



OECD GLOBAL FORUM ON TRADE 2016:

TRADE AND INVESTMENT LINKAGES IN GVCS

November 2, 2016

Ana Novik
Head of Investment Division, DAF

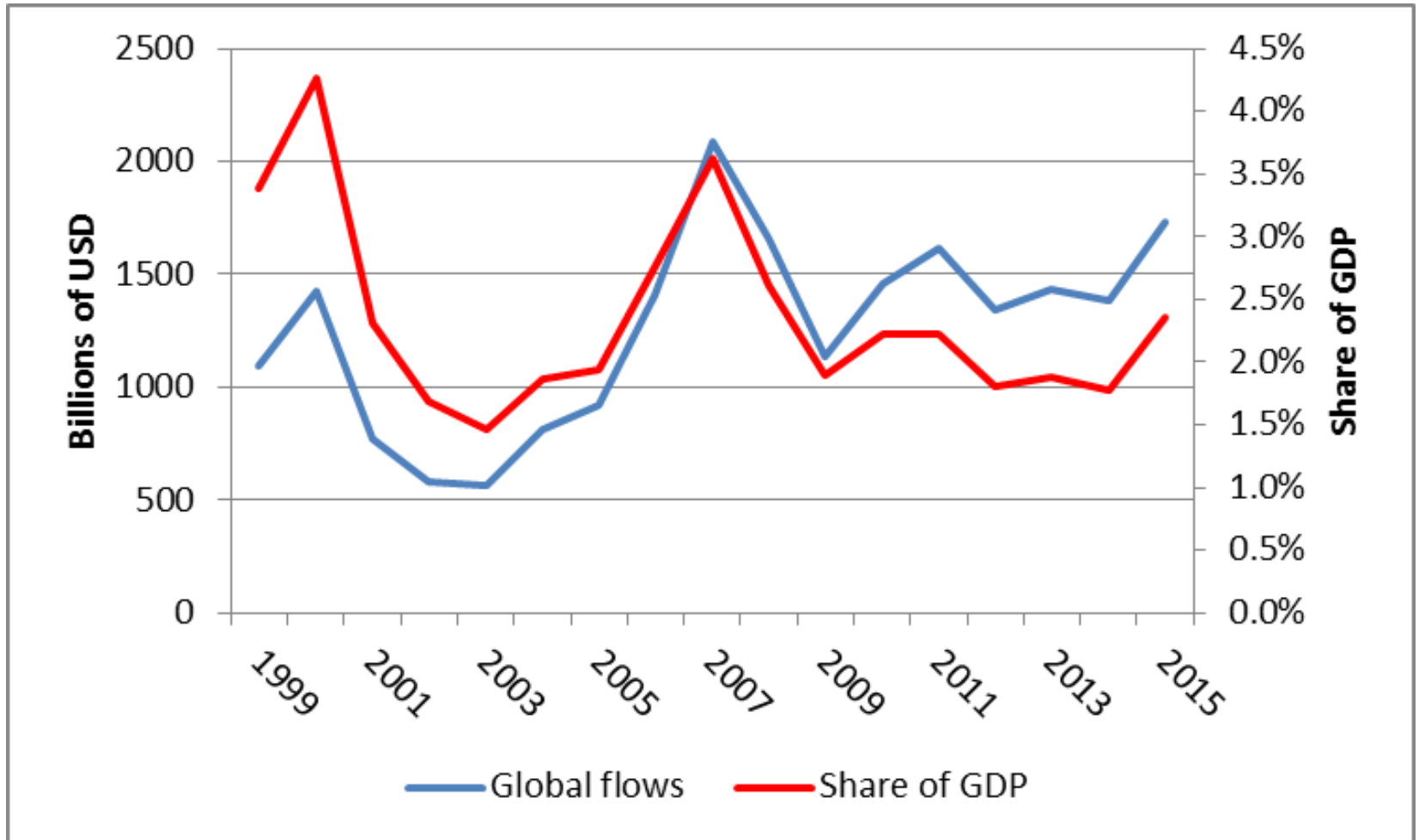


Overview





Global FDI Flows: 1999 to 2015



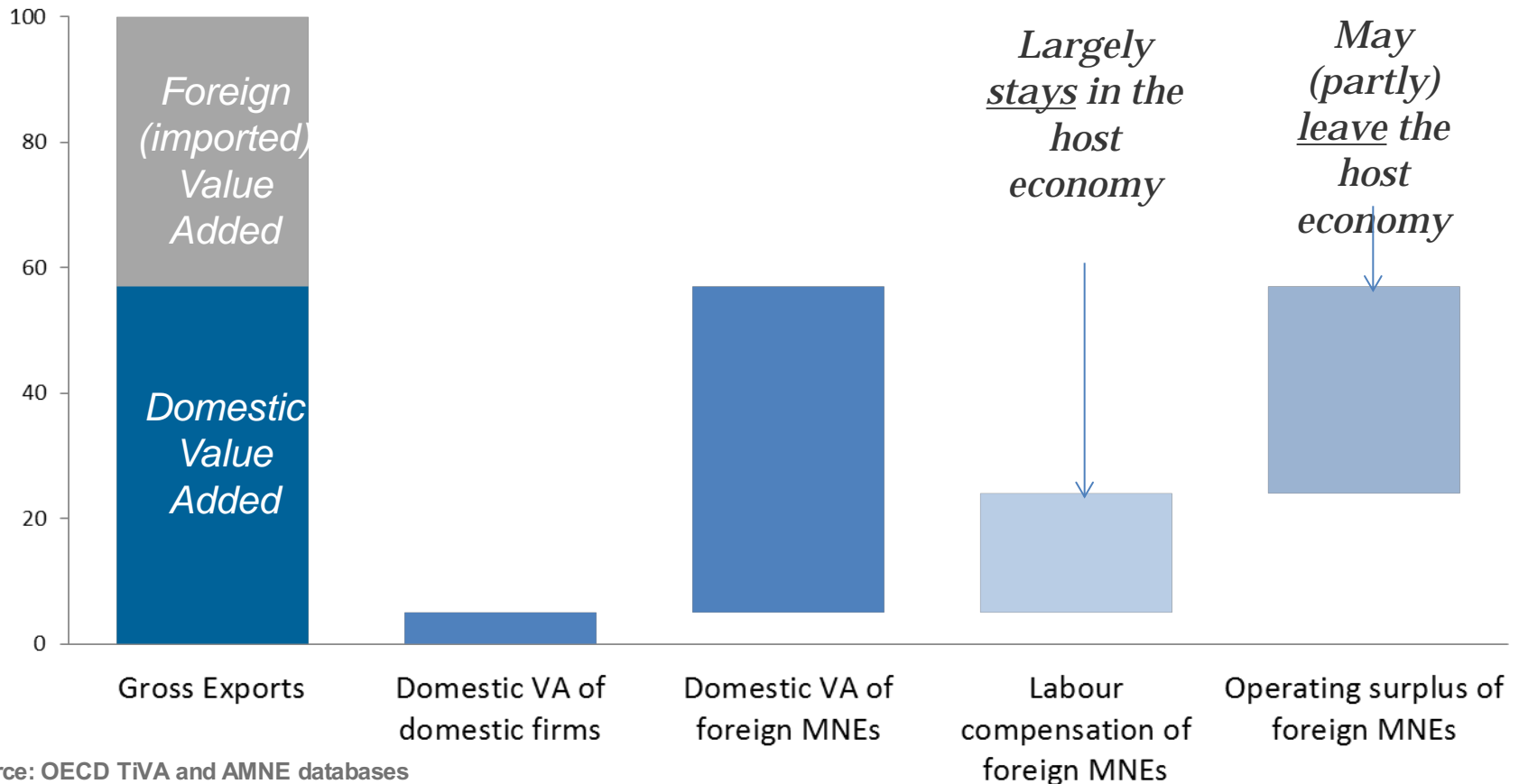


Integrating FDI Income into TiVA

- FDI is an important driver of globalisation and of GVCs, yet FDI has not been systematically included in statistical frameworks developed to analyse GVCs
- Introducing FDI income into TiVA sheds light on an important issue: where is income generated along a GVC and where does it accrue?
- Identify the part of value added by foreign-owned firms that can be repatriated
 - Wages and taxes are more 'sticky'
 - Operating surplus is less 'sticky'

