**Determinants of Trade in Value-added:**

**Market Size, Geography and Technological gaps**

By

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**Abstract:**

*Using productivity database under KLEMS projects and Trade in Value Added (TiVA) derived from the latest version of OECD’s Inter-Country Input-Output (ICIO), this paper examines the differences between traditional “gross” trade and value added trade in global value chains (GVCs) of selected economies in each region focusing on three factors that may determine the share of domestic value added in exports and foreign final demand: (1) home market effect; (2) geographical location; and (3) resources and technological gaps of economies. We also present the methodology which consists of analysing possible determinants that separate “gross” trade and value added trade, after controlling for market size and proximity, based on typical New Geographical Economy (NGE) models. Identifying such determinants requires the combination of growth accounting together with certain gravity equations.*