FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN SOUTH AFRICA DURING THE COVID-19 ERA

Tinotenda Lina Chigeza

(1431465)

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in 50% requirement of the requirements for the degree of Master of Management (in the field of Development and Economics).

March 2023

Supervisor: Prof Pundy Pillay

ABSTRACT

Foreign Direct Investment (FDI) has been an essential source of sustainable and inclusive economic growth in South Africa. The need to attract FDI to boost economic growth, create employment opportunities, and supplement domestic expenditure is embedded in South Africa's past and present economic policies and frameworks. FDI can bring numerous benefits to various stakeholders including the host country government, which gains increased tax revenues; local businesses through partnerships and supply opportunities and local communities through improved infrastructure development and access to resources and services.

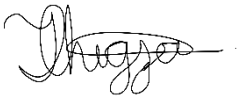
FDI inflows to South Africa have been volatile over the past decade, with periods of significant inflows followed by downturns. The COVID-19 pandemic had a significant negative impact on the South African economy, leading to a decrease in FDI inflows and a contraction in GDP. This report provides an overview of FDI inflows in South Africa, its contribution to economic growth, and the impact of the COVID-19 pandemic on FDI in South Africa. The report reviews existing literature on the relationship between FDI and economic growth and discusses the factors influencing FDI inflows to South Africa. Furthermore, the report examines the measures implemented by the South African government to attract FDI. To truly promote inclusive and sustainable economic growth the South African government must address the challenges investors face, such as policy uncertainties, regulatory hurdles, and infrastructure limitations. Furthermore, the government must channel efforts into empowering local businesses, improving education and healthcare, and investing in infrastructure that benefits all citizens. While FDI can bring some advantages, it should not come at the cost of neglecting domestic initiatives that foster self-reliance and equitable development.

The report recommends that the government should promote sectors with high potential for FDI, such as renewable energy, and ensure that FDI contributes to technology transfer and knowledge sharing with domestic industries. The COVID-19 pandemic has significantly impacted FDI, but the country has the potential to recover and attract long-term FDI in the future.

Keywords: foreign direct investments (FDI), economic growth, COVID-19, South Africa and government

DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Development and Economics) at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.



Tinotenda Lina Chigeza

30 March 2023

ACKNOWLEDGEMENTS

I want to thank my parents, Dr G and Dr S Chigeza, for their continuous support and encouragement. You are the best role models any child could have ever asked for. You are a true inspiration!

I am deeply grateful to my supervisor Prof Pundy Pillay for your patience and guidance throughout this research process.

Special mention goes to Takunda Maunganidze; thank you for encouraging me to keep going, motivating me not to give up, and holding my hand through it all!

Lastly, I express my gratitude to all my friends and family members for your support, kind words of encouragement and prayers. They did go a long way, especially when I felt like giving up!

TABLE OF CONTENT

LIST OF FIGURES

Page

CHAPTER FOUR

CHAPTER FIVE

LIST OF TABLES

CHAPTER THREE

CHAPTER FOUR

LIST OF ACRONYMS

AfCFTA	African Continent Free Trade Agreement
AGOA	African Growth Opportunity Act
AIS	Automotive Investment Scheme
ASEAN	Association of Southeast Asian Nations
ASGISA	Accelerated and Shared Growth Initiative for South Africa
CEF	Central Energy Fund
CIS	Commonwealth of Independent States
CIP	Critical Infrastructure Programme
CPFP	Capital Projects Feasibility Programme
DTIC	Department for Trade, Industry and Competition
EMIA	Export Marketing and Investment Assistance
EPZ	Export Processing Zones
FDI	Foreign Direct Investment
GEAR	Growth Employment and Redistribution
GDP	Growth Domestic Product
GFC	Global Financial Crisis
GI	Greenfield Investment
IPA	Investment Promotion Agency
IPAP	Industrial Policy Action Programme
IPI	Industrial Production Index
IJR	Institute for Justice and Reconciliation
IMF	International Monetary Fund
JSE	Johannesburg Stock Exchange

LAC	Latin America and the Caribbean
M&A	Mergers and Acquisition
MIP	Manufacturing Investment Policy
MNCs	Multinational Corporations
MNE	Multinational Enterprise
NDP	National Development Plan
NGP	New Growth Plan
NIC	Newly Industrialized Country
NIPF	National Industrialized Policy Framework
NSNP	National School Nutrition Program
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
RDP	Reconstruction and Development Plan
REIPPP	Renewable Energy Independent Power Procurement Program
SAIIA	South African Institute of International Affairs
SARB	South African Reserve Bank
SIP	Strategic Investment Programme
SOEs	State-Owned Enterprises
StatsSA	Statistics South Africa
TISA	Trade and Investment South Africa
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WTO	World Trade Organisation

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF STUDY

1.1 Introduction

The importance of economic growth in any country cannot be overstated. Over the years, academic scholars, policymakers, and governments have proven that economic growth is essential for achieving social, economic, and political development. Economic growth can create a virtuous cycle of prosperity and opportunity within a country. This is evident in a country like Rwanda, which is amongst Africa's fastest-growing economies per the International Monetary Fund's (IMF) (2016) World Economic Outlook Report 2016. Rwanda's strong economic growth rate of 9.4% in 2019 has created new business prospects. According to the World Bank's Doing Business Report 2020, Rwanda's business climate has significantly improved, ranking 38 out of 190 economies in 2020 compared to 139 out of 190 in 2010 (World Bank, 2020).

At its core, a successful growth strategy must have measures to promote rapid and sustained economic growth. Loayza and Soto (2002) state that countries with sustained long-term growth can substantially reduce poverty, promote democratic and political stability, enhance the quality of living, and even reduce crime and violence. Governments and policymakers face the task of integrating policies that encourage growth while also ensuring that the impoverished can benefit fully from the resulting opportunities. Such actions can contribute to the development of the economy (Loayza & Soto, 2002). To achieve this goal, policies must focus on enhancing the efficiency of labour markets, minimizing inequality, and promoting financial inclusion (Loayza & Soto, 2002).

Since the start of the post-apartheid era, the South African government has placed significant emphasis on constructing an economy geared towards promoting fair and comprehensive growth. The implementation of various economic growth frameworks and policies over the years reflects this commitment. These policies include the Reconstruction and Development Programme (RDP) in 1994, Growth Employment and Redistribution (GEAR) in 1997, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) in 2007, the New Growth Path (NGP) in 2010, and the National

Development Plan (NDP) in 2012. These policies all share a common goal of reducing poverty, increasing employment, decreasing inequality, and stimulating economic growth throughout South Africa.

However, 29 years into democracy and billions of Rand being spent by the government every year to tackle structural inequalities, unemployment, and poverty, South Africa's economy continues to experience low economic growth. According to StatsSA (2019), real GDP increased by 0.7% in 2019, down by 0.8% in 2018. The official unemployment rate has increased over the last two decades, from 17% in 1994 to 26% in 2015 to 35.5% in the last quarter of 2021 (StatsSA, 2021). In 2019, the World Bank ranked South Africa as the most unequal country globally, suggesting that its economy does not benefit all its citizens equally (World Bank, 2019).

Over time, the problems faced by the South African economy have been compounded by increasingly high levels of unemployment and inequality but also a persistently low level of investment, an increase in poverty and the cost of borrowing due to failing State-Owned Enterprises (SOEs). Moreover, the shortage of electricity, inadequate network industries such as water and transportation, deteriorating productivity and high cost of doing business within the country have led to a decline in investment and a weak economic growth cycle (Cooper, 2020). The low growth levels and the problems associated with the loss of government revenue have negatively affected resource mobilisation (Cooper, 2020). These challenges, combined with a growing budget deficit and debt, have limited economic development within the country.

The outbreak of the covid-19 pandemic in March 2020 revealed the vulnerability of an already fragile South African economy (Ajam, 2020). The economy of South Africa had already experienced two consecutive quarters of recession. It was downgraded to "junk status" by credit rating agencies when the pandemic reached our shores (Ajam,2020). The pandemic deepened the economic crisis as the economic growth rate declined to -6.4% in 2020 (National Treasury, 2020).

The lockdown restrictions, both locally and globally, disrupted supply chains, suspended trade and tourism, and restricted businesses (National Treasury,2020). This resulted in many people having to spend long periods without an income and many going hungry daily. According to Ajam (2020), due to the impact of the pandemic on the economy, the South African economy is expected to only return to 2019 levels

in the second half of 2023. It is evident that economic growth is needed now more than ever. The economic response required should equal or even exceed the scale of the disruption caused, given the severity of the devastation (Cooper, 2020). The current economic situation provides an opportunity for the South African economy to 'reset'. It is an opportunity to create a progressive, sustainable economy from which all South Africans can benefit.

Over the years, we have seen countries such as Singapore, China, and Rwanda achieve economic growth through increased foreign direct investment (FDI). Embedded in South Africa's past and present economic policies and frameworks is the need to attract FDI to boost economic growth, create employment opportunities, and supplement domestic expenditure, which accounts for a more significant share of overall government expenditure and investments (Rusike, 2007).

Many countries see FDI as an essential source to fill the capital gaps which pose a barrier to their development. South Africa is no exception to this phenomenon. FDI has been a critical catalyst for South Africa's economic growth and a strong government priority. The South African government aims to attract R1.2 trillion in new investments over the next five years, increasing investment's share of GDP to 30% (Seric & Hauge, 2020). Increased investment in infrastructure, employment-orientated strategies, resource mobilisation and skills development will also boost economic growth. (FDI) has played a crucial role in fostering an open and productive global economic environment and has served as a significant growth catalyst (Organisation for Economic Co-operation and Development (OECD), 2002). FDI is considered to be one of the most reliable sources of foreign capital inflows compared to capital flows in stock and bond markets (Bah & Gritli, 2019). FDI not only directly contributes to job creation in the host country, but it also promotes technological advancement. Technological advancement is essential in enhancing production efficiency, promoting economic prosperity, and accelerating the host country's economic integration into the global economy (Musakwa & Odhiambo, 2019).

Traditionally economic growth has been linked to accumulated human and physical capital and increased productivity. Newman, Rand, Talbot, and Tarp (2015) suggest that as the global economy has progressed through various phases of development, a nation's modern economic growth relies more on the technology and knowledge it

possesses rather than solely on the physical factors of production. FDI is most likely the most crucial avenue for technology transfer, encompassing technical and managerial know-how and a variety of spillovers (Newman et al., 2015). FDI spillovers occur because foreign-invested firms are technologically advanced, and through their interaction with domestic firms, knowledge is shared, leading to higher productivity and enhanced economic growth (Newman et al., 2015).

Technology transfer through FDI may occur in unexpected ways. An excellent example is the establishment of a ready-made garment sector in Bangladesh. According to the Asian Development Bank (2020), South Korea experienced quota limits under the Multifibre Arrangement in the early 1970s, which hindered garment exports. To mitigate this challenge, one of the leading manufacturers, Daewoo in South Korea, decide to establish a local joint venture with Desh Garments Ltd to make and export clothes from Bangladesh. To ensure that the new business is thriving and influential, Daewoo invited 130 Desh supervisors for training at its facility in South Korea (Asian Development Bank, 2020). The objective of the training was for the new employees to return and apply their newly gained knowledge to the joint business.

However, that did not happen; instead, 155 trained employees left Desh and started their own businesses or worked for other new businesses in Bangladesh (Asian Development Bank, 2020). The readymade garment sector flourished swiftly due to this inflow of skills driven by domestically owned firms. Today, Bangladesh is the world's second-biggest garment exporter after the People's Republic of China. (Asian Development Bank, 2020).

Scholars such as Denisia (2010), Masipa (2018) and Mpanju (2012) have emphasised the necessity of attracting foreign direct investment to help emerging economies thrive by transferring technology and skills, creating jobs, building domestic infrastructure and other positive benefits that come with foreign investors. Therefore, this research investigates how FDI can aid economic growth in South Africa during the COVID-19 era.

1.2 Research Problem Statement

The ongoing covid-19 pandemic presents a unique policy challenge for South Africa and requires effective economic stimulus measures in unfamiliar territory. The pandemic has significantly impacted the economy, surpassing that of the 2008-09

Global Financial Crisis (GFC). It also occurred against the backdrop of two consecutive quarters of a recession. The pandemic exposed cracks within the South African economy that existed before the crisis. For the past decade, South Africa's economy has been characterised by low economic growth, high levels of inequality and unemployment. Much work has been done on the nature of South Africa's economy and the need for economic growth (see Bhorat & Van der Westhuizen, 2010; Chirwa, 2016; Fedderke & Simkins, 2012 and Ocran, 2011). Research on the effects of a pandemic on a country's economy has been undertaken (for example, Bloom, de Wit & Carangal-San Jose, 2005; Jordà, Singh & Taylor, 2020; and Sarker, 2020). However, little work has been done on the use of FDI to aid economic growth amidst a global pandemic.

The outcomes of the current economic growth strategies go against the government's very own goals and ambitions. Several years after implementing a series of policies, the economy still faces the same challenges. Yet, government spending and debt continue to increase every year. The challenges faced have become considerably more severe because of the pandemic. Its immediate devasting impact on national health systems, economies, trade, cultures, societies, and cooperation systems has been unprecedented (OECD, 2020). It has questioned the relevance and sufficiency of the current social and economic policies. To ensure recovery from the pandemic, the South African government needs to focus on building more equal, inclusive, and sustainable economies that are more resilient in the face of global challenges.

To reinvigorate the economy, South Africa needs a significant injection of capital and resources (Seric & Hauge, 2020). Some of those resources could come through FDI inflows and new and innovative economic growth strategies. Government and policymakers must put conditions in place to help attract and sustain efficient investments and, more importantly, optimise their growth benefits (Seric & Hauge, 2020). South Africa's economy has been characterised by low economic growth for too long, and the pandemic has highlighted and exacerbated the need for effective economic growth strategies. This crisis may offer governments a window of opportunity to re-examine their approaches and policies.

1.3 Research Questions

For this study, the primary research question is the following:

- How can foreign direct investment aid economic growth in the COVID-19 era in South Africa?

The secondary research question for this study is:

- What strategies can be adopted to attract more FDI into South Africa to aid economic growth?

1.4 Research Objective

This study aims to investigate how foreign direct investment can aid economic growth in South Africa. More specifically, the study seeks to discuss the effect of FDI on economic growth in South Africa during the Covid-19 era and the factors determining the effectiveness of FDI in promoting economic growth in South Africa.

1.5 Outline of Study

This research report is organised into six chapters. The first chapter introduces the study by providing the research context, questions, and objectives. It has identified the problem the study seeks to investigate and explore the gaps in the existing literature on which the research aims to improve.

Chapter two of the report explores the views around this study by reviewing the existing literature on the relationship between FDI and economic growth. This is followed by a discussion on the chosen theoretical framework around which the study is based. The methodology of the study, the research strategy and approach, research tools and their application, population and sampling, process of analysis are presented in chapter three. Furthermore, feasibility, positionality, validity, reliability, dependability, and ethical considerations are discussed in this chapter as well.

Using data from the United Nations Conference on Trade and Development (UNCTAD), chapter four looks at the trends in FDI inflows across the world's developing regions: Asia, Africa, Latin America and the Caribbeans from 2000-2020. It discusses the determinants of FDI, the policies and strategies established to attract FDI in these regions. It identifies how the determinants have changed as the world continues to integrate due to globalisation and the potential barriers of FDI in these regions. Through this comparative analysis, this chapter identifies the best-performing sub-region and country in each developing region. Chapter five focuses on FDI and

economic growth in South Africa. This chapter analyses the trends in FDI inflows in South Africa as a percentage of GDP and the trends in economic growth rate from 2000-2020 using data from the World Bank. Furthermore, the chapter discusses the impact of covid-19 on FDI in South Africa and identifies the strategies and initiatives in place to mitigate South Africa's challenge of low economic growth and the lack of long-term investment.

This study concludes in chapter six, where a summary of the study is provided, including policy recommendations and limitations of the study discussed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on the relationship between foreign direct investment (FDI) and economic growth. The chapter begins by defining FDI; thereafter, it is divided into two sections: a theoretical framework and an empirical literature review which will explore the channels through which FDI affects economic growth. This section aims to document the findings and conclusions arrived at by other scholars to best understand the study.

2.2 Definition of Foreign Direct Investment

According to Krugman and Obstfeld (2008:10), FDI is defined as “international capital flows in which a company in one country establishes or grows a subsidiary in another.” This entails the transfer of financial and other resources and the acquisition of control of a company in a host country (Krugman & Obstfeld, 2008). The International Monetary Fund (2003:6) defined FDI as “foreign investment that represents the intention of a resident in one economy obtaining an enduring interest in a company resident in another economy”. UNCTAD (2008) states, that FDI is characterised as a partnership between a company situated in the country of origin (referred to as the investor) and a company located in the destination country (referred to as the host country).

De Mello (2000:15) defined FDI as “an international inter-firm partnership including a large equity share and effective management decision power in, or ownership control over, foreign firms”. This definition incorporates FDI’s potential to transfer tangible and intangible assets, including capital, research and development (R&D), management skills, production expertise, and improved technologies in the host country (Knoerich, 2017.). Similarly, Farrell (2008) characterised FDI as a combination of capital, technology, management, and entrepreneurship that facilitates a corporation to function and distribute goods and services in a foreign market.

FDI can be classified into two categories: Vertical FDI and Horizontal FDI. Multinational corporations (MNCs) that separate production processes geographically are called vertical FDI (Demir & Sayek,2008). The general idea behind vertical FDI is that if input prices for a specific stage of production are lower in a country other than

the investor's, splitting the production chain becomes more profitable (Demir & Sayek,2008). A good example of vertical FDI is the automotive sector in South Africa, many global automobile manufacturers such as Toyota, BMW, and Volkswagen have set up production plants in the country, which involve both assembly and manufacturing of vehicle components. According to Kinda (2014), these companies establish a presence in South Africa to take advantage of the country's skilled labour force, access to regional markets, and favourable trade agreements.

Horizontal FDI entails MNCs producing roughly the same goods or services in the host country as in their home country (Demir & Sayek,2008). Horizontal FDI occurs when there are high tariffs or transportation costs to export goods and services; therefore, it is considered cheaper to serve the foreign market through investments rather than exports (Demir & Sayek,2008). In South Africa, a notable example of horizontal FDI is in the retail sector, international retail chain Walmart acquired a majority stake in Massmart Holdings Ltd. in 2011 to expand its presence and compete in the South African consumer market (Kinda,2013) Massmart is an African retail group that owns brands such as Game, Makro, Builders, Cambridge Foods etc.

According to Krugman and Obstfeld (2008), MNCs are the primary source of FDI. MNC investments can take several forms, depending on the purpose of the investment or the mode of entry into the host country. Four reasons motivate MNCs to invest: market-seeking, efficiency-seeking, resource-seeking, and strategic-asset-seeking. These motives for FDIs are briefly outlined here, based on Brouthers, Gao, and McNicol (2008) and Krugman and Obstfeld (2008):

1. Market-seeking FDI involves investing in a host country's market to serve that market directly through local manufacturing and distribution rather than exporting. Factors such as market size, growth, and domestic market structure influence this type of FDI. The primary goal of the investing multinational corporation (MNC) is to gain access to the local markets of the host country.

2. Resource-seeking FDI refers to investing in a host country's market to reduce costs by accessing resources that may be too expensive or unavailable in the home country. Investing MNCs aims to gain access to low-cost raw materials, cheap labour, infrastructure, and other resources.

3. Efficiency-seeking FDI aims to establish the most cost-effective and competitive global production networks. Factors such as competitiveness, economies of scale, specialisation, and low manufacturing costs impact this type of FDI. The investor aims to reduce production costs.

4. Strategic asset-seeking FDI involves investing in foreign countries to acquire foreign companies' assets to achieve long-term strategic objectives. This type of FDI enables a company to tap into foreign networks of produced assets such as technology, organisational capabilities, and markets, furthering its global or regional strategy (Faeth, 2009).

There are three modes through which firms undertake FDI: merger and acquisition (M&A), green field and joint venture. Greenfield investment (GI) is a cross-border venture in which the parent company builds and owns its subsidiary from the ground up (Raff, Ryan & Stähler, 2009). It entails competency transfer and value chain operations (Raff et al.,2009). Greenfield investors prefer building an operation from scratch, especially when production logistics is a significant industry success factor, and there are no suitable acquisition targets accessible, or they are too expensive (Raff et al., 2009). High risks are associated with greenfield investments because the parent firm bears all the financial responsibility. Should there be a political risk or a situation of expropriation, the subsidiary may find itself in a situation where it cannot return capital to the parent company (Raff et al., 2009).

An example of a GI is in 2017 Tesla announced its intention to construct a new manufacturing plant in China (Mickle, 2018). It was the first facility to be built by the company outside the United States. Located in Shanghai, the greenfield site was built from the ground up and can manufacture 500,000 electric vehicles each year (Mickle, 2018). The investment was seen as a strategic move by Tesla to increase its presence in the Chinese market and bypass the high tariffs imposed on imported vehicles (Mickle, 2018). In 2019, Coca-Cola announced a greenfield investment in South Africa to build a new state-of-the-art bottling plant in Port Elizabeth. The investment was aimed at expanding its production capacity and meeting the growing demand for beverages in the region (CNBC Africa, 2019). M&A, in simple terms, is the purchasing of existing assets and companies or merging with existing local companies (Ndoricimpa, 2009). M&A allows quick entry and generally provides access to

distributors, existing customer bases, and established brand names or corporate reputations (Ndoricimpa, 2009).

An example of M&A is Google purchasing Fitbit for $2.1 billion in 2020. Fitbit is a company that specialises in producing wearable technology, such as fitness trackers and smartwatches (Welch & Liao, 2020). On the other hand, Google is best known for its software and search engine. This acquisition was regarded as a strategic move by Google to enter the wearable technology market and compete against Apple, which is currently dominating the industry (Welch & Liao, 2020). Cross-border M&A entails the change of assets from domestic to foreign hands. A noteworthy example is the acquisition of Lonmin, a platinum mining company based in the United Kingdom by Sibanye-Stillwater, a South African mining company in 2019. The acquisition created one of the world's largest platinum producers and expanded Sibanye-Stillwater's global footprint in the mining industry (Mining Technology, 2019). If a company does not want greenfield investment or M&A, it can settle for Joint ventures. A joint venture is when a foreign investor joins forces with local investors to form a local company they own and control (Raff et al., 2009).

Unlike greenfield investments and M&A, joint ventures require less investment and managerial attention, lowering risk exposure. Joint ventures develop synergies and provide cost and benefit advantages to the companies. It can be founded for various reasons, such as entering a new market or territory or entering a new business line entirely (Raff et al., 2009). An example of a joint venture is in 2019, Ford collaborated with Mahindra & Mahindra, an Indian automobile manufacturer, to establish a joint venture that would last for a decade (Ford Motor Company, 2019). The main objective of this joint venture was to design, produce, and distribute Ford vehicles in India. The partnership was planned to take advantage of Mahindra's expertise and knowledge of the Indian market, as well as Ford's advanced automotive technologies and global presence (Ford Motor Company, 2019). The purpose of the joint venture was to assist Ford in expanding its operations in India and enhancing its competitive position in the region (Ford Motor Company, 2019). Another example of a joint venture is in 2020, Sasol, announced a joint venture with the Central Energy Fund (CEF) to establish a new entity focused on managing the country's strategic fuel stocks. The joint venture aimed to enhance energy security and optimize fuel supply operations in South Africa (Sasol, 2020).

