

Testing for FDI Externalities in Thailand: A Firm Level Analysis of Horizontal and Vertical Spillovers

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Many empirical researches have been dedicated to study the impacts of MNCs on host nations' growth and trades; however, the consensus among them is still a far reaching destination. Among all aspects of the impact of MNCs, the externalities toward the local firms have lately gained the most attention. By using Thailand's firm level database combined with an I/O table at the most disaggregate level, this paper is designed to empirically investigate the externalities from the presence of foreign-controlled plants toward the performances of local plants, who reside in identical industries (Horizontal FDI spillovers) / in the related industries (Vertical FDI spillovers). In the study at the overall manufacturing sector, we find that the participation of foreign plants in supplying industries significantly increases the productivity of local plants. In capital and labor intensive industries, we find that there is a strong evidence of positive externalities from the foreign plants' participation in the downstream industries. Interestingly, the performances of local plants in natural based industries are not significantly influenced by the presences of foreign plants either in the same or related industries.

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