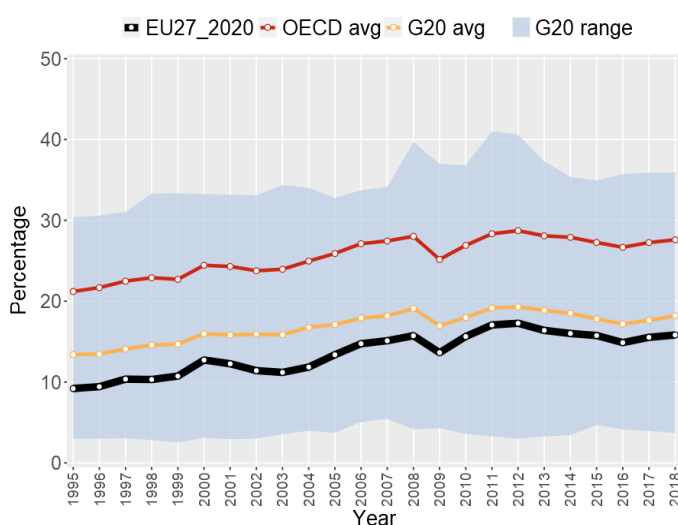


Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for the European Union, with a view to informing policy making for a range of areas including trade, innovation and investment.

## Key findings

- ▶ Considering the European Union as a single economy (i.e. exports to non-EU only, value added in intra-EU trade flows treated as domestic) provides additional insights on patterns of trade in value-added terms. Between 2008 and 2018, the foreign (non-EU) content of EU exports remained relatively stable, slightly increasing from 15.7% to 15.8% (Figure 1). This suggests that European integration is not leading to trade diversion effects and has not reduced the contribution of non-EU economies to European value chains.
- ▶ The most export-oriented EU industries in 2018, i.e. those with the highest share of value added meeting foreign (i.e. non-EU) final demand, were in the manufacturing sector. *Chemicals and pharmaceuticals* had the highest share (47.7%), followed by *Other transport equipment -which includes Shipbuilding, Air and spacecraft and Railroad equipment-* (47.2%) and *ICT and electronics* (46.3%) (Figure 2).
- ▶ The United States, the United Kingdom and China were the European Union’s main trading partners in 2018, both in gross terms and value-added terms (Figures 5). Switzerland was also an important trading partner with the largest share of EU domestic value added embodied in EU manufacturing imports (20.3%) coming from Switzerland (Figure 6).
- ▶ Services content accounts for a large share of gross exports by the European Union (57.4% in 2018); services are also essential for its manufacturing competitiveness, contributing 35.8% of value added in gross exports of manufactured goods in 2018 (Figure 7).

**Figure 1. Foreign value-added content of gross exports**  
As a percent of total gross exports, 1995 to 2018



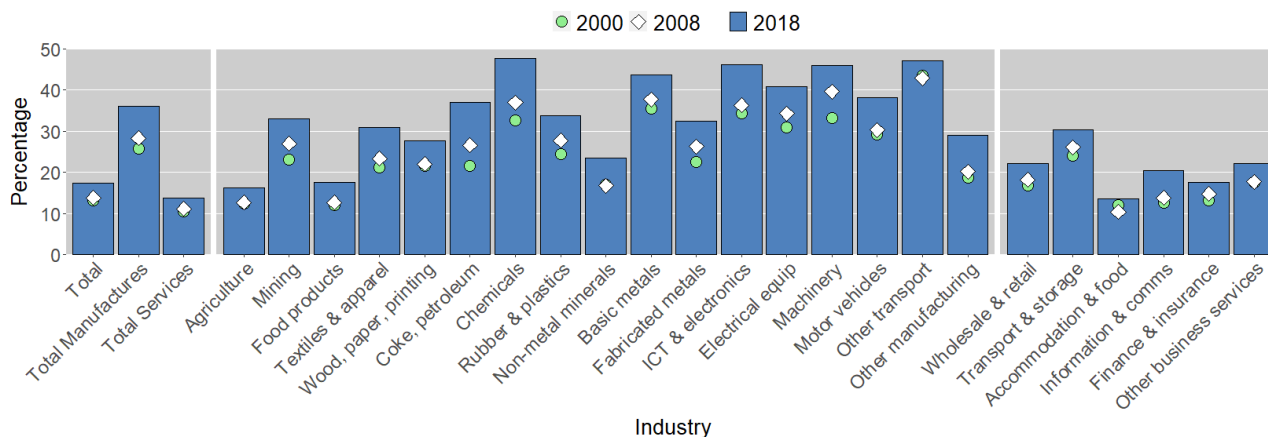
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of EU exports is estimated to have increased from 15.7% to 15.8% - significantly below the OECD average of 27.6%. Compared to 2008, the foreign content of exports in 2018 was 0.1 percentage points higher.

