



International
Trade
Centre

TRADE IMPACT
FOR GOOD

Facilitating trade and investment jointly when international value chains matter

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Trade Policy

In the era of Global Value Chains (GVCs)

The heart of 21st century trade is an intertwining of:

- ❑ **Trade in goods**, especially parts and components
- ❑ **International investment** in production facilities, training, technology and long-term business relationships
- ❑ The use of **infrastructure services** to coordinate the dispersed production, especially services such as telecoms, internet, express parcel delivery, air cargo, trade-related finance and customs clearance services
- ❑ **Cross-border flows of know-how** such as formal intellectual property and more tacit forms such as managerial and marketing know-how

To stress its **interconnectedness**, Baldwin (2013) calls this the **trade-investment-services-IP nexus**



Source: Global value chains in a changing world (WTO, 2013)

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FDI and international trade are connected

Inward FDI has the following flow-on effects...



Access to efficient infrastructure services



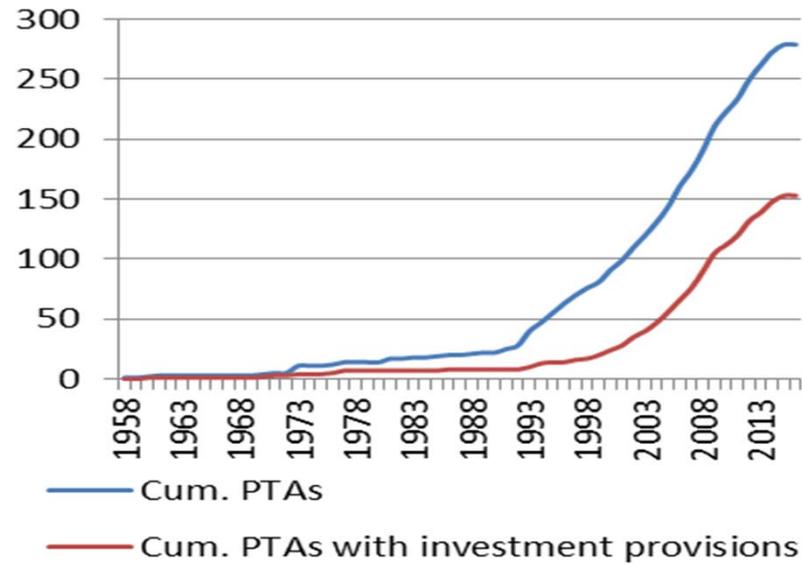
Access to global supply chains.



