

### J.6. Intra-firm trade in selected OECD countries

■ Since part of foreign affiliates' production is used as intermediate inputs by parent firms and other affiliates within the multinational network, intra-firm trade has taken on greater importance. Over 2000-07, the share of intra-firm exports in total exports of manufacturing affiliates under foreign control ranged between 15% and 50% in several of the countries for which relevant data are available.

■ Throughout the present decade, the proportion of exports has held steady at around 50% in the United States and 20% in Japan. In other words, half of the exports of affiliates under foreign control in the United States were destined to non-affiliates; in Japan the proportion was 80%.

■ Between 2004 and 2007 intra-firm exports of manufacturing affiliates under foreign control in Poland increased from 20% to 47%, in line with the increase in the activities of foreign affiliates in that country.

■ During the 2000s, the share of intra-firm imports in total imports of affiliates under foreign control in the United States and in Japan was significantly higher than the share of intra-firm exports in total exports. The share remained stable in the United States (almost 80%) but declined in Japan (from 70% to less than 50%).

#### Source

- OECD, *AFA Database*, December 2009.

#### For further reading

- OECD (1994), *The Performance of Foreign Affiliates in OECD Countries*, OECD, Paris.
- OECD (2005), *Measuring Globalisation: OECD Handbook on Economic Globalisation Indicators*, OECD, Paris, [www.oecd.org/sti/measuring-globalisation](http://www.oecd.org/sti/measuring-globalisation).

#### Measuring intra-firm trade

Intra-firm trade refers to trade between enterprises belonging to the same group that are located in different countries. The ratio of intra-firm trade to the total trade of countries publishing the relevant data is quite high. Once foreign investments have been made, these transactions reflect centralised decisions that are part of a group's global strategy.

A significant portion of intra-firm trade may reflect affiliates' better understanding of local market demand. Parent corporations and other firms in the group often prefer to export to their own affiliates, which then sell the goods they receive to local consumers. In fact, parent corporations could sell these products directly to local distributors, without involving affiliates. It is difficult to determine whether there would be fewer transactions if they did not pass through affiliates.

Four basic indicators are proposed: two for inward investment and two for outward investment.

Inward investment: Exports ( $X_F^{\text{intra}}$ ) and imports ( $M_F^{\text{intra}}$ ) by the foreign-controlled affiliates in compiling countries with parent companies and other affiliates located abroad to total exports ( $X$ ) and imports ( $M$ ) of the compiling countries:

$$X_F^{\text{intra}}/X, M_F^{\text{intra}}/M$$

Outward investment: Exports ( $X_{\text{out}}^{\text{intra}}$ ) and imports ( $M_{\text{out}}^{\text{intra}}$ ) by parent companies in the compiling country with their affiliates abroad to total exports and imports:

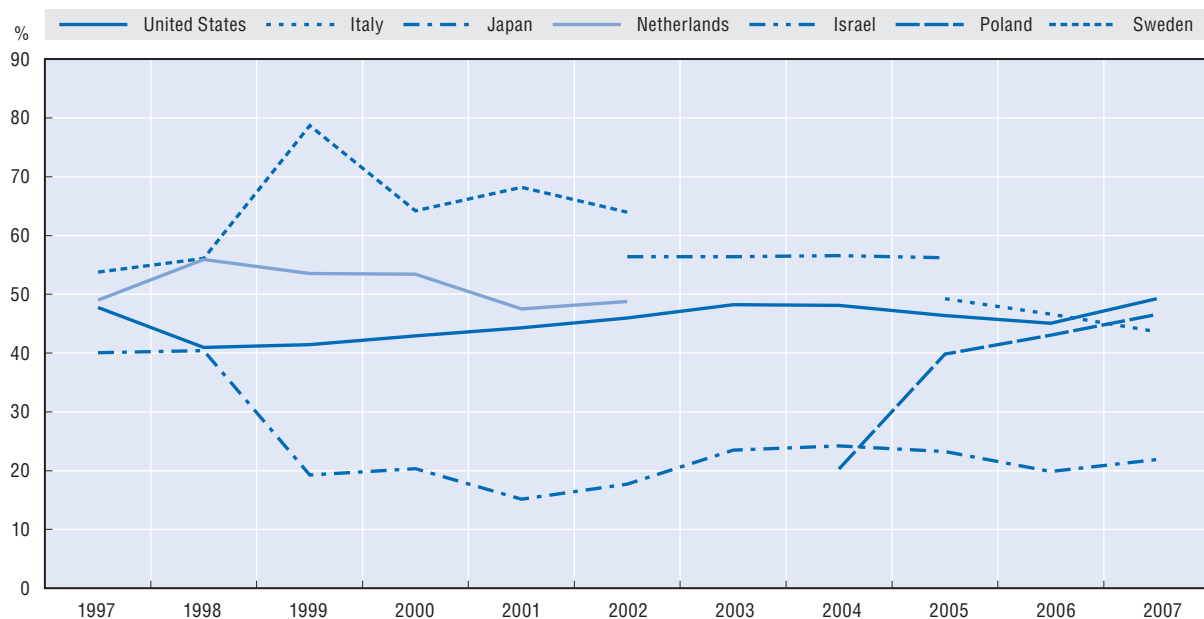
$$X_{\text{out}}^{\text{intra}}/X, M_{\text{out}}^{\text{intra}}/M$$

