

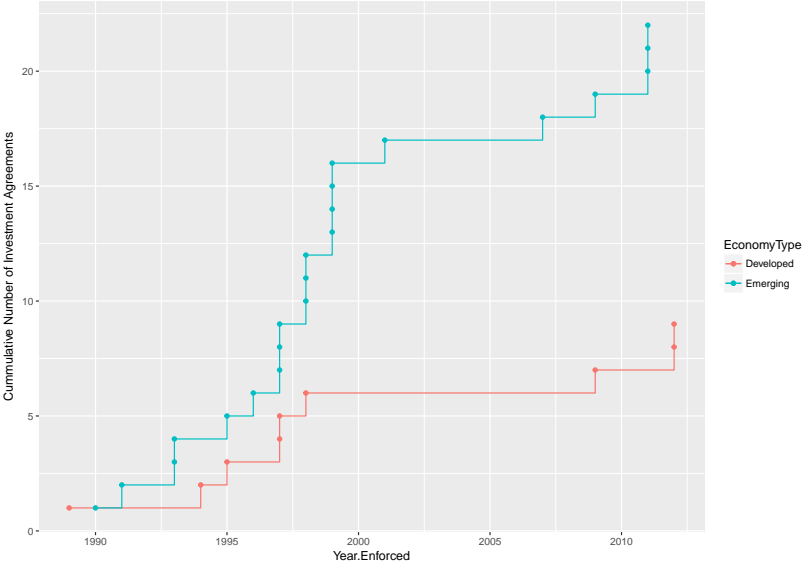
International Investment Agreements and Firm Structure

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Canadian Investment Agreements



Source: UNCTAD Division on Investment and Enterprise

Motivation

- ▶ Since 1989, Canada has signed 31 Investment Agreements including Foreign Investment Protection Agreements (FIPA), Free Trade Agreements (FTA) and Trade and Economic Cooperation Arrangement (TECA).
- ▶ 22 of them were with emerging economies which is of particular significance because:
 1. Their legal systems may be very different and investment can potentially be at a greater risk of expropriation or legal risk.
 2. In bilateral investment relationships between developed-developing country pairs, the developing country is predominantly the recipients FDI (Grossman & Rogoff (2014)).

Question

- ▶ To what extent do these investment agreements help Canadian firms conduct Foreign Direct Investment (FDI) in emerging economies by mitigating the associated risks.
- ▶ Does it lead to more horizontal or vertical FDI from firms? Are they expanding to new markets or integrating part of their production chain abroad.

Data set

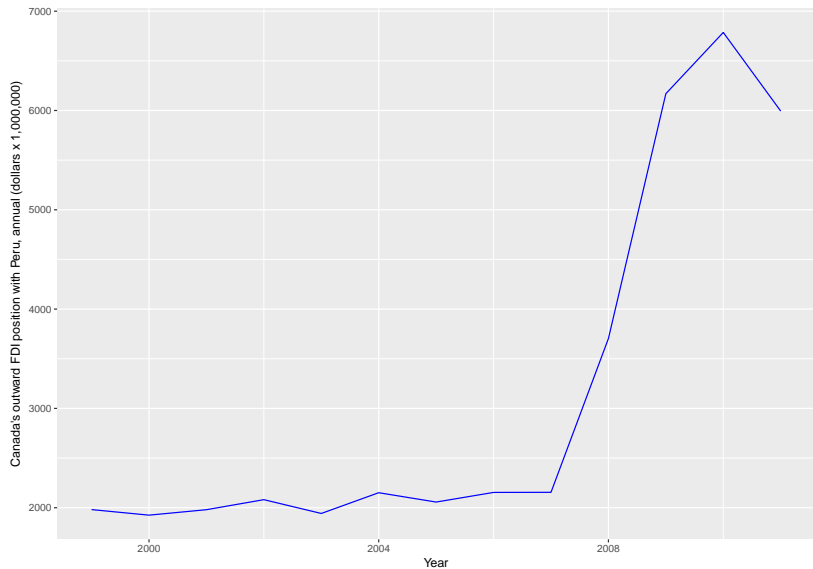
In order to measure these changes in firm structure from 2002 to 2012, the following data sets are used:

