



Micro-evidence on corporate relationships in global value chains: role of trade, FDI and strategic partnerships

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The micro-level analysis: Trade and investment in global value chains (GVCs)

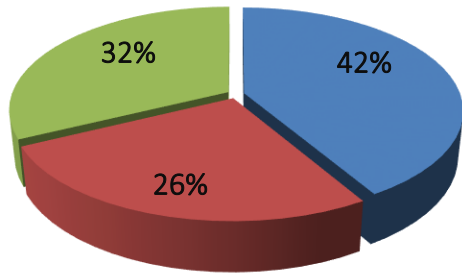
- OECD work has documented the rise of GVCs and described value-added trade flows within global production networks
- At the micro-level, GVCs are the result of MNEs' decisions to trade, invest, and engage in strategic partnerships abroad
- This new work illustrates the heterogeneous and changing strategies MNEs adopt to integrate in GVCs, offering a new narrative on the relationship between trade and investment

» A novel database of supply-chain relationships

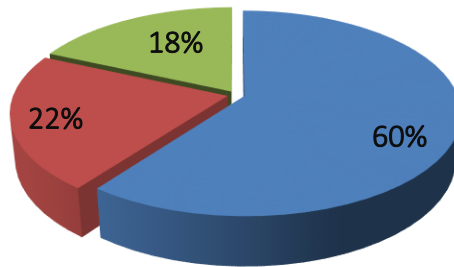
- We exploit *FactSet Supply Chain Relationships* which uncovers business relationships among lead firms and their disclosed competitors, suppliers, customers, and strategic partners
- Our sample contains 147 MNEs from 13 high-technology and low-technology sectors and their GVC network of affiliates and partner companies, corresponding to about **27,000 corporate relationships**. The sample covers 9 manufacturing sectors and 4 services sectors
- Selection criteria: we focus on MNEs with the largest market shares in the sector, both from developed and emerging countries, data availability

