market by investing. An important factor in making this decision will be how difficult it is to undertake a contract. In a jurisdiction with strong private property rights and enforcement mechanisms as well as developed markets for the goods or services to be contracted for, then it is more likely that the firm will be willing to undertake a contractual agreement such as licensing or franchising. However, if the opposite is the case, then the firm will desire to keep those activities within the firm.

The concept of global value chains fits into and builds on this evolution of our understanding of why and how trade and FDI occurs. Feenstra and Hanson (1996, 1997), for example, begin with a Heckscher-Ohlin type model but divide the production process for any particular final good or service into activities. These activities can then be allocated to the location where they are most efficiently performed. Grossman and Rossi-Hansberg (2008) provide a similar model for trade but instead of activities focus on tasks. The difference between activities and tasks is in a sense an issue of aggregation. Where an activity may be legal services, for example, that activity may be broken into separate tasks such as the high valued legal advice and the more routine aspects such as filling out paperwork.[13] The implication being that, more routine tasks can be performed in a low-skilled environment while higher-valued tasks will be performed in a high-skilled environment. One implication being that it becomes more difficult to predict who will bear the impact of globalization. In the past an industry or an occupation could be thought of as being impacted by trade. Within a trade in tasks environment what matters is how routine tasks are, how they are delivered and if they can be codified. An additional difference between the two models is the role of the firm. The Feenstra and Hanson model, although not explicitly stated, could potentially be interpreted as describing arms-length transactions as there is assumed to be a technology difference between home and host country (i.e. outsourcing). In the Grossman and Rossi-Hansberg model, it is possible to interpret the model as describing transactions as being internal to the firm as technology levels are the same between the two locations (ie. offshoring). Even so, these models do not explicitly consider the role of the multinational enterprise. There is no clear decision to offshore (invest) or outsource (contract). Antras (2003, 2005) takes an important step in forming that link between trade and investment theory by enhancing our understanding of how firms make the decisions where to locate various activities and whether or not to exert direct control (i.e. the decision to perform the activity within the firm or to source it from outside the firm). Clearly though, more work is still required to solidify the link between theories of trade and FDI that is critical to the operation of global value chains.

This volume attempts to further elaborate on the link between trade theory, firm location and GVCs with the practical focus of understanding if the gains predicted by trade theory still hold in the presence of GVCs. The volume also explores the drivers of the growth in GVCs, trends in Canada as well as other countries, it looks at some key "high valued" sectors and ends with an examination of some the potential policy implications.

[13] The difference between tasks and activities is important but beyond the scope of this article. The more generic term "activities" will be used throughout the article but is not expressing a preference for one over the other.