- ▶ National Accounts Longitudinal Microdata File - *Firm Information: Sales, Individual Labour Units, Revenue, Expenses, NAICS*
- ▶ Canadian Direct Investment Abroad - *Firm investment in non-resident(FDI flow), NAICS*
- ▶ Raw Import data for research purposes - *Firm imports classified by Harmonized System 6 digit category*

List of Agreements

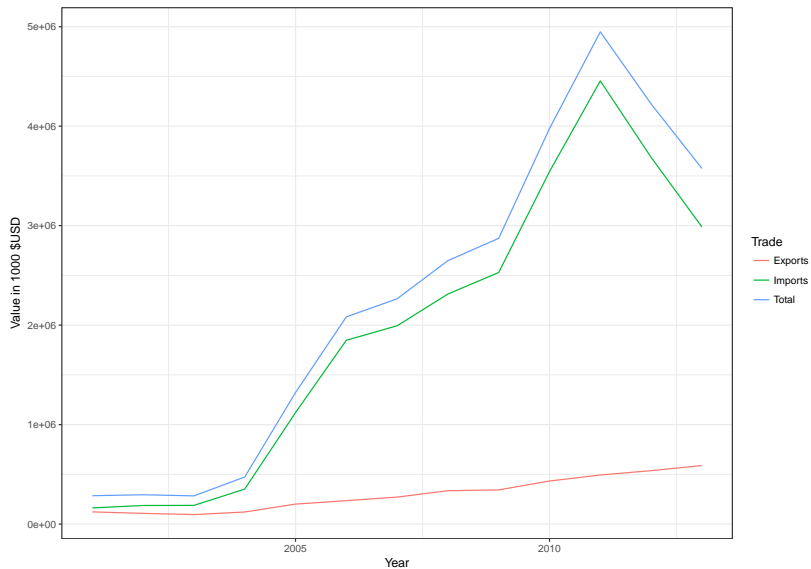
Country	Year Signed	Year Enforced	Type
...			
Costa Rica	2001	2002	FTA
Peru	2006	2007	FIPA
EFTA	2008	2009	FTA
Peru	2009	2009	FTA
Jordan	2009	2009	FIPA
Colombia	2008	2011	FTA
Romania	2009	2011	FIPA
Latvia	2009	2011	FIPA
...			

Canada-Peru FDI



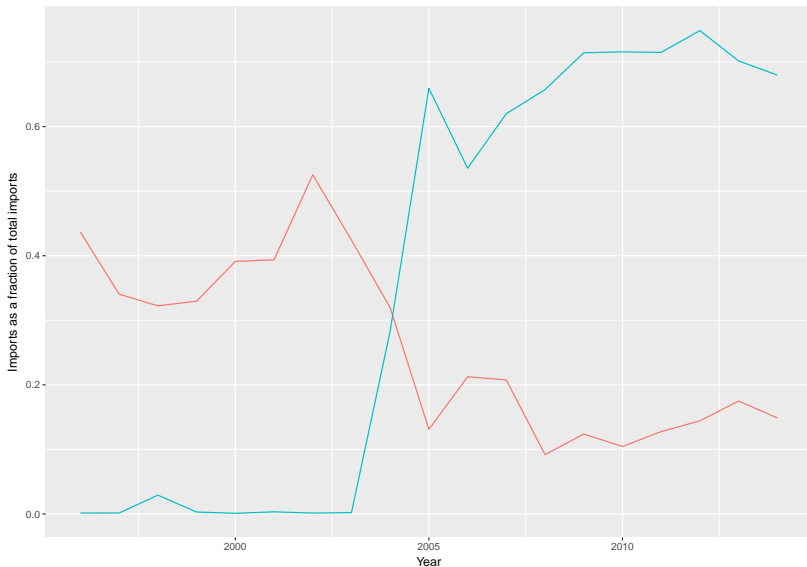
Source: CANSIM Table 376-0051

Peru Trade



Source: UN Comtrade data provided by World Integrated Trade Solution (WITS)

Trade by main HS categories



Source: UN Comtrade data provided by World Integrated Trade Solution (WITS)

26 – Ores, slag and ash. & 71 – Natural/cultured pearls, precious stones & metals (specifically 7108 – gold (incl plated), unwr, semimfr or powder)