## The role of foreign final demand in domestic production

Overall, in 2018, 17.3% of EU domestic value added was driven by foreign final demand, up from 13.8% in 2008. By industry, the shares ranged from *Chemicals and pharmaceuticals* (47.7%) and *Other transport equipment* (47.2%) at the higher end to *Accommodation and food services* (13.6%) at the lower end.

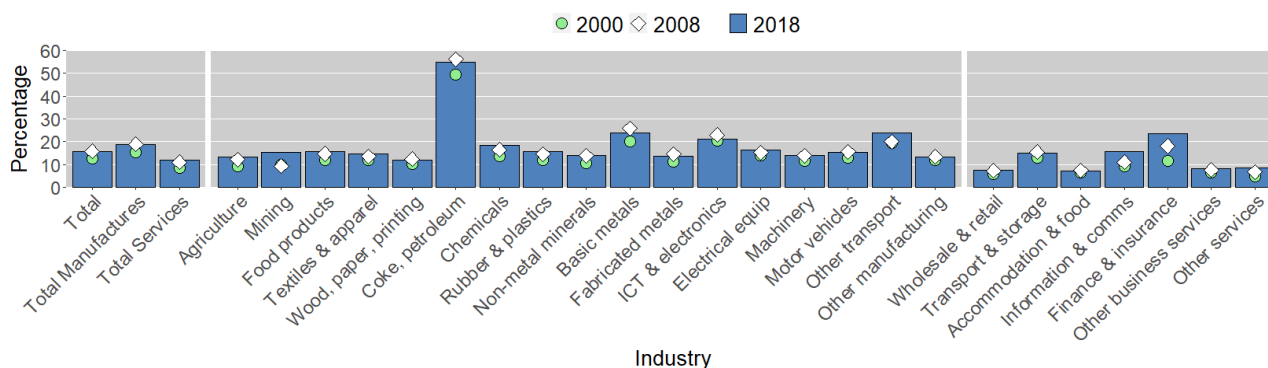
**Figure 2. European Union - domestic value added in foreign final demand**  
As a percent of value added, by industry, 2000, 2008 and 2018



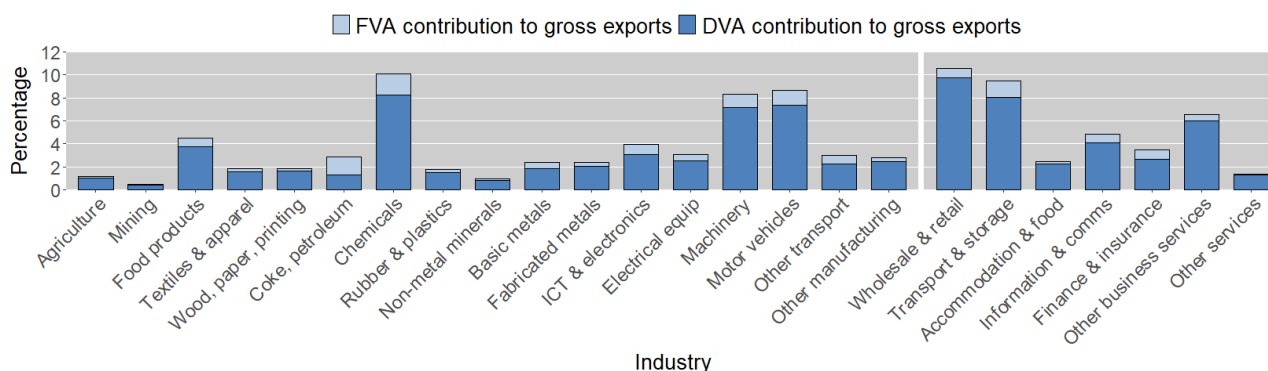
## The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (55%), *Other transport equipment* (24%) and *Basic metals* (23.7%). *Wholesale and retail trade* generated the greatest source of domestic value-added content of exports in 2018, accounting for 9.8% of gross exports (Figure 3b), followed by *Chemicals and pharmaceuticals* (8.2%) and *Transport and storage* (8.1%). The most foreign content in total exports came from *Chemicals and pharmaceuticals* (1.9%).