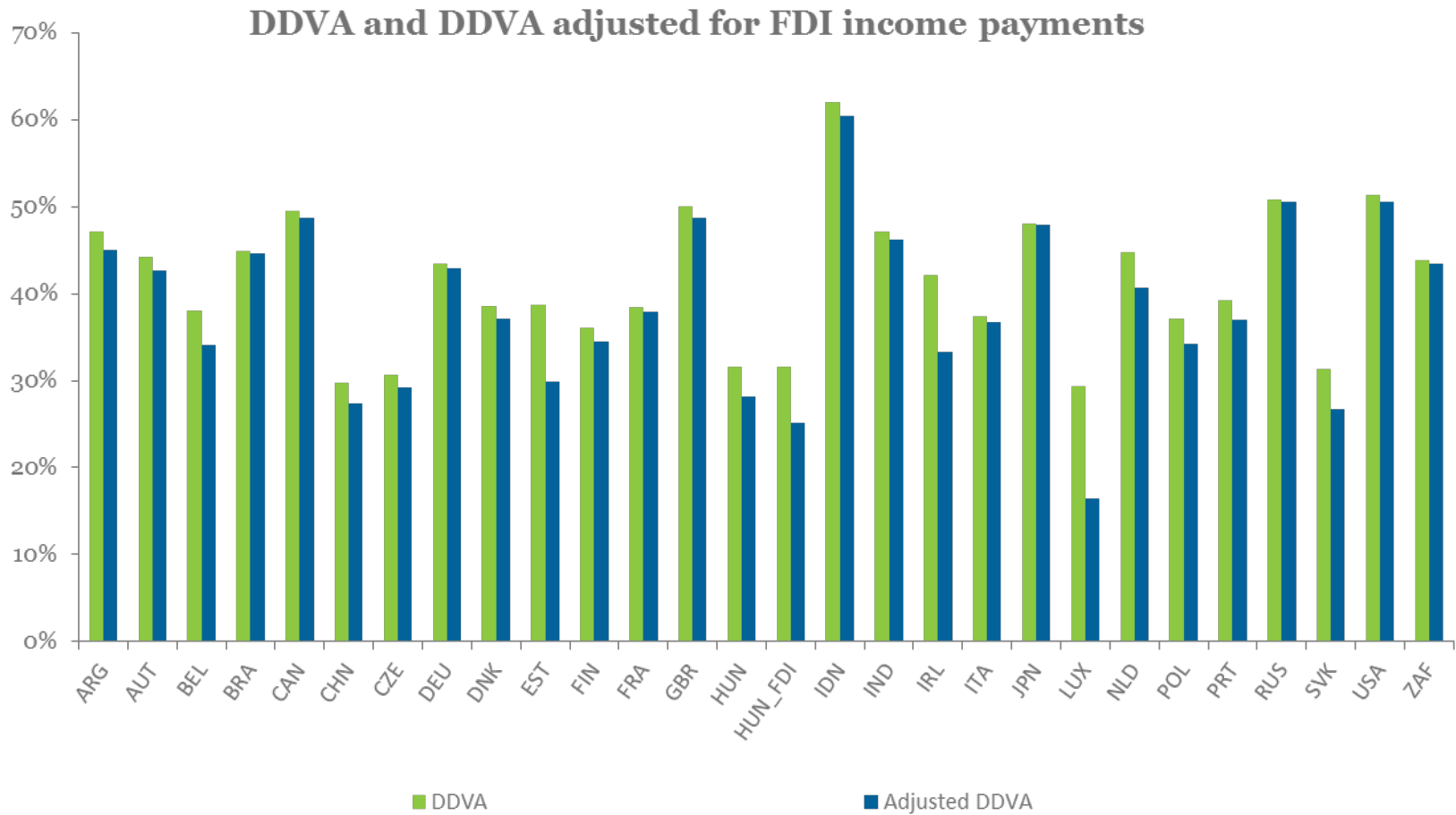


Possible 'Non-Sticky' Domestic Value Added Embodied in Exports



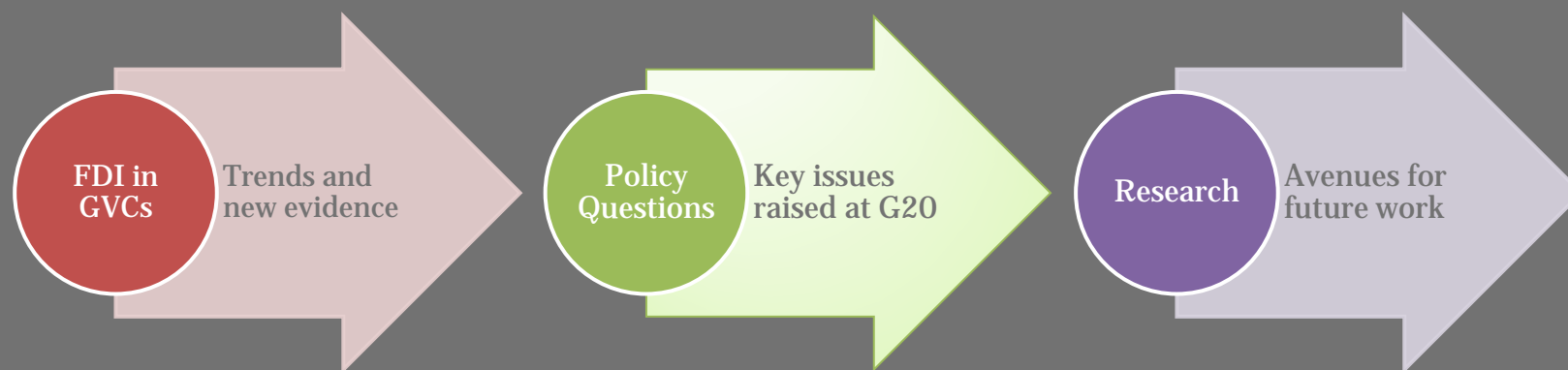


Results: Direct Domestic Value Added Adjusted for FDI Income Payments





Overview





Trade and Investment at the G20

- Trade and Investment are vital engines of economic growth (G20 commitment to raise global growth by at least 2% over the next five years)
- Trade and Investment rules (BITs, RTAs and Mega Regional negotiations): Answering to the business reality?
- In this field, we have contributed to:
 - Resist protectionism : WTO-OECD-UNCTAD Trade & Investment Monitoring (from 2008)
 - IO Report: “Inter Relationship Between Trade and Investment: Strengthening Policy Coherence”



G 20 Report “Inter Relationship Between Trade and Investment: Strengthening Policy Coherence”

- Areas identified:
 - The Evolving Trade – Investment Nexus
 - Continuing evolution of GVC
 - Growing importance of non-equity modes of production
 - Growing importance of services and the rise in digital trade
 - The Growing Interaction of National trade and investment measures
 - The interaction of international trade and investment regimes
 - Harnessing Trade and Investment for development



Some questions in the Report

- How to strengthen synergies between trade and investment at the national and international level in the future?
- Where do the main policy barriers, inconsistencies, or gaps lie?
- What lessons – if any – do the new generation of RTAs offer for future trade and investment rule-making?
- What role can business play in building more responsible and sustainable cross border production and networks?