FDI can be measured as a flow or a stock variable. Transactions recorded during a selected period are referred to as FDI flows (typically year or quarter), and the total value accumulated at the end of the select period are stocks. Most empirical studies use inflow, net FDI, and inflow as GDP percentages. This study uses FDI inflows as both flows and as a percentage of GDP.

2.3 Empirical Literature

In the past decade, academic scholars and governments in developing countries have extensively discussed and paid close attention to the relationship between foreign direct investment and economic growth. Policies encouraging FDI have been prioritised in these countries since economic growth is a key focus area. (Vo, Vo, & Zhang, 2019). However, the current literature on the subject yields contradictory results, and scholars have not reached a consensus on empirical findings.

On the one hand, some scholars argue that FDI can bring in new capital, technology, and skills, create new opportunities for job creation and help expand the export of the host country (Dinh, Vo, Vo & Nguyen, 2019). While other scholars believe FDI may have a negative effect on domestic investment as it can create dependence and disruptive rivalry with domestic firms from international affiliates (Dinh et al.,2019).

Vadlamannati and Tamazian (2009) examined the influence of FDI on economic growth in 80 countries between 1980 to 2006. Domestic investment, production per worker, FDI, trade openness, inflation, civil wars, political and institutional constraints, and economic reforms were all considered variables. The finding from this study concluded that FDI and political and institutional reforms contribute positively to economic growth. From 1975-2000, Caner and Hansen (2004) investigated the relationship between FDI and economic growth through a cross-sectional analysis of 62 developed countries in Europe, North America, and parts of Asia. The results suggested that FDI can increase economic growth when the host country has reached a specific level of development, initial GDP, and developed a skilled workforce. Mugeni (2015) explored the effect FDI has on reducing income inequality using a panel data set of 153 developed and developing countries between 1995 and 2010. The study revealed that FDI, coupled with a degree of democracy, reduces income inequality. Furthermore, the results showed that foreign investment flows reduce income inequality in countries with higher levels of democracy (Mugeni, 2015)

Sridharan, Vijayakumar, and Chandra (2009) conducted research to investigate the causal relationship between foreign direct investment (FDI) and economic growth in the BRICS countries. The study analysed quarterly data for Brazil (1996-2007), Russia (1994-2007), India (1992-2007), China (1999-2007), and South Africa (1990-2007), using the Industrial Production Index (IPI) as a measure of economic growth. The study's findings suggest that growth leads to FDI bi-directionally for Brazil, Russia, and South Africa. While FDI leads to growth uni-directionally for India and China. Similarly, Abedella, Naghavi and Fah (2018) investigated the effect of corruption, trade openness, and political stability on FDI in BRIC countries between the period of 2002-2016. The researchers concluded that there is a positive and significant relationship between political stability on FDI in the long run and suggested that political stability mainly drives up FDI in BRIC countries (Abdella et al.,2018).

During the 1980-2009 period, Koojaroenprasit (2012) analysed the effects of FDI on economic growth in Korea. The researcher found that FDI significantly impacted Korea's economic development, while subsequent growth was also positively influenced by human capital, exports, and employment. Othman, Yusop, Ismail and Andaman (2018) investigated the impact of government expenditure (expenditure on public services, infrastructure, education and social welfare programmes) on FDI inflows in Malaysia, Indonesia, Singapore, Thailand and the Philippines for the period of 1982-2016. The result of the study stated that government expenditure subsidises a positive relationship with FDI and states that if the government expenditure is increased, the volume of FDI increases too (Othman et al.,2018)

In a study of 23 Asian countries between 1986 and 2008, Tiwari and Mutascu (2011) found that both FDI and foreign commercial operations aided the economic growth in these countries. It was also discovered that FDI significantly impacts development as an economy grows. Zeng and Zhou (2021) used Chinese province panel data from 2004 to 2016 to investigate the influence of FDI on China's economic growth, technological innovation, and environmental pollution. The findings revealed that FDI has a considerable and favourable direct impact on China's economic growth and technical innovation.

A cross-sectional regression applied by Loots and Kabundi (2012) to 46 African countries from 2000-2007 indicated that economic growth, natural resource availability

and large market sizes attract FDI. Similarly, Lumbila (2005) examines the effect of FDI on economic growth from 1980-2000 using macro data on FDI inflows from 47 African economies. The findings showed that FDI has a significant role in promoting African development and that a stable and predictable investment climate, and the availability of a skilled workforce, contribute to the boost of FDI on the continent. Musibah (2017) researched political instability and attracting FDI in a comparative analysis of Middle East and North African countries through a panel data analysis for the period of 2000-2016. The research concluded that political instability is the core driver of FDI in either way such that political stability increases FDI and political instability reduces FDI (Musibah, 2017)

Fedderke and Romm (2006) conducted a country-specific study investigating the relationship and direction of causation between FDI and economic growth in South Africa. The study concluded that FDI contributes to economic growth in South Africa, which, in turn, attracts more FDI. Similarly, Masipa (2014) examined the impact of FDI on economic growth and employment in South Africa between 1990 and 2013. The study found a positive long-run relationship between FDI, GDP, and employment in South Africa during this period. The research also identified several factors that could affect the flow of foreign investment into South Africa, including return on investment, human capital, labour costs, labour disputes, and corruption.

In contrast to the previously mentioned positive relationship between FDI and economic development, there are also negative correlations. Lessmann (2013) found that FDI raises regional inequality in low- and middle-income countries, according to a study that looked at the impact of FDI on regional disparities in 55 countries from 1980 to 2009. The negative effects of FDI were also found in a study by Choi(2006) who conducted research based on 119 countries over the period 1993–2002, the researcher reached a similar conclusion to Lesseman (2013) that an increase in FDI as a percentage of gross domestic product (GDP) is associated with higher income inequality (Choi, 2006).

Konings (2003) did not discover any positive effect of FDI on Poland's growth between 1993 and 1997. Furthermore, according to the researcher, FDI hindered development in Romania and Bulgaria because these countries were subjected to trade imbalances, monopolies, and reverse technology and information transfers (Konings, 2003). Al-

Sadig (2009) discovered a negative relationship between corruption and FDI by studying the effect of corruption on FDI inflows in the panel data analysis for the period of 1984-2004 in 117 countries. The findings showed that the relationship between corruption is negative but insignificant when high-income countries are included. On the other hand, it is significant when high-income countries are excluded. The results stated that the existence of corruption is a negative driver of FDI because it reduces the volume of FDI, however, if corruption is controlled it increases the attraction of FDI in the country (Al- Sadig 2009).

Over the period 1990-2003, Adams (2009) used pooled panel data analysis from 42 African countries to research the effects of FDI on the region's economic development. The study showed that the rise in FDI flows into Africa negatively affected economic development. Similarly, Ng (2007) studies the connections between FDI and productivity in 14 Sub-Saharan countries from 1970 to 2000. The results indicated that FDI did not contribute to productivity growth. Jilenga, Xu and Gondje-Dacka (2016) investigated the effects of external debt and FDI on the development of the Tanzanian economy. The results showed that debt boosted long-term economic growth, while FDI had a negative effect on economic growth. The study concluded no directional causality exists between debt, economic development, FDI and economic growth.

Edrees (2015) examined the role played by FDI and the business environment on economic growth, focusing on 39 countries in Sub-Saharan Africa. The study divided them into two groups: 21 low-income countries and 18 middle-income countries. The findings revealed that the FDI coefficient is negative and statistically significant in low- and middle-income countries. The report emphasised that more FDI inflows could hurt economic growth in Sub-Saharan Africa. Alfaro, Chanda, Ozcan, and Sayek (2004) conducted a study to investigate whether countries with well-developed financial markets can boost their economic growth by attracting foreign direct investment (FDI), using cross-section regression for 71 countries. The researchers observed that the lack of development in the domestic financial market limits the ability of the domestic economy to benefit from potential FDI spillovers. The study used IMF data to determine net FDI and World Bank Indicators data to determine the growth of real per capita GDP. The results revealed that FDI had a negative impact on economic growth in most of the developing countries examined, thus supporting their hypothesis that

underdeveloped financial markets and institutions can diminish the positive effects of FDI.

In 2010, Herzer conducted a study on the link between foreign direct investment (FDI) and economic growth in 44 developing countries over the period 1970 to 2005, challenging several empirical findings. Unlike the FDI-growth theory, Herzer (2010) found that per capita income, human capital, openness, and financial market development were inadequate in explaining the relationship between FDI and economic growth. However, the study revealed that government intervention and freedom from business regulation could enhance FDI growth and that unstable FDI and overdependence on natural resources were negatively associated. Ultimately, the researchers concluded that, on average, FDI had a negative impact on economic growth in developing countries. In their study, Gopinath and Chen (2010) utilised a sample of 11 developing countries to demonstrate that FDI inflows widened the wage gap between the skilled and unskilled labour groups. The study explained that this gap was widened due to the fact that FDI firms often required higher skills than domestic firms, leading to wage gaps for workers in different sectors (Gopinath and Chen, 2010).

The impact of FDI on economic growth can be ambiguous. The above-mentioned empirical studies have shown that FDI can impact economic growth positively or negatively. However, the relationship between FDI and economic growth can sometimes be neutral, meaning FDI can neither positively nor negatively affect economic growth. Furthermore, FDI can have a positive effect on one variable and a negative effect on another.

Carkovic and Levine (2002) examined the relationship between FDI and economic growth for 72 nations in Europe and America from 1960 to 1995. Their findings showed that FDI inflows had no independent impact on economic growth in developed and developing economies. Jyun-Yi and Chih-Chiang (2008) researched the relationship between FDI and economic growth in 62 countries from 1975 to 2000 and found no correlation between FDI and economic growth. Similar to the study by Lyroudi, Papanastisiou, and Vamvakadis (2004), which explored the effects of FDI on economic growth, focusing primarily on transition economies from the United States

and Western Europe. According to the findings, FDI has no significant association with economic growth in transition nations.

Herzer, Klasen, and Nowak-Lehmann (2008) conducted a study covering 28 developing countries in Asia, Africa, and Latin America to analyse the impact of FDI on GDP. The study used GDP, FDI as a percentage of GDP, and GDP net of capital flows as variables. The study found that, in most cases, FDI was marginal and statistically insignificant compared to GDP. Therefore, the impact of FDI on GDP was insignificant in most countries studied, both in the short and long term (Herzer et al., 2008). Khan and Akbar(2013) investigated the impact of political risk on FDI in 94 middle- and high-income countries during the period from 1986-2009. Through a panel data analysis, the study presented two distinct conclusions: Firstly, the relationship between political risk and FDI was found to be weak and negative for high-income countries. Secondly, the relationship was strong and negative for upper-middle-income countries. The study's findings suggest that political risk hinders FDI inflows in both high- and middle-income countries, but the magnitude of the impact varies between the two groups (Khan and Akbar, 2013)

Johnson (2006) analysed cross-sectional and panel data from 90 countries spanning the period 1980-2002 and determined that while FDI positively impacts economic growth in developing countries, it does not have the same effect on developed nations. In a separate study, Chakraborty and Nunnenkamp (2008) investigated the relationship between FDI and economic growth in India from 1987 to 2000. They discovered that the impact of foreign direct investment on economic growth varies by sector. Specifically, FDI and manufacturing development displayed a positive correlation, and FDI had a short-term effect on service sector growth. Additionally, the study found that FDI in the service sector contributed to the growth of the manufacturing sector through cross-sector spillovers. The researchers concluded that there is no evidence of a causal link between FDI and growth in the primary sector.

The existing literature has provided conflicting predictions concerning the growth effects of FDI. In an era of globalisation in which economic, business and technical obstacles are declining, countries focus on the positive impact of FDI, especially in the COVID-19 economy. Although each country has unique characteristics and strengths to build upon to achieve economic development, FDI remains one of the essential

factors that directly and indirectly influence growth. (Dinh et al., 2019). Financial stability, economic development, and social security are all advantages of FDI, which also act as a path to global economic integration. (Dinh et al., 2019). Through labour training and skill development, new management techniques, and organisational frameworks, FDI can contribute to economic growth in host countries where technology transfer increases the stock of knowledge in the host country.

2.4 Theoretical Framework

Theoretically, FDI aims to directly impact economic growth through capital accumulation and incorporating new inputs and technologies into the host country's production function. However, over the years, it has been discovered that economic growth can be affected by FDI directly or indirectly. De Mello (2000) argues that FDI contributes to economic growth through capital accumulation, technical transfers and increased knowledge due to labour training and skill acquisition. This notion is justified by the neoclassical and endogenous growth models used in this study. The direct impact of FDI on economic growth is best explained by the neoclassical growth model, while the indirect impact is explained through the endogenous growth models. Both methods provide a theoretical framework for FDI to be regarded as a catalyst for economic growth and development.

2.4.1 Neoclassical growth model

The neoclassical growth model, also known as the exogenous growth theory or Solow-Swan growth model, suggests that the accumulation of exogenous output factors, such as capital stocks and labour, drives economic growth (Mahembe & Odhiammbo, 2014). The neoclassical growth model believes that technological progress is determined exogenously and is consistent across countries. The Cobb-Douglas output function is used in the neoclassical model and is modelled against capital input (both domestic and foreign), labour input, and the pace of technological change. (Seyoum, Wu & Jin, 2014).

According to the model, increasing labour supply and/or investing in equipment and machinery boost productivity. Through invention and innovation, technological progress is seen as a significant contribution to productivity (Ben-David & Loewy, 2003). An increase in capital stock, whether physical or human capital, can also boost labour productivity (Ben-David & Loewy, 2003). In this growth model, FDI is

considered the “suitable alternative” for domestic investment and, as such, to directly affect economic growth through its net contribution to capital stock. Since technology is considered to be exogenously determined, FDI is seen as a simple addition to capital stock. There is no significant difference between foreign and local capital (Ben-David & Loewy, 2003). According to De Jager (2004), if FDI provides new technology that increases labour and capital productivity, this will lead to more consistent investment returns and exogenous labour growth. Barro and Sala-I-Martin (1995) show that capital accumulation and economic growth are linked, while Herzer et al. (2008) show that FDI supports economic growth by increasing domestic investment.

The neoclassical growth model has faced some criticism from scholars. Elboiashi (2011) criticised the idea that diminishing returns on capital accumulation explain short-term economic growth but not long-term growth or technological advancement. (Boianovsky and Hoover, 2009) criticised Solow’s introduction to technology, stating that technological change is only introduced when the growth process approaches a standstill. This technical method is considered neutral and unresponsive to any of the model's forces. As a result, determining the level of technological change in the model becomes challenging. Ho, Kauffman and Liang (2007) argued that the theory does not explain economic growth and the transmission of technology, expertise, and information that FDI brings into the host country. The definition of the phrase "capital accumulation" in theory has been criticised as it only analyses investments in tangible assets. Mankiw (2000) believes that capital should be widely defined to encompass a variety of forms. Supporting his belief is UNCTAD(2000) which notes that FDI comprises a variety of assets, including capital, technology, market access, skills and management approaches, and the environment.

The neo-classical growth model shows that FDI can directly affect economic growth through capital accumulation and incorporating new inputs and foreign technology into the host country's production function. Thus, the growth model demonstrates that FDI encourages economic growth by increasing the amount and/or the efficiency of investment in the host country (Mahembe & Odhiammbo, 2014).

2.4.2 Endogenous growth model

In contrast to the neoclassical growth model, which assumes technological progress to be exogenous, the endogenous growth model postulates that economic growth is

determined by two key factors capital formation and technological progress (Mahembe & Odhiammbo, 2014). According to Seyoum et al. (2015), capital formation in the endogenous growth model involves investments in human capital and skill, research and development, expenses, and tangible assets. Nair-Reichert and Weinhold (2001) argue that the current endogenous growth model considers long-term growth as a feature of technological change and thus creates a framework in which FDI can continue to boost the economic growth rate in the host country through technology transfer, diffusion, and spillover effects.

Technology is envisaged in the model by introducing a research and development sector that produces new ideas. The models assume that technology is endogenously determined. They consider the role of country, industry and firm-specific factors in determining the extent to which total gross investments and the rate of technology generation and diffusion enhance growth (Mehic, Silajdzic & Babic-Hodovic, 2013). The endogenous growth literature emphasises that endogenous factors impact the dynamics of capital and knowledge stock accumulation as well as the pace and nature of technological advancement (Mehic et al., 2013). The endogenous technology assumption, in particular, stresses the significance of the host country's characteristics and indicates that foreign and domestic capital as sources of economic growth is treated differently (Mehic et al., 2013).

Given the differences in technological proficiency between foreign and local firms, and thus their contribution to economic growth, the endogenous growth literature emphasises the critical role played by foreign investments in augmenting the existing knowledge stock and capital equipment of a host economy (Baldwin, Braconier, & Forslid, 2005). Overall, the long-term impact of FDI is mainly due to the presence of a wide range of technology-related externalities enabling FDI to have a higher effect on economic growth than domestic investment (Baldwin et al., 2005).

Both theoretical methods have significant repercussions for the design of empirical research that must be considered. Firstly, the relationship between FDI and growth depends on the role of FDI in domestic investments (Wälde, 2005). Secondly, the literature on endogenous growth emphasises that the influence of FDI on economic growth varies depending on the endogenous nature of the growth process, which includes the host country's characteristics (Wälde, 2005). Furthermore, the research

on FDI emphasises the significance of FDI characteristics that significantly impact the mechanisms by which FDI-related technology and knowledge are transferred to local firms, which in turn influences the FDI–economic growth relationship (Wälde, 2005).

The significance of technological progress in achieving long-term economic growth is highlighted by both the neoclassical growth model and the endogenous model. While the former argues that technological advancement outside of the economic system is the most critical factor in maximising productivity, the latter claims that an economy's long-term development is a byproduct of technological progress within the economic system (Liberto & Estevez, 2020). These theories are utilised in this study since they both indicate that foreign direct investment (FDI) can, directly and indirectly, contribute to economic growth. Herzer et al. (2008) assert that FDI enhances investable capital and technical spillovers, which contributes to the host country's economic growth. Capital accumulation, the introduction of new goods, services, and technology (neoclassical), and the transfer of skills to the host country (endogenous) are ways in which FDI will likely stimulate the host country’s economic growth.

2.5 Conclusion

The primary aim of this chapter was to examine the existing literature on the relationship between FDI and economic growth. The chapter commenced by providing a comprehensive definition of FDI, followed by an exploration of the various channels through which FDI impacts economic growth. FDI generally refers to investments made to obtain a long-term interest in firms operating outside the investor's home economy. MNCs primarily bring in FDI through M&A, greenfield investments, or joint ventures, driven by motives such as market-seeking, resource-seeking, efficiency-seeking, or asset-seeking.

The empirical literature reviewed in this chapter presents mixed findings on the association between FDI and economic growth. The impact of FDI on economic growth can be positive, negative, or have no effect. The literature concludes that the contribution of FDI to economic growth is contingent on the host country's characteristics. However, the theoretical discussion in this chapter highlights FDI as a crucial factor in driving the host country's economic growth. The neoclassical and endogenous growth models demonstrate that FDI contributes directly and indirectly to

economic growth and that a country's growth can attract more FDI. The next chapter outlines the research methodology employed in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter begins by discussing the research strategy and approach, research tools and their application, and identifies the population and sample group. Furthermore, the process of analysis, the study's limitations, the research's feasibility and the researcher's positionality will be discussed. The chapter will conclude by discussing ethics, the study's validity, reliability, and dependability.

3.2 Research Strategy and Approach.

As stated in the literature review, the relationship between FDI and economic growth has been extensively discussed in the last decade. Scholars have continued to develop theories and build on existing literature which has only provided conflicting results concerning this relationship. This research examines the corpus of existing literature, theories, and trends in FDI inflow in South Africa and developing regions to arrive at a meaningful conclusion on how foreign direct investment can aid economic growth in South Africa. It is, for this reason, that a mixed methods study was undertaken.

A combination of qualitative and quantitative research is often referred to as mixed methods. This research method involves collecting and analysing qualitative and quantitative data to better understand the research topic. Qualitative research involves gathering and evaluating non-numerical data to best understand theories, observations, and thoughts to gain an in-depth understanding of an issue or generate new research ideas (McCusker & Gunaydin, 2015). This research approach is ideal for dealing with information explosion. A qualitative study in the form of a theoretical review was undertaken in this research study. Gürel and Tat (2017) have noted that a theoretical literature review can aid in identifying the current theories, their interrelationships, and the extent to which these theories have been studied. Furthermore, such a review can facilitate the development of new hypotheses.

McCusker and Gunaydin (2015) define quantitative research as the application of numerical representations and manipulation of observations to describe and explain the underlying phenomena. The primary objective of such research is to establish relationships between variables and generalise the findings to a larger population. It

is used to answer questions related to cause-and-effect relationships, predict outcomes, and test theories (McCusker & Gunaydin, 2015). The quantitative components of this research took place in the form of descriptive research.

Descriptive quantitative research design is a type of research method that involves the collection and analysis of data systematically and numerically to describe the characteristics of a population or phenomenon (Sukamolson, 2007). A common way to represent and display descriptive quantitative data is using graphs, pie charts and tables which are used in this study. These diagrams visually represent the data and can reveal essential relationships, trends, and patterns that may not immediately apparent from the raw data (Sukamolson, 2007). These diagrams can help to summarise, visualise, and make patterns in data more easily understandable.

Using a mixed methods research methodology is beneficial in answering this report's research questions. By employing both qualitative and quantitative methods, the study can provide a holistic and comprehensive understanding of the complex relationship between FDI and economic growth in South Africa. Quantitative data can offer statistical insights, while qualitative data can provide in-depth explanations and contextual understanding. Mixed methods allow researchers to gather insights from various stakeholders, such as government officials, investors, local businesses, and communities, providing a diverse range of perspectives on FDI's impact on economic growth.

The COVID-19 pandemic introduced unique challenges to the global economy, including South Africa. A mixed methods approach can help explore the immediate effects of the pandemic on FDI flows (quantitative data) while also delving into stakeholders' experiences and responses (qualitative data). Moreover, qualitative data can help uncover the nuances and motivations behind FDI decisions, while quantitative data can establish correlations between FDI and economic growth. Using mixed methods allows researchers to cross-validate findings from different data sources, enhancing the study's credibility and reliability.

In summary, the mixed methods research approach is well-suited to explore the intricate relationship between FDI and economic growth in South Africa, especially during the COVID-19 era. It allows for a comprehensive investigation of both

quantitative trends and qualitative insights, offering valuable insights for policymakers and stakeholders.

3.3 Research Tools and their application

For this study, secondary data was used. Secondary data is information already gathered from primary sources and made available to other scholars for use in their own studies (McCusker & Gunaydin, 2015). The existing data was collected, summarised, and collated through desktop research. Secondary data collected for the qualitative component of this research included:

- Government publications;
- economic and foreign policy and strategy documents;
- peer-reviewed articles;
- academic journals;
- industry reports and publications;
- e-books; and
- library books.

In addition to this, information was collected from the databases of reputable organisations such as the Organisation for Economic Co-operation and Development (OECD), World Trade Organisations (WTO), Government departments and Statistics SA as well from reputable databases such as EBSCOhost, Springer Link, Sage Journals and Taylor & Francis Journals.

