TRADE IN VALUE ADDED: **FRANCE**

February 2022

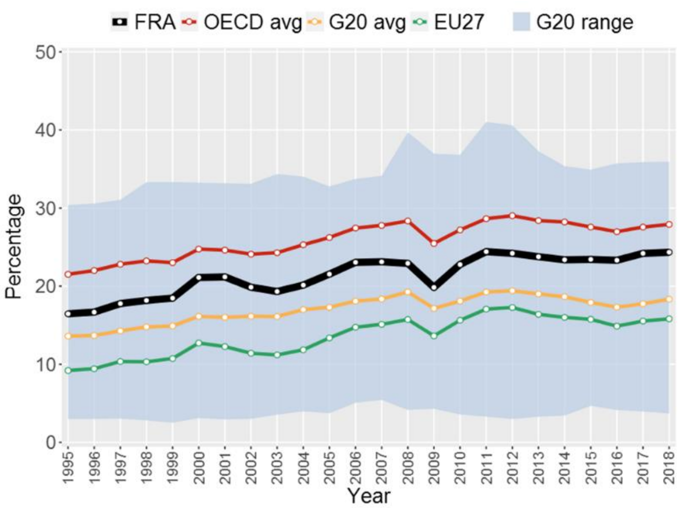
Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects 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 France, with a view to informing policy making for a range of areas including trade, innovation, and investment.

Key findings

- While there was a slowdown in GVC integration after the 2008-2009 Financial Crisis, the foreign content of France’s exports increased between 2008 and 2018 from 22.9% to 24.3% (Figure 1).
- Over 50% of value added in manufacturing was driven by foreign final demand, with the export orientation of most industries increasing between 2008 and 2018 (Figure 2). This partly reflects France’s strong participation in regional (EU) value chains.
- TiVA indicators reveal that France’s *Other transport equipment* sector (which includes *Shipbuilding*, *Air and spacecraft* and *Railroad equipment*) is heavily integrated in GVCs. In 2018, 75% of imported intermediate inputs in the sector were subsequently embodied in exports (Figure 4), and 85% of domestic value added was driven by foreign final demand (Figure 2). The sector also saw the largest increase in the level of foreign content of its exports (Figure 3a).
- Led by *Wholesale and retail* and *Other business services* (Figure 3b), services account for a large share of France’s value-added content of gross exports (59.7% in 2018). Services are also essential to France’s manufacturing competitiveness, contributing to 37.5% of gross manufactures exports in 2018 (Figure 7).
- While Germany was France’s largest export market in gross terms in 2018, the most important final destination for France’s value added was in fact the United States (Figure 5). This is the result of France’s value-added content arriving in the United States indirectly, via exports to a third country (e.g. Germany). Germany was France’s largest source of imports in 2018, both in gross and value-added terms (Figure 6).

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.

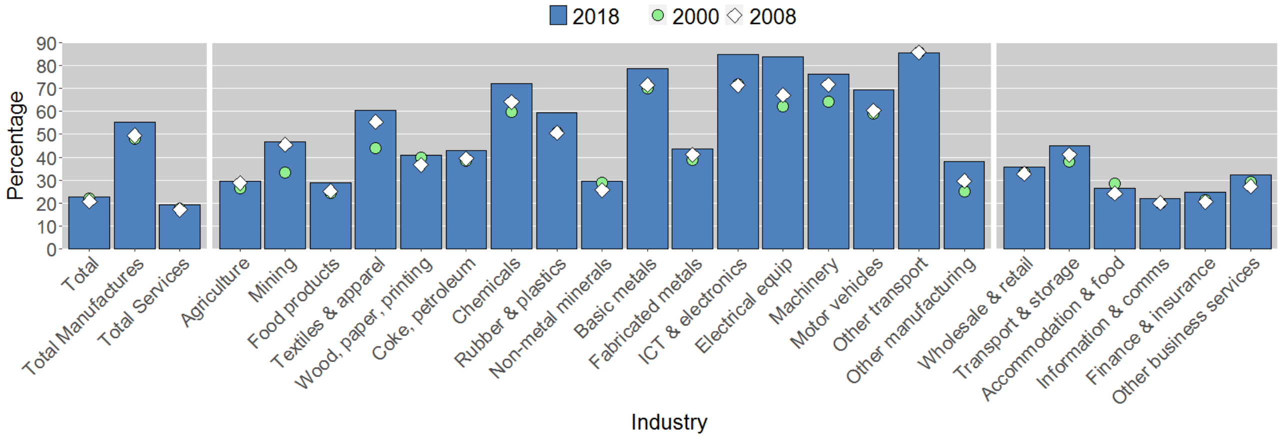
Between 2008 and 2018, the foreign content of France’s exports is estimated to have increased from 22.9% to 24.3% - below the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 1.4 percentage points higher.