**Figure 3a. European Union - foreign value-added content of gross exports**  
As a percent of gross exports, by industry, 2000, 2008 and 2018

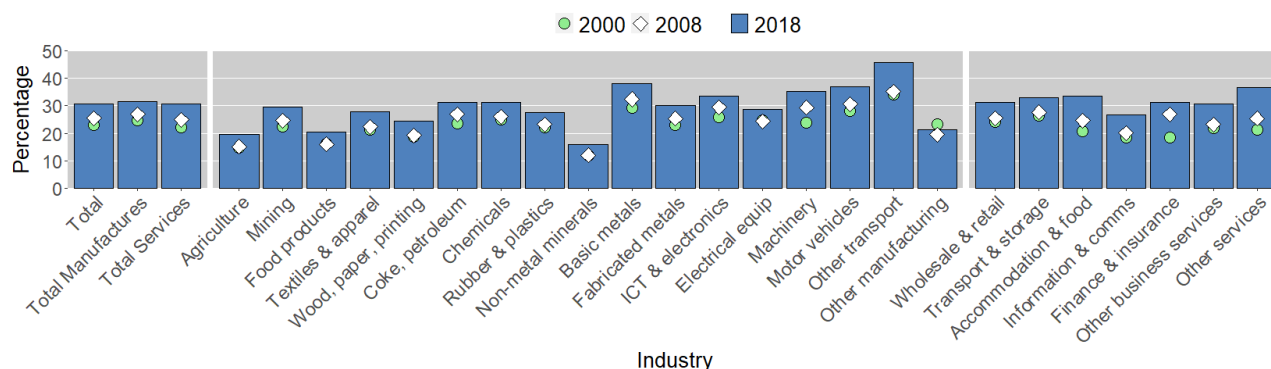


**Figure 3b. European Union - industry share of domestic and foreign value-added content of gross exports**  
As a percent of total gross exports, 2018



Of the total value of EU imports of intermediate goods and services in 2018, 30.6% was subsequently embodied in exports, significantly below the OECD average of 47.4%, and above the share in 2008 (25.4%). The originating industries with the highest shares of intermediate imports used in EU exports were *Other transport equipment* (45.7%), *Basic metals* (38%) and *Motor vehicles* (36.8%).

**Figure 4. European Union - imported intermediate inputs used for exports, by industry-origin of imports**  
As a percent of intermediate imports, 2000, 2008 and 2018

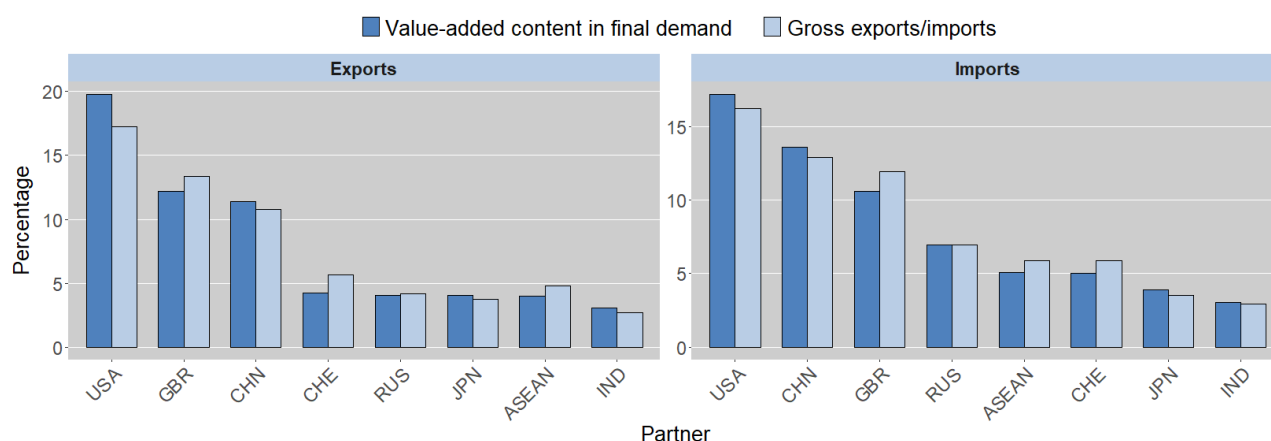


### European Union: international flows of goods and services, main players

In gross terms, the United States (17.3%), the UK (13.3%) and China (10.7%) were the three most important EU export market destinations in 2018. The top three final destinations for EU value added were the United States (19.8%), the UK (12.2%) and China (11.4%).