Quantitative data was collected from the United Nations Conference on Trade and Development (UNCTAD) and the World Bank. Raw data collected from these two organisation databases was in the form of Excel spreadsheets. The Excel spreadsheet collected from UNCTAD consisted of data on the total amount of FDI inflows by regions and countries worldwide between 1990-2021. This data set was used to create graphs, tables and pie charts (found in chapters 4 and 5) for analysis as part of the research study. The raw data set can be found in Annex table 01: FDI inflows, by region and economy, 1990-2021

Two Excel spreadsheets from the World Bank Organisations were collected, focusing on South African data only. The first spreadsheet consisted of raw data on South Africa's annual GDP growth percentage, and the second on South Africa's FDI, net inflows percentage of GDP. Both data sets consisted of data from 2000-2020. This data set was used to create the graphs found in chapter five for analysis as part of the research study. The raw data set can be found in: South Africa's FDI and GDP percentages, 2000-2020

Much of the information released by these databases and organisations are typically audited and therefore offers high-quality assurance. The advancement of technology has made it possible to access large amounts of quality and credible data and information which has been collected, documented, and archived electronically through online and virtual platforms (McCusker & Gunaydin, 2015).

3.4 Population and Sampling

- Quantitative Research Approach

The quantitative component of this research analysed the trends in FDI inflows of South Africa, developing regions and economies worldwide, the trends in South Africa's FDI inflows as a percentage of GDP, and South Africa's annual GDP percentage. The population for this research is South Africa and the developing regions of the world: Asia, Africa and Latin America and all the developing countries found in these regions. Compared to developed regions such as North America and Europe, a region can be classified as a developing region when there are low levels of economic development, lack of quality infrastructure, low educational attainment, high levels of unemployment and poverty and political instability (Gbadamosi, 2013). Based on this classification, parts or specific regions of a developed country can also be characterised by the factors mentioned above and additional factors such as low standard of living, lack of access to basic services such as healthcare and low human development index (Gbadamosi, 2013).

The population used in this research was determined based on the raw data set that identified the developing region and developing country in the regions. South Africa is an automatic part of the population sample as the research study focuses primarily on South Africa's FDI and economic growth. Purposive sampling was used in this research to identify the developing regions, sub-region and countries. Purposive

Sampling is a method that involves selecting a sample based on specific criteria or a particular characteristic suited to the needs of the research (McCusker & Gunaydin,2015). The following was used as the sample criteria:

Inclusion criteria

- Developing regions either: Asia, Africa, Latin America and the Caribbeans.
- Developing country: should be a developing country within the developing regions.
- Information on FDI inflows as a percentage of GDP for South Africa from 2000-2020
- Information on South Africa's annual GDP percentage from 2000-2020
- Total amount of FDI inflows for the region, sub-region and country from 2000-2020 is available on the data set.

Exclusion criteria

- Developed regions
- Developed countries not limited to developed countries found in developing regions, for example, Japan, the Republic of Korea and Israel
- Information not on FDI inflows as a percentage of GDP for South Africa from 2000-2020
- Information not on South Africa's annual GDP percentage from 2000-2020
- Total amount of FDI inflows for the region, sub-region and country from 2000-2020 is not available on the data set.

The following table provides information on the sample group that was used. The sample group consists of the regions, sub-regions and countries identified based on the UNCTAD data provided as the correct sample group needed for this study.

Table 1: Quantitative research approach sample group

DEVELOPING REGION	SUB REGION	COUNTRIES
Africa	North Africa	Algeria, Egypt, Libya, Morocco, South Sudan, Sudan and Tunisia
	Central Africa	Burundi, Cameroon, Central African Republic, Chad, Congo,

		Democratic Republic of Congo, Equatorial Guinea Gabon, Rwanda, São Tomé and Principe
	East Africa	Comoros, Djibouti, Eritrea Ethiopia, Kenya, Madagascar, Mauritius, Mayotte, Reunion Seychelles, Somalia, Uganda, and Tanzania
	Southern Africa	Angola, Botswana, Eswatini Lesotho, Malawi, Mozambique, Namibia, South Africa, Zambia, and Zimbabwe
	West Africa	Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia Ghana, Guinea, Guinea-Bissau Liberia, Mali, Mauritania, Niger Nigeria, Saint Helena, Senegal Sierra Leone and Togo
Asia	East Asia	China, Hong Kong, China North Korea, Macao, China, Mongolia and Taiwan
	South-East Asia	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar Philippines, Singapore Thailand, Timor-Leste, Viet Nam
	South Asia	Afghanistan, Bangladesh Bhutan, India, Iran, Maldives Nepal Pakistan and Sri Lanka
	West Asia	Armenia, Azerbaijan, Bahrain Georgia, Iraq, Jordan, Kuwait Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syria, Turkey, United Arab Emirates

		Yemen
	Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan Uzbekistan
Latin America and the Caribbean	South America	Argentina, Bolivia, Brazil Chile Colombia, Ecuador, French Guiana, Guyana, Paraguay Peru, Suriname, Uruguay Venezuela
	Central America	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico Nicaragua, Panama
	Caribbeans	Anguilla, Antigua and Barbuda Aruba, Bahamas, Barbados British Virgin Islands, Cayman Islands, Curaçao, Dominica Dominican Republic, Grenada Guadeloupe, Haiti, Jamaica Martinique, Montserrat, Netherlands Antilles Saint Kitts and Nevis Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten Trinidad and Tobago Turks and Caicos Islands

Source: Author's table based on data sample group selected

- Qualitative Research Approach

The qualitative component of this research can be done without the application of a population, as information will be deduced from the available literature. Furthermore, this study does not require the application of a specific sampling method. However, to ensure the eligibility of literature, a criterion has been set to provide clear guidelines for considering eligible literature for this study.

Inclusion criteria

- Published studies from 2000 and onwards refers to traditional sources such as books, articles, and theses from libraries and academic journals.
- Literature focusing on economic growth policy and strategies, not limited to South Africa
- Literature focusing on foreign policy and foreign direct investment, not limited to South Africa
- Literature on the Covid 19 pandemic and its impact on the economic environment, not limited to South Africa
- Government economic and foreign policy documents and publications not limited to South Africa.

Exclusion criteria

- Informal literature
- Literature and studies older than 22 years (2000)

3.5 Process of Analysis

The process of analysis for this research was undertaken in two parts, as this research consists of both quantitative and qualitative data.

As mentioned above, the quantitative data used in this research was secondary data already collected in Excel spreadsheets by UNCTAD and the World Bank. The data from UNCTAD consisted of the total amount of FDI inflows in regions and countries worldwide between 1990-2021. The data from the World Bank consisted of South Africa's annual GDP growth percentage and net FDI inflows percentage GDP 2000-2020.

This research aimed to analyse the trends in FDI inflows of South Africa and the developing regions and economies worldwide, the trends in South Africa's FDI inflows as a percentage of GDP, and South Africa's annual GDP percentage. For this reason, the information required was selected from the spreadsheet using the above-mentioned population, sample method and inclusion criteria.

To provide a clear and visual picture of the trends in FDI in South Africa and among the regions for analysis, five line graphs, three tables and one pie chart were created

from the UNCTAD data set and two line graphs from the World Bank data set using Excel. These diagrams can be found in chapters four and five. The graphs showcase the trends of FDI inflows between the developing regions and sub-regions and FDI inflow trends in South Africa. The tables show the total FDI percentage of the countries in the best-performing sub-region (the sub-region with the highest FDI inflows). Lastly, the pie chart showcased the sources of FDI inflows in South Africa.

Qualitative data was used to assist with a better understanding of the trends and percentages shown. This analysis process entailed reading different documents, journals, reports, and articles. From the quantitative data created, the qualitative data aimed to provide insight into the following: FDI inflow trends (what caused FDI to increase and decrease over the years); the various policies and incentives put in place to attract investors in these regions and countries, including South Africa and how has FDI aided in advancing the economic development of the regions and countries.

The researcher investigated the relationship between FDI and economic growth using the graphs, tables and pie charts created from the raw data set and existing empirical literature collected, allowing for the comparative analysis shown in chapters four and five

3.6 Limitations, feasibility, and positionality

The use of secondary data for this research has its advantages, as it eliminates the cost of collecting data. Thus, the study is feasible in a limited period, with no costs. However, when using secondary data, the researcher must be aware of the limitations of the data and the issues that might occur if those limitations are overlooked. According to Cole and Trinh (2017), the researcher must be mindful that secondary data may be very general and ambiguous, the data may be old and obsolete, and the sample may be limited when producing data. Researchers must remember that the data obtained should be sufficient and relevant but not exaggerated (Tripathy, 2013). Researchers need to ensure that the secondary data they are using is collected in an ethical manner and consent is given to the primary researcher.

In this study, the researcher was aware of the limitations of using secondary data. For this reason, the researcher overcame these limitations through triangulation, cross-checking information and verifying sources to ensure the credibility of the sources by checking their author, publication date, and the source's reputation.

Researchers must be aware of their positionality in researching to ensure understanding and interpretation are done professionally. This research study is based on the researcher's interest in foreign direct investment. The researcher's personal opinions, views and perspectives do not affect the interpretation and analysis of data.

3.7 Validity, reliability, and dependability

The validity, according to Noble and Smith (2015), is the degree to which the findings accurately represent the facts, as well as the integrity and implementation of the methods used. The term "reliability" refers to the correctness of the analytical procedures used (Noble & Smith, 2015). Researchers must decide on the 'soundness' of the studies regarding the implementation and appropriateness of the methodology used, as well as the credibility of the conclusion when determining the reliability of study results (Noble & Smith, 2015). Using both qualitative and quantitative methods, the researcher was able to increase the validity and reliability of their findings, as the results were cross-checked and corroborated by reputable organisations from which data was collected.

According to Noble and Smith (2015), dependability is the stability or accuracy of the research process over time. To decide if an analysis is accurate, one looks to see whether the researcher needs to be more competent or has made mistakes in conceptualising the study, gathering data, analysing the findings, or compiling results (Noble & Smith, 2015). To ensure dependability within the research, a criterion for both methodologies was used to confirm the eligibility of data and literature and records of all documents reviewed were kept, helping with the auditing process for the research undertaken.

This research required in-depth knowledge and insight, which can only be derived from a wide range of literature and sources. The researcher must understand and identify the strengths and weaknesses of the chosen research methods at the beginning of the study. This will enable the researcher to assess potential threats and challenges that can occur during the research process and effectively overcome them.

The research methodology enabled the researcher to access a unique range of high-quality databases and information, giving the analysis significant depth and scope and increasing the chances of producing a successful study when used correctly. A key strength in using this research methodology is that it allowed for a more in-depth and

nuanced understanding of the phenomena, providing both a broad overview and insights into the topic.

Conducting desktop research means that data collected must be from well-informed literature and documentation analysis from reputable organisations. To conduct the research and formulate findings and observations, the researcher focused on appropriate, reliable, consistent, and complete data and research materials as much as possible. Critical assessment in collecting, interpreting, and analysing secondary data aided the study's success. This was done by asking where, why, and who collected the existing data. Being mindful of the implicit prejudices of secondary sources helps to increase the research's credibility

3.8 Ethics

The study ensured that the conduct of this study adheres to ethical norms. The study is based on secondary data retrieved from documentation analysis and literature reviews. Therefore, according to the university's risk level categories, the research fell under the "no risk" category as there was no contact with or negative impact on human participants.

3.9 Conclusion

This chapter discussed the research methodology used in this research and provided details on the process of analysis. The methodology chosen for this research study was mixed methods, a combination of qualitative and quantitative research. The qualitative research was in the form of a theoretical review, and the quantitative research used a descriptive research design. The strength of using both qualitative and quantitative research combined is that it leads to a more comprehensive and nuanced understanding of the research topic.

Chapter four explores the trends of FDI inflows by regions and economies in the past decade. This is the chapter where both methodologies come into effect as this chapter provides insight and understanding of the relationship between FDI and economic growth and how FDI has aided in economic growth amongst the regions and countries through a comparative analysis identifying best-performing sub-region (the one with the highest FDI inflow in the whole region) and best-performing country in the sub-region(the country with the highest percentage of FDI in the sub-region).

CHAPTER FOUR

FOREIGN DIRECT INVESTMENT TRENDS IN DEVELOPING REGIONS.

4.1 Introduction

The path to sustainable economic growth is often filled with various obstacles, challenges, and frequent setbacks. The three main developing regions of the world: Asia, Africa, Latin America, and the Caribbean (LAC), are well acquainted with this phenomenon as governments and policymakers in developing economies continue in their quest to improve economic growth in their countries. Many developing economies still consider FDI as an essential tool for aiding economic growth.

Mottaleb and Kalirajian (2010) state that FDI plays four significant roles in developing countries. The first and most prominent one is that it compensates for the lack of domestic savings. This scenario is most evident in the African region because of low-income and low savings levels in some African countries. External capital is regarded as an essential supplement to domestic savings in this region (Mottaleb & Kalirajian, 2010). The second role of FDI is to bridge the foreign exchange gap; most developing countries find themselves in situations where they do not have enough foreign exchange to finance imports of goods and services (Mottaleb & Kalirajian,2010). Thirdly, governments often find themselves in a budget deficit as the government targets tax revenue and locally raised taxes do not reach the expectation; FDI can be used to bridge this gap (Mottaleb & Kalirajian, 2010). The fourth contribution is to bridge the gap in management, entrepreneurship, technology, and skills, as most developing countries lack new technologies, skills, or knowledge (Mottaleb & Kalirajian, 2010).

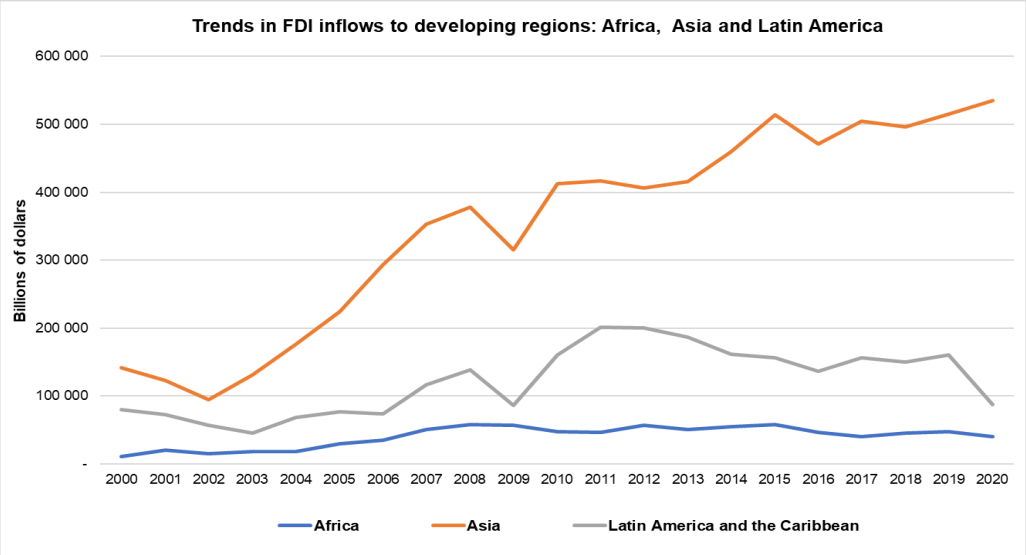
The abovementioned benefits of FDI are well known amongst developing countries, which have made great efforts to attract FDI by liberalising their policy regimes and offering various incentive packages to foreign investors, such as tax rebates, trade liberalisation measures, and the establishment of special economic zones. According to UNCTAD (2000), since the formalisation of FDI, 76 countries made 151 modifications to their FDI-related policies in 1997, with 89% aimed at making the environment more FDI-friendly. Since then, governments worldwide have continued to take steps to improve their investment climate every year.

A total of 184 policy changes were identified in 2006 according to the UNCTAD (2007), with 109 being enacted in developing nations, of which 57 of these changes are from Africa, 46 from Asia, and six from Latin America and the Caribbean. South-East Europe and the Commonwealth of Independent States (CIS) embraced 38 modifications, while developed countries adopted 37 (UNCTAD, 2007). In 2017, 126 policy measures were adopted from 65 countries. Of the 126 policy measures, 18 implemented restrictions or prohibitions, whereas 93 liberalised, promoted, or facilitated investment and 15 maintained a neutral nature (UNCTAD, 2018). The opening of new activities to FDI, new investment incentives and investment facilitation measures made up the majority of investment-friendly policies implemented by developing countries in 2021, even in the face of the COVID-19 pandemic (UNCTAD, 2022).

However, despite the policy changes, not all countries have successfully attracted FDI, especially among developing economies. Developing countries in Asia have been more successful in drawing FDI inflows than those in Africa and LAC. Developing Asia is considered a critical FDI destination, receiving more than half of the global FDI flows (UNCTAD, 2020). In the past two decades (2000-2020), Asia has had a total FDI inflow percentage of 68% compared to Latin America and the Caribbeans with 24% and Africa with just 8% (UNCTAD,2020).

The difference in FDI between Africa, Asia, and LAC can be attributed to various factors. Asia's large and rapidly growing market has attracted significant FDI, while LAC and Africa have smaller markets and slower growth rates. Asia has invested in infrastructure and created investment-friendly environments, while Africa and LAC struggle with bureaucracy and inadequate infrastructure. Additionally, the availability of natural resources, human capital, and geopolitical factors can impact FDI. A study by ODI (2018) found that Asia is the leading recipient of FDI in developing countries, followed by LAC and Africa, with factors such as economic size, growth potential, and investment climate playing a significant role. Figure 1: depicts trends of FDI inflow in Africa, Asia, and Latin America for the past two decades.

Figure 1: Trends in FDI inflow to developing regions: Africa, Asia, Latin America and the Caribbeans from 2000-2020.



Source: Author's graph using data from UNCTAD

The graph shows that FDI inflows in developing regions have had an upward trajectory with a few significant declines over the years. The FDI landscape shifted because of the global crisis that took place in 2008. Investments in developing and transition economies increased dramatically, boosting their proportion of global FDI flows to 43% (UNCTAD, 2009). In 2008, Inflows to Africa reached a new high, with West Africa seeing the most growth at 63% (UNCTAD, 2009). According to UNCTAD (2009), during the same year, there was a 17% increase in FDI inflows to South, East, and Southeast Asia, which also set a new record high. The West Asian region experienced a sixth consecutive year of growth in FDI inflows, while Latin America and the Caribbean also saw a 13% increase in FDI inflows. During the global financial crisis, developing economies demonstrated a higher degree of resilience compared to developed nations, which saw a decline of 29% (UNCTAD, 2009).

However, this all changed in 2009 when developing regions saw a decline in FDI following six years of uninterrupted growth. FDI flows to Africa decreased by 19%, owing to a drop in global demand and lower commodity prices (UNCTAD, 2010). South, East, and South-East Asia experienced the steepest decline in FDI as inflows to the region fell by 17%, owing primarily to a downturn in cross-border mergers and acquisitions (UNCTAD, 2010). FDI inflows in Latin America and the Caribbean

declined by 36% due to sales of international affiliates to domestic corporations, particularly in Brazil, and cross-border M&As in the region plummeted, becoming negative in 2009 (UNCTAD, 2010).

As the years went by, the developing regions began to recover slowly. LAC reached a new record high of FDI inflows in 2011 primarily due to its expanding consumer markets, rapid growth rates, and natural resource endowments (UNCTAD, 2012). According to UNCTAD (2013), there was a rise in FDI inflows in Africa in 2012 compared to the previous year. This growth was driven by investments in the primary sector in countries such as the Democratic Republic of the Congo, Mauritania, Mozambique, and Uganda. In 2015, developing Asia reached an all-time high with an increase in FDI inflows driven by East and South Asian economies as a result of equity investment and growth in their service sector (UNCTAD, 2016).

Following significant growth in 2015 of FDI inflows in all three developing regions, these regions soon lost momentum in 2016, indicating that the road to recovery is still bumpy. Latin America and the Caribbean's downtrend in FDI inflows was due to continued economic recession, weak commodity prices and export pressures (UNCTAD, 2017). The reason for the decline in Asia varied by subregion. In East Asia, FDI inflows fell due to corporate restructuring, and countries in South-East Asia saw their inflows decline due to uncertainties in the world economy (UNCTAD, 2017). FDI flows to Africa were down by 3% from 2015, primarily due to low commodity prices (UNCTAD, 2017).

The COVID-19 pandemic shook the global economy like never before, resulting in a significate drop in FDI in 2020. All components of FDI were down; the global FDI flows decreased by 35%. This is over 20% lower than the global financial crisis in 2009 (UNCTAD, 2021). FDI inflows to Africa declined by 16%, the lowest level in 15 years, and economies that export commodities were the hardest hit. LAC had a 45% drop in FDI; countries in this region are among the worst hit by the pandemic as most depend on investment in natural resources and tourism (UNCTAD, 2021). However, despite the pandemic, developing Asia was resilient recording a 4% increase. China saw a rise in FDI inflows of 6% and an increase in FDI flows to India due to M&A activities (UNCTAD, 2021).

Over the past two decades, we have seen the rise and fall of FDI inflows in these developing regions. In the past two decades, these regions have faced a global financial crisis, a global pandemic, and other internal factors within their economies that have affected the inflow of FDI. Nevertheless, they have remained resilient, some regions more than others. FDI inflows can be unpredictable and are not always consistent, especially in developing countries, as various factors, whether big or small, can have the most significant effect on inflows in the region.

This chapter aims to take a closer look at FDI trends in each developing region over the past two decades (2000-2020). By analysing the trends in FDI inflows across the developing region, this chapter will identify the best-performing sub-region and the country as it seeks to explore how these developing regions have successfully attracted FDI and how best other regions and countries can learn from each other.

4.2 FDI in the Asian region

In the last 50 years, developing Asia has made remarkable strides and has shown excellence in various areas such as economic growth, poverty reduction, structural reforms, education, and health. According to the Asian Development Bank (2020), this region, which was primarily rural, agricultural, and low-income in the 1990s and struggled to feed its increasing population, has now transformed into a global manufacturing giant with a diverse range of exports, increased capacity for innovation, an expanding skilled workforce, and a growing middle class.

Asian economies have undergone three stages of international economic regimes after World War II ended (Asian Development Bank, 2020). The first was the post-independence self-reliance import substitution, the second was outward orientation, and the third was deepening global value chains, regional trade agreements and attracting FDI (Asian Development Bank, 2020). The key factor behind Asia's economic success in the post-war period was the development of better policies and institutions. (Asian Development Bank, 2020). The Asian Development Bank (2020) states that these institutions and policies were instrumental in fostering and sustaining market economies and a thriving private sector, which led to the persistent adoption of technology and innovation.

With its thriving economy developing, Asia has become a desirable destination for FDI due to its low labour cost (especially during the early stages of industrial development),

improved business climate and vast market size (Wang, 2009). Many Asian governments implemented policies promoting exports, current and capital account liberalisation, special economic zones, and tax advantages, which all helped attract FDI to Asia (Asian Development Bank, 2020).

Significant technological advancements have fuelled Asia's growth and development. Traditionally, agriculture and mining in natural resource-rich countries attracted FDI into the region. The focus of FDI at the time was labour-intensive, and products such as textiles and clothing were being manufactured (Wang, 2009). Foreign capital inflows accelerated as FDI restrictions began to be liberalised, increasing the business environment (Wang, 2009). Over the years, FDI has been directed towards high-tech industries and services. Developing Asia has become popularly known as "Factory Asia" because it is a leading producer and marketer of sophisticated and inventive products such as automobiles, computers, cell phones, machine tools, and robots (Baldwin & Forslid, 2014).

