



ABSTRACT

FDI inflows are highly expected to bring benefits to the host country, not only in form of capital transfer but also technology transfer. The externalities which occur from technology transfer are referred as productivity spillovers. This study intends to capture productivity spillovers from FDI through horizontal, forward, and backward linkages in Indonesian manufacturing industries. Using panel data of Indonesian manufacturing firms from the period 2003-2013, we find that fixed effects estimation is more appropriate to analyze the model specification of this study. The estimation result shows that FDI spillovers are positively significant through horizontal linkage and negatively significant through backward linkage.

Keywords: Foreign Direct Investment (FDI), productivity spillovers, total factor productivity (TFP), horizontal, backward, forward.