1. MNE activities are a combination of trade, investment and strategic partnerships

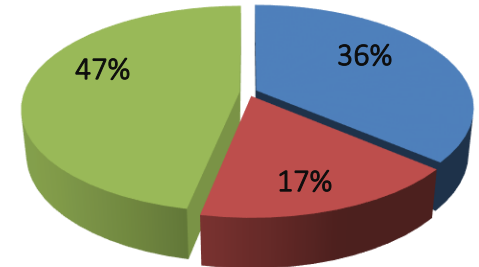
**Ericsson
(electronics)**



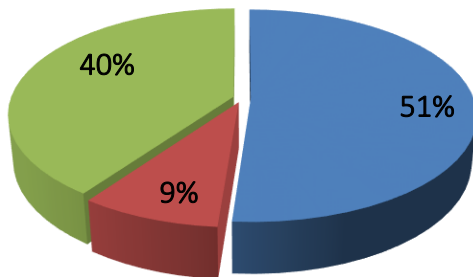
**Facebook
(internet services)**



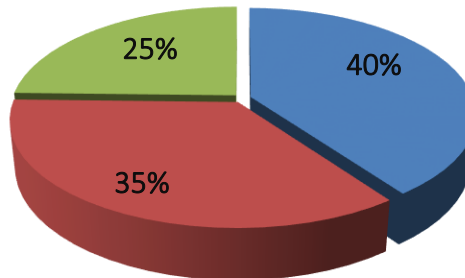
**Dr Pepper Snapple
(na beverages)**



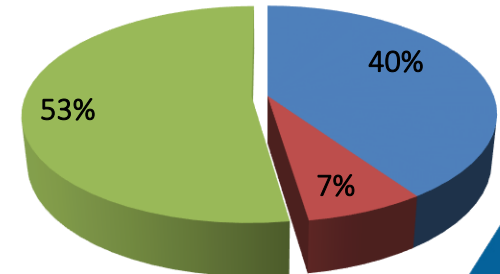
**Renault
(motor vehicles)**



**Les Laboratoires Servier
(pharmaceuticals)**



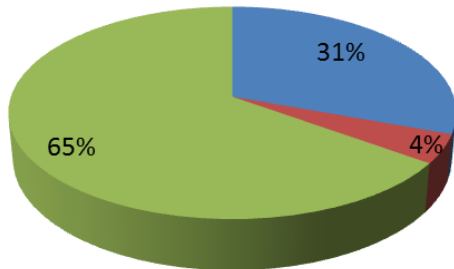
**Nestle
(food)**



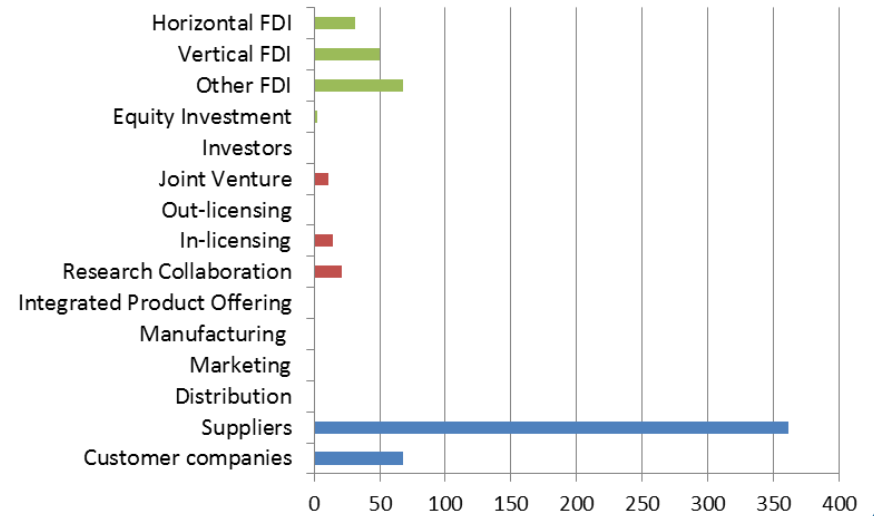
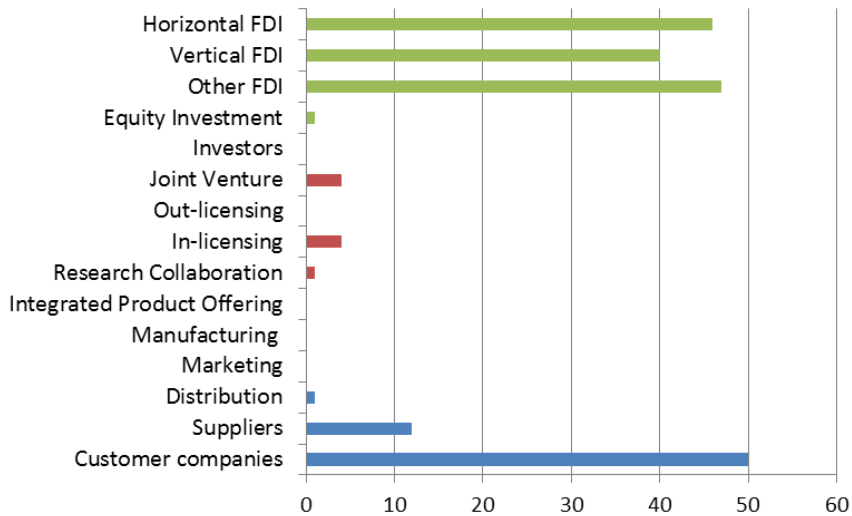
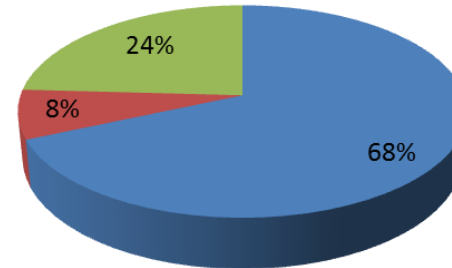
■ Trade ■ Strategic partnerships ■ Investment