The participation of multinational corporations (MNCs) in investment brings new technologies, innovative business models, and management expertise, making FDI a critical channel for technology and knowledge transfers. During the initial stages of development, rapidly growing Asian nations like Singapore and China made considerable efforts to attract FDI to acquire technological know-how. Goh, Ranjanee, and Lin (2020) state that Singapore implemented numerous tax incentives such as the Angel Investor Tax Deduction Scheme and the Double Tax Deduction Scheme that benefited small and medium-sized businesses investing in the manufacturing, finance, and logistics sectors.

China pursued a hybrid approach, relying on FDI from MNCs for critical technology and reinvesting this into their domestic firms (Goh et al., 2020). As income increased in the various countries, their economies began to grow. The region’s attractiveness as an FDI destination turned more toward the enormous and growing domestic consumer market. According to Asian Development Bank (2020), economic development and urbanisation resulted in a growing middle class creating the "Marketplace Asia." These ‘new customers’ strong domestic consumption supported growth in Asian nations and the global economy (Goh et al., 2020). A fast-growing

middle class and a strong buying power market made Asian economies favourable for any FDI.

Developing Asia has focused on increasing FDI through intra-regional FDI compared to Africa and Latin America. Initially, Japan and advanced European and North American countries provided the majority of FDI to Asia. According to the Asian Development Bank (2020), emerging Asian economies, particularly Hong Kong, China, the People's Republic of China, the Republic of Korea, and Singapore, have quickly become significant contributors to FDI in Asia in recent years. Intraregional FDI now accounts for more than 45% of FDI inflows in the region (Asian Development Bank, 2020). The UNCTAD (2018) states that East Asia received the biggest proportion of intraregional FDI (56.1%) in 2017, followed by Southeast Asia (27.2%). Many investments in Asia are aimed at promoting regional or local markets rather than importing goods and products from different countries. Asian countries seek to manufacture and promote goods and services within their respective countries (Asian Development Bank, 2020). This is highly advantageous as it decreases the cost of production, and transport and saves time.

Hong Kong, China, is the region’s largest investor, accounting for 18% of FDI inflows in 2017. Its investment focuses on real estate, financial services, hotels, and tourism (Asian Development Bank, 2020). Furthermore, China’s FDI mostly goes to East Asia and the ASEAN (Association of Southeast Asian Nations) in metals, petroleum, and plastic. Singapore’s FDI investment focuses on ASEAN real estate (Asian Development Bank, 2020). Through intraregional FDI, Asian countries have accumulated additional domestic savings, strengthened supply-chain networks, and established themselves as significant providers of innovative business models and technology globally (Asian Development Bank, 2020).

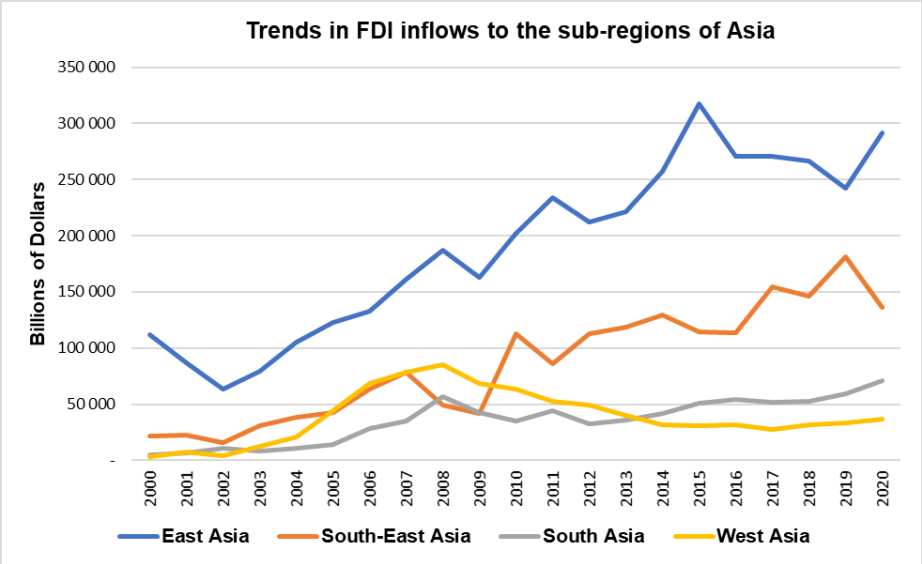
Despite its advanced innovation and technology and steadily increasing economic growth, Asia is still considered a developing region and faces many challenges. Persistent poverty, rising income inequality, substantial gender inequalities, environmental degradation, climate change, access to education, health services, energy, and safe drinking water are all areas that governments should prioritise (Asian Development Bank, 2020). However, developing Asia is on the right track to combating these challenges through its robust FDI strategy, encouragement of domestic

investment, the adoption of market-oriented investment policies, and ease of doing business.

4.2.1 FDI inflows to the sub-regions of Asia.

Developing Asia is the world's biggest beneficiary of FDI inflows. However, most FDI inflows are concentrated in regions with relatively high incomes and/or large economies. Figure 2 shows the trends in FDI inflows to the sub-regions of Asia for the past two decades. The main sub-region recipient of FDI inflows in Asia is East Asia. This region received a total percentage of 54% of FDI inflow, followed by South-East Asia at 25%, West Asia at 11%, and South Asia at 10%.

Figure 2: Trends in FDI inflows to the sub-regions of Asia from 2000-2020



Source: Author's graph using data from UNCTAD

The East Asian sub-region is the central destination and source for FDI in developing Asia. Home to high-income and large economies such as China, Hong Kong, China and North Korea, this region attracted a total FDI inflow of $322 billion in 2015, reaching a new record high (UNCTAD, 2016). The increase in FDI in this subregion was driven mainly by Hong Kong, China and the Peoples Republic of China (UNCATD, 2016). Hong Kong became the largest recipient of FDI in the world, having a total inflow of $175 billion, an increase of 53% from 2014, mainly due to the rise in equity investments (UNCTAD, 2016). China's inflows increased by 6%, accumulated primarily to the shift toward the service sector (UNCTAD,2016).

East Asia has become an attractive destination for foreign investors due to its political stability, safe public environment, world-class infrastructure, highly skilled workforce, market liberalization policies, and favourable investment climate. Hong Kong, for instance, imposes no restrictions on foreign investors regarding which sector of the economy they can invest in (Ishida, 2012). There are no capital gains taxes or withholding taxes on dividends and royalties, and the profits earned can be converted and remitted at any time (Ishida, 2012). Similarly, the Republic of Korea offers incentives to foreign businesses that invest in the industrial sector and bring new technologies to the country (Ishida, 2012).

South-East Asia's early FDI success was primarily due to its ability to serve as an export platform for global markets, as markets within this sub-region were too small to attract market-seeking investments. (Thomsen, Otsuka & Lee, 2011). This strategy was successful as it became a worldwide production platform. The region has been highly integrated into the global economy, and FDI in export-oriented and primary sectors increased steadily (Thomsen et al., 2011). Singapore is the biggest beneficiary of FDI in this region as it serves as a regional hub for international FDI, followed by Thailand, Malaysia, Vietnam, Indonesia and the Philippians. According to Sjoholm (2014), what makes FDI inflows in Singapore interesting is that investments to Singapore are reinvested into other countries in the sub-region, which in turn invest back into Singapore. This means that FDI to Singapore may not contribute to manufacturing in Singapore but rather to other countries, which will then invest in the goods and services manufactured in Singapore. Thus, FDI to Singapore makes a roundtrip[1], returning to the place of origin (Sjoholm, 2014).

South-East Asia showcased its resilience in 2019 when most sub-regions in Asia experienced a decline. FDI in this sub-region reached a record high of $156 billion owing to investment flows in Singapore, Indonesia, and Vietnam (UNCTAD, 2020). Investments in this sub-region are mostly in electronics manufacturing, energy, the chemical industry, and services (UNCTAD, 2020). Finance, wholesale and retail commerce, and the digital economy attract significant investment in the services sector (UNCTAD, 2020).

[1] Round-tripping is used to describe a situation where capital originating from a particular country is first moved out of the country and then reinvested as foreign direct investment.

FDI inflows to South Asian countries have increased over the years. Since 2002, FDI in this region has been on the rise. The growth in FDI inflows to South Asia is mainly due to its sustained high growth rates and, more importantly, a large domestic market. (Sahoo, Nataraji & Dash 2014). Despite this, compared to their East and South-East Asian counterparts, FDI inflows have remained relatively low. According to Chaudhury, Nanda and Tyagi (2020), South Asian countries have the potential to attract more FDI since they have a large domestic market, low inflation, an increasing share of trained individuals, a growing entrepreneurial class, and constantly developing financial institutions. However, Sahoo et al. (2014) state that the sub-region faces two significant challenges that have deterred FDI inflows: inadequate regional integration procedures and political instability at the country level, such as Afghanistan's instability, Nepal's and Pakistan's security worries, and India's macroeconomic and political troubles.

According to Chaudhury et al. (2020), India is the top destination for FDI in South Asia, accounting for 75% to 87% of the total FDI inflows in the region. This is attributed to the country's strong economic growth and significant reforms in critical sectors such as finance and services. In addition to India, Bangladesh and Sri Lanka are also significant FDI destinations in South Asia. The authors note that Sri Lanka's increase in FDI over the years reflects improved investor confidence in the country's growth potential, particularly with the easing of security concerns. Between 2006-2008, FDI inflows in Sri Lanka saw a remarkable increase to $0.8 billion (UNCTAD, 2009).

In 2016 South Asia was the only sub-region in Asia to avoid the FDI contraction, increasing its FDI inflows by 6% to $54 billion owing to the stable flows to India and a rise in infrastructure investment in Pakistan (UNCTAD, 2017). The remaining four nations: Afghanistan, Bhutan, Nepal, and Pakistan, each have a minor percentage (less than 1%) that contributes to FDI in the sub-region. The region continues to pursue open economic policies, which will improve the economic efficiency of capital and labour and become an advantage.

The rise of West Asia's (also known as the Middle East) share of global FDI corresponded with an increase in oil from 2003–2008 (UNCTAD, 2009). Total FDI increased from $4 billion in 2002 to $85 billion in 2008, as the higher oil prices resulted in better returns in oil-related industries, which led to more foreign investment in the

oil-exporting countries of the region (UNCTAD, 2017). The increased revenue from oil production and exports led to higher government spending on oil and gas production and infrastructure, which further encouraged investment in the region (UNCTAD, 2017). The primary beneficiaries of FDI in West Asia are Turkey, Saudi Arabia, and the United Arab Emirates (UAE). In 2019, the UAE was the largest recipient of FDI in the subregion, attracting almost $14 billion in FDI inflows (UNCTAD, 2020).

The inflow of foreign direct investment (FDI) to West Asia started declining after the global financial crisis in 2008, which disrupted the oil-price cycle. According to UNCTAD (2017), oil prices plunged in the mid-2014, worsening the situation in 2015 and 2016. The persistent political instability and regional conflicts have significantly impacted FDI in the region (UNCTAD, 2017). The conflicts in countries like Iraq and Syria, which serve as crossroads for the region, have disrupted established commercial relationships, thereby affecting FDI inflows in all economies of West Asia.

4.2.2 Best performing sub-region in developing Asia

Housing the world's largest developing economies and most prominent nations: China, Hong Kong, and South Korea, as well as Macau, Mongolia, North Korea, and Taiwan, East Asia's economic expansion, has shifted the economic and strategic dynamic outside of Asia, promoting global growth, trade, and foreign direct investment.

FDI increased in East Asian countries in the late 1980 and 1990s. Despite some significant drops during and after the 1997–98 Asian financial crisis, it is estimated that FDI flows to the region increased by nearly six times from US$21 billion in 1990 to US$156 billion in 2005 (Liu, Chow, & Li, 2006). In efforts to draw FDI to the region, developing East Asian nations dropped tariffs on intermediates unilaterally. They implemented a duty-drawback system for businesses operating in special export processing zones (EPZs) (Obashi, 2022). Along with lowering tariffs, developing East Asian nations have made significant policy investments to reduce non-tariff obstacles and improve trade facilitation (Obashi, 2022). East Asian countries served as a base for multinational firms to establish low-cost production facilities and export their products to local and international markets.

Japan’s efforts in investing in East Asian countries cannot go unnoticed. Being the first developed country in the region, Japan began investing in East Asian countries in

1985 after the yen appreciated by 60% following the Plaza Accord[2] (Thorbecke & Salike, 2011). Multinational corporations from Japan moved factories to Taiwan, China, and the Republic of Korea. Japanese MNEs helped East Asian companies adopt new technologies by providing them with comprehensive engineering and managerial instructions and standards (Thorbecke & Salike, 2011). Additionally, they exported parts and pieces used to make finished goods (Thorbecke & Salike, 2011). Asian economies benefited in numerous ways from the Japanese FDI inflow. For instance, the International Monetary Fund (2012) discovered that Japanese FDI benefited the rest of Asia. They presented regression data showing that, between 1985 and 2011, every 1% increase in Japanese FDI to a growing Asian economy increased that economy's growth by 0.58 to 0.69%. The IMF claims that this growth acceleration is far greater than that brought by FDI from other nations.

The rising preference for East Asia as a hub for FDI demonstrates the region's success in luring international investment despite fierce competition from neighbouring and more industrialised nations. By utilising the regional diversity in development levels and locational benefits, FDI flows to countries such as Korea and Taiwan have played a major role in transferring labour-intensive production stages to lower-wage countries. Scholars such as Aminian, Fung and Iizaka (2008) and Kawai and Wignaraja (2007) state that the expansion of FDI into the sub-region can be linked to factors such as the favourable macroeconomic environment, the sub-regions availability of cheap, highly educated and skilled labour; the emergence of China as the primary market for commerce and economic growth in the region. The improvement of service support and linkages is an additional factor contributing to the expansion of FDI as its communication, transportation, and other expenses facilitate the development of production networks and cross-border commerce and investment (Obashi, 2022).

Countries like Korea, Taiwan and Hong Kong tend to source investment outside the region. In contrast, investments in China have primarily come from neighbouring countries, particularly Taiwan and Hong Kong. According to UNCTAD (2022), the

[2]In 1985, the G-5 nations, consisting of France, Germany, the United States, the United Kingdom, and Japan, entered into an agreement known as the Plaza Accord. This agreement aimed to manipulate exchange rates by devaluing the U.S. dollar against the Japanese yen and the German Deutsche mark.

Taiwan Province of China intends to invest $2.8 billion in China to increase the manufacture of semiconductors used in automobiles. Round-tripping FDI is common between China and Hong Kong. Hong Kong is China's biggest investor, and China itself accounts for a large percentage of the investment going from Hong Kong to China (Aminian et al., 2008). A large portion of China's financial outflow, which occurs through either legitimate or illegitimate channels to Chinese businesses in Hong Kong, returns to China as FDI (Aminian et al., 2008). This is mainly done to get eligibility for benefits only available to foreign investors or to avoid trade barriers (Aminian et al., 2008). Reinvested earnings ($108 billion) made up most of the $141 billion inflows to Hong Kong, which is 4% more than in 2020 (UNCTAD, 2022).

Furthermore, Investments in China also use Hong Kong as a stepping stone. Many foreign companies invest in China on behalf of their affiliates in Hong Kong. Hong Kong is home to numerous regional offices and regional headquarters of foreign corporations (Aminian et al., 2008). South Korea has made significant policy changes in favour of FDI, including streamlining the licensing process, removing a few prohibitions on foreign ownership, enhancing tax incentive programs, and providing financial support for foreign investors, among other things (Santandertrade.com, 2019). Services are a significant part of Korea's economy, generating nearly 60% of the country's GDP, attracting more than half of FDI and employing the most workers (Santandertrade.com, 2019).

Taiwan continues to excel as per the Doing Business 2020 ranking, where it has been ranked 15th out of 190 countries. It also has one of the best regulatory systems globally, especially for protecting minority investors. Due to this, it remains an attractive destination for FDI (World Bank, 2020). Despite the Covid-19 pandemic outbreak, Taiwan has performed admirably in terms of FDI. According to UNCTAD (2022), Taiwan approved a total of 1,313 FDI projects worth USD 2.3 billion from January to June 2021. The top three foreign investors in the country are Japan, the British Virgin Islands, and the Netherlands (excluding investment from Mainland China). The industries that receive the most foreign investment are manufacturing, financial services, and IT.

For at least a few decades, East Asian nations have been superior to other developing nations. That has been the case for the level of labour force education, the business-

friendly environment, the dependability of the infrastructure required to coordinate supply and demand chains, and the readiness to alter institutions to draw in foreign businesses. As a result, foreign multinational corporations are now more prevalent than in other emerging nations.

4.2.3 Best performing country in the sub-region of East Asia

Table 2: Total FDI percentage of inflows to East Asian countries from 2000- 2020

Total FDI Percentage of inflows to East Asian countries from 2000-2020	
COUNTRY	**TOTAL FDI INFLOW%**
China	53%
Hong Kong, China	38%
Republic of Korea	5%
Taiwan	2%
Macao	1%
Mongolia	1%

Source: Author's table using data from UNCTAD

It is no secret that China is not only the best-performing country in East Asia but in the Asian region as a whole. Since opening its doors to FDI in 1978 and joining the WTO in 2001, China has emerged as the leading recipient of inward FDI among developing and transition economies. According to UNCTAD (2010), China received the highest amount of FDI inflows among developing and transition economies from 2001 to 2009, peaking at a record $108 billion in 2008.

According to Mah and Yoon (2010), until 1978, China's investment climate was not conducive to foreign investors. To attract foreign direct investment and promote economic development, the Chinese government established several open economic zones with flexible investment and trade policies and reduced tax rates. These zones have played a critical role in attracting FDI and have contributed significantly to China's economic growth (Mah & Yoon, 2010). Special Economic Zones (SEZs) were established in coastal areas providing investors with administrative support and tax rewards through tax reductions on profit tax (Mah & Yoon, 2010). Furthermore, the government established a new foreign investment policy which gave foreign investors legal status in China, permitting them to operate their companies in the country (Mah & Yoon, 2010). China's accession to WTO advanced the liberalisation of FDI

restrictions and eliminated entry barriers in key industries, further integrating China's economy into the global economy (Mah, 2010).

China's opening-up policy aimed to attract foreign investment and played a crucial role in transitioning from a planned economy to a market-oriented economy. Ali and Guo (2005) state that apart from wanting to change the country's economic reforms, the Chinese government expressed its interest in opening up the economy and attracting FDI for various reasons. Firstly, the government sought to compensate for the capital deficiency for economic development. For China, attracting FDI was deemed necessary and essential for economic development as the GDP per capita in 1978 was less than $250, and total savings within the country were very low (Ali &Guo, 2005). This limited the level of domestic investment and, as a result, the growth of local businesses due to a lack of capital inflows (Ali & Guo,2005).

Secondly, opening up the country allowed China to advance its technologies and improve skills development within the country (Ali & Guo, 2005). According to UNCTAD (2004), by the end of 2002, MNCs had developed more than 400 Research and development centres in China. The Last reason for attracting FDI was to increase employment opportunities within the country and reduce unemployment. According to the Asian Development Bank (2020), MNCs employed around 28 million people in China at the end of 2006, accounting for about 3.6% of the entire workforce. Outside of its investor-friendly policies, China's success in attracting FDI stemmed from the size of the domestic market and the existence of abundant cheap labour. Foreign investors have benefited from China's rapid growth and big domestic market. MNCs, particularly those in labour-intensive manufacturing, want to ensure a steady supply of low-cost labour (Asian Development Bank, 2020). As a result, the lower the host country's labour costs are, the greater the incentive for a foreign company to invest.

According to the UNCTAD's report in 2020, some of the major investors in China include Singapore, the Virgin Islands, South Korea, the Cayman Islands, Japan, Germany, and the United States. In 2019, the most popular sectors for investment were real estate (17%), business and leasing services (16%), information transmission, computer services, and software (10.6%), as well as scientific research (8%). While foreign investment in China has traditionally been focused on secondary industries, Zheng (2019) states that tertiary industries have become the primary

destination for FDI in China. In addition, China has opened up various service sectors, such as financial, insurance, telecommunications, energy, water, commercial, accounting, auditing, and legal sectors, which are expected to attract more foreign investment (Zheng, 2019).

China's remarkable economic recovery following the COVID-19 pandemic was primarily due to investments in technology-related industries (UNCTAD, 2021). FDI in high-tech industries (hardware, software, e-commerce and research and development) has increased. The magnitude of China's internet user base is one distinctive advantage of data-driven innovation (Wübbeke, Meissner, Zenglein, Ives, & Conrad, 2016). More people use the Internet in China than in the United States and the European Union put together (Wübbeke et al., 2016). More than eight times as many people use mobile payments every day in China as in the US, which has given rise to a fintech sector that is the best in the world (Wübbeke et al., 2016). China's economic recovery following COVID-19 reassured investors and contributed to higher FDI and portfolio investments, resulting in an increase of 6% in 2020 (UNCTAD, 2021).

As China leads the global recovery from the economic impacts of the COVID-19 pandemic, attracting foreign direct investment has become a crucial element of its recovery strategy. FDI has played and continues to play a significant role in supporting China's economic development and reform, providing essential resources, machinery, and technology for growth. To encourage further FDI inflows, the government has been gradually opening up the investment environment, allowing multinational corporations (MNCs) to operate in more sectors. According to UNCTAD (2022), China's financial sector has seen a steady increase in inbound investment flows, rising from $17.6 billion in 2018 to $23.5 billion in 2021, thanks to the establishment of new wholly foreign-owned firms and the expansion of existing joint ventures.

Multinational firms have played an active part in fostering economic growth in developing Asian economies. Since the creation of several investment incentives and attracting inward FDI, these economies have been able to join global value chains, form industrial agglomerations, and gain from transfers of human capital, knowledge, and technology, enabling them to be the most developed region amongst Africa and Latin America and the Caribbeans. Amid adversity, the region has managed to be resilient; according to UNCTAD (2022), FDI in developing Asia reached an all-time

high for the third year in a row, hitting $619 billion. Asia receives 40% of all FDI globally, making it the largest receiving area despite successive waves of the COVID-19 pandemic.

4.3 FDI in the African region

According to Dupasquier and Osakwe (2006), following political independence from the 1960s, the new leadership of African countries was generally sceptical of open trade and foreign investment, citing history, ideology, and Cold War politics as justifications. This viewpoint expressed concerns that FDI could drive local businesses out of business because of competition, resulting in the loss of sovereignty (Dupasquier & Osakwe, 2006). Consequently, numerous African governments established trade barriers and implemented foreign exchange restrictions as part of an import-substitution industrialisation policy to safeguard local entrepreneurs (Dupasquier & Osakwe, 2006).

However, this did not yield the desired outcome; instead, this inward-looking strategy discouraged trade and FDI and harmed economic growth (Dupasquier &Osakwe, 2006). While other developing regions' GDP increased, Africa experienced an average decline. It became evident that economic changes favouring outward-looking development programs were required to reverse the downward trend (Dupasquier & Osakwe,2006). New reforms were established with incentives that increased savings, domestic and foreign investment, exports, and market efficiency to unleash private initiative and enterprise (Dupasquier & Osakwe, 2006).

