



MNEs IN DOMESTIC VALUE CHAINS: A CLOSER LOOK AT THE DOMESTIC LINKAGES OF FOREIGN AFFILIATES

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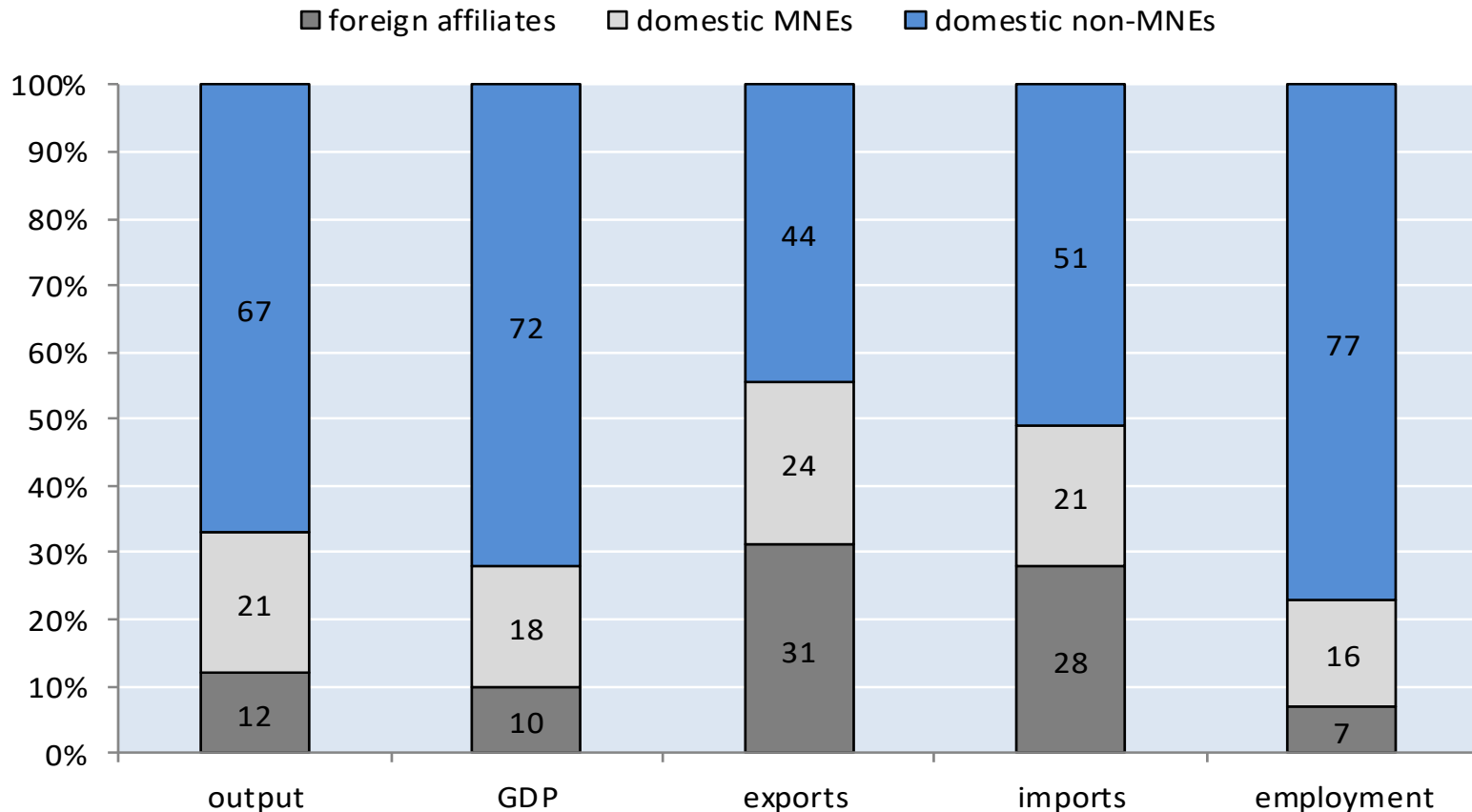
MNEs in domestic value chains

- Domestic linkages
- High policy relevance: support for attracting foreign investment
- But not much evidence – analytical AMNE database
- Confusion about effects
 - Direct effects
 - Indirect effects
 - Spillovers – very hard to measure