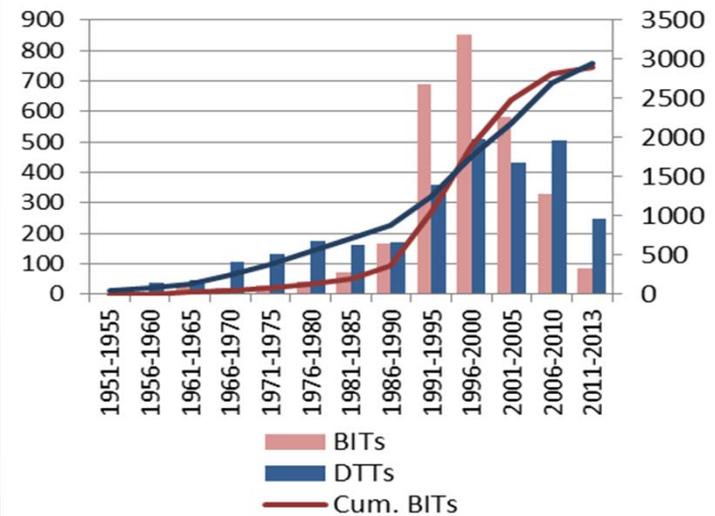
Access to technology and know-how

...which can lead to growth of exports of enterprises

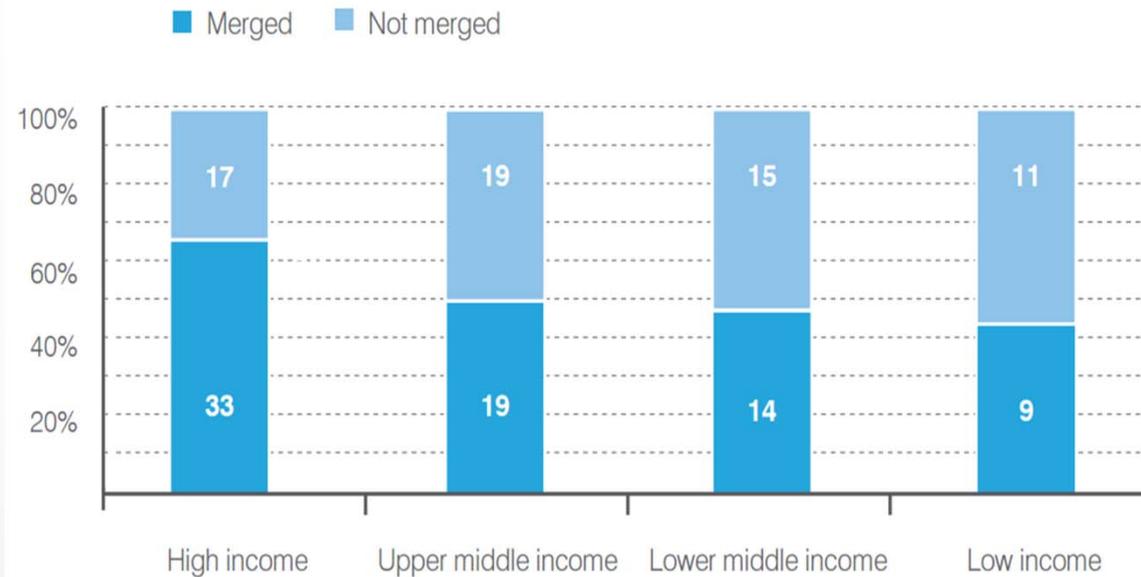
PTAs frequently include investment provisions



Double taxation treaties on the rise



Trade and investment promotion organizations are merging



High income countries: 66% merged

Other income levels: 50% or less merged

Medium-sized countries: 67% merged

Small countries: 64% merged

What is good for FDI is good for competitiveness

- **Infrastructure** (roads, railways, seaports, airports and telecommunications) necessary to strengthen the competitiveness of firms and to help them integrate it into value chains;
- **Skills and education** required to meet foreign investors' standards, to enable higher value-added production and to strengthen entrepreneurship;
- **Financial system** facilitating business by supplying credit, offering payment systems and risk-management solutions;
- **Public administration**, for example through increased efficiency, transparency and predictable regulations to strengthen competition;
- **Tax policy** that supports starting and running of internationally competitive enterprises.

Investment promotion

Generally encompasses four main types of activities:



Image building



Investment targeting/generation



Policy advocacy



Investment servicing

Image building (1/4)



Investment attraction is typically linked to a **specific location**



Investment decisions are often **sector specific**



Building a strong image underpinned by **hard facts**, of the chosen location, sector or industry is imperative.

Major functions of an Investment Promotion Agency (2/4)

Function

Investment targeting / generation

Objective

Create investment leads that target investment into specific **sectors, development areas or companies**