The African continent's abundance of natural resources and human capital makes it the treasure trove of the world. Africa still has the youngest population of any continent, with approximately 60% of Africans under the age of 25 and 41% below the age of 15 (United Nations Department of Economic and Social Affairs, 2022). In addition, the continent continues to host about 30% of the world's mineral reserves and accounts for over 20% of the global annual production of platinum, cobalt, manganese, diamonds, chromium, and gold (Tordo Hasanova & Schuurman, 2021). Leveraging this, African countries have used this to attract FDI as part of their development strategy.

FDI is crucial for Africa as most countries in this continent have weak financial markets and cannot mobilise adequate internal resources to meet domestic investment

requirements (Anyanwu,2012). By attracting FDI, these countries can potentially deal with these challenges and Africa's lack of technology and skills. (Ajayi,2006). FDI is more than a flow of financial capital; it supports Africa's development efforts to integrate into the global economy. It also promotes managerial and technological knowledge that can boost productivity, promote job creation, and alleviate poverty (Ajayi, 2006).

According to Odusola (2018), the African region's experience with FDI inflows presents a paradox. The continent experienced its highest rate of FDI inflows (11.4%) between 2006 and 2011 compared to Asia with 9.1% and the Latin Caribbean with 8.9% and, in comparison, to the global average of 7.1% (UNCTAD, 2012). Despite this, Africa's proportion of global FDI inflows has been relatively low in recent years (Figure 1). According to Kargbo (2017), the policy aimed at attracting FDI into Africa has primarily concentrated on offering significant incentives, with little attention paid to developing and enabling the domestic environment. The reason for Africa experiencing the FDI paradox is that although the continent is rich in natural resources and human capital, the domestic investment by African countries themselves is insufficient to attract financial capital (Kargbo,2017).

Furthermore, Odulsoa (2018) states that factors such as lack of public capital (poor infrastructure: roads, electricity, and airports), low human capital investment (lack of trained, educated hand healthy labour force), and low institutional capital (poor security, judicial systems, property rights and regulatory and standards) are all taken into consideration. The quality of this determines the productivity of physical and financial capital and lowers the cost of doing business for investors (Odulsoa, 2018). When investors are required to provide for these directly, they act as taxes on investment returns.

Apart from the factors mentioned above, the following are also considered important: high levels of corruption, political instability, low absorptive capacity, lack of access to information for investors and financial intermediation costs, which are influenced by domestic borrowing rates. An excellent example is in countries such as Madagascar and Malawi which have high borrowing rates of up to 60% and 44% (Odulsoa, 2018). All these factors play a role in the FDI paradox in Africa as they deter FDI inflows and

weaken the government's ability to maximise social returns on investments that could accelerate much-needed financial capital in the region.

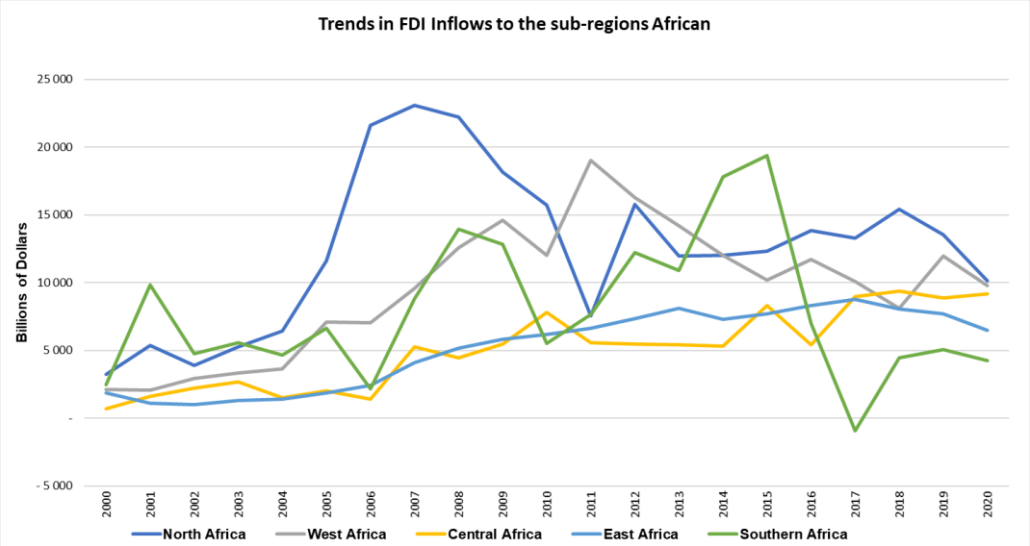
Another challenge faced by the African region is that the majority of these countries are natural-resource FDI, which poses a challenge as the prices of commodities are not always constant and often unpredictable. In addition, commodities such as oil have few links to domestic firms and have little impact on downstream industries in host economies (Loots & Kanundi, 2012). Therefore, African countries must diversify their sectors by implementing programs to redirect petroleum and mining revenue into physical and human capital investments that promote broader economic growth and development (Loots & Kanundi, 2012).

The long-term goal for Africa is to increase sustainable FDI flows to the continent to promote economic growth and development. Eliminating the FDI dilemma in Africa requires maintaining investment policy uniformity among African countries, identifying and removing barriers to the public, human, and institutional capital and minimising the risks of political instability.

4.3.1 FDI inflows to the sub-regions of Africa

The limited amount of FDI entering Africa is not evenly distributed among the continent's five sub-regions. The continent's large and resource-rich economies tend to draw the majority of FDI, contributing to the subregion's overall inflow. Figure 2 displays how FDI inflows were distributed across the sub-regions from 2000 to 2020. Northern Africa continues to be the continent's most popular destination for foreign investment. From 2000-2020, North Africa received a total FDI percentage of 31%, followed by West Africa at 24% and Southern Africa at 9%. East Africa and Central Africa received a total percentage of 13% in the past two decades. (UNCTAD, 2020).

Figure 3: Trends in FDI inflow to the sub-regions of Africa from 2000-2020



Source: Author's graph using data from UNCTAD

The changes in privatisation reforms and policies designed to enhance efficiency have contributed to attracting FDI in North Africa. Increased inflows, primarily focused on agriculture, communications, construction, manufacturing, and tourism targeting countries such as Egypt, Libya, Algeria, and Morocco (Kargbo, 2017). Since 2007, FDI inflows in East Africa have been on the rise. Most inflows are from the primary sector (Kargbo,2017). Natural resources exploration projects such as investment in the expansion of the mining industry in Tanzania and oil exploration in Uganda and Ethiopia are the most significant in this sub-region (UNCTAD, 2007). Privatisation sales in the telecommunications industry, investments in railways in Kenya, and investments in Tourism in Mauritius also contributed to the increase in FDI (Kargbo,2017).

According to UNCTAD (2012), the majority of inflows to West Africa are directed towards Ghana and Nigeria, accounting for approximately 75% of all inflows in the region. In 2011, there was a significant increase of 36% which was attributed to investments made by the state-owned Chinese Power Investment Corporation in bauxite and alumina projects in Guinea (UNCTAD, 2012). Additionally, various privatisation plans and projects in Burkina Faso, Côte d'Ivoire, and Mali also contribute to the inflows in the sub-region (UNCTAD, 2012).

In Southern Africa, the majority of FDI flows towards countries such as South Africa, Zambia, Namibia, Botswana, and Mozambique, with the services, aluminium, and copper mining industries being the most invested (Loot & Kanundi, 2012). In 2015,

Angola attracted a record $8.7 billion of FDI, becoming the largest recipient in Africa that year UNCTAD(2016) However, in 2017, the sub-region experienced a decline of 66%, an all-time low, due to disinvestment in Angola induced by unfavourable government policies aimed at promoting local partnerships, as well as underperforming and political uncertainty in South Africa(UNCTAD, 2016). China continues to be the biggest investor in this sub-region.

Inflows to Central Africa are primarily concentrated in Equatorial Guinea, the Democratic Republic of the Congo, Chad, Congo, and Cameroon, all of which are oil-exporting countries (Loot & Kanundi, 2012). Transnational firms invest in the primary (mining and oil exploration) and secondary (infrastructure construction) sectors. The Covid-19 pandemic greatly affected each sub-region of Africa except for Central Africa, which proved to be resilient. Inflows to Central Africa increased in 2020 to $ 9.2 billion (UNCTAD, 2021). Mining inflows aided FDI in the Democratic Republic of Congo as cobalt prices rose in response to increased demand for metal in cell phones and electric vehicle batteries (UNCTAD, 2021).

Aside from sub-regional and country-level concentration, FDI inflows to the continent are also concentrated by sector. According to Kargbo (2017), the abundance of natural resources continues to attract investors from two emerging economies, namely China and India. Chinese investment in African economies is predominantly focused on resource-rich countries such as South Africa, Nigeria, Sudan, Niger, and the Democratic Republic of Congo (Kargbo,2017; UNCTAD, 2018). In various African nations, including Gabon, Chad, the Democratic Republic of Congo, Equatorial Guinea, Nigeria, and Tanzania, China has made significant investments in oil and gas production or exploration (Kargbo,2017; UNCTAD, 2018).

Sudan's oil industry has received investment from India. Several non-resource-rich African nations, including Mauritius, Lesotho, Swaziland, Madagascar, and Kenya, have attracted investments from Asian garment manufacturers in the clothing and textile industries to access EU markets (Kargbo, 2017). The relatively low skill requirements of these investments suggest that investors may be drawn to the lower labour costs in host countries. Lower labour costs also drive FDI in Egypt, Morocco, and Madagascar, according to Kargbo (2017). In the services sector, financial services, infrastructure (such as electricity, telecommunications, and water), as well

as business services, real estate, gas, and water, receive the most FDI (Dupasquier & Osakwe's,2006)

4.3.2 Best performing sub-region in developing Africa.

Northern Africa comprises of 7 countries (Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, Tunisia, and Western Sahara) and is home to three top-ranking African countries with the highest GDP. The first is Egypt, with a GDP of $394.28 billion, the second highest in Africa, followed by Algeria, the fourth highest in Africa at $151.56 billion and Morocco, with $124 billion ranked number 5 in Africa (Soumare, 2015). According to (Soumare, 2015), the North African governments have committed to a wide range of macroeconomic and structural reforms to modernise their economies in recent years. Some of these reforms include moving to market-based economies, which would result in greater public and corporate governance standards; this opens up the region to trade and investment opportunities (Sourmare, 2015).

The discovery of oil and natural gas reserves in the deserts transformed the economies of countries such as Algeria and Libya (Omri & Sassi-Tmar,2015). Libyan oil is regarded for its low sulphur content, emitting far less pollution than other fuel oils (Omri & Sassi-Tmar,2015). Phosphates and agricultural products are Morocco's main exports, and the tourist industry for countries like Tunisia and Egypt is vital to the country's economy (Omri & Sassi-Tmar,2015). Egypt has the most diverse industrial foundation, importing technologies to expand the electronics and engineering industries while keeping its high-quality cotton textile reputation (Omri & Sassi-Tmar,2015). All this has contributed to the attraction of FDI to this sub-region.

As indicated earlier and illustrated in Figure 2, Northern Africa is the top-performing sub-region in Africa, receiving the largest share of FDI inflows at 31% over the past two decades. FDI in North Africa has been on an upward trajectory since 2000, with FDI inflows reaching an all-time high in 2007, increasing by 15% from the previous year, according to UNCTAD (2008). Privatization programs and policies aimed at enhancing efficiency have contributed to sustained robust FDI inflows (UNCTAD, 2008). Primary sectors attracting FDI in this sub-region include textiles, oil and chemicals, and generic pharmaceutical production (UNCTAD, 2008). Privatization of some state-owned enterprises has also played a role. However, prolonged political

instability caused FDI inflows in North Africa to decline sharply in 2011. Major recipients of FDI, Egypt and Libya, came to a standstill (UNCTAD, 2012).

FDI inflows in North Africa have mainly been concentrated in one country. Egypt attracts foreign direct investment due to its large population and low labour costs. Table 1 depicts the total percentage of FDI inflows to North African countries. However, having faced a significant decline in FDI inflows in 2011. Egypt continues to be the top beneficiary of foreign direct investment in North Africa and across Africa. According to UNCTAD (2021), Egypt attracted nearly $6 billion in FDI inflows in 2020.

Table 3: Total FDI percentage inflows to North Africa from 2000-2020

Total FDI inflows to North African countries from 2000-2020	
COUNTRY	**TOTAL FDI INFLOW%**
Egypt	43%
Morocco	18%
Algeria	11%
Sudan	11%
Tunisia	10%
Libya	7%
South Sudan	0%

Source: Researcher's table with research from UNCTAD

4.3.3 Best performing country in the sub-region of North Africa

According to Kamaly (2011), Egypt began to achieve its potential **as** a major beneficiary of FDI among developing economies at the beginning of the second half of the 21st century. It started by only attracting $500 million in 2001 to receiving FDI inflows of $9.4 billion in 2008 (UNCTAD,2009). The Egyptian government have been committed to reform programs and policies that are open and favourable towards investors. This is reflected in the economy's OECD FDI Restrictiveness Index score, where 1 is the most restricted and 0 is the least restricted. Egypt scored 0.104 on the index in 2010, which is less restrictive than the average non-OECD economy, which is 0.157 (OECD FDI Restrictiveness Index, 2011).

Egypt features a variety of investment options to meet the needs of investors and attract them to invest in the country. The oldest and the most widespread is the free zones policy established in the early 1970s (Masry, 2015). According to Masry (2015),

nine public free zones and dozens more private free zones exist. The main benefits offered in these free zones are tax and customs duty exemptions for the duration of the project invested (Masry, 2015). This policy aims to increase exports, attract FDI to introduce advanced technology and create more job opportunities (Masry, 2015). The release of the Private Public Partnership Law in 2010 is another policy development reform intended to attract FDI by stimulating private investment in infrastructure, public services, and utilities (Masry, 2015).

What makes Egypt unique is that it has been successful in diversifying its sectoral FDI inflows. Although a significant portion of FDI inflows come from oil and gas investments, substantial amounts of FDI have also flowed into manufacturing, IT and communication, tourism, real estate, and financial services (Kamaly,2015). Egypt's efforts to promote FDI diversification include a recent agreement to activate the $16 billion Saudi-Egyptian investment fund that prioritizes tourism, health, pharmaceuticals, infrastructure, digital technologies, financial services, education, and food sectors (UNCTAD, 2020). Furthermore, a Chinese company named Realme invested $210 million to establish its regional sales and service facilities in Cairo to cater to the entire African Market(UNCTAD, 2020).

Despite the revolution that started on the 25th of January 2011, which occurred when FDI was rising, and economic reforms were starting to bear fruit, the revolution's turmoil nearly halted FDI inflows (Rady, 2012). Nonetheless, Egypt continues to be a popular destination for FDI inflows with a variety of objectives, including efficiency, market, and resource-seeking FDI (Rady, 2012). Through greenfield projects and M&A acquisitions, many emerging markets and developed economies have invested in Egypt.

The overall conclusion from the analysis of the trends in the African region is that FDI is seen as a catalyst for economic growth and development by most countries in the region. However, as a continent that needs FDI to address the financial market gap, lack of skilled human capital, poor quality infrastructure and high unemployment rates, very little is being done to attract long-term, sustainable FDI as a small share of the global FDI inflows come to Africa. It could be said that the reason for Africa's low proportion of global FDI flows and the continent's limited impact on FDI may be the approach taken by African countries to promote FDI, which focuses more on giving

incentives and less on developing a local climate conducive to entrepreneurship and business in general. Perhaps it is time that Africa takes a page from Asia's books and learns from their experience to aim to attract market-seeking or efficiency-seeking FDI and a policy environment appealing to domestic and foreign investors.

4.4. FDI in the Latin America and the Caribbean region.

In response to the oil and debt crisis that took place in the 90s, Latin America and the Caribbeans pursued protectionist economic policies (Ramirez, 2017). Failing to yield the desired outcomes, the countries of this region began to liberalise their development policies. As a result, a market-based, outward-oriented economic growth and development strategy was adopted and implemented (Ramirez, 2017).

This market-based strategy has been linked to a dramatic liberalisation of trade, opening capital markets, privatising state-owned companies, and deregulating financial and labour markets (Ramirez, 2017). Regarding capital flows, FDI has become one of the most important factors in the region's economic and financial integration (Ramirez, 2017). Like the African region, the economic rationale for opening Latin American and Caribbean capital markets to FDI inflows is based on the notion that foreign capital can help bridge the gap between savings and investment in capital-scarce countries.

Foreign direct investment in LAC has been concentrated in a few countries, mainly Brazil, Mexico, Argentina, Chile, Colombia, and Venezuela. In the past, FDI was primarily focused on extracting natural resources and manufacturing activities to serve the protected domestic markets (Carmona, Maniam & Lunce, 2008). On the other hand, Caribbean countries such as Belize, Guyana, Trinidad and Tobago, and Suriname have been rich in natural resources, including land, minerals, and hydrocarbons, which have attracted investors due to the rising commodity prices (De Groot & Ludeña, 2014). In addition, non-tradable service industries such as telecommunications, energy, transportation, tourism, and finance have seen substantial FDI inflows across the region (De Groot & Ludeña, 2014).

The inflow of FDI has significantly increased in the region, from $77.2 billion in 2000 to $140 billion in 2008, which demonstrates the region's resilience in the face of the global financial crisis and economic downturn (UNCTAD, 2009). In 2011, FDI inflows in Latin America and the Caribbean rose to a record high of $217 billion, up by 16%

from the previous year. This growth was primarily driven by South America, owing to its expanding consumer markets, high growth rates, and natural resources (UNCTAD, 2012). However, the region experienced a decline in FDI inflows beginning in 2013, with the region's share falling to 25.3% in 2013-14 due to a significant drop in cross-border mergers and acquisitions in Central America and weaker commodity prices that impacted investment in extractive industries, especially in South America (Ramirez, 2017).

The distribution of FDI across the different sectors reflects the diverse, productive specialities of the subregions. For instance, in the Caribbean, the tourism industry's growth has resulted in most FDI being focused on services (Economic Commission for Latin America and the Caribbean (ECLAC), 2020). South America, with its abundant natural resources in extractive industries, agriculture, forestry, and fisheries, receives more investment aimed at accessing these resources than the other subregions (ECLAC, 2020). In Colombia, 34% of the FDI in 2019 went towards natural resources. The manufacturing industry is the primary focus of FDI in Central America. In Mexico, efficiency-seeking investments by multinational companies have driven the growth of specific manufacturing industries linked to global value chains, making it the principal recipient of FDI in the manufacturing sector (ECLAC, 2020).

The COVID-19 pandemic had a significant impact on foreign direct investment in LAC, resulting in a considerable decrease in FDI inflows. According to the ECLAC (2021), in 2020, FDI inflows to the region totalled $105.480 billion, which was $56 billion less than in 2019. This represented the lowest value of FDI in the region since 2010, with inflows declining by 37% (ECLAC, 2021). The share of FDI in GDP also dropped from an average of 3.5% in 2010 to 2.5% in 2020. The natural resources sector was hit the hardest, with a 47.9% decrease in investments in 2020 (ECLAC, 2021). Only five countries in the region - the Bahamas, Barbados, Ecuador, Paraguay, and Mexico - received FDI in 2020 (ECLAC, 2021).

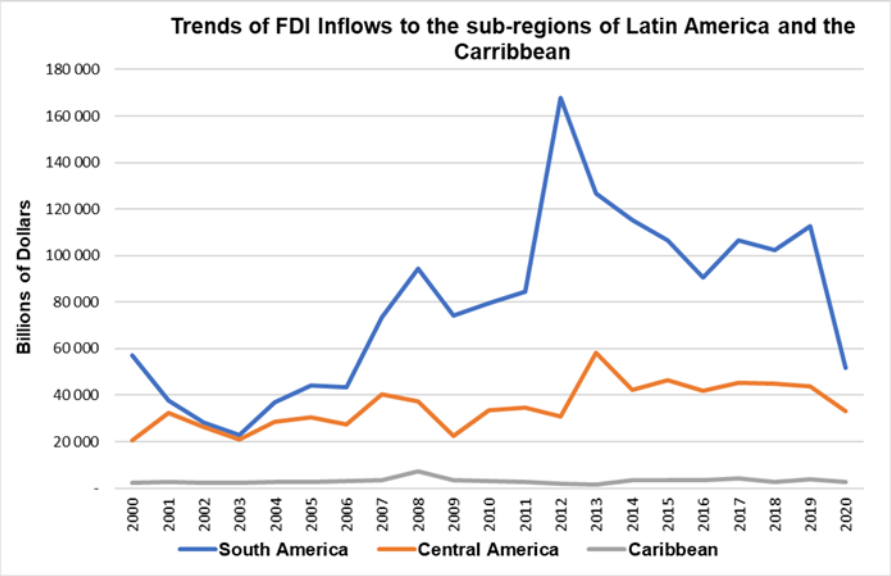
The region continues to face significant challenges as the pandemic has exacerbated the lack of economic growth and FDI. Given this circumstance, a significant transformation process is required. According to ECLAC (2021), FDI needs to be directed toward projects that advance technology, innovation, and productivity. The region's nations will need to implement measures to restart and restructure production.

This will require governments and the private sector to work together to establish an industrial strategy incorporating the policy of attracting foreign capital to transform the productive structure (ECLAC, 2021).

4.4.1 FDI inflows to the sub-regions of Latin America and the Caribbean

Latin America and the Caribbean constitute three sub-regions: South America, Central America, and the Caribbeans. Figure 4 depicts the trends in FDI inflows in the sub-regions of Latin America and the Caribbeans for the past two decades. In the past two decades, South America has been the sub-region of choice for investors as it has received the most FDI inflows, a total of 67%, followed by Central America with 30% and the Caribbeans with 2%.

Figure 4: Trends in FDI inflows to the sub-regions of Latin America and the Caribbeans from 2000-2020



Source: Author's graph using data from UNCTAD

FDI has been distributed unevenly across South America, with the majority concentrated in three countries: Brazil, Argentina, and Chile. Due to the region's abundant natural resources, FDI is primarily natural resource-seeking, particularly in the export-oriented mining and forestry sectors. However, market-seeking transnationals are essential in larger countries like Brazil and Argentina, especially in the manufacturing and service sectors (ECLAC, 2020). FDI inflows to South America increased significantly in 2012 by 12% from the previous year, reaching an all-time high of $170 billion in FDI inflows (UNCTAD, 2013). This growth was driven by

investments in countries such as Chile, Colombia, Argentina, and Peru (UNCTAD, 2013). According to UNCTAD (2013), the existence of natural resources (such as oil, gas, metals, and minerals) and a rapidly increasing middle class, which draws market-seeking FDI, all contributed to the subregion's FDI success.

Central America's cost competitiveness and valuable natural resources make it an attractive destination for investors. The service industry has been the primary receiver of FDI in the region for decades, and capital inflows into this sector grew due to privatisation (Alfaro, 2015). According to Alfaro (2015), the region's first wave of increasing FDI was centred on acquiring public firms specialising in service delivery. This was mainly in financial services, telecommunications, electricity generation and distribution, and municipal water systems (Alfaro, 2015). FDI in this region soon expanded to other productive sectors. The construction and growth of free trade zones and the signing of free trade agreements supporting industrial activities have considerably aided in the increase in FDI (Alfaro, 2015).

