DOI: 10.20472/IAC.2019.045.030

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FOREIGN DIRECT INVESTMENT SPILLOVERS WITHIN AND BETWEEN SECTORS: EVIDENCE FROM A DEVELOPING ECONOMY

Abstract:

With volatile global capital flows, the stability of FDI and its emergence as an important source of foreign capital for developing economies has renewed interest in its linkages with sustainable economic growth in developing countries. FDI is crucial as it influences production, employment, income, prices, imports, economic growth, balance of payments and the general welfare of the recipient country. Nigeria has attracted huge inflows of FDI over the last decade—from $1.14 billion in 2001 to $4.4 billion in 2016. Though FDI has been concentrated in the oil and gas sectors, the government is now seeking to channel it into the communication, manufacturing and financial services sectors.

The broad objective of this study is to examine the spillover effect from oil FDI on the Nigerian economy: (i) is there positive micro linkage from the oil FDI on the domestic economy in Nigeria? (ii) are there positive spillover effects from oil FDI to domestic labor markets in Nigeria?

We will trace which sectors/subsectors are recipients of these linkages. How have foreign oil multinationals helped the domestic firms in terms of technology transfer, and employment linkages? What are the linkages between the foreign oil companies and the domestic Petroleum Training Institute in terms of technology transfer on one hand and employment of the Institute's graduates on other hand? Are the policies embarked upon to attract FDI and ensure its spillover to other sectors of the Nigerian economy sufficient to stimulate economic growth?

Keywords:

FDI, sectoral spillovers, economic development

JEL Classification: F21, O11, F35