These indicators might also be calculated in terms of total exports and imports by these firms, and by industrial sector and by country of origin and destination.

In the case of imports by affiliates under foreign control in host countries and by parent companies controlled by residents of compiling countries, it would also be very useful to distinguish between imports destined for use in their own production, those resold as same-state goods on the domestic market, and those re-exported, either in the same state or after further processing.

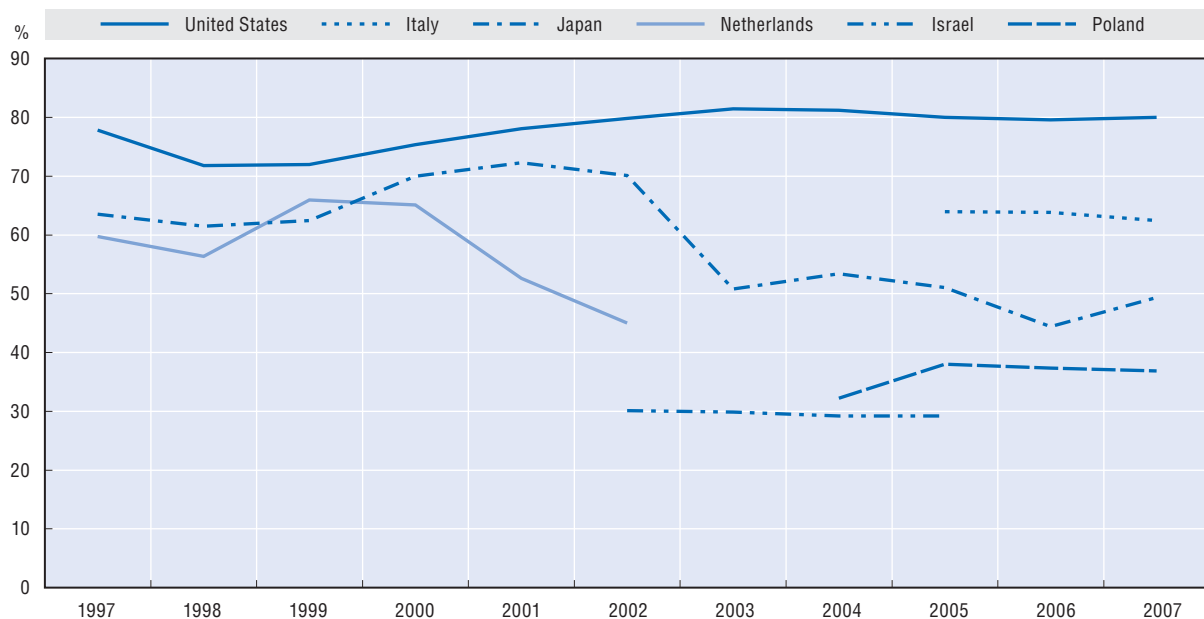
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Figure J.6.1. Share of intra-firm exports in total exports of affiliates under foreign control, 1997-2007



StatLink <http://dx.doi.org/10.1787/845010775635>

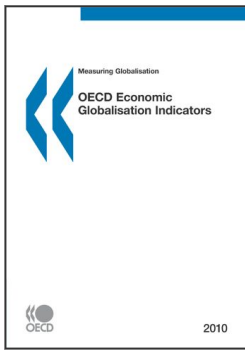
Figure J.6.2. Share of intra-firm imports in total imports of affiliates under foreign control, 1997-2007



StatLink <http://dx.doi.org/10.1787/845020621284>

Note: Data for Poland and Israel refer to the manufacturing sector only.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.



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