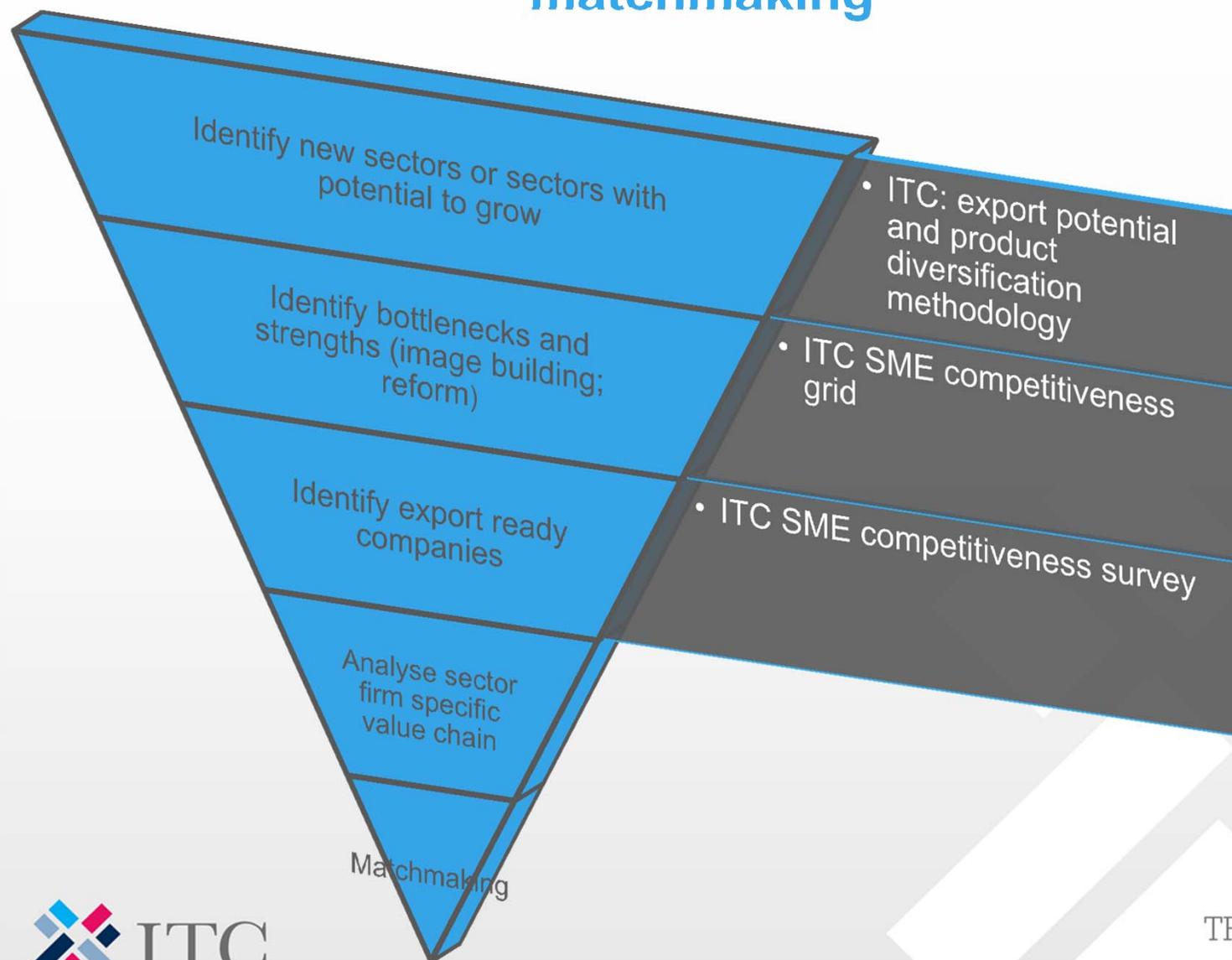
Activities

Identifying potential investors
Matchmaking

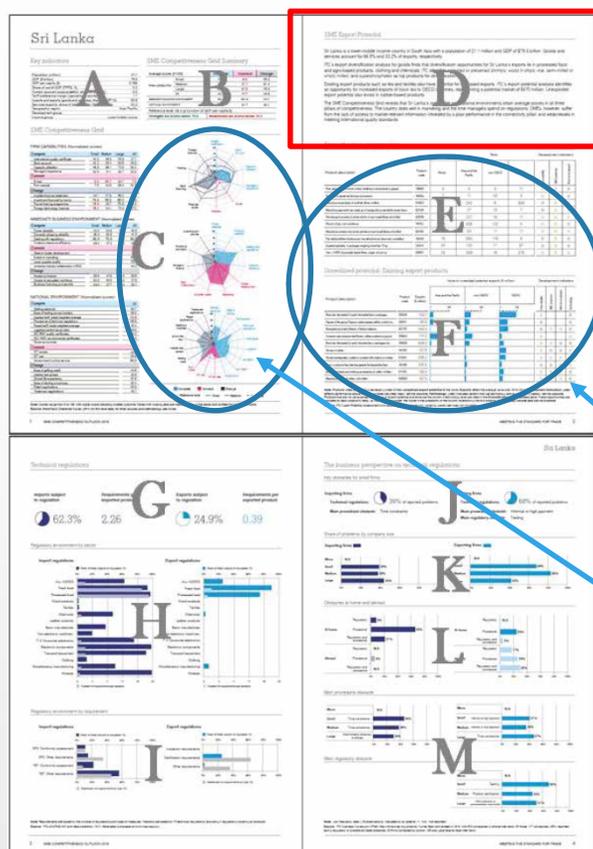
Investment targeting/generation

-  Pre-decision conversations with potential investors
-  Facilitate `due diligence `by the potential investor
-  Role of commercial counsellors in foreign embassies is imperative
-  **Sector specific expertise** helps in targeting relevant potential investors.

Bringing hard facts on the way to matchmaking



Country profiles in SME Competitiveness Outlook



Strategic snapshots



Sectors and products with export growth potential

SME competitiveness: strengths (“selling points”) and weaknesses (to be addressed, potentially with FDI) at:

- Firm level
- Immediate business environment (eco-system)
- National level

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ITC TOOLS

- Spotting products with export potential
<http://exportpotential.intracen.org>
- Country profiles for image building and investment targeting
<http://www.intracen.org/smeoutlook/>
- Assessing the health of your enterprises
<http://www.intracen.org/SMECS/>