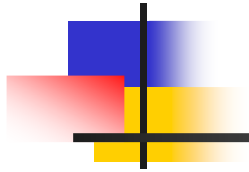
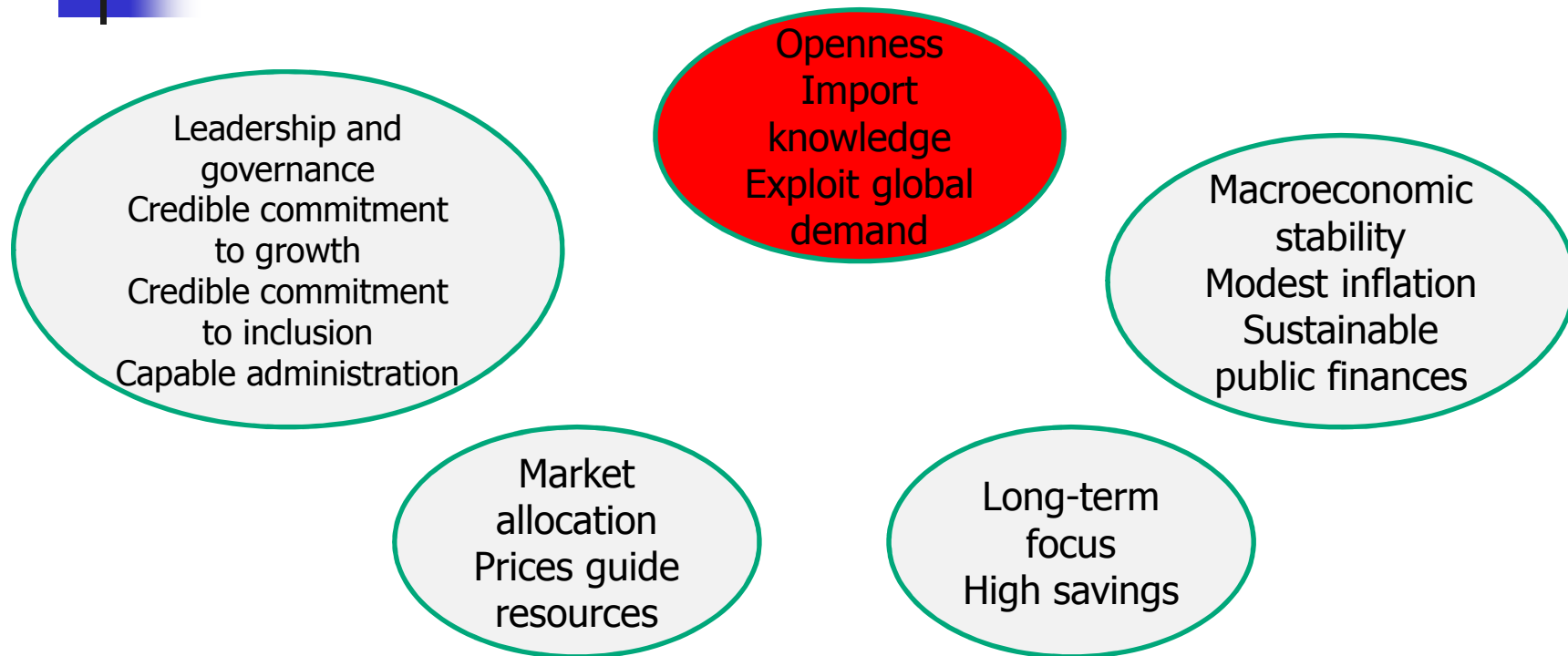


