Global Trade Analysis Project

Modeling FDI and Affiliate Sales in the GTAP version 7 model

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Modeling FDI and FAS

- **GTAP FDI and FAS**
  - Lakatos and Fukui (2014)
    - Armington nest for sales by country of origin of parent companies and the inclusion of foreign direct investment
  - Tsigas and Yuan (2020)
    - Substitutability between exports and affiliate sales

- **GTAP version 7 Model with FDI and FAS**
  - Static and Dynamic versions
    - Standard GTAP version 7 model (Corong et al., 2017)
    - GTAP-RD and WTO Global Trade Model (Aguiar et al., 2019)
  - Model Implementation
    - Modify allocation of FDI to facilitate an economic link between FDI and affiliate sales
      - Capital used by foreign affiliates from region s, can directly draw on investment from their parent companies
      - Foreign affiliates in activity *a*, from source region *s* located in host region *h* could use both capital available from parent region *s* and in their host region *h*.
    - Investment can go to the global bank and to foreign affiliates
      - CET function following Petri (1997) and the FTAP model (Hanslow and Verikios 2000).

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Thank you!

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