

Abstract :

This study uses firm-level panel data from Romania to examine whether the origin of foreign investors affects the degree of vertical spillovers from FDI. Investors' origin may matter for spillovers to domestic producers supplying intermediate inputs in two ways. First, the share of intermediates sourced locally by multinationals is likely to increase with the distance between the host and the source economy. Second, the sourcing pattern is likely to be affected by preferential trade agreements. In this case, the Association Agreement between Romania and the European Union (EU) implies that inputs sourced from the EU are subject to a lower tariff than inputs sourced from the United States or Canada. This means that on average American investors may have a greater incentive than EU investors to source from Romania and hence present a greater potential for vertical spillovers. The empirical analysis produces evidence consistent with this hypothesis. The results show a positive association between the presence of American companies in downstream sectors and the productivity of Romanian firms in the supplying industries and no significant relationship in the case of European affiliates. The results also indicate that Romanian firms in sectors whose products are expensive to transport benefit more from downstream presence of American affiliates than Romanian firms in sectors with low shipping costs. No such pattern is found for European affiliates.

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Mariana Spatareanu is assistant professor in the Department of Economics and core faculty in the Division of Global Affairs, Rutgers University. She holds a Ph.D. in Economics from Washington University in St. Louis.

Her research interests focus on analyzing productivity spillovers from foreign direct investment, as well as investigating factors that affect the flows of foreign direct investment, including labor market regulations, environmental standards and financial markets. She is also working on issues related to immigration, innovation and competition.

She is affiliated with LICOS Center for Institutions and Economic Performance, Catholic University Leuven and with Hamburg Institute of International Economics. Before joining Rutgers University, she worked for the World Bank where she was involved in research related to the impact and the characteristics of foreign direct investment with focus on developing countries.



The Center for Research in Economic Analysis of the University of Luxembourg is pleased to invite you to the **Lunchtime Seminar in Economics:**

Does It Matter Where You Come From? Vertical Spillovers from Foreign Direct Investment and the Origin of Investors

joint with B. Javorcik

Mariana Spatareanu
Rutgers University

November 24, 2010
16:00 – 17:00

Campus Limpertsberg
Building of Science – Room BS001
162a, avenue de la Faïencerie
L-1511 Luxembourg

Registration: by email to fdef-colloques@uni.lu

Contact : crea@uni.lu (+352 46 66 44 6336 / 6139)

