Value chain activity in the age of changing trade alliances

Integrating trade and investment policy in international agreements helps countries to export more domestic value added within global value chains, **write Mauro Boffa, Marion Jansen and Olga Solleder on VoxEU**

Trade and investment between countries are typically governed by different types of agreements. In almost all cases, Regional Trade Agreements (RTAs) cover tariffs on trade in industrial and agricultural goods, as well as areas like customs and anti-dumping. International Investment Agreements aim to promote foreign investment by guaranteeing some degree of investment protection, as well as stability, transparency and predictability of national policies. The difference between the types of agreements, and the fact that countries may be in one type of agreement but not the other, can seem arbitrary from firms' point of view, as both investment and trade policy are relevant to their decisions. By categorising the types of agreement between countries, the authors show that where RTAs between countries include legally binding conditions on investment, the countries involved export more of their domestic value added within global value chains (as well as increasing use of foreign inputs).

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