=> the OECD through INV and TAD and STD would like to contribute in providing more evidences on the linkage between investment and trade, policies and measures related to help OECD and G20 countries to answer these questions



Overview





No one-size-fits all policy coherence: take into account heterogeneity

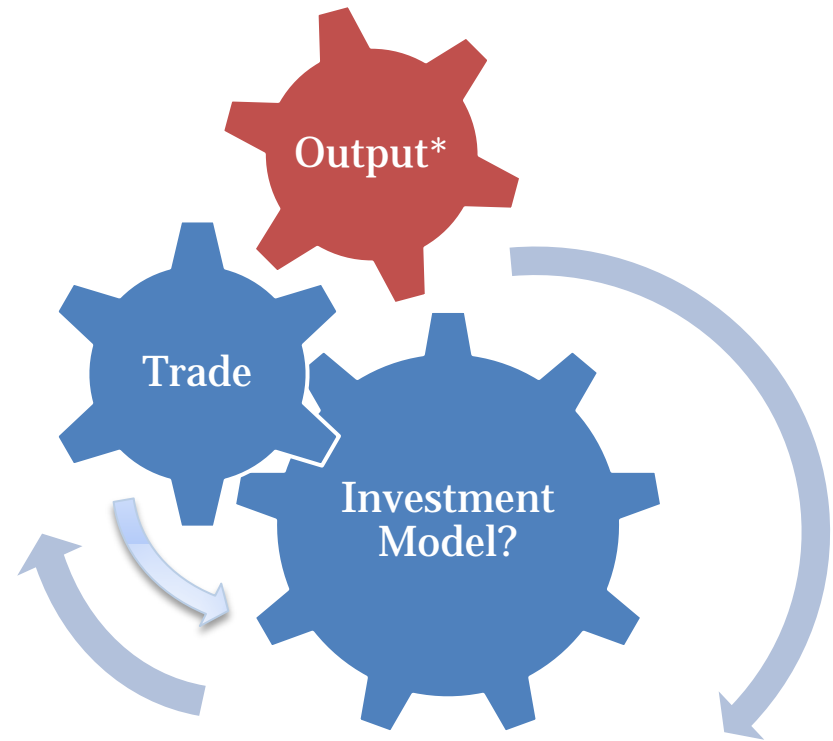
Closer look at the complexity of business strategies in GVCs:

- What is the configuration of international investment across GVCs?
- How many international activities are deployed in combination?
- Are these international strategies exogenous or endogenous?



Objectives:

- Identify policy mix that leads to the optimal configuration of trade and investment activities in GVCs



*** Shifts driven by new technologies, demographic changes, societal demands, other structural changes**



Ask the customer: Firm-level dynamics to improve aggregate assessments

Relevance for policy (some policy questions):

Data sources:

Modes & interaction

- What is the internationalisation strategy that prevails in each sector?
- Modes and types of investment and trade used in combination?

Drivers & barriers

- What are the drivers of modal choices?
- To what extent are they being shaped by policies (or lack of policies)?

Shifting strategies

- Technology and digitalisation?
- Demographic shifts?
- Societal demands?

Firm-level micro data
(FactSet, Orbis, Dealogic, FT)