In 2007, Central America experienced an increase in FDI after years of stagnant FDI inflows. This growth was mainly due to a 28% increase in investment in Mexico (UNCTAD, 2008). In the sub-region, Mexico has been the largest recipient of FDI inflows, with investments mainly concentrated in steel manufacturing, financial services, and mining sectors (UNCTAD, 2008). FDI inflows in Central America reached their peak in 2013, with a total of $59 billion. This was largely driven by investments in Mexico, Panama, and Costa Rica (UNCTAD, 2020). Notable investments included AB InBev's purchase of the remaining shares in Grupo Modelo for $18 billion, which more than doubled inflows to Mexico to $38 billion. Large infrastructure investment projects in Panama, including the expansion of the Panama Canal and the capital city's metro rail system, as well as an increase of 14% of FDI inflows in Costa Rica boosted by real estate acquisitions of non-residents (UNCTAD, 2020).

FDI is vital in achieving sustainable growth in the Caribbean region. Most FDI inflows to the Caribbeans have been resource and efficient seeking, meaning countries with abundant natural resources, including gold, bauxite, oil, petroleum, natural gas, and alumina, have drawn more FDI (Griffith, Waithe & Craigwell, 2008). For example, Trinidad and Tobago, one of the Caribbean's resource-rich countries, is a big FDI

beneficiary. In countries such as Jamaica, Guyana and Belize, a majority of FDI is directed to market-seeking services such as telecoms or finance (Griffith et al., 2008). Receiving a total of only 3% in FDI inflows in the past two decades, more need to be done to attract FDI, as inflows to the Caribbeans have been slow and stagnant.

To solve this challenge, countries in the Caribbean aim to attract FDI by offering incentives such as tax holidays, import duty exemptions, market preferences, infrastructure, and subsidies to foster technology, knowledge, and management skills spillovers (Griffith et al., 2008). These approaches are similar to those used by the East Asian Tigers or the newly industrialised countries (NICs) that have experienced rapid growth. However, due to their small market size, dependence on more developed countries and underdeveloped capital markets, Caribbean countries' growth has been slower and has not yielded desired outcomes. These countries need to establish policies that cater to their economy and market size and benefit them and their investors rather than adopt policies from different regions.

4.4.2 Best performing sub-region in Latin America and the Caribbean

South America is known for being home to some of the most prominent economies in Latin America and the Caribbean, excelling in sectors such as agriculture, oil, and tourism services. This sub-region comprises 12 countries, namely Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, which have attracted a significant amount of FDI inflows. According to UNCTAD (2016), FDI inflows to the subregion rose to $121 billion in 2015, which is an increase of 74% from approximately $70 billion in 2000.

The growth in FDI inflows was motivated mainly by mergers and acquisitions of businesses, as well as investment in the region's service sector (Erickson & Owusu-Nabawi, 2019). In addition to this economic liberalisation of policies in countries such as Argentina, Chile and Brazil, openness in the banking sector, telecommunication, public infrastructure, and manufacturing sector have contributed to the increase in FDI flows (UNCTAD, 2013). According to Erickson and Owusu-Nabawi (2019), this subregion's political countries have pursued policies toward consistent FDI by adopting a neoliberalism and socialist approach. Neoliberal policies that have been adopted in this region include the promotion of a free-market economy and a reduction in the role of the government in the economy. (Erickson and Owusu-Nabawi, 2019).

Incentives, such as tax rebates, import duty exemptions, and capital and tax depreciation allowances, have also been granted, contributing to the increase in FDI inflows (Erickson & Owusu-Nabawi, 2019). Erickson and Owusu-Nabawi (2019) state that FDI inflows have contributed partly to the economic progress of South America; empirical studies examining the contribution of FDI inflows to economic progression in countries in Latin America have found that FDI is more efficient than domestic investment in economic growth.

Although significant progress has been made in attracting and retaining FDI inflows, the national debt default by countries in this subregion has deterred FDI. According to Williams (2015), since the 90s, almost every country in the subregion, except Colombia, has defaulted on its national debt. Defaulting on national debt raises a country's credit risk, making it more difficult to attract FDI and obtain cash on the international financial market (Williams, 2015).

Brazil continues to attract more FDI than any other country in the sub-region and has remained a top recipient of FDI in South America throughout the years. Table 3 depicts the total percentage of FDI inflows in South American countries from 2000-2020. Despite dropping from 109th to 124th in the World Bank's Doing Business Survey 2020, Brazil still attracts significant FDI inflows. Its appeal to international investors can be attributed to several factors, including a large domestic market of over 210 million people, easy access to raw materials, a diverse economy that is less susceptible to global crises, and a strategic geographic location that provides access to other South American countries (Nistor, 2015).

Table 4: Total FDI percentage of inflows to South American countries from 2000-2020

Total FDI inflows to South American countries from 2000-2020	
COUNTRY	**TOTAL FDI INFLOW%**
Brazil	53%
Chile	15%
Colombia	11%
Argentina	9%
Peru	6%
Venezuela	2%
Uruguay	2%

Ecuador	1%
Bolivia	1%
Suriname	0%
Paraguay	0%
Guyana	0%

Source: Author's table using data from UNCTAD

4.4.3 Best performing country in the sub-region of South America

According to the UNCTAD (2019), Brazil was named the sixth most prominent destination for global FDI inflows in 2019, increasing by 20% to $72 billion. Investors in this region have a strong interest in the oil and gas extraction and energy industries. The Government of Brazil encourages FDI, especially in renewable energy, oil and gas, transportation, infrastructure, and automobile sectors, to boost innovation and economic growth (Nistor, 2015). Tax exemptions and low-cost financing are among the government's investment incentives to attract FDI (Nistor, 2015). In most economic sectors, foreign investors in Brazil are treated the same as domestic investors.

According to de Angelo, Eunni and Founto (2010), one of the ways the Brazilian government is promoting FDI is through investment aid from IPAs (Investment Promotion Agencies) such as The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) and the Ombudsman Office. This aid ensures that investors have access to the information and knowledge required for investing in Brazil. Apex-Brasil and the Ombudsman Office play a crucial role in attracting FDI to Brazil by identifying commercial opportunities, promoting strategic events, and providing support to international investors willing to invest in Brazil (Repezza, 2013). They assist investors at every stage of the decision-making process, including finding and contacting relevant industry segments, conducting market assessments, and providing legal and fiscal advice, all of which are free of charge (Repezza, 2013).

Although Brazil is open for business, the health, mass media, telecommunications, aerospace, rural property, maritime, and insurance sectors are all closed to foreign investment (de Angelo, Eunni & Founto, 2010). Since the recession, the country's economic situation seems to have improved as the government announced several privatisation initiatives in July 2018 as part of its efforts to revive the economy. During the first nine months of the plan, the government was able to raise $20 billion,

according to UNCTAD (2020). The largest of these privatizations was the sale of gas distribution firm Transportadora Associada de Gas for over $8.7 billion to a consortium led by French company Engie (UNCTAD, 2020). These measures have helped improve Brazil's economic situation.

The FDI climate in Brazil is complex. On one hand, Brazil is considered one of the world's largest FDI recipients and continues to attract a significant amount of FDI due to its large domestic market, availability of raw materials, strategic location and offers tax for foreign investors. While on the other hand, Brazil is also known for its burdensome taxation, bureaucratic delays, and heavy labour regulations that can make it challenging for foreign investors to do business (de Angelo, Eunni, & Founto, 2010). The high costs of production, insufficiently developed infrastructure, and exposure to changes in commodity prices on the international market also deter FDI in Brazil (de Angelo, Eunni, & Founto, 2010. Overall, Brazil remains a country with significant potential for foreign investment, but investors must carefully weigh the risks and challenges before committing resources.

FDI has made a substantial contribution to the developing region of Latin America and the Caribbean as a supplement to domestic investment and a source of new capital, as well as assisting in the expansion of export activities and the development of the automotive, telecommunications, and information technology industries. For this region to succussed and yield desirable results, FDI policies and interventions should not only aim to attract FDI but also to become a source of increasing productivity, innovation, and technology, also to be channelled toward sustained, inclusive, and sustainable economic growth.

4.5 Discussion

For the developing regions of the world (Asia, Africa and Latin America and the Caribbean), the past decade has been quite strenuous as they faced various economic challenges such as the global financial crisis, recession in some economies and the unprecedented COVID-19 pandemic. Despite this, these regions have managed to stay afloat and continue creating policies that attract FDI aiding economic growth.

Historically, FDI in developing nations has focused on the manufacturing and processing industries and concentrated in a small group of countries in each developing region. This is primarily evident in Africa, where the majority of FDI is

concentrated in natural resource-rich countries such as South Africa, Nigeria, the Democratic Republic of Congo, Egypt, and Ghana. In the past, having abundant natural resources or a sizable domestic market was closely associated with attractiveness. However, with the shift towards globalisation, additional factors such as free trade zones, investor-friendly policies and incentives, political/economic stability, and infrastructure quality have also become the primary determinant of attractiveness for FDI.

Policies have played a key role in increasing FDI inflows into the developing region. Only after key policy decisions were made and implemented that were favourable to the investors did large developing economies, such as China, India, Singapore, and South Korea, begin to attract FDI that aided in the development of economic growth in their respective countries. A critical lesson that Africa, Latin America, and the Caribbean can learn from developing Asia as a region is that while Asia nations prioritised implementing liberal policies in favour of investors and providing them with incentives, these nations also prioritised re-investing FDI to promote their regional and local markets. Through the use of technological transfers and knowledge and management, skills spillover from FDI, Asian nations can now produce and market goods and services within their borders instead of importing them from other nations.

This is a challenge that the African region and LAC are battling to find a balance of as countries within this region are more focused on giving incentives to investors and less on developing their local and regional markets, improving their infrastructure, and upskilling their human capital. Countries in Latin America and the Caribbean have tried to use similar approaches by the East Asian Tigers; however, these policies have failed to yield the desired results since countries in this region have a smaller market size and are still very much dependent on the more developed countries.

For Africa, Latin America, and the Caribbeans to attract FDI, they need to focus on improving their business environment and enhancing their competitiveness. This can be achieved by implementing economic reforms, improving infrastructure, creating a stable and transparent regulatory environment, and addressing corruption and bureaucratic red tape. Furthermore, governments should prioritise education and skill development to increase the availability of a qualified workforce. Countries should also strive to create an attractive investment climate by offering tax incentives and reducing

barriers to entry. Finally, establishing strategic partnerships with foreign investors and improving political stability will help to build confidence in the region as a reliable destination for foreign investment.

East Asia, South America, and Northern Africa were identified as the best-performing sub-region in each developing region of the world region. This was based on their ability to attract FDI through their high levels of FDI inflow. East Asia was the best-performing sub-region for Asia, North Africa was the best-performing sub-region for Africa, and South America was the best-performing sub-region for Latin America and the Caribbean. What these sub-regions have in common is that they house the most prominent developing economies in the world, which have managed to use FDI to aid in their economic development. What has increased the attractiveness of East Asia and Northern Africa is that governments in the respective countries of these sub-regions have vowed to implement a wide range of structural and macroeconomic reforms to modernise their economies in recent years. One of these reforms is the transition to market economies, which has raised the bar for public and corporate governance. Consequently, trade and investment opportunities have been created in these sub-regions. In South America, liberalising policies and openness in the banking, telecommunication and public infrastructure have contributed to increased FDI in countries in this sub-region.

The three sub-regions identified the best-performing country based on its ability to attract FDI through its high levels of FDI inflow. China was the best-performing country in the sub-region of East Asia, Brazil was the best-performing country in the sub-region of Latin America, and the Caribbean and Egypt were the best-performing country in North Africa. Comparing the three countries, China's FDI primarily focuses on the manufacturing and services sectors. At the same time, Brazil's FDI is concentrated in the natural resources sector, particularly oil and gas and agriculture. Egypt's FDI mainly concentrates on the services sector, particularly tourism and the Suez Canal Corridor development project[3]. Brazil encourages FDI through the privatisation process, while China and Egypt encourage FDI primarily by granting tax and administrative exemptions. Brazil and Egypt's strategic geographical locations allow

[3] The "Great Egyptian Dream" or the Suez Canal Corridor development project was initiated in 2014 by the President of Egypt, Abdel Fattah El Sisi. The project's primary objective is to bolster and expand the Suez Canal area, making it a lucrative source of revenue and an appealing investment destination.

easy access to other countries in their respective regions. China has a large domestic consumer market, resulting in a strong buying power market favourable for any FDI.

Of the three countries, China attracts the largest amount of FDI and has invested in Brazil and Egypt. China and Brazil are both members of BRICS,[4] a powerful grouping of the world's leading emerging markets aimed at promoting aims to promote peace, security, development, and cooperation. Being part of this group has been mutually beneficial for both countries. Brazil is the primary recipient of Chinese investments in South America, receiving US$66.1 billion, or 47% of all investments made in the ten years leading up to 2020 (Cariello, 2021). China's long-term investment in Brazil has aided in job creation, modernise infrastructure, stimulate the economy, and create connectivity between industries. China has benefited from Brazil in terms of FDI by gaining access to Brazil's natural resources and market for goods and services (Cariello, 2021). Brazil is a major producer of commodities such as soybeans, iron ore, and oil, which China imports to support its rapidly growing economy. Furthermore, the two countries have also increased trade and investment ties through initiatives such as the China-Brazil Cooperation Forum and the Brazil-China Business Council.

China's FDI in Egypt has been mainly focused on infrastructure and energy projects. China has invested in several infrastructure projects, such as the construction of the new administrative capital, the expansion of the Suez Canal, and the construction of a new terminal at Cairo International Airport (Elshamy,2017). In addition, China has been investing in Egypt's energy sector, particularly in renewable energy projects such as solar and wind power (Elshamy,2017). China's investment in Egypt has been assisted by the Egyptian government's efforts to improve its investment climate and attract more foreign investment. The Egyptian government has also tried establishing a free trade zone between the two countries. The Chinese government has encouraged Chinese companies to invest in Egypt through the Belt and Road Initiative (Elshamy,2017).

While all three countries have different strengths and weaknesses regarding FDI, they can all benefit from learning from each other's experiences and policies to improve the investment climate and attract more foreign investment. A key lesson both Egypt and

[4] BRICS refers to the association of five major emerging economies - Brazil, Russia, India, China, and South Africa.

Brazil can learn from China is building strong trade and investment ties with other countries. China has built strong trade and investment ties with other countries through initiatives such as the Belt and Road Initiative and the China-ASEAN Free Trade Area, which has helped to increase investment flows and create new opportunities for foreign companies. Additionally promoting innovation and entrepreneurship, China has supported innovation and entrepreneurship by investing in research and development and providing funding and other support to start-ups and small businesses. Egypt and Brazil can learn from these strategies and implement similar policies and initiatives to attract more foreign investment and spur economic growth.

South Africa can learn several lessons from Brazil, China, and Egypt to increase FDI inflows, leading to economic growth. For example, South Africa can learn from Brazil to promote and prioritize investment promotion agencies to attract FDI through strategic events and industry assessments. From China, South Africa can learn the importance of providing an attractive business environment through tax incentives, streamlined regulatory frameworks, and infrastructure development. Finally, from Egypt, South Africa can learn to identify strategic sectors for investment and pursue economic diversification.

4.6 Conclusion

Using data from the United Nations Conference on Trade and Development, chapter four looked at the trends in FDI inflows across the world's developing regions: Asia, Africa, Latin America and the Caribbeans from 2000-2020. It discussed the determinants of FDI and the policies and strategies to attract FDI in these regions. It identified how the determinants have changed as the world continues to integrate due to globalisation and the potential barriers of FDI in these regions. Through this analysis, this chapter identified the best-performing sub-region and country in each developing region. Chapter five will discuss FDI in South Africa and explore the relationship between FDI and economic growth. Furthermore, having identified the best-performing countries in chapter four, chapter five will look at how FDI has assisted in their economic growth and offer recommendations on what strategies and policies South Africa can adopt to improve economic growth.

CHAPTER FIVE

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN SOUTH AFRICA

5.1 Introduction

Capital can be injected into the economy through many channels, most commonly through foreign direct investment (FDI). As mentioned in previous chapters, FDI can enhance employment, technology, technical expertise, and managerial capabilities and promote economic growth. For this reason, South Africa has implemented several policies and initiatives to attract FDI. This chapter looks at the South African economy to examine the impact of foreign direct investment on economic growth. Firstly, the chapter will begin by discussing South Africa's FDI landscape, trends, sources of FDI and sectorial focus. Secondly, the chapter will discuss South Africa's economic policies since the post-apartheid era, explore South Africa's economic progression and identify how FDI has contributed to economic growth. Furthermore, the chapter will analyse the effect of COVID-19 on FDI in South Africa and identify some of the FDI-related policies and innovative strategies developed to ensure that FDI in South Africa can aid economic growth. The chapter will conclude by summarising the key points highlighted in this chapter.

5.2 FDI in South Africa

A key component of post-apartheid economic policy has been luring FDI into the country. The democratic government of South Africa made a concerted effort to create an investment environment that is liberal and open because it was aware of the need to restore the nation's reputation with foreign investors following the isolation of the apartheid era (Nowak & Ricci, 2006). This resulted in South Africa developing investment incentives and signing numerous bilateral investment agreements with nations that export capital, such as China, Germany, the United Kingdom, the United States, and India (Nowak & Ricci, 2006).

FDI is particularly significant in a country like South Africa, where domestic savings rates are so low and local investment funding is limited. Additionally, FDI can be a potential source of foreign exchange inflows that could boost South Africa's foreign exchange reserves (Nowak & Ricci, 2006). The country has several assets that appeal

to investors, including a sizable population, a diversified and productive economy, and a wealth of natural resources (Makhoba & Zungu, 2021).

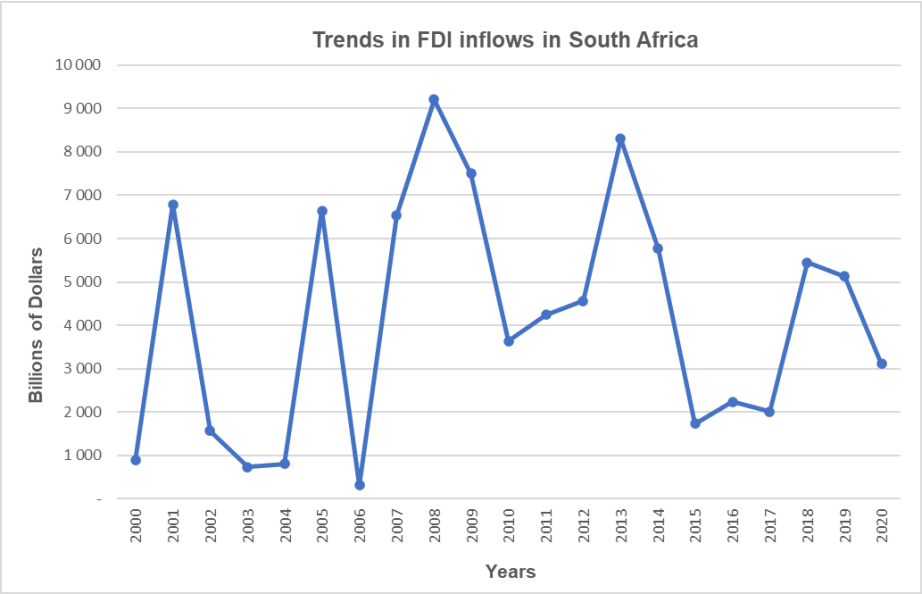
However, South Africa is plagued by a high crime rate, rising social unrest (strikes and protests), high levels of corruption, and structural problems with the provision of energy and logistics which has deterred FDI into the country (Makhoba & Zungu, 2021). Furthermore, the uncertainty around policy and structural reforms is another investor concern. This has resulted in unstable FDI inflows in South Africa and without a long-term investment.

Despite all this, compared to other African countries, South Africa is doing well. It has the potential to attract more FDI as it once was the largest recipient of FDI before being taken over by countries such as Egypt and Nigeria. The South African government has taken steps to encourage FDI, including providing tax incentives, streamlining the regulatory landscape, and encouraging investment in vital industries such as infrastructure, renewable energy, and agriculture.

5.2.1 FDI trends in South Africa

The current state of FDI in South Africa is conflicting. On the one hand, the country continues to draw investment into specific industries like agribusiness, technology, and renewable energy because of its well-developed infrastructure, sizable domestic market, and welcoming investment laws. On the other hand, the amount of FDI inflows in South Africa has been volatile throughout the years due to several issues, including low economic growth, political instability, high levels of crime and recently, the COVID-19 pandemic. Figure 5 shows trends in FDI inflows to South Africa in the past decade (2000-2020)

Figure 5: Trends in FDI inflows to South Africa from 2000-2020



Source: Author's graph using data from UNCTAD

FDI inflows to South Africa have gradually increased since 1994 due to the country transitioning into a democratic state and opening its doors to foreign investment by providing investor-friendly policies and incentives. According to South African Reserve Bank (SARB) (2001), FDI inflows surged in 2001 due to increased confidence among foreign investors following the addition of the Johannesburg Stock Exchange (JSE) to the International Finance Corporation's emerging-market index. The sale of Telkom's shares to the Thintana consortium for R1.2 billion, Swissair's acquisition of a 20% equity stake in South African Airways, and Anglo American's purchase of De Beers all contributed to a sharp rise in FDI inflows to $6.7 billion in 2001 (SARB, 2001).

According to UNCTAD (2006), South Africa became the largest recipient of FDI in Africa in 2005; inflows represented 21% of total FDI inflows to Africa. This resulted from an R5.5 billion ($3.1 billion) takeover agreement between Barclays and Absa Bank, the purchase of Standard Bank's minority shares for $3.1 billion by the Industrial and Commercial Bank of China, the acquisition of a share by Vodafone in Vodacom as well as the purchase of DiData by Nippon, a sizable ICT company (UNCTAD, 2006). There was a steady increase in FDI inflows in 2008 as South Africa was considered a stable and mature market for investors, with favourable investment policies and exchange rates.

Inflows in 2010 declined as the world saw a contraction in demand because of the 2008 financial crisis.

The hosting of the 2010 FIFA World Cup significantly boosted the country's economy as the government made substantial investments in infrastructure projects, attracting additional foreign business investment. The World Cup being held in South Africa was very beneficial for the tourism industry. According to a report by Grant Thornton (2010), the total economic impact of the World Cup was estimated to be R93 billion ($13.6 billion), with tourism contributing an estimated 38% to this total. The direct economic impact of the World Cup on South Africa's tourism industry was estimated to be approximately R3.6 billion ($530 million). Additionally, hosting the World Cup had a positive impact on job creation in South Africa. The government's massive investments in infrastructure projects, hospitality, and tourism industries to accommodate the event created a surge in employment opportunities. According to a study by Humphrey and Fraser(2016) and Deloitte(2011) It was estimated that during the 2010 World Cup, approximately 130,000 jobs were generated during the event.

Unfortunately, the economic success of the World Cup could not last forever; according to the South African Institute of International Affairs (SAIIA) (2019), the country saw some of the worst mining-related labour unrest in its history in 2012, which harmed FDI inflows. Major international corporations withdrew their investments during this time, with the UK's GlaxoSmithKline pharmaceutical giant selling half its 12.4% share in Aspen Pharmacare (SAIIA, 2019). FDI inflows picked up in 2013, almost doubling investment in 2012 due to infrastructure investment in the country (UNCTAD, 2014). According to UNCTAD (2016), 2015 saw FDI inflows in South Africa reach the lowest level in 10 years, decreasing by 69% to $1.8 billion due to the country's underwhelming economic performance, falling commodity prices, and the rising cost of electricity. Furthermore, the first quarter's divestments from noncore assets in telecommunications, consultancy, mining, and manufacturing contributed to this decline (UNCTAD, 2016).

