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GROSS VERSUS VALUE ADDED TRADE BALANCES OF THE CENTRAL AND EASTERN EUROPEAN COUNTRIES

Abstract:

The making available in the early 2010s of databases containing world input-output tables (e.g. WIOD) was a significant advancement in research on international trade. It allowed to compile statistics of value added flows between countries. The concept “trade in value added” accounts for the value added of one country directly and indirectly contained in final consumption of another country. The typical question would be: How much value added of other countries is contained in the consumption of the country under examination?. The trade statistics in value added term eliminate the multiple calculation of such goods in trade – first as components (intermediate goods) and then as parts of final goods. Thus, those statistics are better to assess the benefits derived by particular countries from foreign trade.

The aim of this paper is to present changes of trade balances in bilateral trade of the Central and Eastern European countries (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia – CEECs) in 1995-2011. The illustration of these changes is based on trade statistics both in value added terms and in gross terms. The data are downloaded from the World Input-Output Database (WIOD Release 2013).

The research study shows that trade deficits and trade surpluses when measured in value added terms tend to become smaller as compared to gross trade figures. The key to understanding of this pattern is trade in intermediates. The differences between trade balances in gross and value added terms differ among the CEECs. The largest are in the Central European countries (the Czech Republic, Hungary, Poland and Slovakia). These countries are strong integrated with the global value chains.

Keywords:

gross trade, value added trade, trade balance, Central and Eastern European countries

JEL Classification: F14, F60, D57