

# **Which Foreigners are Worth Wooing? A Meta-Analysis of Vertical Spillovers from FDI**

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Few topics in international economics have been examined as extensively as technology transfer from foreign affiliates to domestic firms, and the amount of empirical research in this area is still growing at an exponential rate, with more than a score of studies published in the last two years alone. The topic is so attractive because the assumed externality associated with the transfer, "technology spillover," constitutes the principal rationale for government subsidies to foreign direct investment (FDI). Many policy makers who encourage inward FDI expect that domestic firms in the same sectors can benefit from know-how brought by foreigners, that firms in supplier sectors can benefit from direct knowledge transfers from foreigners, and perhaps also that firms in customer sectors can benefit from higher-quality intermediate inputs produced by foreigners. The per-job value of spillovers stirred up by linkages can be compared with the amount of government subsidies; hence, for policy recommendations precise estimates of spillovers are required. Yet researchers report mixed results on spillovers.

To take a step beyond single-country case studies and examine the sources of heterogeneity in a systematic way, we employ the meta-analysis methodology. Meta-analysis is more than a literature survey: it sheds light on the determinants of the examined phenomenon that are difficult to investigate in primary studies because of data limitations. In comparison with previous meta-analyses on productivity spillovers, this paper concentrates on between-sector instead of within-sector spillovers.