Quantitative survey of lead firms

Semi-structured interviews with MNEs

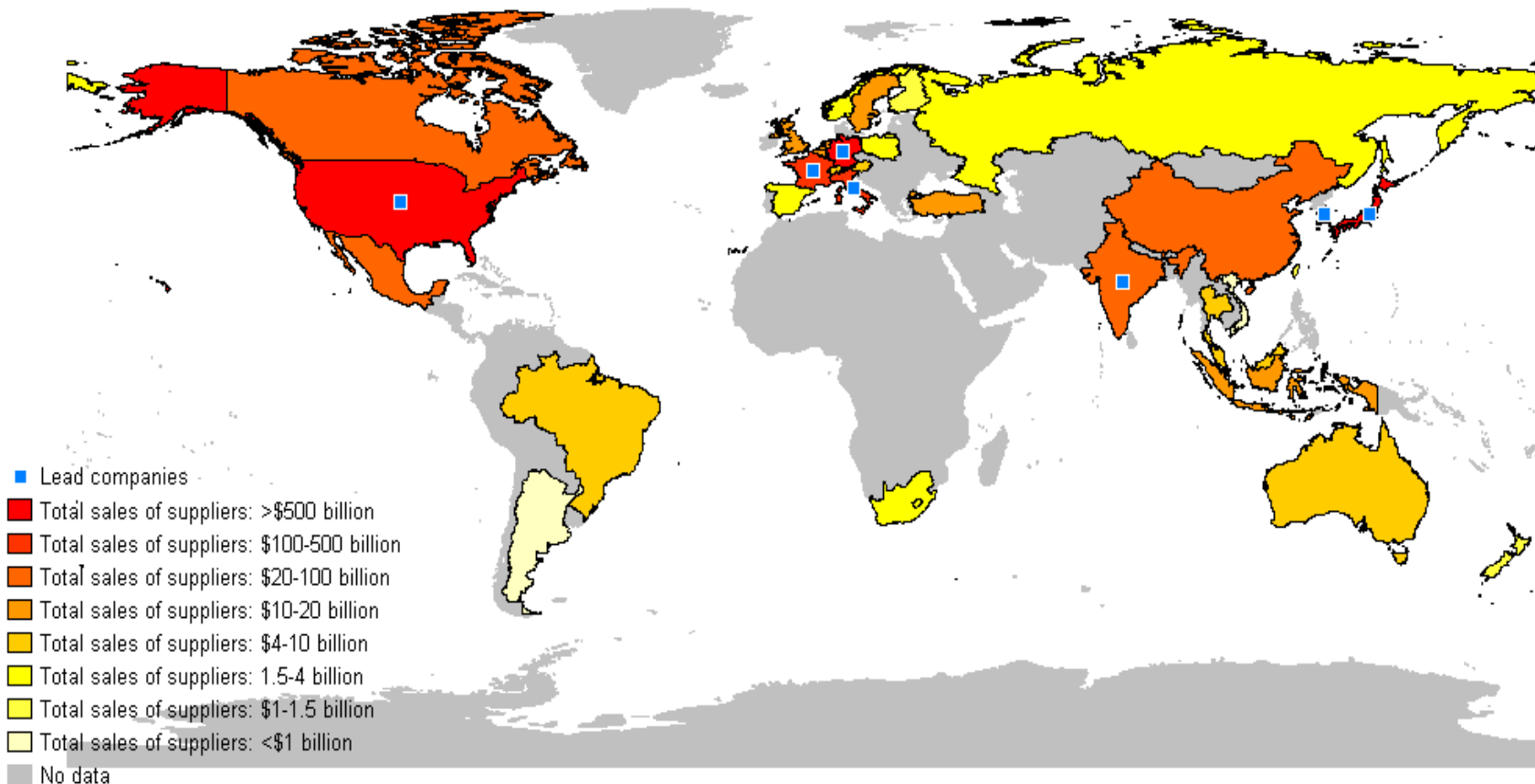
Quantitative

Qualitative



Mapping of different actors in GVCs: Non-equity modes of investment

Automobile supply chain, contractual suppliers of components



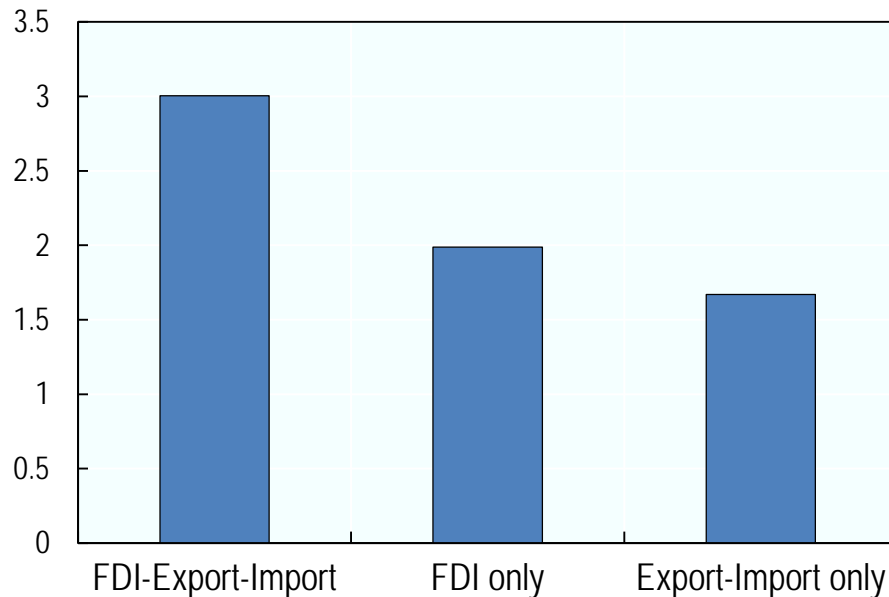
Source: OECD, developed from FactSet. Preliminary results, not for citation.



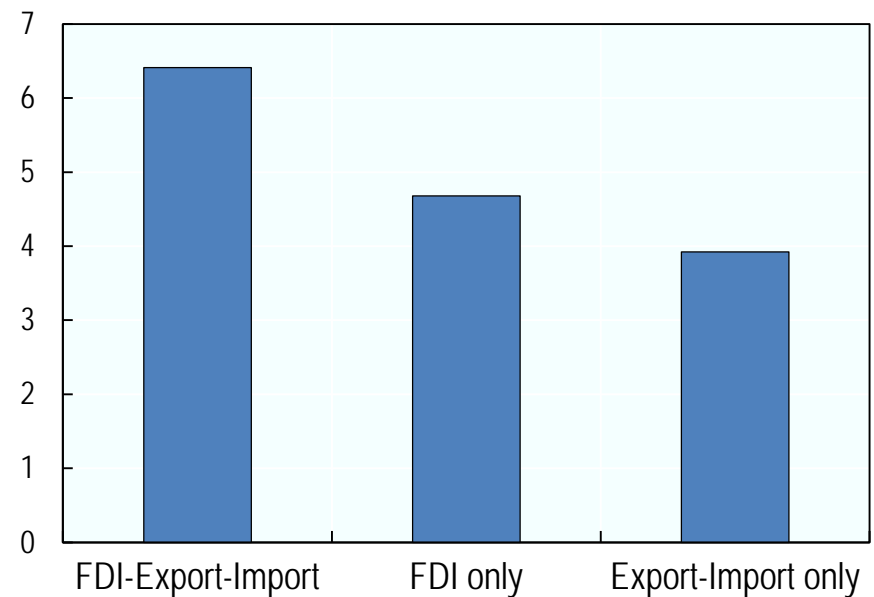
Link policy coherence to economic well-being: foregone benefits for people

Firms that are majority foreign-owned and are active importers as well as exporters **create more decent jobs**.

Wages relative to domestic firms not involved in GVCs
cross-country average



Productivity relative to domestic firms not in GVCs
(cross-country average)



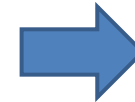
Source: OECD, developed from World Enterprise Survey,. Preliminary results, not for citation The numbers are the simple average across countries.



Bottom line: Opportunities for policy coherence to ensure optimal configuration of trade and investment in GVCs.

Growing spectrum of investment-related measures in IIAs:
Missing linkages? Missing pieces?

Investment incentives	Movement of capital
Anti-corruption, anti-bribery	Movement of business persons
Transparency	Digital economy
Business environment	Labour market regulations
Investment promotion	Social security matters
Opportunities SMEs	Labour standard
Services: mode 3	Human rights
Sectoral (finance, telecoms)	Environment





THANK YOU FOR YOUR ATTENTION

Contact:

Ana.Novik@oecd.org

Iza.Lejarraga@oecd.org