CORRIGENDUM

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While RTAs increase north-south greenfield FDI, the effect on south-south FDI and north-north FDI is not as clear cut.

While RTAs intensify greenfield FDI when a high-income economy is the source and a developing economy is host (North-South FDI), these agreements have negative impact on FDI for greenfield investments in manufacturing and services from emerging to developing economies (South-South FDI). This suggests that South-South (SS) FDI may be motivated by tariff-jumping and market-seeking considerations. This finding does not necessarily imply that RTAs always reduce SS FDI: as trade linkages deepen and trade barriers fall due to greater integration, widening the scope for efficiency seeking, GVC investments may increase even among economies at a similar level of development. Therefore, over a longer time horizon, RTAs may well increase SS FDI. No impact of RTAs on North-North (NN) FDI was found in the empirical analysis, but again the potential for greater NN FDI could be unlocked with the progress of greater integration resulting from RTAs (Tables 6.25, 6.26).

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The impact of RTAs on FDI is not clear cut: while RTAs increase both north-south and south-south M&As, they reduce south-south greenfield FDI.

While RTAs have no impact on greenfield FDI originating from high income economies, these agreements have a positive impact on M&As to developing countries (North-South M&As). When the source is an emerging economy, RTAs intensify M&As in other developing economies (South-South M&As) but reduce South-South greenfield investments. This suggests that South-South (SS) greenfield FDI may be motivated by tariff-jumping and market-seeking considerations. This finding does not necessarily imply that RTAs always reduce SS greenfield FDI: as trade linkages deepen and trade barriers fall due to greater integration, widening the scope for efficiency seeking, GVC investments may increase even among economies at a similar level of development. Therefore, over a longer time horizon, RTAs may well increase SS greenfield FDI as well. No impact of RTAs on North-North (NN) FDI was found in the empirical analysis (except for a reduction in NN M&As in the primary sector), but again the potential for greater NN FDI could be unlocked with the progress of greater integration resulting from RTAs (Tables 6.25, 6.26).

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Page 156, Table 6.25, Table 6.26

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Page 156, Table 6.25, Table 6.26 revised

Revised PDF of the publication attached.