



# Foreign Direct Investment, Agglomeration and Externalities

Empirical Evidence from Mexican Manufacturing  
Industries

**Jacob A. Jordaan, VU University Amsterdam, The  
Netherlands**

Ashgate Economic Geography Series

December 2009  
226 pages  
978-0-7546-4729-4

234 x 156 mm  
Hardback  
£55.00



By critically appraising current theories of both Foreign Direct Investment (FDI) and agglomeration, this book explores the variety of links that exist between these two externality-creating phenomena. Using in-depth empirical research on Mexico, Jacob Jordaan constructs and analyzes several datasets on Mexican manufacturing industries at various geographical scales, creating innovative models on FDI externalities that incorporate explicitly regional considerations. The empirical findings identify both direct FDI spillover effects as well as the effects of agglomeration on these externalities. In extension of this, the analysis also contains analysis of FDI productivity effects that arise through inter-firm linkages between FDI and local Mexican suppliers.

## Contents

Preface; Foreign direct investment in Mexico: externalities and geographical space; FDI externalities in host economies: heterogeneity, technology gap and geographical space; Agglomeration and FDI location in Mexican regions; Trade liberalisation and regional growth in Mexico: how important are agglomeration economies and foreign direct investment?; Intra-industry FDI externalities in Mexican manufacturing industries: endogeneity, technology gap and agglomeration; FDI in Mexican regions: identifying the industry and geographical dimensions of FDI externalities; Foreign direct investment and backward linkages with local suppliers: survey evidence from Nuevo León; FDI externalities in Mexican manufacturing industries: main findings, policy recommendations and future research; References; Index.

## About the Author

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