The role of foreign final demand in domestic production

Overall, in 2018, 22.7% of France's domestic value added was driven by foreign final demand, up from 20.6% in 2008. By industry, the shares ranged from *Other transport equipment* (85.4%) and *ICT and electronics* (84.7%) at the higher end to *Information and communication* (22.1%) at the lower end.

Figure 2. France - 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* (67.2%), *Other transport equipment* (47%) and *Motor vehicles* (39.3%). *Wholesale and retail trade* generated the greatest source of domestic value-added content of exports in 2018, accounting for 12.2% of gross exports (Figure 3b), followed by *Other business services* (9%) and *Transport and storage* (7.5%). The most foreign content in total exports came from *Other transport equipment* (4%).

Figure 3a. France - foreign value-added content of gross exports

As a percent of gross exports, by industry, 2000, 2008 and 2018

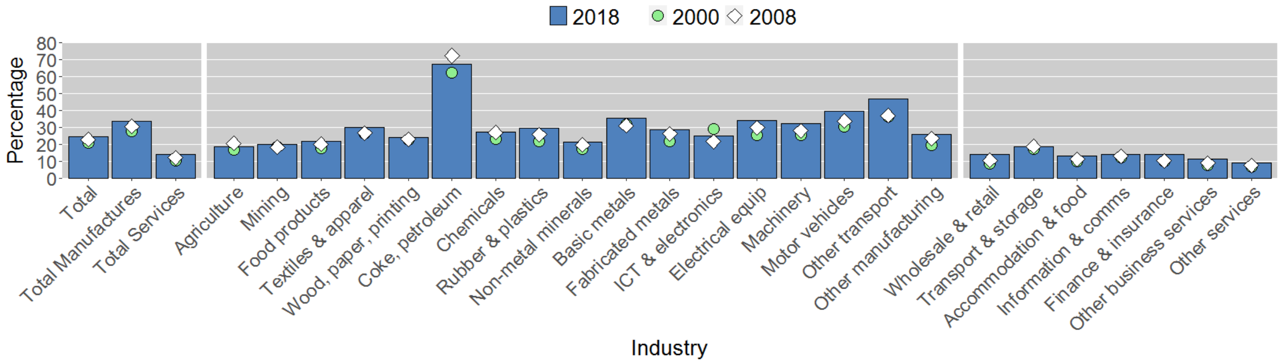
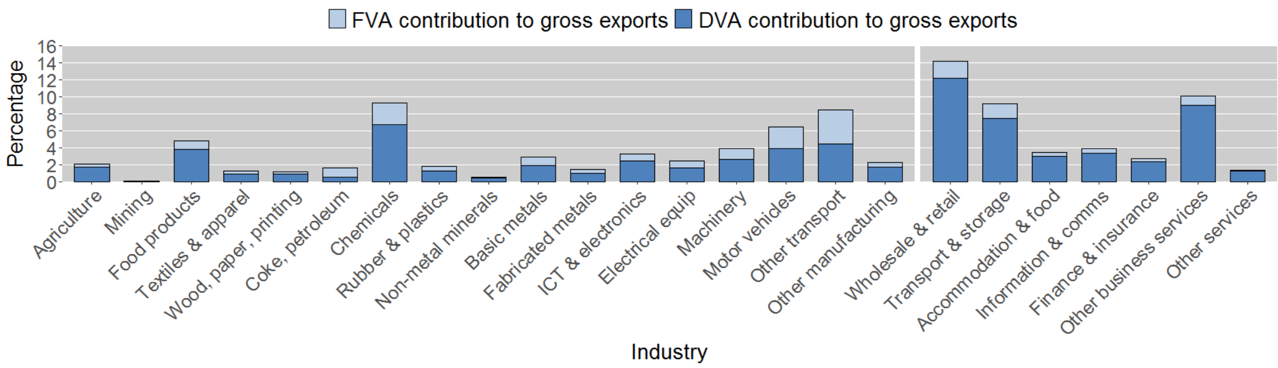


