

The Effect of Foreign Direct Investment on Colombia's Economic Growth and the Role of Human Capital: Does Foreign Direct Investment Foster Growth?

Jean K. Plantin

Department of Economics

University of San Francisco

2130 Fulton St.

San Francisco, CA 94597

Thesis Submission for the Master of Science Degree

in International and Development Economics

e-mail: jkplantin@usfca.edu

12/02/2021

Abstract: Since the pioneering work of John H. Dunning on the role of foreign direct investment (FDI) in the economic growth of the United Kingdom, many experts have debated the growth effect of FDI in an economy. This study investigated the impact of FDI on Colombia's economic growth from 1990 to 2019. Moreover, it explored whether the Colombian economy has benefited from positive spillover from FDIs. Additionally, the paper examined how the stock level of human capital conditioned the effect of FDI on GDP per capita growth. To this end, the analysis separated tertiary enrollments from the human capital index, and mediation analysis tests of human capital and tertiary enrollments were performed on FDI and GDP per capita. The results show that only 2% of FDIs were mediated through human capital, whereas the mediation effect rose to 25% when using the tertiary enrollments.