2. Firm strategies differ at all levels

Toyota

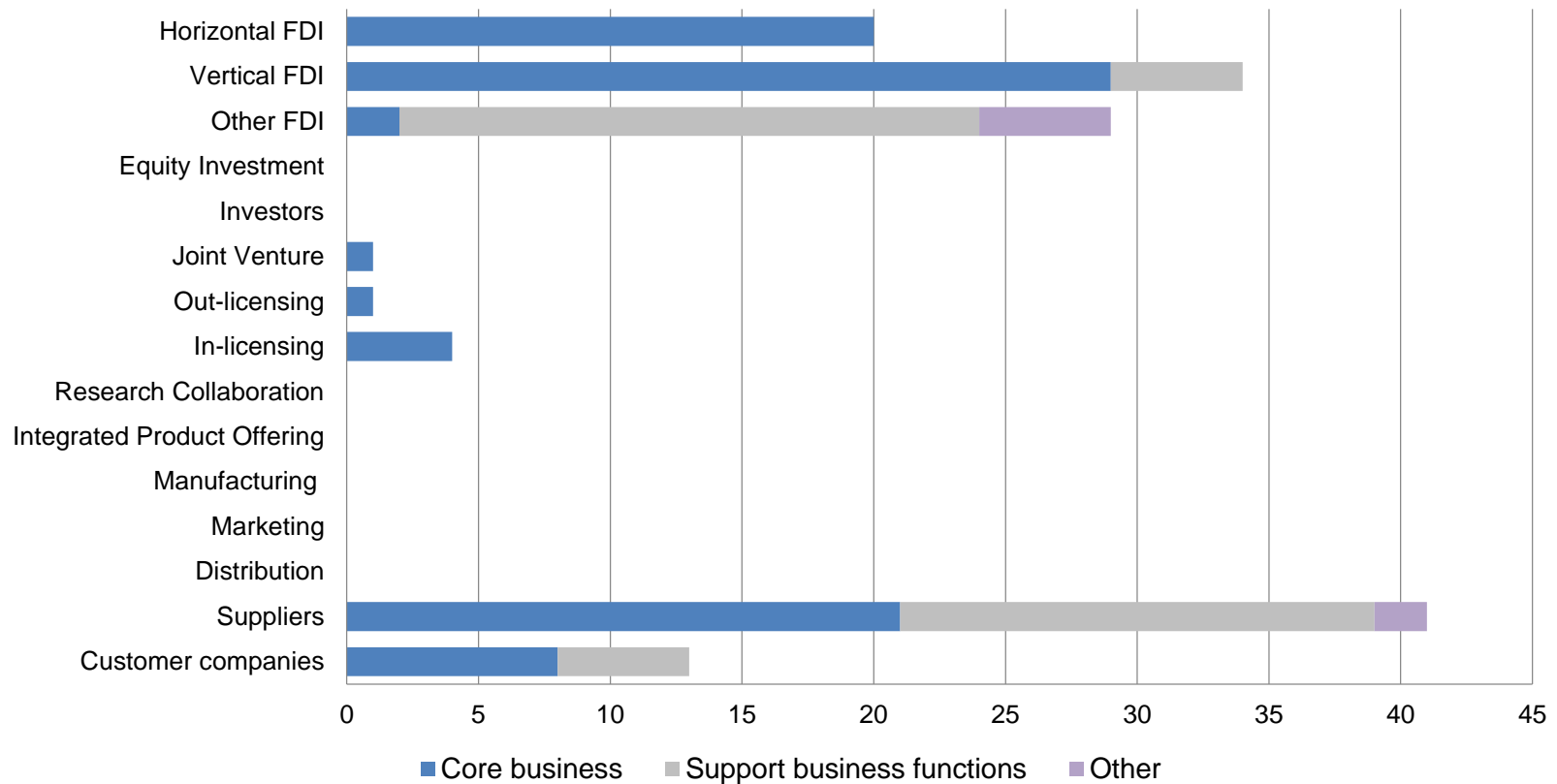