In 2018, FDI inflows more than doubled to $5.3 billion, supporting the government's ambition to draw $100 billion in FDI by 2023 (UNCTAD, 2019). In 2018, the country saw significant investments from various international companies. Beijing Automotive Industry Holding, a Chinese company, invested $750 million to establish a facility in

the Coega Industrial Development Zone (UNCTAD, 2019). Additionally, Mainstream Renewable Energy of Ireland invested $186 million in the construction of a 110 MW wind farm (UNCTAD, 2019). BMW from Germany and Nissan from Japan also extended their current facilities in the country (UNCTAD, 2019). The manufacturing sector was the largest recipient of FDI, followed by the financial and business services sector.

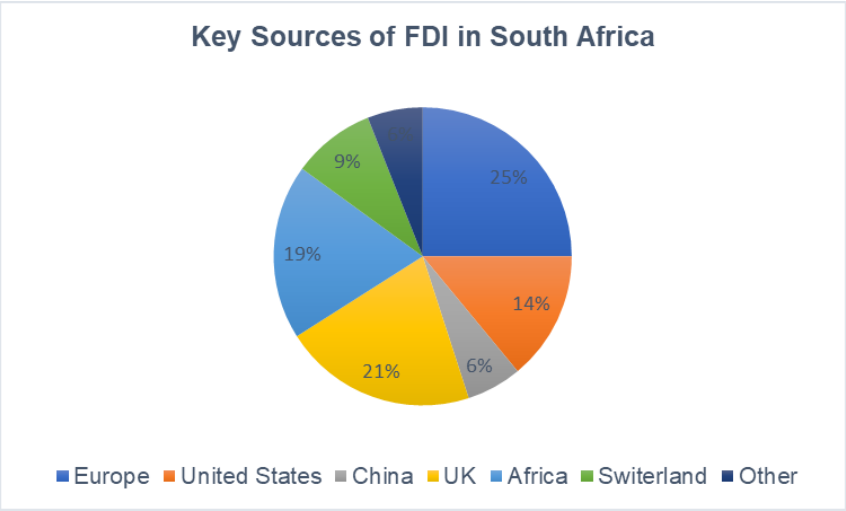
However, in 2019, FDI inflows decreased by 15% compared to the previous year, despite investments in the manufacturing, financial, and business services sectors (UNCTAD, 2020). The COVID-19 pandemic further impacted FDI inflows in South Africa, resulting in a 39% decrease to $3.1 billion in 2020. The reduction in Mergers and Acquisitions activity, changes in investor priorities, and declining commodity prices were among the factors contributing to the decline. (UNCTAD, 2021)

From the above discussion, it is evident that there is a need for long-term investment in South Africa to reduce the volatility of FDI inflows. This can be done by investing in human capital development, strengthening economic ties with key partners, promoting transparency and good governance, and increasing economic diversity. By taking these measures, South Africa could foster an environment for more steady and predictable investment, supporting long-term economic growth.

5.2.2 Source of FDI in South Africa

Historically, South Africa attracted FDI from Europe through the exploration of natural resources. The development of the industrial sector was sparked by the discovery and exploitation of mineral reserves (Wöcke & Sing, 2013). Although it is still the most significant source of FDI, other regions and countries have begun to take a keen interest in South Africa and are investing in the country. Figure 6 depicts some of the critical sources of FDI in South Africa in 2018.

Figure 6: Key Sources of FDI in South Africa



Source: Author's diagram with information from the UNCTAD (2019)

According to UNCTAD (2019), the following are the primary sources of FDI inflows in South Africa:

- Europe: The European Union is a significant source of foreign direct investment in South Africa, with corporations from countries like Germany, France, and the Netherlands investing in South Africa. In 2018 the European Union accounted for 25% of total FDI inflows to South Africa.
- United States of America: The US is considered a key source of FDI in South Africa. The United States accounted for around 14% of total FDI inflows to South Africa. US-based companies invest in technology, retail, and the automotive sector.
- China: Over the years, China has become a significate source of FDI in South Africa, with Chinese companies investing in infrastructure, mining, and energy. In 2018 FDI inflows from China accounted for around 6%.
- United Kingdom: Historically, the UK has been one of the significant contributors to FDI in South Africa. Around 21% of all FDI inflows to South Africa were from the United Kingdom in 2018. Investors in this region invest in various industries, including mining, financial services, and consumer goods.
- African countries: Businesses from nations like Nigeria, Kenya, and Mauritius are investing in South Africa. 19% of all FDI coming into South Africa came from African nations.
- Switzerland: In 2018, 9% of all FDI to South Africa came from Switzerland. The main areas of Swiss investment in South Africa are financial services, mining,

and manufacturing industries. As South Africa strives to move to a more sustainable energy mix, Swiss businesses have also grown more interested in investing in the country's renewable energy industry.

5.2.3 Sectoral Analysis of FDI in South Africa

The abundant natural resources in South Africa, including platinum and gold, draw in investors looking for natural resources. Most FDI inflows to South Africa are motivated by market and efficiency-seeking as they mainly occur in the manufacturing, services, financial services, and telecommunications sectors. The mining and oil industries also contribute to a share of resource-seeking FDI.

South Africa's FDI is distributed throughout various industries, reflecting the country's varied economic foundation. According to the SARB (2017), the primary sectors attracting FDI in South Africa in recent years have been:

- Mining and minerals: South Africa is one of the top producers of gold, platinum, and other metals and is rich in various minerals. Due to the country's substantial natural resources and welcoming investment climate, the mining industry in South Africa is a significant receiver of FDI.
- Manufacturing: South Africa has a well-developed manufacturing sector, and FDI in this sector is driven by the country's low labour costs and favourable business environment. The sector includes various industries, including automotive, textiles, and chemicals.
- Financial, real estate and business sector: This sector includes a range of activities, including banking, insurance, professional and business services, real estate, and financial services. The rapid expansion of this industry can be linked to a variety of elements, including South Africa's advanced financial infrastructure and its status as an African centre for financial services. In addition, the nation's market for business and professional services is sizable and expanding, which has aided in drawing FDI into the industry.
- Telecommunications: The telecommunications industry in South Africa is developing rapidly, and the rising demand for mobile and internet services is fueling foreign investment.
- Tourism: South Africa is a well-known tourist destination that draws in millions of tourists every year. The country's diversified natural beauty, rich cultural

legacy, and sound economic environment are the main drivers of foreign investment in the tourism sector.

5.3 The effects of COVID-19 on FDI in South Africa

The global effects of the COVID-19 pandemic have been unprecedented. According to UNCTAD (2021), the COVID-19 pandemic precipitated a sharp decline in global FDI, reducing FDI flows to the level observed in 2005. Global FDI flows decreased to $1 trillion from $1.5 trillion in 2019, a decrease of 35% (UNCTAD,2021). This is about 20% lower than the global financial crisis in 2009 (UNCTAD, 2021). The aviation, hospitality, tourism, and industrial industries were the most impacted (Olaniran & IIesanmi, 2021). Greenfield investments in industrial and infrastructure projects have been severely harmed by the crisis, which is one of the most profitable kinds of investment (UNCTAD, 2021). As a result, there has been a significant impact on international production, a key driver of economic growth and development (UNCATD, 2021)

The global pandemic significantly impacted FDI in South Africa. The country suffered immensely due to the global economic slowdown and weakened investor confidence resulting in a decline in FDI inflows by 39% to $3.1 billion in 2020 (UNCTAD, 2021). Before the pandemic, the South African economy was already facing challenges of high levels of inequality, unemployment, and debt; the pandemic simply exacerbated the situation. Consequently, the country's GDP decreased by 8% (UNCTAD, 2021). Due to the uncertainty brought on by the pandemic and its economic repercussions, several international investors postponed their investment plans or reduced their exposure to South Africa. The number of M&A transactions decreased by 18% year-on-year, from 160 in the first half of 2019 to 132 in the first half of 2020 (Moosa & Merze, 2022).

Although cross-border mergers and acquisitions decreased dramatically by 52% to $2.2 billion, they made up a sizable portion of total inflows. This was due to PepsiCo's $1.7 billion acquisition of Pioneer Foods following approval of the transaction by the Competition Tribunal of South Africa (UNCTAD,2020). This represented the largest investment made in 2020. FDI inflows continued to decrease in 2021; according to South African Reserve Bank (2021), FDI inflows decreased from R16 billion in the fourth quarter of 2020 to R6.1 billion in the first quarter of 2021. The South African

government had to divert resources to respond to the pandemic's urgent needs, which limited its ability to invest in infrastructure and other initiatives that could have attracted FDI.

According to Moosa and Merze (2022), it is difficult to give the exact amount of money spent by the government on COVID-19 relief as the situation is still evolving and the response is ongoing. However, billions of Rands were spent on funding individuals and businesses, purchasing medical equipment and supplies, and starting social grant programs for the disadvantaged (Moosa & Merze, 2022). Additionally, the government took action to help the economy more widely by providing state-owned companies with funding and tax breaks (Moosa & Merze, 2022).

Despite all this, it is important to note that South Africa has experienced some encouraging FDI growth during the pandemic. International venture capital firms have invested in the nation's technological sector. Significant investment announcements were made during the Third South Africa Investment Conference in November 2020. For instance, Google declared it would spend about $140 million on a fibre-optic underwater connection that will enable high-speed internet connectivity throughout the nation (UNCTAD, 2021).

It is important to note that because of the pandemic, governments worldwide have tightened regulations and put-up hurdles to foreign investment to safeguard sectors of the economy that may be left vulnerable at this time. These actions are primarily intended to avoid hostile acquisitions by tightening regulations on inward FDI (Moosa & Merze, 2022). A good example is the European Union, the Canadian government and the Australian government, which have all issued guidelines and policy statements that state that FDI will go through a rigorous process of approval regardless of the value of the transaction or nature of the investment (Moosa & Merze, 2022). South Africa has not yet implemented any FDI screening measures; however, the decline in economic development has weakened the entities of South Africa; this can make the country vulnerable to opportunistic investors that can easily acquire or take over South African companies.

It is without question that COVID-19 will lead to a confrontation between the necessity for FDI and the requirement to safeguard the economy's most vulnerable sectors from rapacious acquisitions. For this reason, the government should look into requiring the

assistance of the Competition Authority to regulate the matter and seek to protect the already weak economy. Nonetheless, having a rigorous approach will harm the country's attractiveness as a location for investments at a critical point in the economy's recovery. A good balance should be developed, one that's aimed at supporting the economy to ensure adequate recovery.

Despite the economic slowdown and decreased FDI in the country, the pandemic has had a mixed impact on FDI in South Africa. It has forced the government to reflect and carefully cave into an economic recovery plan that benefits the country's citizens and the economy's growth with the aid of FDI.

5.4 Economic Growth Policy and Trends in South Africa

South Africa has implemented several economic growth strategies over the years. Each strategy had different objectives and approaches, and their impact on economic growth in the country varied. The impact of economic growth strategies in South Africa has been mixed. While some strategies have contributed to improvements in specific areas, such as poverty reduction, job creation, and investment, others have had a limited impact on economic growth. The country still faces significant challenges, such as high levels of inequality, unemployment, and poverty, which will require sustained and focused efforts to overcome.

5.4.1 Economic growth policy in South Africa

Since the beginning of the post-apartheid era, the South African government has focused on building an economy aimed at stimulating equitable and inclusive growth. This is evident in the economic growth frameworks and policies implemented over the years.

The Reconstruction and Development Program (RDP) was the first economic policy that the newly elected democratic government adopted in 1994. The main objective of this policy was to ensure that basic needs were provided; human development was promoted; economic infrastructure was strengthened, and democracy and equal rights were encouraged (RDP WP, 1994). The government established an extensive social security and welfare system to support the elderly, disabled, orphaned children, foster parents, and those unable to meet their fundamental social needs (Visser, 2005). Free access to health care programs for pregnant women and young children was

implemented under the program and the National School Nutrition Program (NSNP), where school-going learners receive free meals at school. According to the NSNP annual report 2013/14, the programme has reached more than 9 million learners (Department of Basic Education, 2014).

The foundation set by the RDP policy has ensured consistent improvement of the social grant system in South Africa today. According to the Social Grant Performance end 20/21 report, 18 440 572 social grants were paid to beneficiaries in March 2021. Of this, 70% was for child support grants, 20% for Old Age Grant and 5% for Disability Grant (Parliamentary Budget Office, 2021).

Critiques from scholars and policymakers (Knight, 2001; Lodge, 2002) targeted the RDP policy for being too ambitious and unrealistic. While the RDP's social objectives were well-received, Luiz (2007) argued that the program lacked a comprehensive strategy to achieve its goals. The RDP's broad scope made it an unattainable wish list, considering the economic and political conditions of the country at the time. Hirsch (2005) identified two major limitations of the RDP that were not addressed by the government. Firstly, the RDP did not provide a clear plan for increasing revenue. Despite its promise of fiscal discipline through the reallocation of existing funds, the RDP failed to commit to collecting more revenue and imposing a wealth tax, which was crucial in ensuring social fairness (Hirsch, 2005).

The absence of sufficient trained management, policy coordination, and execution skills in government was a second limitation (Hirsch, 2005). Regrettably, the new team responsible for implementing the RDP lacked the required skills and training to construct proficient public services and ensure effective implementation (Luiz, 2007). As a result, significant backlogs in RDP programs and poor delivery of essential services to communities ensued. The RDP also faced economic challenges as the government struggled to manage short-term and long-term conflicts between its goals of accelerated output, export, and employment growth, as well as the desire to maintain a low budget deficit, reduce tax burdens, increase social welfare support, and reduce income inequalities (Brits, 2014). These conflicts resulted in a decrease in GDP, high inflation rates, and a large fiscal deficit.

The RDP required clear policy decisions, but trade-offs appeared between growth, redistribution, unemployment, and satisfying necessities while combating inflation,

macroeconomic stability, and structural modifications. Faced with this challenge, the government introduced a macroeconomic policy framework called the Growth, Employment and Redistribution (GEAR) Strategy in 1996, developed by the Department of Finance. This policy aimed to accelerate economic growth to create funding for social investment demands (Department of Finance, 1996). In addition to the RDP objectives, this policy sought to reduce fiscal deficits, lower inflation, maintain exchange rate stability, lower trade barriers, and liberalise capital flows (Jeffery,2010). This policy was introduced at a time when the Rand was weakening, foreign exchange reserves were low, and overall economic growth and unemployment were insufficient to meet social investment needs (Jeffery, 2010).

GEAR successfully achieved its objective of achieving macroeconomic stability and accountability, with its fiscal deficit, inflation, and government consumption targets being met, recording figures of 2.2%, 5.4%, and 18%, respectively, in 2000 (Mosala, Venter, & Bain, 2017). This was possible due to the government's improved financial management and the reduction of government spending resulting from tighter monetary and fiscal policies and government restructuring at all levels (Mosala et al., 2017). Notably, the policy's achievement included an increase in spending on social and infrastructure services, particularly in areas such as education, healthcare, social welfare, housing, and water and electricity. Hirsch (2005) reported that the government's spending on social support increased from R10 billion in 1994 to R38.4 billion in 2003, resulting in a 6.8% increase in beneficiaries.

However, just like RDP, GEAR had its fair share of disappointments. The targets set for economic growth, employment and redistribution were not met. Instead of the planned 6% annual growth rate, the economy only increased by 2.7% every year and never exceeded 5% (Hirsch, 2005). According to Gevisser (2009), unemployment reached 30% and FDI amounted to less than 1% of GDP in 2000, which adversely affected GEAR's goals of employment generation and redistribution. Despite GEAR's assertion that economic growth would lead to increased employment, Hirsch (2005) pointed out that low economic growth and private investment levels between 1996 and 2001 were inadequate to create new jobs and decrease unemployment. Policymakers argued that GEAR's failure to create employment was due to a combination of increasing skills gaps, slow economic development, and insufficient FDI to fund job creation (Streak, 2004). Additionally, the implementation of the policy was inconsistent

and uncoordinated, and the targets for monetary policy were considered unrealistic because the government lacked the capacity to establish effective institutions, and the five-year timeline was insufficient to achieve a positive outcome (Streak, 2004).

Recognising the difficulties of long-term poverty caused by unemployment, low wages, and the jobless character of economic growth, Deputy President Phumzile Mlambo-Ngcuka introduced the Accelerated and Shared Growth Initiative for South Africa (ASGISA) in 2005. This policy was a further development of the first two economic developmental strategies post-1994. ASGISA's main objective was to halve poverty, decrease unemployment, invest in expanding infrastructure and skills development, and improve the country's economic performance (The Presidency, 2006). Significant progress was made toward achieving ASGISA's objectives. A few achievements of the policy included the following: the rise in economic growth to an average of 5%; the rate of investment increased to over 20% of GDP, the unemployment rate dropped to 23%, and the poverty rate dropped to 43.2% (The Presidency, 2006). Under this policy, various projects aimed at improving skills were established. For instance, the Medium-Term Educational Programs, aimed to enhance the abilities required in the workplace (The Presidency, 2006).

The government admitted that they faced some challenges hindering the efficiency of all ASGISA programs. According to The Presidency (2007), the first challenge faced by this policy was funding for ASGISA's programs. This was based on the current government budget, resulting in backlogs. Secondly, the programmes and initiatives created by the policy become overwhelming for the government departments and the private sector to coordinate and implement, proving to be more difficult than expected (The Presidency, 2007). A lack of consistency between the strategies and interventions proved to be the third problem faced, as there needed to be more synergy between the programs and the interventions that followed (The Presidency, 2007). Lastly, the policy failed to implement sufficient reporting and monitoring systems.

In 2010, a new macroeconomic development policy called the New Growth Path (NGP) was introduced, replacing ASGISA following the election of new leadership. The NGP recognized that issues such as high unemployment, widespread poverty, worker exploitation, and growing inequalities persisted (Department of Economic

Development, 2012). The primary objective of the NGP was to address these challenges and stimulate economic growth, making it a necessary policy (Hendriks, 2013). The NGP aimed to create 5 million jobs by 2020 and reduce unemployment by 10%, primarily through public-sector infrastructure initiatives (Department of Economic Development, 2012).

The NGP recognized the potential of infrastructure development in generating job opportunities and boosting economic growth. The NGP identified various sectors that could drive job creation, including infrastructure and services industries, the green economy, public services, and rural development (Habib, 2013). Concerns arose about the government's administrative capabilities to implement the identified policy measures and the overall management required to drive this policy. The argument was that what would have changed if the government was feeling overwhelmed with implementing AGISA programs?

Scholars such as Nattrass (2011) and Fine (2012) called the NGP policy a frustrating and disappointing policy document as it lacked details on the implementing procedures. For example, the government aimed to mobilise resources to fund productive infrastructure investment, which was a good concept; however, questions such as how infrastructure investment would be undertaken efficiently and in which areas to maximise growth arose, which the policy document failed to answer (Nattrass, 2011). According to Fine (2012), business and labour leaders objected to the job creation plan, claiming it lacked the concrete measures needed to combat high unemployment.

However, given the short lifespan of the policy, it was difficult to measure its effectiveness. Building on South Africa's long-term socio-economic development strategy, the government launched the National Development Plan (NDP)-2030 (National Planning Commission, 2011/12) in early 2013. This policy has been established as the foundation and blueprint for the country's future economic and socio-economic development strategy (Hendriks, 2013). The NDP is seen as a policy roadmap to solve the country's socioeconomic challenges, improve economic growth, eradicate poverty, and decrease inequality by 2030. To ensure this is achieved, the government set targets to create 11 million jobs, eliminate income-based poverty, and reduce disparities aiming to reduce the Gini coefficient from 0.69 to 0.6 by 2030

(National Planning Commission 2013). In addition, the government called for a society free of corruption, a solid commitment to ethical behaviour, and a government that is accountable to its citizens (National Planning Commission 2013).

It has been nearly a decade since the implementation of this policy, and the available evidence suggests that South Africa is far from achieving its set goals as it was when the policy was introduced. Many political and economic stakeholders, such as the Democratic Alliance, Tripartite Alliance, and the Mass Democratic Movement, have expressed dissatisfaction with the policy, as it is perceived as anti-Freedom Charter, anti-working class, and not rooted in the country's historical liberation struggle, ultimately failing to serve the best interests of most South Africans (Mosala et al., 2017). According to Habib (2013), the NDP has not made any plans to encourage industrialization, particularly in the manufacturing sector. Instead, the infrastructure plan emphasizes the country's dependence on raw material exports, which is a concern.

The NDP goal was to achieve 6% annual GDP growth, between the period 2013-2020; the highest annual GDP achieved by South Africa has only been 2,49% which was back in 2013 (The Institute for Justice and Reconciliation (IJR), 2021). Between 2014 and 2018, the provision of essential services such as electricity and piped water decreased, and the quality of these services remains inconsistent. As a result, protests against service delivery increased, and high amounts of irregular government expenditure supported negative perceptions of corruption (IRJ, 2021).

According to Lancaster (2018), between 2013-2017, the 681 protests that took place were due to municipality services and 118 due to corruption and governance. In many ways, South Africa's progress toward the NDP goals has been disappointing but also encouraging to some extent. For example, South Africans living in formal housing increased from 64% to 80% between 1996 and 2017, and the overall levels of hunger decreased from 35% in 2002 to 16% in 2018 (IRJ, 2021).

The South African government needs to draw lessons from past economic policies to develop better policies that will yield desirable results. These policies have had varying levels of success in addressing South Africa's economic challenges, and their strengths and weaknesses can inform the development of future policies. For example, the RDP's emphasis on social and economic infrastructure development,

ASGISA's focus on targeted interventions in crucial sectors, and the NDP's emphasis on skills development and innovation offer valuable insights for future policy development. However, a key lesson from these policies is the importance of a sustained political will, practical implementation, and stakeholder consultation to achieve desired outcomes.