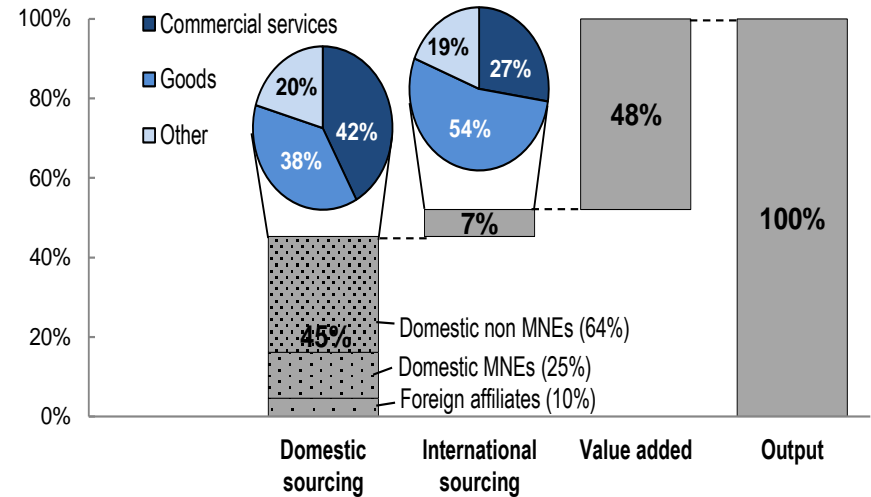
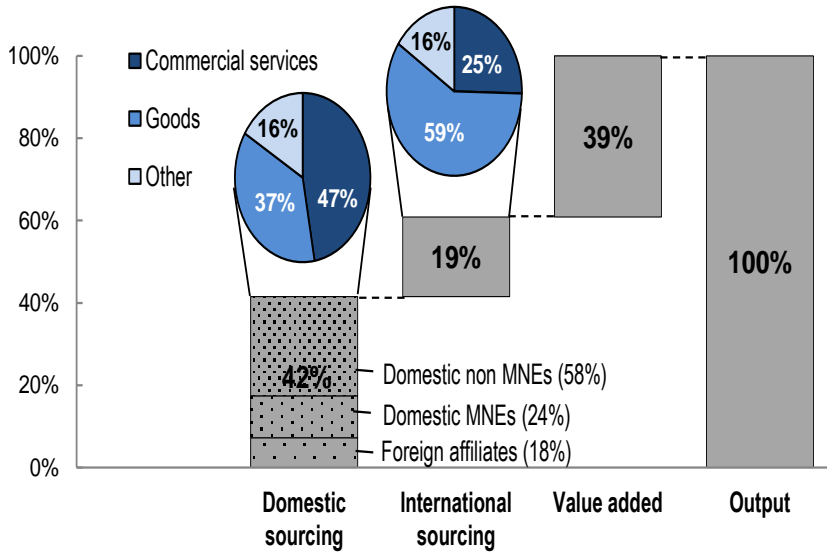
Direct effects of MNEs

MNEs (domestic and foreign) accounted in 2014 for more than ½ of international trade, almost 1/3 of global output and GDP, and ¼ of total employment