Volkswagen



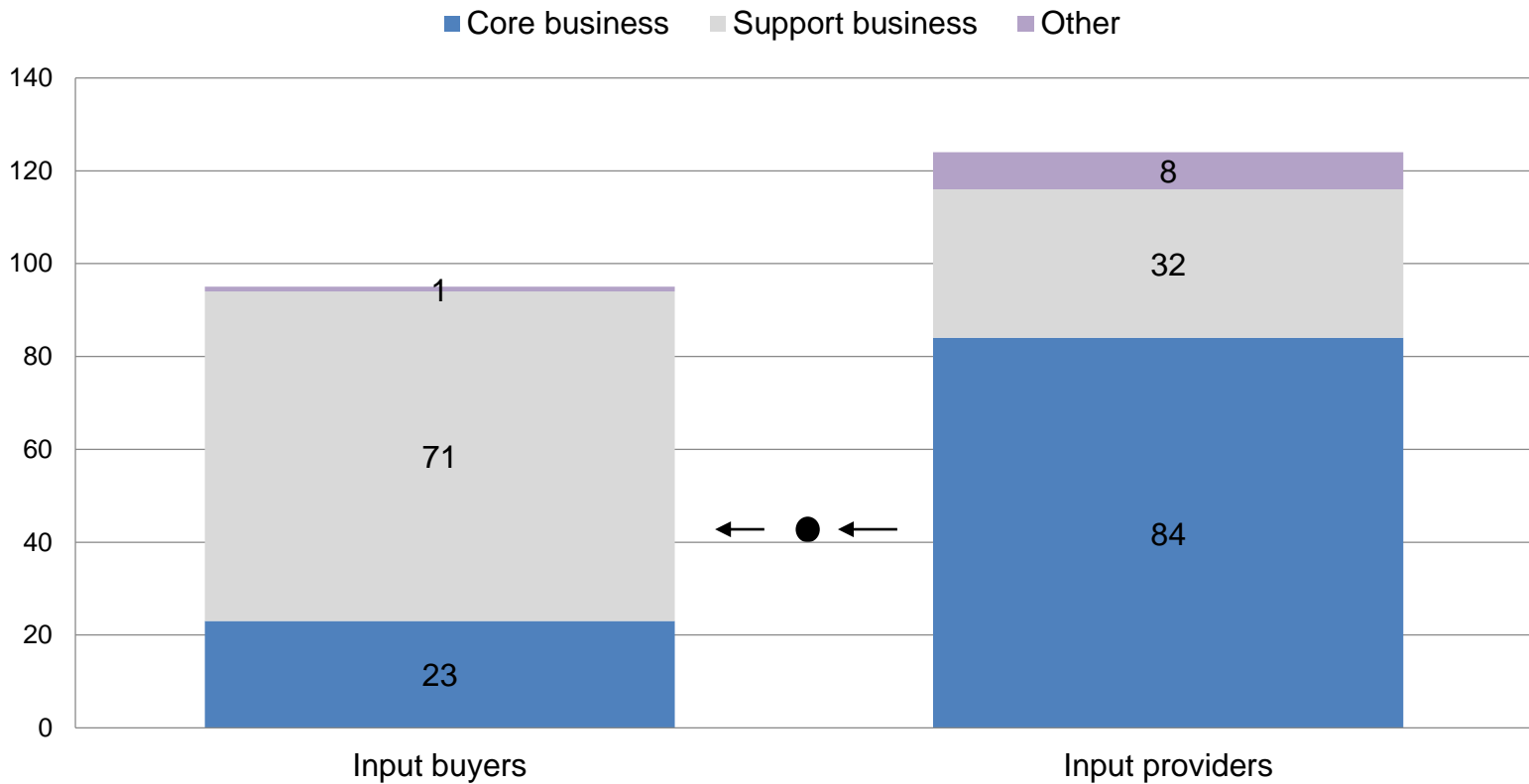
3. Investment performs various functions in GVCs