# Harnessing FDI for Economic Growth



Beata Javorcik  
University of Oxford

# What are the essential ingredients for fast and sustained economic growth?



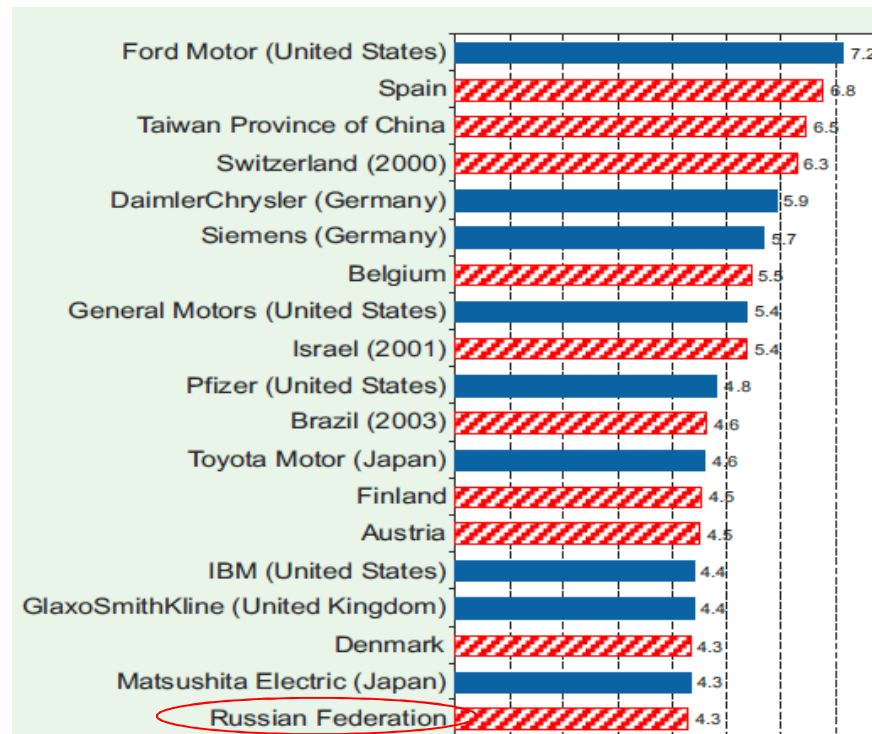


# Multinational firms (MNCs) are creators of knowledge

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- MNCs are responsible for most of the world's R&D
  - 700 multinational corporations accounted for 46% of the world's total R&D expenditure and 69% of the world's business R&D in 2002 (UNCTAD 2005)

# MNCs' R&D budgets may exceed R&D spending of countries (2002, \$bn)





# Knowledge brought by MNCs boosts the performance of FDI recipients

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## Total factor productivity (in logs)

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	Pre-acquisition Year	Acquisition year	One year later	Two years later
FDI recipients	0.864	1.079	1.142	1.215
Control group	0.867	0.976	1.022	1.083
<b>Difference</b>		<b>0.106***</b> <b>(0.034)</b>	<b>0.122***</b> <b>(0.045)</b>	<b>0.135***</b> <b>(0.051)</b>

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# Knowledge brought by MNCs boosts the performance of FDI recipients

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**Total factor productivity (in logs)**

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# Knowledge brought by MNCs boosts the performance of FDI recipients

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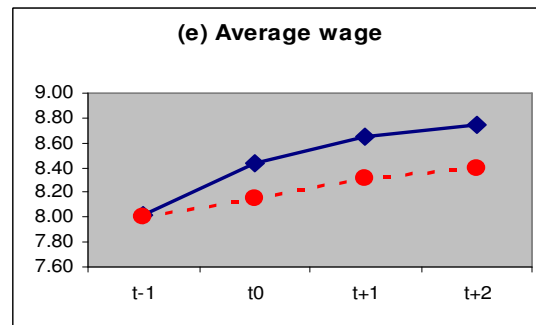
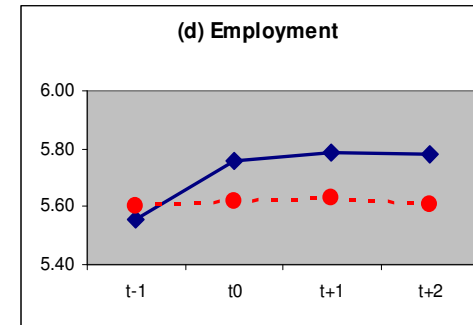
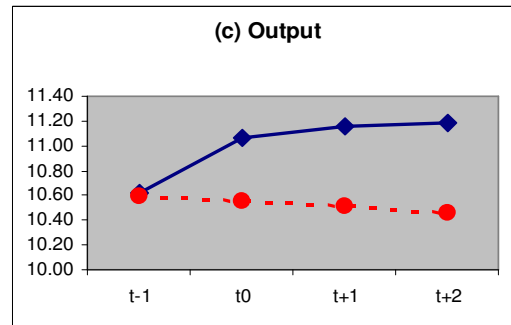
**Total factor productivity (in logs)**

