

Foreign direct investment and macroeconomic implications: Empirical evidence for Bolivia

Pablo Cachaga Herrera

Abstract

This research document aims to analyze the individual effects of primary, secondary and tertiary Foreign Direct Investment (FDI) on the main macroeconomic variables, such as Gross Domestic Product, private investment, public investment, traditional and non-traditional exports, imports of capital goods and raw materials, and finally, regarding the employment of the private sector. Both quarterly data for the 2000 - 2016 period and SVAR methodology are used to capture the dynamic effects. Results found show that FDI in primary sector is the most important for GDP growth because it increases volume exports, but also increases imports of capital goods though net effect on product is positive. However, one of the most relevant findings is that all forms of FDI (primary, secondary and tertiary) increase employment in the private sector.

Classification JEL: *C32, E2, F2*

Keywords: *Foreign direct investment, economic activity, employment and SVAR model*