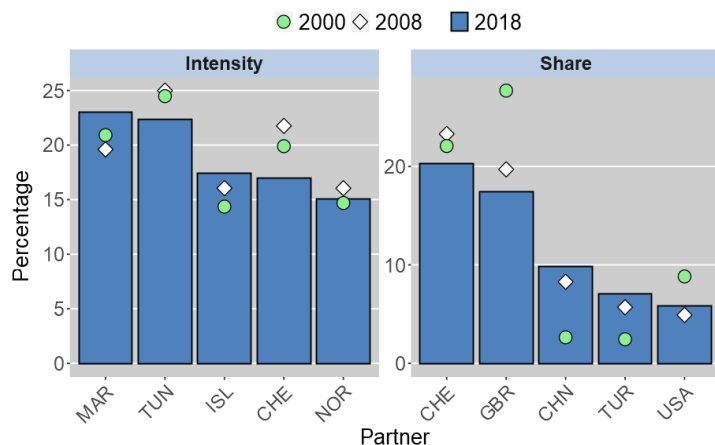
For imports in gross terms, the European Union's top three partners in 2018 were the United States (16.2%), China (12.9%) and the UK (11.9%), while in value-added terms, the top three were the United States (17.2%), China (13.6%) and the UK (10.6%).

**Figure 5 European Union - exports and imports: main partners**  
As a percent of total gross and value-added exports and imports, 2018



**Figure 6. EU domestic value-added content of manufactured imports, top 5 partners**

As a share of total EU value added embodied in EU imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of EU domestic value added embodied in EU manufactured imports (Figure 6, right) came from Switzerland (20.3%), the UK (17.4%) and China (9.8%).

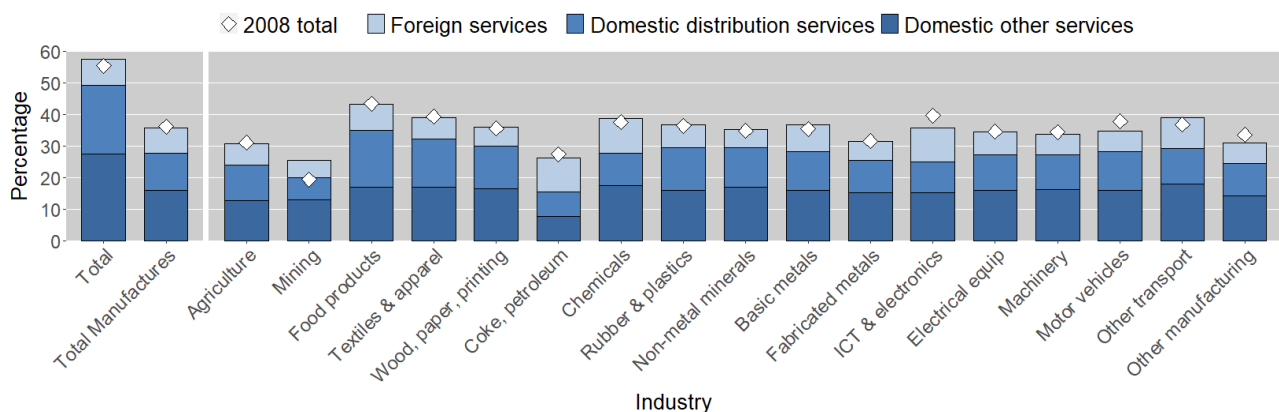
The trading partners with the highest shares of EU value added in their exports of manufactures to the European Union (Figure 6, left) in 2018 were Morocco (23%), Tunisia (22.4%) and Iceland (17.5%).

## The importance of services in international trade

Services are a major contributor to EU economy, accounting for 57.4% of EU gross exports in 2018 (Figure 7) - close to the OECD average of 55.7%. Foreign services contributed 8.2% to the value of total gross exports. For manufactures, services value-added content was 35.8% of gross exports, with the highest shares in *Food and beverages* (43.2%), *Other transport equipment* (39.1%) and *Textiles and apparel* (39%).

**Figure 7. European Union - services content of gross exports**

As a percent of gross exports by industry, 2018



## Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: [www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf](http://www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf)
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

Note: This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.