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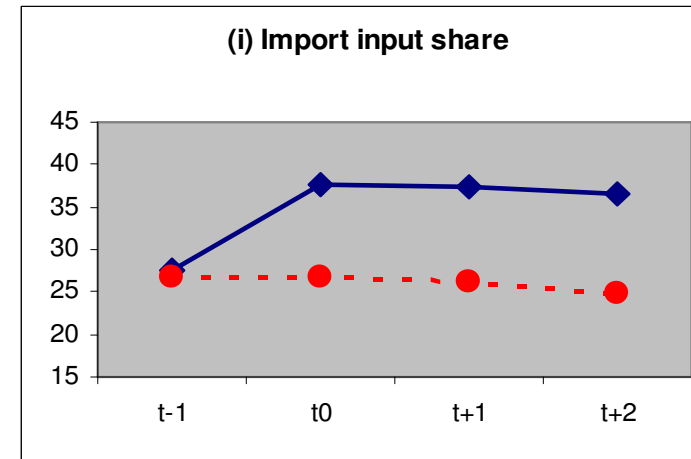
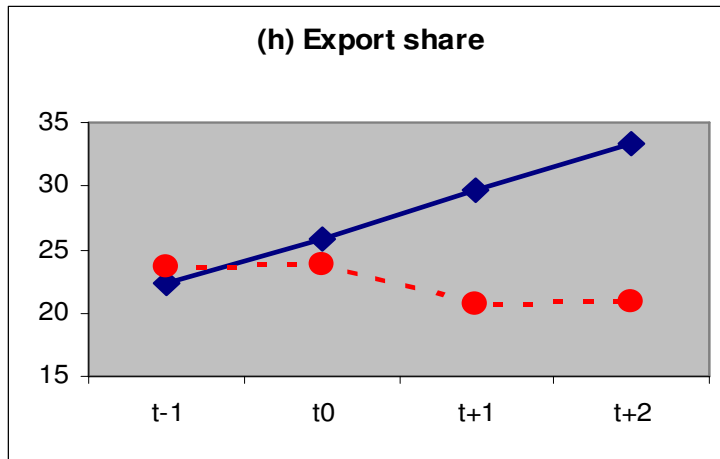
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# Foreign ownership leads to rapid changes

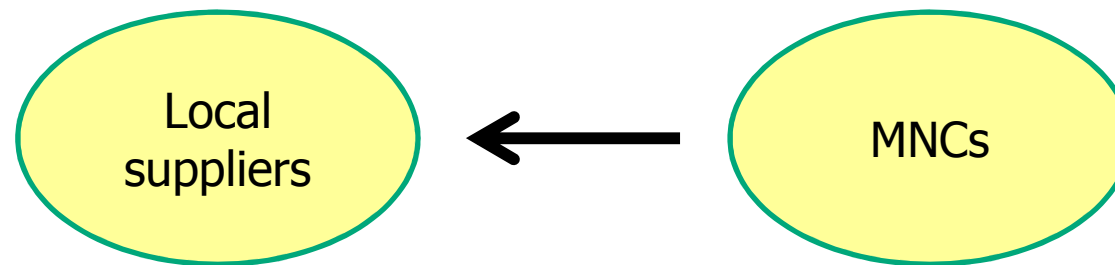




# Foreign ownership facilitates integration into global markets



# Knowledge brought by MNCs spills over to local suppliers



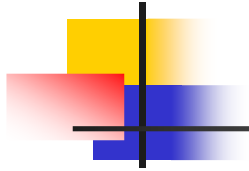
Higher productivity  
Moving up the value chain  
Increased complexity of products



## Conclusion

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- By serving as a channel of knowledge transfer, FDI inflows can stimulate economic growth and innovation in host countries



Thank you