Figure 3b. France - industry share of domestic and foreign value-added content of gross exports

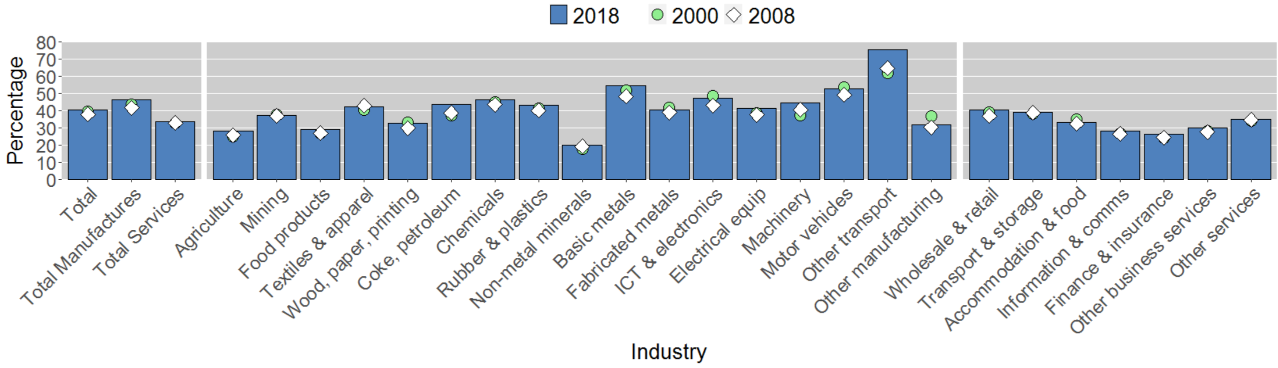
As a percent of total gross exports, 2018



Of the total value of France's imports of intermediate goods and services in 2018 (Figure 4), 40.3% was subsequently embodied in exports, below the OECD average of 47.9%, and above the share in 2008 (37.8%). The originating industries with the highest shares of intermediate imports used in France's exports were *Other transport equipment* (75.3%), *Basic metals* (54.4%) and *Motor vehicles* (52.9%).

Figure 4. France - imported intermediate inputs used for exports, by industry-origin of imports

As a percent of intermediate imports, 2000, 2008 and 2018



France: international flows of goods and services, main players

In gross terms, Germany (11.3%), the United States (7.8%) and the UK (7.4%) were the three most important French export market destinations in 2018. The top three final destinations for France's value added were the United States (10.4%), Germany (10%) and the UK (8%).

For imports in gross terms, France's top three partners in 2018 were Germany (13.5%), the United States (7.6%) and Spain (7.6%), while in value-added terms, the top three were Germany (12.5%), the United States (9.2%) and China (7.7%).

