Trade activity related to the multinational enterprises and its impact on vertical specialization

Topic:
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International division experienced a continued refinement from inter-industries division, intra-industries division, intra-products division to factors division. As the international flow of production factors increases frequently since the 1990s, factor division has become the essential feature and operational logic of current economic globalization. international investment is one of the main forms of international flow of production factors, which can not only promote the global allocation of factor resources, but also promote and replace international trade. According to the UNCTAD statistics, trade activities related to multinational enterprises (MNEs) account for about 80% of global trade. Under the background of trade and investment integration and the perspective of Global Value Chain, this paper incorporates the heterogeneity of MNEs into the trade accounting framework proposed by Koopman et al. (2014) and Wang et al. (2015), and further identifies the value-added in trade and vertical specialization related to MNEs. Research shows that about 32% of the domestic value-added in trade and 47% of the foreign value-added in trade were related to MNEs in 2019, an increase of 4 percentage points and 7 percentage points respectively compared to 2005. The impact of MNEs varies with income levels. Taking China and the United States as examples, the impact on Chinese exports is higher than that on US exports. About 36% and 49% of domestic and foreign value-added in Chinese exports were related to the MNEs in China in 2019, a decrease of 9 percentage points compared to 2005. Domestic and foreign value-added in US exports related to the MNEs in US accounted for 21% and 78% in 2019, respectively, an increase of 7 percentage points and 30 percentage points compared to 2005.