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# HORIZONTAL AND VERTICAL SPILLOVERS FROM FDI IN THE ITALIAN PRODUCTIVE SYSTEM\*

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**Abstract.** Foreign direct investment (FDI) from Multinational Enterprises (MNEs) can generate positive externalities to host countries, increasing domestic firms' productivity. Recently, the attention of researchers has moved from the analysis of "horizontal" spillovers – i.e. those benefits to local enterprises at an intra-industrial level - towards the investigation of "vertical" spillovers phenomenon – i.e. the diffusion of positive effects on domestic economies at an inter-industry level, as in the case of technology transfers to domestic suppliers or customers in the production chain. Using a firm-level panel data, this paper analyses spillovers from FDI in the Italian productive system both within and across industries. Our results suggest no evidence of "horizontal" spillover and the existence of "vertical" spillover whose impact on local firms seems to be very limited.

**Keywords:** FDI; MNEs; Productivity Spillovers, Backward Linkages, Forward Linkages, Italian productive system

**Jel classification:** F21; F23; F29

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