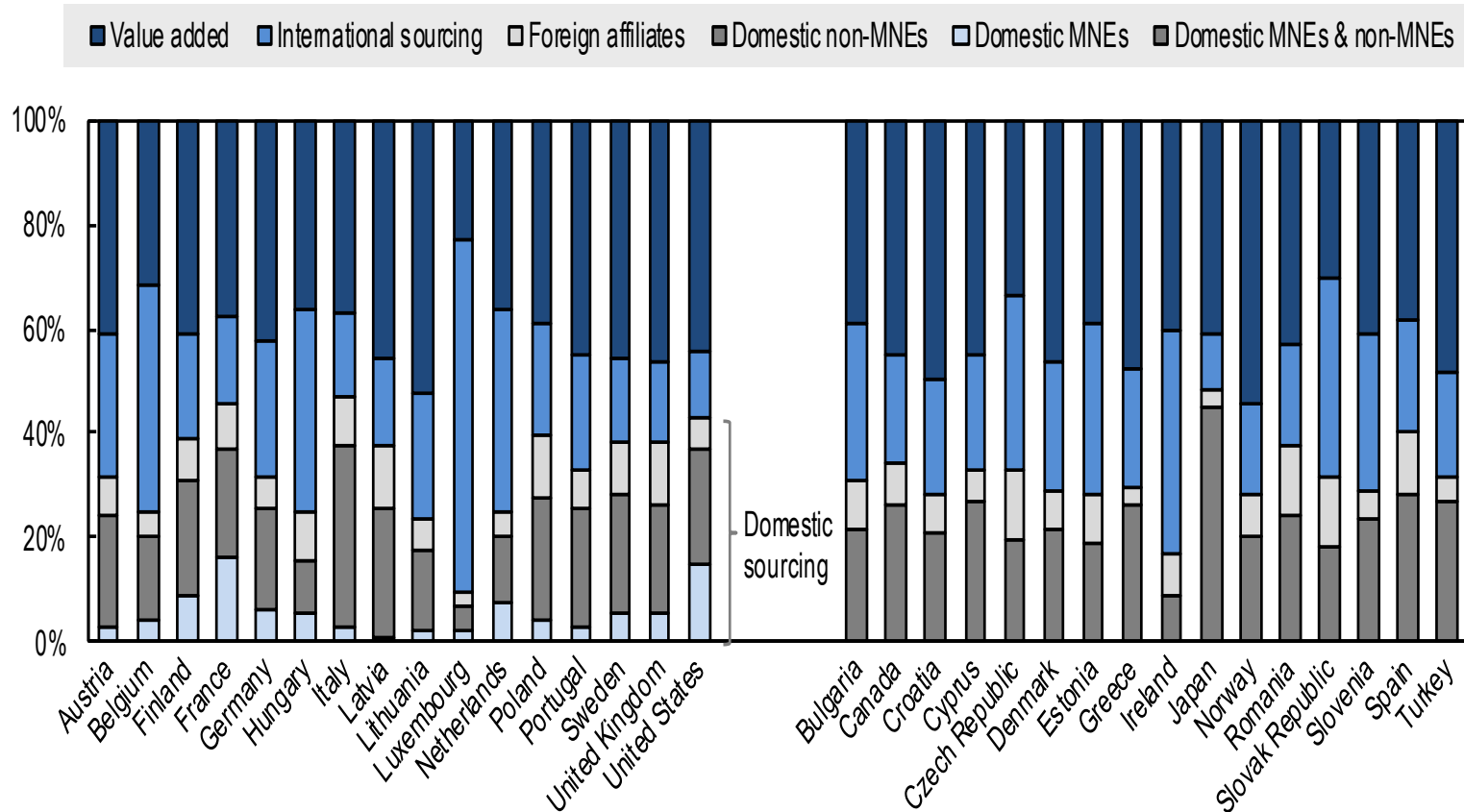
Backward linkages – locally sourcing?





Differences across countries and industries

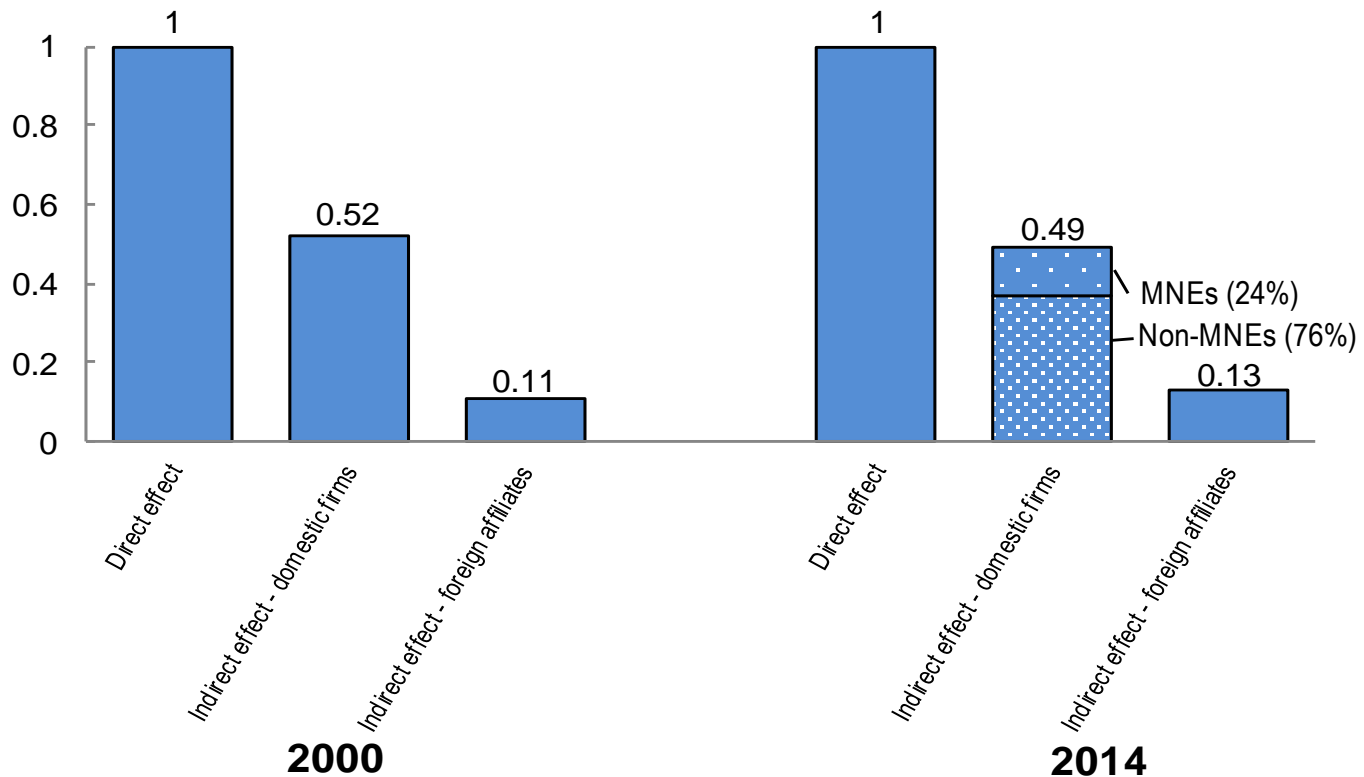
Sourcing structure of foreign affiliates and domestic firms, individual countries, total economy, 2014