Figure 5. France - exports and imports: main partners

As a percent of total gross and value-added exports and imports, 2018

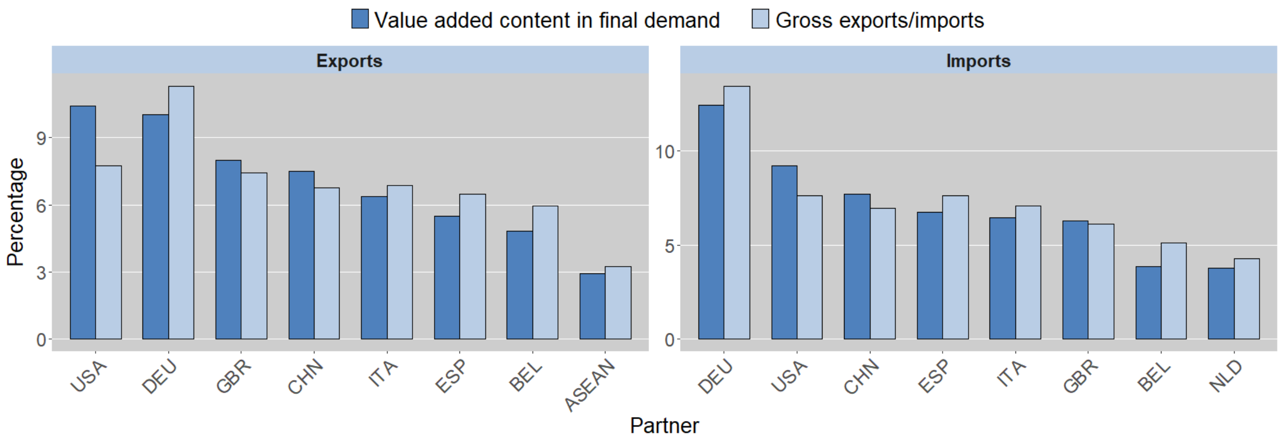
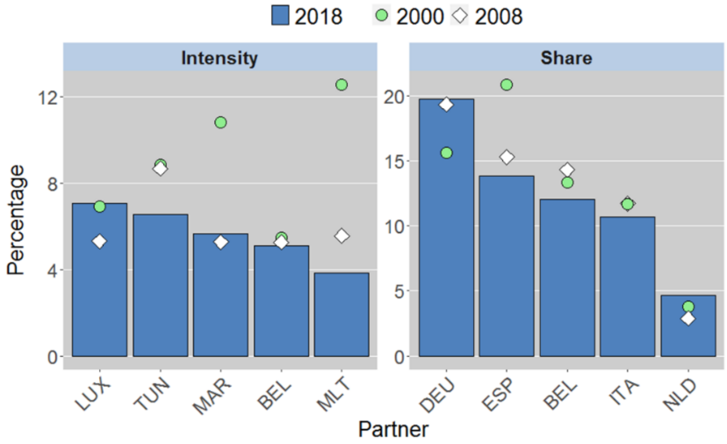


Figure 6. France's domestic value-added content of manufactured imports, top 5 partners
As a share of total France's value added embodied in France's imports (right) and as a percent of total imports by partner (left)



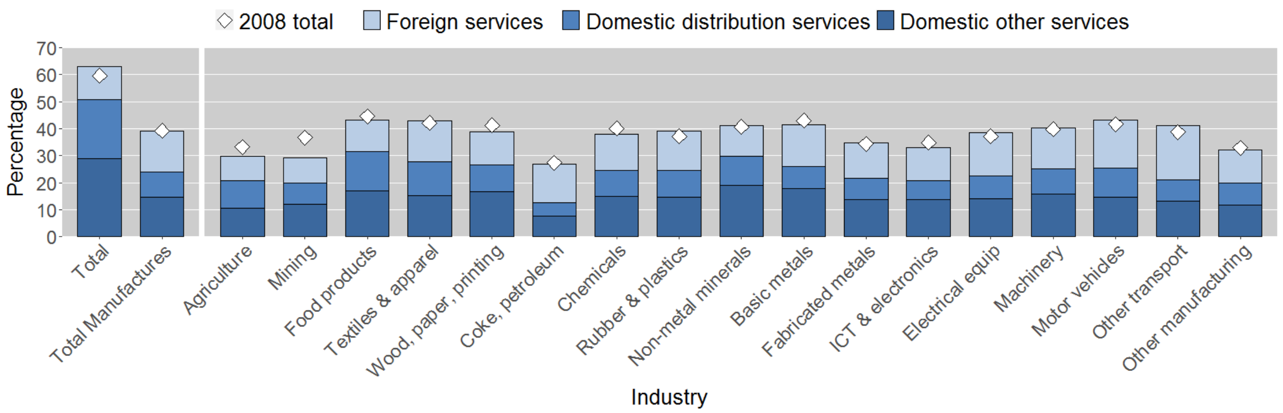
In 2018, the highest shares of France's domestic value added embodied in France's manufactured imports (Figure 6, right) came from Germany (19.7%), Spain (13.9%) and Belgium (12%).

The trading partners with the highest shares of France's value added in their exports of manufactures to France (Figure 6, left) in 2018 were Luxembourg (7.1%), Tunisia (6.6%) and Morocco (5.6%).

The importance of services in international trade

Services are a major contributor to France's economy, accounting for 59.7% of France's gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. Foreign services contributed 12.3% to the value of total gross exports. Services sectors are not just important to France's economy in their own right, but are also essential for manufacturing competitiveness. For manufactures, services value-added content was 39.2% of gross exports, with the highest shares in *Motor vehicles* (43.3%), *Food and beverages* (43.1%) and *Textiles and apparel* (42.8%).

Figure 7. France - 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
- 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

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