

2.1 Imports of Intermediate Inputs

The available information, albeit fragmented, is consistent in documenting the growth of imported intermediate inputs in total domestic production. One frequently cited source is Feenstra and Hanson (1997) who report that imported inputs increased from 5.7% of total U.S. intermediate goods purchases in 1972 to 8.6% in 1979 and to 13.9% in 1990.

Table 1 reports similar data for all manufacturing industries for comparable years for the United States, Canada, Japan and the United Kingdom. Specifically, it reports the share of imported to total intermediate inputs for each country in each sample year (Feenstra, 1998). For the two large economies (U.S. and Japan), the share of imported inputs in total inputs is smaller than for the two smaller economies (Canada and the U.K.). This might be expected to the extent that smaller economies will be driven to specialize in a narrower range of products than larger economies in order to realize attainable product-level economies of scale.

Table 1: Share of Imported to Total Intermediate Inputs

(All Manufacturing Industries – percent)

Country	1974	1984	1993
Canada	15.9	14.4	20.2
Japan	8.2	7.3	4.1
U.K.	13.4	19.0	21.6
U.S.	4.1	6.2	8.2

Source: Feenstra (1998)

Table 2 reports shares of imported total intermediate inputs for specific manufacturing industries for 1974, 1984 and 1993. What is interesting to note here is that the growing importance of imported intermediate inputs as a share of total intermediate inputs varies across manufacturing industries. For example, growth is more marked in the case of transportation equipment than it is in the case of chemicals and allied products. While no explanations are offered for the observed differences across industries, it is not surprising to find that GVCs seem most developed in the transportation equipment industry given the high degree of intra-industry trade within the motor vehicle and parts industries.