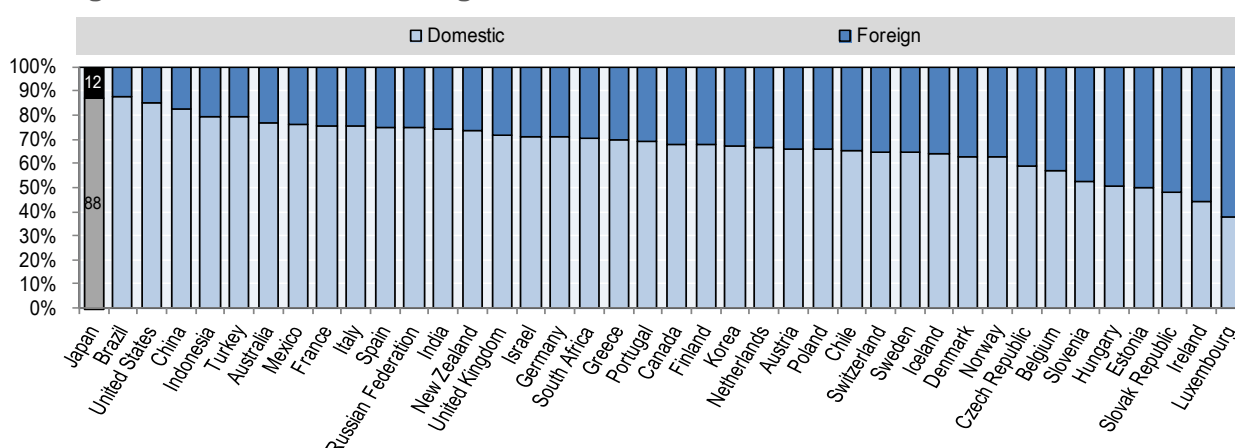


## Distribution of value added along the value chain (manufacturing and market services)

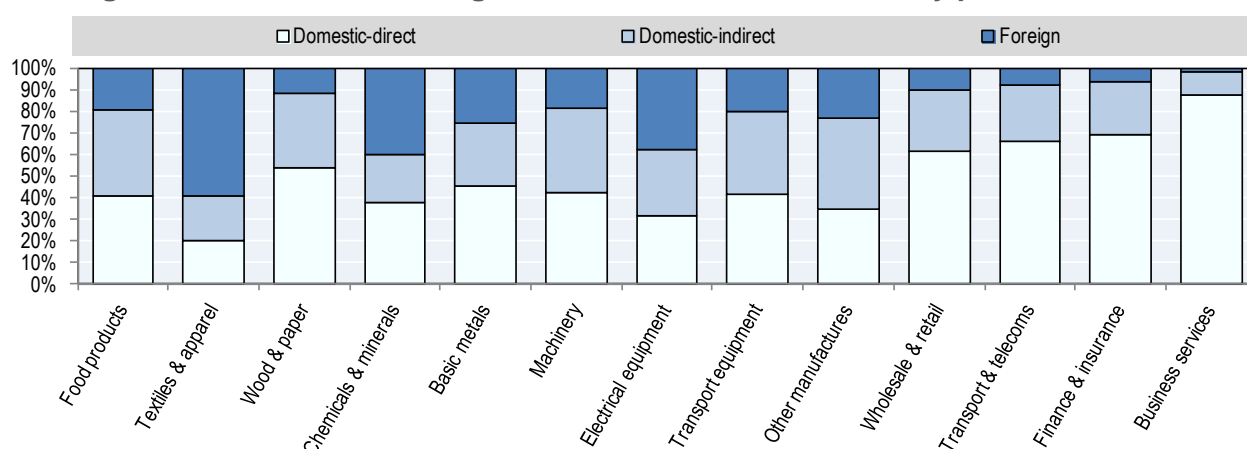
The ability to participate in GVCs is instrumental for economic integration, but benefiting from GVCs depends on how much value a country creates in GVCs. Similar to the stylised approach applied for individual products (e.g. Apple's iPhone), the contribution of different industries and countries along the value chain can be calculated at the aggregate level<sup>3</sup>. Final demand in countries (i.e. sales within the domestic market) is made up of value added created by foreign and domestic industries; a further distinction between direct (i.e. within the industry) and indirect (i.e. in upstream industries) domestic value added can be made at the level of individual products.

**Figure 3. Domestic and foreign value added in final demand across countries<sup>4</sup>, 2009**



- The majority of final demand for manufactured goods and market services in Japan represents value added that has been created domestically. The foreign value added share was about 12% in 2009 (Figure 3).
- Market services show, as expected, the largest domestic value added, especially direct domestic value added (within the industry). Foreign value added is more important in final demand for manufactured goods sold in Japan, particularly in textiles. Some manufactured products, such as machinery and transport equipment, nevertheless show significant domestic (direct and indirect) value added content (Figure 4).

**Figure 4. Domestic and foreign value added in final demand by products<sup>5</sup>, 2009**



Note: 3) Timmer et al. (2012) 'New Measures of European Competitiveness; A Global Value Chain Approach' calls this measure GVC-income.

4) Only manufactured goods and market services are included given the prominence of GVCs in these industries.

5) Since trade and transport margins are grouped together in the wholesale/retail sector, distribution services for final goods are not included in the industry decompositions.