bilateral intermediate imports across user industries assumes that import coefficients are the same for all trade partners.

For services trade data, no classification distinguishes final and intermediate services, but an additional assumption makes it possible to calculate trade in intermediate services. In the case of services imports, α^{ipkt} is the share of imported service inputs p used by industry k in total imports of p (both final and intermediate) of country i . Besides the assumption that all trading partners have the same distribution of intermediate imports p across using industries k , the share of intermediate services in overall bilateral services imports of country i must be the same across all partner countries j .

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Figure L.5.1. Share of industries in total imports of intermediates, producing industry, 2005

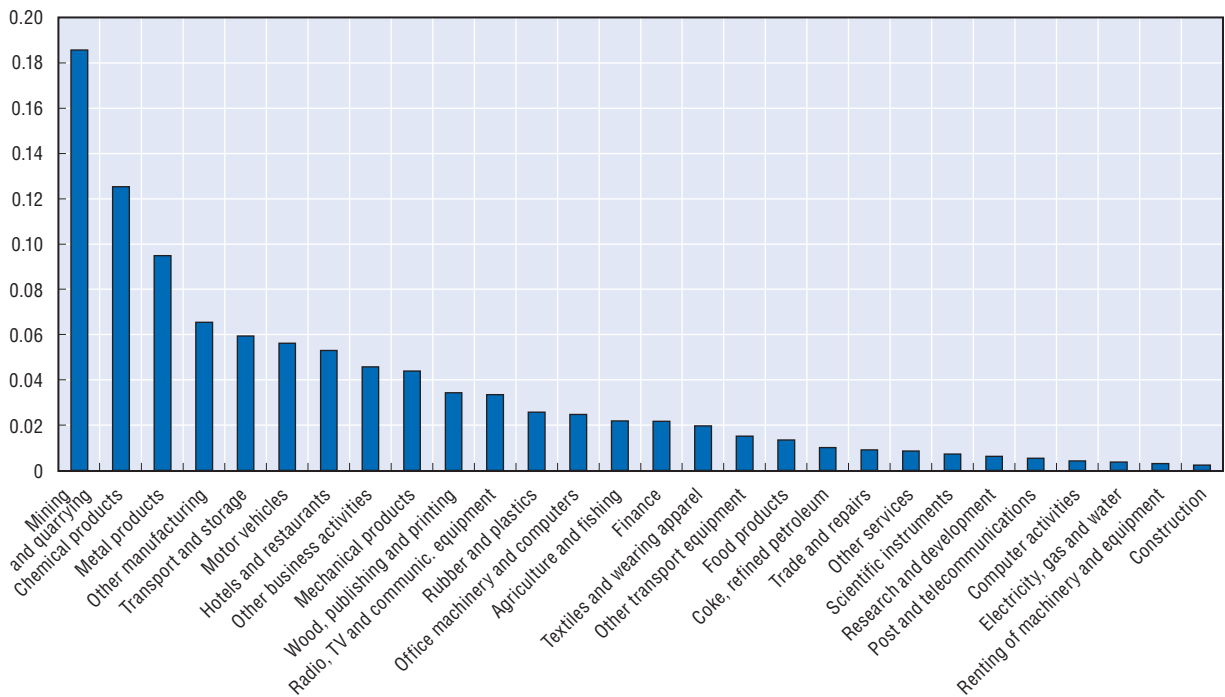

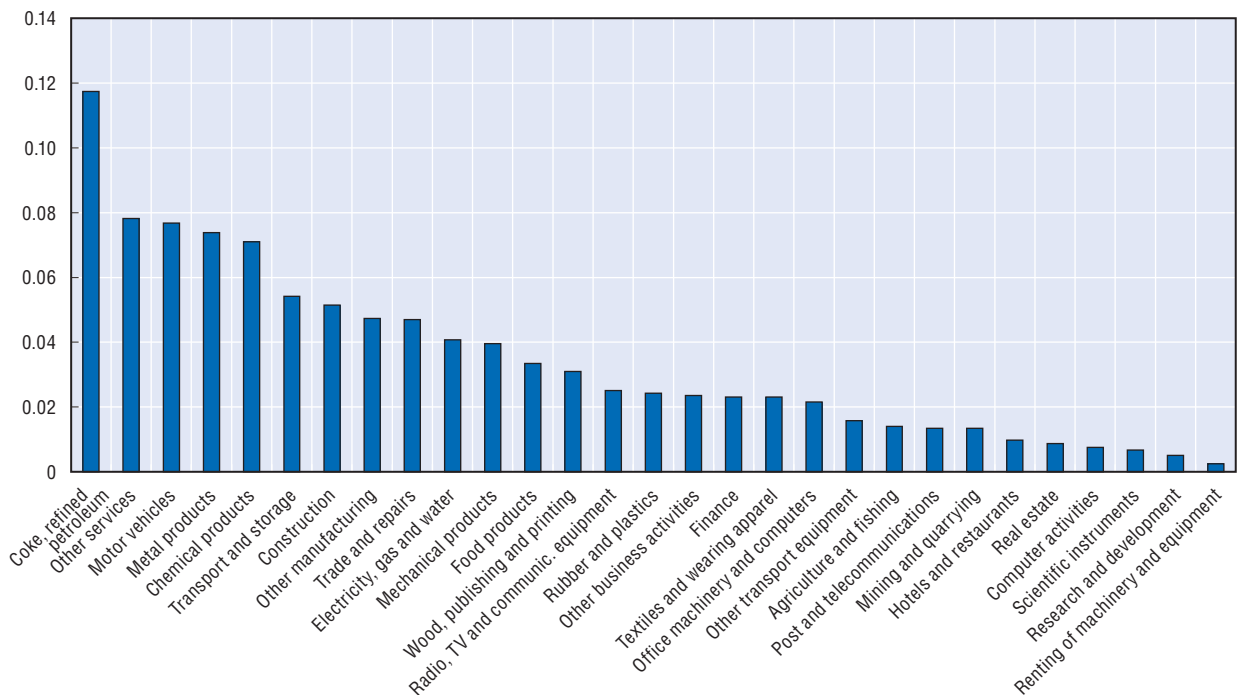

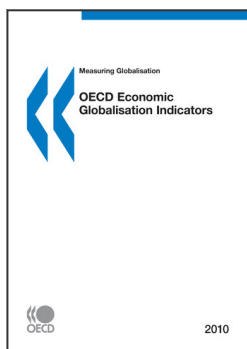
StatLink  <http://dx.doi.org/10.1787/846033633802>

Figure L.5.2. Share of industries in total imports of intermediates, using industry, 2005



Note: Total imports of intermediates of 34 countries amounted to USD 5 309 140 million in 2005. For some countries trade flows are missing for certain industries, especially services industries. For these industries the shares of the industry of origin will be underestimated.

StatLink  <http://dx.doi.org/10.1787/846061526804>



From:
Measuring Globalisation: OECD Economic Globalisation Indicators 2010

Access the complete publication at:
<https://doi.org/10.1787/9789264084360-en>

Please cite this chapter as:

OECD (2010), "Trade in intermediate goods: producer and user industries", in *Measuring Globalisation: OECD Economic Globalisation Indicators 2010*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264084360-88-en>

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