

# **Effect of Foreign Direct Investment on macroeconomic dynamism: An empirical analysis for Bolivia**

**Martin Vallejos Tarqui**  
**Shirley Navia Cáceres**

## **Abstract**

This paper analyzes the effects of Foreign Direct Investment (FDI) on macroeconomic dynamism of Bolivian economy. For this purpose, the methodology of Structural Autoregressive Vectors (SVAR) is used. Results show expected signs according to economic theory, which implies positive effects of foreign investment on economic growth and investment. The latter encompasses complementarity between domestic and foreign investment. On the other hand, FDI positively influences prices, which is offset by monetary authority actions. Thus, FDI also plays an important role in reducing unemployment and increasing imports, mainly of capital goods.

**JEL Classification:** C2, O19, O33

**Keywords:** FDI, economic growth, economic policies, SVAR model