Backward linkages - multipliers

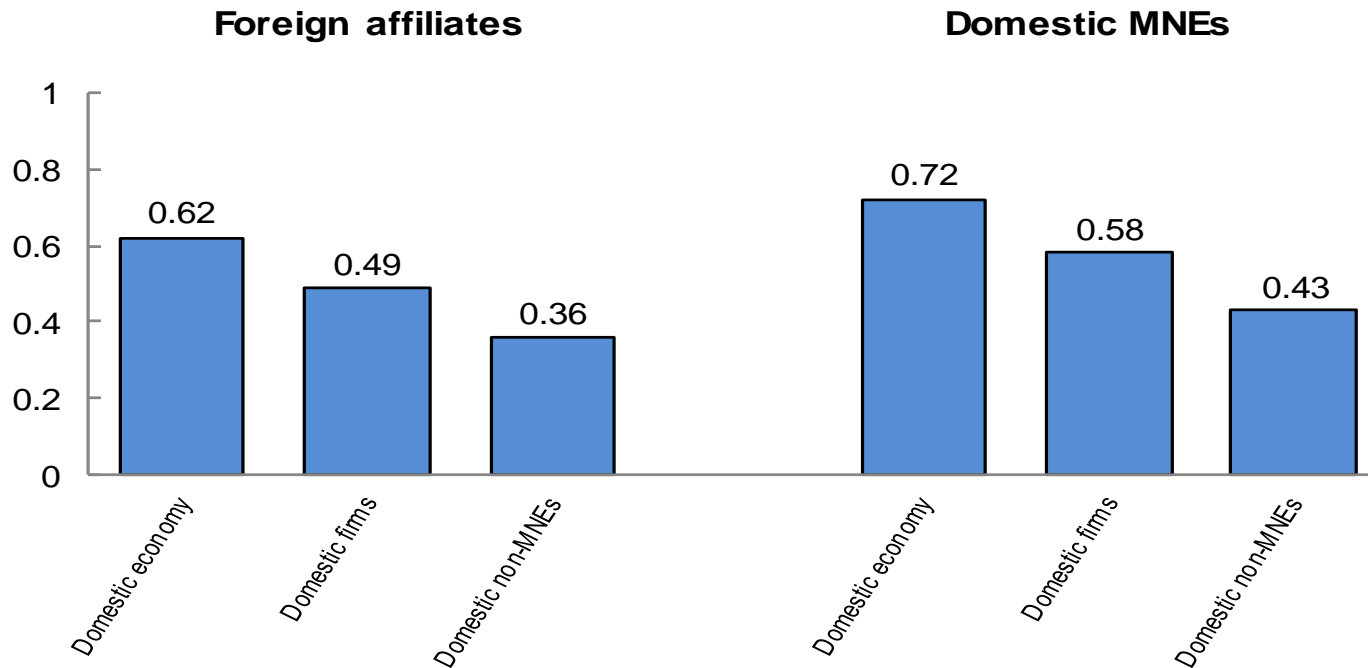
One extra-dollar of sales for foreign affiliates generated in 2014 on average an additional 62 cents for the domestic host economy.





