

PROPOSAL: FDI AND INNOVATION SPILLOVERS TO LOCAL FIRMS

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With foreign direct investment flows rising worldwide, there has been an increasing interest in their effect on the performance of domestic firms in the host country. There is a large body of literature that studies the effects of FDI on local firms. These studies focus on the effects on domestic firms' total factor productivity. This project proposes to study a different aspect of domestic firms' performance. A large fraction of the FDI spillovers are thought to occur through technical progress and improvements in quality. Part of these gains will materialize in the form of improved efficiency (as it intends to be captured by total factor productivity), but a large - and probably larger - fraction of the spillovers will translate into changes in the portfolio of goods offered by domestic firms.

The question that is addressed in this study is whether domestic firms introduce new varieties of goods as a result of spillovers from FDI. The study focuses on the case of the Chinese manufacturing sector, using a combination of very detailed information at the firm level and aggregate information on foreign presence at the industrial and provincial level. Furthermore, the data allow for a characterization at a great level of detail of the firms and industries that are more likely to be affected by FDI spillovers.

The research assistant will be in charge of library research and data analysis. Knowledge of Excel is essential. Experience with Stata is helpful but not a must.