Kraft



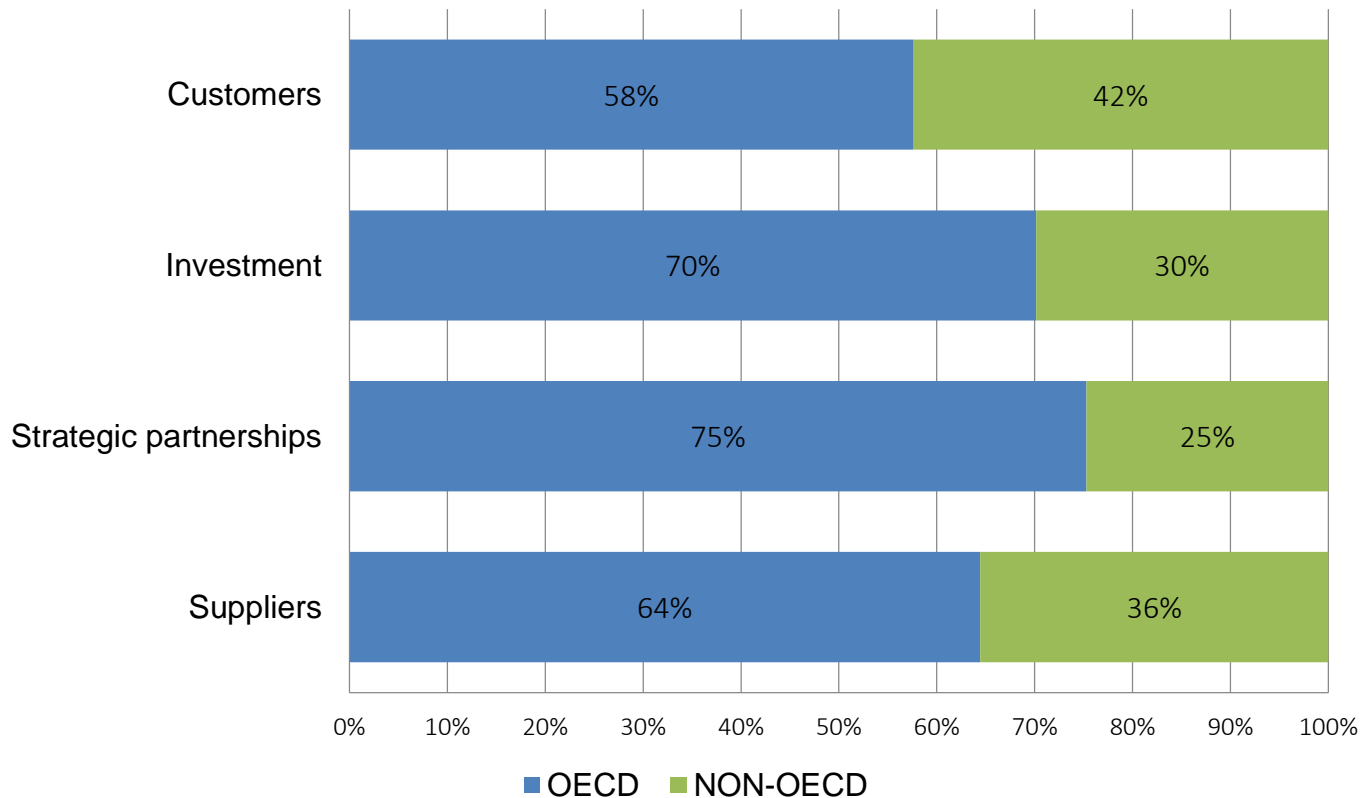
4. Support Business Functions are key building blocks of GVCs

LG Electronics



5. GVCs display geographical organisation, possibly in relation to policies

Telecommunications Equipment



Policy implications

- Not looking at trade and investment policies in silos
 - Consistency between trade and investment policies
 - Coverage of strategic partnerships
- Investment policy should address the diversity of FDI
- A selective approach in terms of trade and investment liberalization may prevent firms from accessing business support functions
- Policies and quality of institutions affect geographical dispersion of GVCs
 - Economic institutions (e.g. property right protection, regulatory quality, etc.) matter
 - Trade and investment barriers may create distortions in GVC strategies