Backward linkages - multipliers

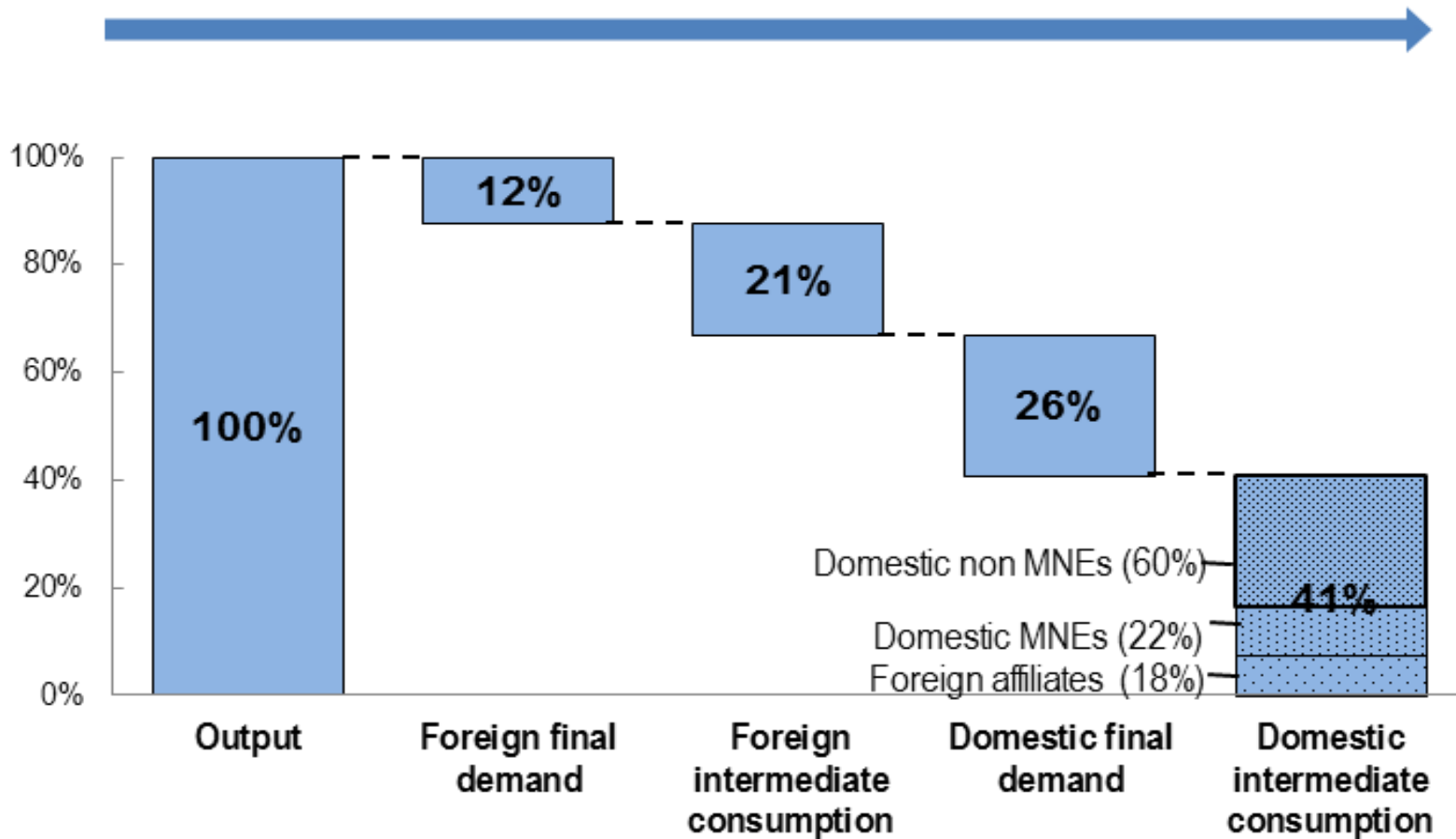
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Forward linkages – locally selling?

