

## **Accounting for Intermediates: Intermediate Inputs and Bilateral Trade in Value Added**

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### **Abstract:**

Trade in intermediate inputs links production processes together across borders. In this paper, we combine data from input-output tables with data on bilateral trade to quantify these linkages and construct measures of bilateral trade in value-added for 87 countries and regions. With this data, we calculate value added measures of openness and extend previous work measuring vertical specialization and the domestic content of exports. Examining differences between gross and value added trade flows, we also show that input-output linkages give rise to indirect trade that occurs via sectors or countries that process intermediate goods. Applying this work, we quantify how trade in intermediate goods alters measurement of the factor content of trade.