

Trade and Innovation: Synthesis Report

Innovation is critical to creating new sources of growth. Trade is one of the framework conditions that can strengthen innovation in the business sector, as set out in the OECD Innovation Strategy in 2010. This paper broadly sets out three channels through which trade affects innovation. First, imports and foreign direct investment (FDI) as well as trade in technology serve as channels of technology diffusion. Second, imports, FDI and technology licensing contribute to intensifying competition, which can affect incentives for innovation. Third, exports can affect innovation as it serves as a learning opportunity and gives incentives for innovative activities.

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