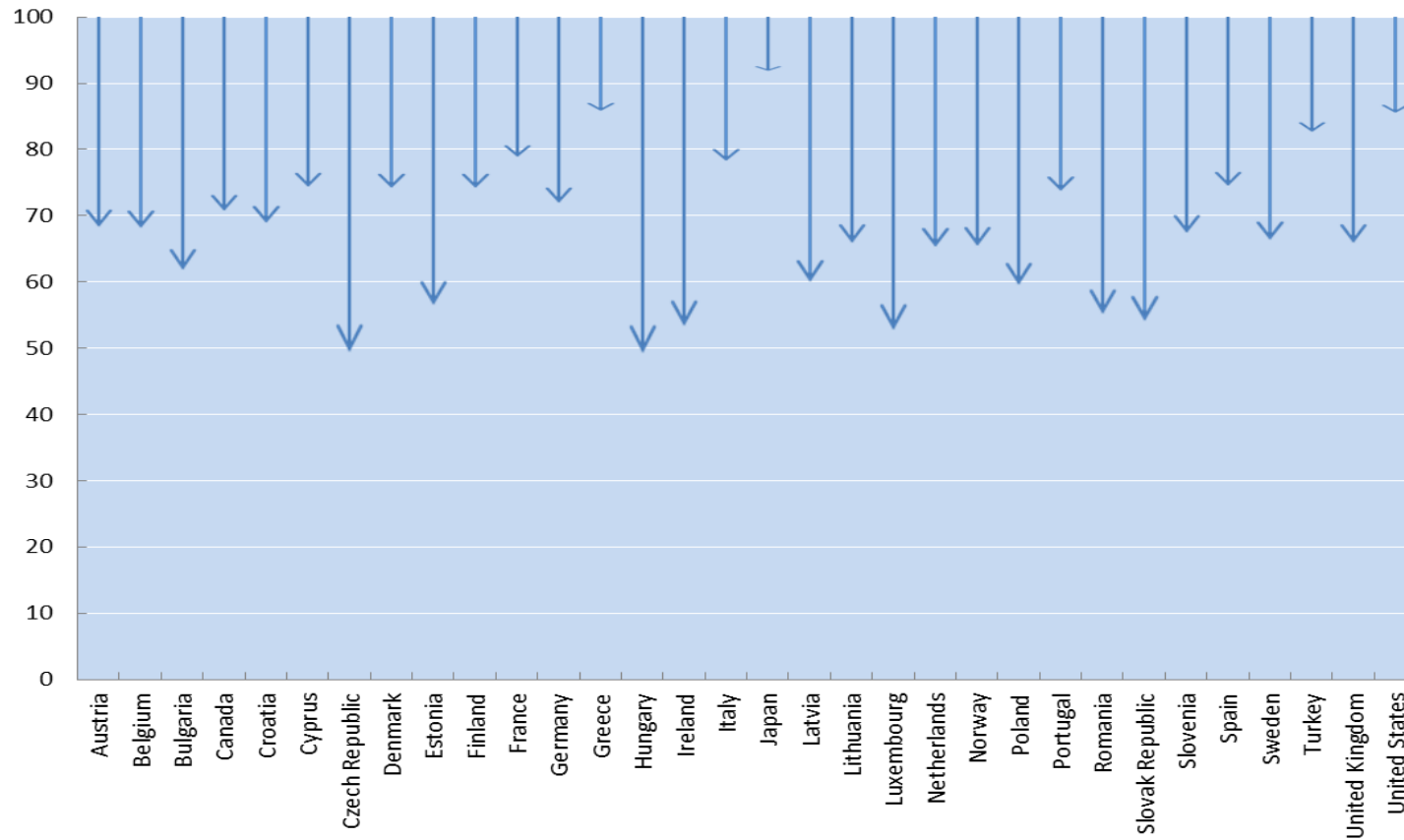
Output use of foreign affiliates, world, total economy, 2014





A world without MNEs...

World GDP would decrease by 20.5% (based on 2014 figures)





Policy take-aways

- MNEs in domestic value chains: directly and indirectly
- Domestic SMEs in GVCs: see also previous OECD work
- Policy tools and intelligence
- Attractive economy: domestic SMEs, domestic MNEs and foreign affiliates
 - Watch out with selective policies



Policy take-aways

- Policy intervention to support domestic linkages?
 - In addition to attractiveness policies
 - Direct measures
 - Local content requirements
 - Tax incentives
 - Indirect measures
 - Awareness and information exchange , matchmaking, etc.
 - Absorptive capabilities of domestic firms