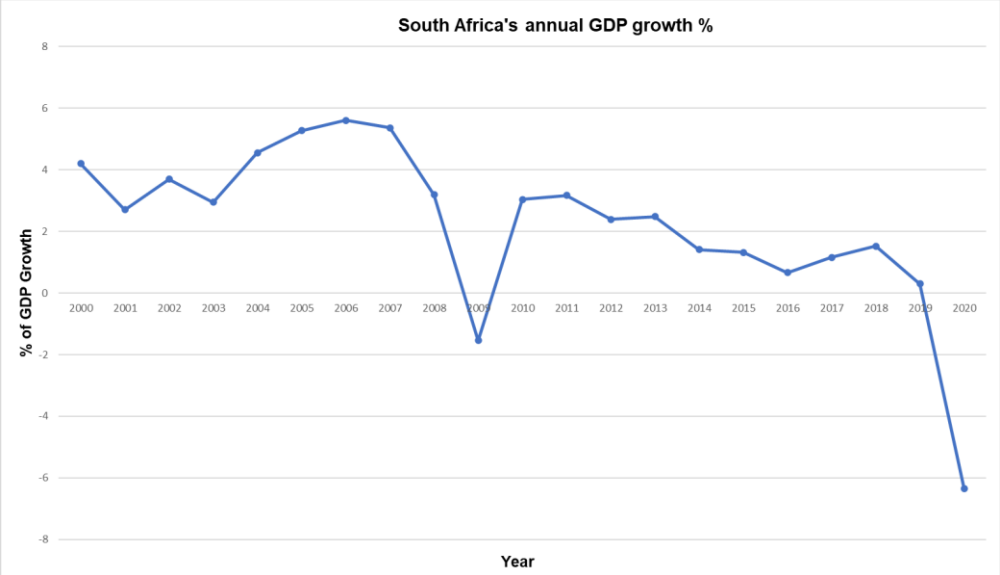
For economic policies to be effective and efficient in reaching their intended goals, they should be established through comprehensive research and data analysis. To ensure that economic policies are informed by various perspectives and are in line with the needs of various sectors of society, the government should collaborate with a wide range of stakeholders, including businesses, labour unions, civil society organisations, and experts in multiple fields. Furthermore, policies should be responsive to changing conditions and flexible. The COVID-19 pandemic provided an excellent example of this. South Africa could benefit from greater collaboration with other countries and international organisations, sharing best practices and lessons learned from different contexts. The country could also benefit from more significant investment in research and innovation, which can help identify new economic growth and development opportunities. Ultimately, developing effective economic policy requires a sustained and collaborative effort involving all sectors of society.

5.4.2 Economic growth trends in South Africa

South Africa is regarded as one of the region's most developed countries, with Africa's third-largest economy after Nigeria and Egypt. Since it transitioned to democracy in 1994, the government of South Africa has seen both success and setbacks as a result of the transformation.

The South African economy’s GDP in the past decade (2000-2020) is shown in the graph below. Figure 7 shows how the South African economy has fluctuated over the past decade.

Figure 7: South Africa’s annual GDP growth % from 2000-2020



Source: Author's graph using data from the World Bank

South Africa's economic growth has been stagnant and volatile in the past decade. The economy reached its peak of 5.6% in 2006 due to the implementation of the new economic policy (ASGISA), which emphasised liberalisation, private sector involvement, and economic integration with the rest of the world (SAIIA, 2020). In addition, the improvement in economic growth resulted from increased productivity, strengthened public finance, and supporting external environments (SAIIA, 2020). Since then, economic growth has been low, with the GDP percentage hitting an all-time low of -6.3% owing to the COVID-19 pandemic (SAIIA, 2020). This slow economic growth can be attributed to a combination of factors, including political unpredictability, high debt levels, decreasing business confidence, low investment levels, and structural limitations, including electricity shortages, labour disputes, and increased inequality are a few of the causes of this sluggish growth (SAIIA, 2020). Furthermore, the weakening of the world economy has impacted South Africa's major trading partners and decreased demand for its commodities (SAIIA, 2020).

The financial crisis of 2008 had a substantial influence on the nation's productivity levels, which resulted in a significant decline in GDP growth in 2009 to -1.5% from 3.2% in 2008 (World Bank, 2021). 2010-2011 saw an increase in GDP growth to 3% and 3.2%, respectively. This speed recovery was primarily due to the steady rise in consumer spending, tourism and demand for goods and services, which can be partly linked to the FIFA World Cup (World Bank, 2021). Additionally, robust commodity

prices, low-interest rates, and more substantial global economic growth were contributing factors (World Bank, 2021).

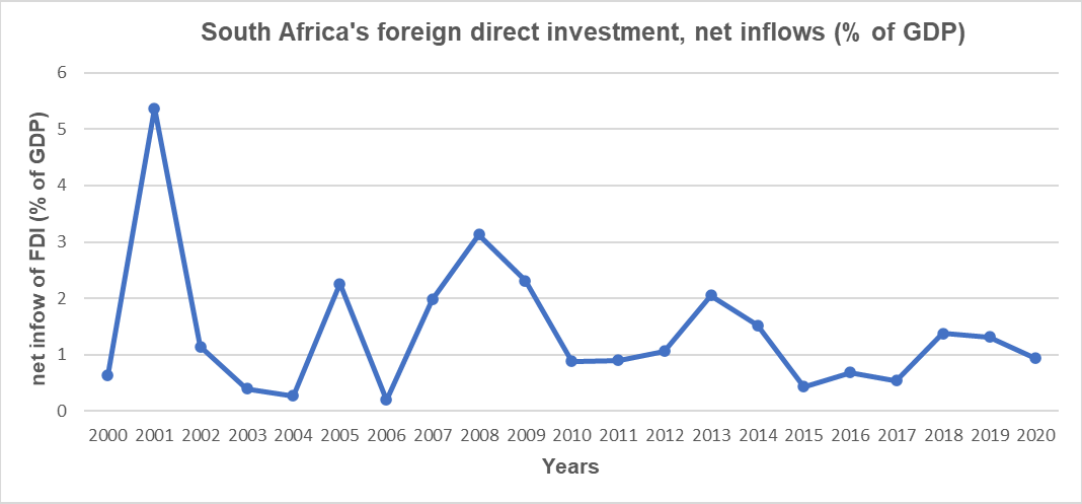
From 2011 onwards, South Africa has faced difficulties in maintaining the same GDP growth rate as it did prior to the global financial crisis of 2008. The 2017 World Bank Report indicates that between 1994 and 2012, South Africa's average annual economic growth rate was approximately 3.3%, which is lower than the growth rates observed globally (World Bank, 2017). South Africa's economy grew in 2018 to 1.5% compared to the previous years; factors contributing to this growth included improving global GDP, stabilising commodity prices, improving electricity network dependability, regaining consumer and investor confidence, and improving labour relations (World Bank, 2021). The South African economy has suffered a great deal as a result of COVID-19. The pandemic-induced global economic slowdown has severely impacted the nation, reducing demand for South African products and reducing foreign investment. With numerous enterprises being forced to close and rising unemployment rates, the pandemic has also significantly affected the local economy (Burger & Calitz, 2021).

For the economy of South Africa to recover from the impact of COVID-19 and the ongoing structural problems, a robust economic recovery plan is needed. A plan which will resolve the structural problems in South Africa's economy, such as inequality, unemployment, and a lack of skills. This can be done by investing in quality education and training, supporting the development of small and medium businesses by providing access to finance, markets, and training as they are an essential source of job creation and innovation in the economy and could help stimulate economic growth. Furthermore, increased investment in infrastructure, including transport, energy, and digital infrastructure, will address the energy crisis that is deterring FDI in the country and could boost economic activity and create jobs.

5.5 FDI's contribution to Economic Growth in South Africa

Following South Africa's transition to democracy, FDI's contribution to South Africa's economic growth increased consistently until it peaked in 2001 at 5.3%. The contribution of FDI to economic growth did, however, fall considerably after this peak and has continued to fluctuate over the years. Figure 8 below shows FDI's contribution to economic growth in South Africa in the past decade (2000-2020)

Figure 8: South Africa's foreign direct investment, net inflows (of GDP) from 2000-2020



Source: Author's graphs using data from the World Bank

FDI has been an essential factor in South Africa's economic growth, although it has varied over time; peak years included 2001, 2005, 2008, and 2013 where contributions were above 2% of GDP. South Africa's strong economic success in these years played a significant role in the peaks. The stable macroeconomic environment and attractiveness of the country attracted foreign investors looking to profit from the market expansion potential of the country (Olaniran & Ilesanmi, 2021). By implementing policies that support foreign investment, the South African government has also significantly contributed to attracting FDI. For instance, the government created the Foreign Investment Advisory Council in the mid-2000s to give foreign investors a forum to interact with government representatives about concerns affecting their investments (Olaniran & Ilesanmi, 2021).

The natural resources in South Africa, particularly minerals and precious metals, have been a significant source of foreign direct investment (FDI) over the years. The mining sector saw an increase in FDI in 2013, mainly due to the growing global demand for commodities (SAIIA, 2015). FDI has had a positive impact on employment and export growth in South Africa. A study conducted by the South African Reserve Bank (2015) revealed that FDI contributed to about 10% of employment growth and nearly 20% of export growth between 2004 and 2014. In addition, UNCTAD reported a positive correlation between FDI and economic growth in South Africa, with an average yearly

GDP growth rate of 2.5% from 2000 to 2018, and FDI inflows averaging around 2% of GDP (UNCTAD, 2018).

The Department for Trade, Industry and Competition (DTIC) (2018) stated that from 2003 to 2015, a total of 1 344 FDI projects were registered in South Africa. A total of $71.2 billion in capital was invested in South Africa's economy due to these FDI initiatives. Additionally, these initiatives supported the economy's ability to create 189 724 jobs (DTIC, 2018). Notably, the impact of the pandemic on FDI's contribution to the country's economy was not as bad as the 2004,2006, 2015 and 2017, when contributions were less than 0,5% of GDP, however, the pandemic did trigger a recession in South Africa (SAIIA, 2020). This decreased demand for products and services and influenced business performance in the country. As a result, foreign investors sought more reliable investment options, making South Africa less appealing as a destination (SAIIA, 2020).

Based on the information presented in the graph above, it is clear that South Africa has struggled to consistently lure long-term, sustainable investments from foreign investors since the country's levels of FDI continue to be highly variable and exhibit declining tendencies. This may indicate that the economy contains elements that deter foreign investment in the nation.

5.6 FDI-Related Policies and Innovative Strategies in Place to Improve Economic Growth

In South Africa, FDI is a vital source of savings needed to finance investments and a driver of economic growth. Macroeconomic and political stability are key aspects in attracting FDI to a country. According to Moeti (2006), governments should take a welcoming stance toward investors by offering incentives to draw in the correct kind of FDI needed in the country. DTIC and Trade and Investment South Africa (TISA) are two departments in South Africa which specifically focus on trade and investment in the economy. These departments have given investors several incentives through strategic programmes such as the Manufacturing Investment Programme (MIP), The Capital Projects Feasibility Programme (CPFP), The Critical Infrastructure Programme (CIP) and Strategic Investment Program (SIP).

The DTIC created MIP to encourage investment in the manufacturing industry. This initiative was intended for domestic and foreign manufacturers who planned to build

or expand existing factories (DTIC, 2015). By focusing on providing grants to small and medium-sized manufacturing companies, the initiative hopes to achieve its goal of promoting investment in the industry. The grant pays for 30% of the required cost of land, buildings, vehicles, machinery, and equipment (DTIC, 2015). This grant is highly beneficial to foreign investors as it will cover the cost of transporting machinery and equipment from outside South Africa (DTIC, 2015). The relocation payment has a maximum value of R10 million, and the grant must be repaid in three years. (DTIC, 2015).

To promote domestic exports and capital product markets in South Africa, the Capital Projects Feasibility Programme (CPFP) offers a cost-sharing grant that covers the expenses of feasibility studies. The Critical Infrastructure Programme (CIP) aims to decrease business costs by utilizing infrastructure support to leverage investment. The South African government is implementing the CIP in line with the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP) to foster investment growth.

SIP is an initiative to encourage business ventures in South Africa that will advance sectors and increase job possibilities (DTIC,2015). Due to the limited or non-existent limits on the volume or amount of foreign investment, prospective foreign investors are free to invest in any industry they choose without seeking prior government clearance (DTIC,2015). DTIC (2015) states that SIP's primary goal is to help South African sectors expand, develop, and be more competitive. The government offers tax assistance to projects that qualify. According to the qualifying scores, this program will offer a 50% or 100% initial capital allowance. Strategic goals and job creation are key factors that determine the qualifying scores (DTIC,2015). A deduction from taxable income is permitted for large investments made in certain industrial assets. There is a minimum investment requirement of R50 million, a 50% investment allowance for projects up to R300 million, and a 100% investment allowance for projects up to R600 million (DTI,2015).

Apart from the programs mentioned above, South Africa offers a wide range of investment incentives across all sectors, from tax allowances to supporting the automotive sector and helping innovation and technology companies. According to The Department of Trade, Industry and Competition (2018), some of these incentives are:

- The Special Economic Zones (SEZs) programme: was introduced in South Africa to promote investment in particular industries, including manufacturing and technology. SEZs are designed to foster an environment that is favourable to investment and the creation of jobs. They provide a variety of tax and regulatory benefits to investors.
- The Investment and Infrastructure Office: founded by the South African government to market South Africa as an investment destination and aid overseas companies. This involves educating investors on the investment process, offering support, and addressing any problems or obstacles they may encounter.
- The Export Marketing and Investment Assistance (EMIA) program aims to increase the export market for South African goods and services while attracting new foreign direct investment. The program provides partial reimbursement to exporters for expenses related to expanding the export market and encourages additional foreign direct investment into the country.
- The Automotive Investment Scheme (AIS) is intended to boost the automotive value chain, foster growth and development in the industry, and sustain employment by investing in new or replacement models and components, increasing plant production volumes, and other means.

Furthermore, the South African government has signed beneficial trade agreements to increase investment and promote economic growth. According to the Department of Trade, Industry and Competition (2018), some of these trade agreements include:

- The African Growth and Opportunity Act (AGOA) is a trade agreement between the United States and other African countries. With the support of AGOA, South Africa can access the US market duty-free for a variety of goods, which may boost exports and draw foreign investment from US businesses.
- European Union: South Africa and the European Union (EU) have a trade agreement establishing a framework for business and investment between the two continents. The deal opens the EU market to South African corporations and improves the investment climate for European companies.

- The India-South Africa Joint Business Council: This council offers a forum for trade and investment between the two nations and may facilitate an increase in Indian investment into South Africa.
- African Continental Free Trade Area (AfCFTA): A new trade agreement between African nations to foster intra-African trade and investment. South Africa hopes to attract foreign direct investment from other African countries and open up new trade and investment opportunities on the continent

Foreign Direct Investment (FDI) is vital to South Africa's economic development. The country has faced challenges attracting FDI due to policy uncertainties, regulatory hurdles, high labour costs, and limited infrastructure. The government has implemented various measures to address these challenges and attract more FDI. It has been working to streamline regulatory processes, improve transparency, and reduce bureaucracy to create a more investor-friendly environment. Additionally, the government has launched several investment promotion campaigns, such as the InvestSA initiative, to attract more FDI. The government has also been actively promoting the country's renewable energy sector and has launched the Renewable Energy Independent Power Producer Procurement Program (REIPPPP) to attract more FDI. The program has already attracted significant interest from international investors, including companies from China, the United States, and Europe.

South Africa's government has recognised the importance of FDI for economic growth and has implemented various measures to attract more FDI. The government has also been working to strengthen partnerships with other countries; this presents opportunities for South Africa to attract more FDI by providing access to a larger market and promoting trade between countries. By establishing these initiatives government aims to improve the business and investment climate and draw in investment from all over the world.

5.7 Conclusion

This chapter discussed the trends in economic growth and FDI in South Africa. It analysed economic growth and FDI patterns that illustrated how the country had changed following the democratic election of 1994. The COVID-19 pandemic greatly impacted economic growth and FDI in the country. The chapter discussed the effects of the pandemic on FDI in South Africa and what are some of the factors the

government needs to be aware of as it prepares for the post-recovery period of the pandemic. Historically Europe has been a significant investor in FDI in South Africa; however, as the years go by, other countries such as China, Nigeria and Mauritius are beginning to show a keen interest in investing in South Africa. Analysis of sectorial FDI in South Africa showed that financial, real estate and business sectors receive a significant amount of FDI. The chapter concluded by discussing some of the investment incentives and trade agreements offered by the Department of Trade, Industry and Competition to promote and encourage FDI in South Africa. Chapter 6 of this study will summarise the main points addressed within the study. The chapter will also identify various limitations of this study and introduce possible policy suggestions that could be used to increase the contribution of FDI to economic growth within South Africa.

CHAPTER SIX

CONCLUSION AND POLICY RECOMMENDATIONS

6.1 Introduction

The chapter will begin by providing a summary of the study and discussing the key points highlighted from chapter one to chapter five. Secondly, the chapter will offer a discussion on policy recommendations based on the discussion of the study. This chapter will conclude by identifying the study's limitations and areas for further research.

6.2 Summary of the study

This study investigated how foreign direct investment can aid economic growth strategies in South Africa. The study began by providing an overview of the current state of the economy of South Africa due to the COVID-19 pandemic and the need for the economy to reset in order to create a progressive, sustainable economy from which all South Africans can benefit. This allowed the study to introduce the research problem statement and establish the objectives of this study.

The theoretical and empirical literature review on the effects of FDI and economic growth is presented in Chapter Two. The chapter began by providing definitions of FDI, its classifications, the three modes of FDI and identifying the four motivating factors investors consider when they would like to invest in a country. In its classic definition, according to Graham and Spaulding (2005), foreign direct investment is defined as a company from one country making a physical investment in the construction of a factory in another country. FDI can be classified into two categories: Vertical FDI and Horizontal FDI. There are three modes through which firms undertake FDI: merger and acquisition (M&A), green field and joint venture. Four reasons motivate MNCs to invest: market-seeking, efficiency-seeking, resource-seeking, and strategic-asset-seeking. The first three are known as asset-exploiting strategies, while the fourth is known as an asset-augmenting strategy (Krugman & Obstfeld,2008).

Chapter Two reviewed the existing empirical literature on the relationship between FDI and economic growth. Previous studies have been inconclusive, with certain studies finding a positive relationship, others finding a negative relationship and other studies stating that the relationship can be neutral, meaning FDI can neither affect economic

growth positively nor negatively. The chapter introduced two economic growth theories underpinning this study: the neoclassical and endogenous growth theories. The neo-classical growth model shows that FDI can directly affect economic growth through capital accumulation and incorporating new inputs and foreign technology into the host country's production function. The endogenous growth model postulates that economic growth is determined by two key factors capital formation and technological progress. Both these theories acknowledge that FDI contributes to economic growth directly or indirectly.

Chapter Three presented the research methodology that underpinned this study. This research used secondary data collected from the databases of reputable organisations such as the United Nations Conference of Trade and Development and the World Bank. The methodology used was mixed methods, which entails collecting and analysing qualitative and quantitative data to better understand the research topic. A qualitative study in the form of a theoretical review was undertaken in this research study. The quantitative components of this research took place in the form of descriptive research.

Chapter Four analysed the FDI trends of the developing regions of the world (Asia, Africa and Latin America and the Caribbean) in the past two decades. This chapter identified the best-performing sub-region and the country by analysing the trends in FDI inflows across the developing region. It sought to explore how these developing regions have successfully attracted FDI and how best other regions and countries can learn from each other. This chapter offered a global perspective into the trends in FDI, what investors look for when investing and what makes other regions and countries more unique.

The best-performing sub-regions identified were East Asia, North Africa, and South America. This was based on their ability to attract FDI through their high levels of FDI inflow. East Asia was identified as the best-performing sub-region for Asia, North Africa was identified as the best-performing sub-region for Africa, and South America was identified as the best-performing country for Latin America and the Caribbean. What makes these three sub-regions attract more FDI than other sub-regions in their region is due to factors such as large and growing markets, strategic location (East Asia and North Africa), Infrastructure (South America and East Asia) supportive

government and pro-business policies and stable political and economic environments. The three sub-regions identified the best-performing country based on its ability to attract FDI through its high levels of FDI inflow.

China was identified as the best-performing country in the sub-region of East Asia, Brazil was identified as the best-performing country in the sub-region of Latin America, and the Caribbean and Egypt was identified as the best-performing country in North Africa. Brazil, China, and Egypt have successfully lured FDI inflow through their sizable domestic markets, natural resources, investment-friendly regulations, growing infrastructure, and skilled labour. These elements have drawn foreign investors seeking to grow their businesses and enter new markets in these nations.

Chapter Five examined the contribution of FDI to economic growth in South Africa in great detail. The chapter began by discussing South Africa's FDI landscape, trends, sources of FDI and sectorial focus. In the past decade (2000-2020), FDI inflows to South Africa have been unstable. The need for long-term investment in South Africa to reduce the volatility of FDI inflows is evident as there have only been five years (2001,2005,2008,2013, and 2018) in which South Africa had an influx of FDI. Historically Europe has been a significant investment in FDI in South Africa; however, as the years go by, other countries such as China, Nigeria and Mauritius are beginning to show a keen interest in investing in South Africa. A closer look at the types of FDI drawn to South Africa reveals that the tertiary sector, notably the banking sector, continues to receive the majority of FDI within the country.

Chapter Five also analysed the trends in economic growth in South Africa and how FDI has contributed to economic growth. Furthermore, It looked at how the pandemic has affected FDI in the country. Like FDI inflows in the country, South Africa's economic growth has been stagnant and volatile in the past decade. Having reached its peak of 5.6% in 2006 (World Bank, 2020). The country's average yearly GDP growth rate was around 2.5% from 2000–2018, and FDI inflows to South Africa averaged around 2% of GDP. The COVID-19 pandemic greatly impacted economic growth and FDI in the country. The country suffered immensely due to the global economic slowdown and weakened investor confidence resulting in a decline in FDI inflows by 39% to $3.1 billion in 2020 (UNCTAD, 2021). Economic growth hit an all-time low of -6.3% owing to the pandemic. Despite this, the government of South Africa

continues to try to put its best foot forward to develop and implement strategies that encourage foreign investment in the country. To better understand the South African economy and its challenges, chapter five provided an in-depth analysis of the economic policies implemented in South Africa. The chapter discussed the success of each policy and the failure, which resulted in a new policy being created.

The chapter concluded by discussing foreign direct investment-related policies and innovative strategies to improve economic growth. Furthermore, it identified some of the trade agreements the country signed that contribute to FDI in the country and aid in economic growth.

6.3 Policy recommendations

The outbreak of the COVID-19 pandemic posed significant challenges to global economies, including South Africa. To revitalize and sustain economic growth during these unprecedented times, harnessing the potential of foreign direct investment (FDI) becomes critical for South Africa. This study aimed to address two research questions: How can FDI contribute to economic growth in South Africa during the COVID-19 era, and what strategies can be employed to attract more FDI to foster economic growth? To answer these questions, the following policy measures and initiatives are recommended:

1. Invest in human capital

South Africa should invest in developing its human resources to ensure that the country has a qualified workforce that can meet investors' expectations. This entails funding educational and training initiatives as well as encouraging the growth of technical and vocational training. According to Statistics South Africa's Quarterly Labour Force Survey for the third quarter of 2021, the unemployment rate in South Africa remains high, with an overall unemployment rate of 34.4% in the third quarter of 2021(StatsSA,2021). The unemployment rate was higher among unskilled workers at 43.2%, while the rate for skilled workers was 22.7%(StatsSA, 2021). Government can invest in human capital by granting tax exemptions to businesses that provide training and development initiatives; South Africa can also encourage international investors to upskill local workers.

2. Infrastructure improvements

Infrastructure should be improved in South Africa to promote investment and a business-friendly environment. This entails enhancing telecommunications infrastructure, boosting electrical availability, and enhancing transportation networks. Investment in infrastructure can also aid in expanding other industries like tourism and manufacturing, which can stimulate the economy. For instance, South Africa may invest in rail and road networks to link rural areas with major towns, creating new business opportunities in mining and agriculture.

Additionally, the pandemic has highlighted the significance of a robust healthcare system. FDI targeted in the healthcare sector can help build state-of-the-art medical facilities, develop pharmaceutical manufacturing capabilities, and support research and development.

3. Strengthen regional integration

Increasing economic and investment ties with other countries in the continent will help South Africa improve regional integration. This may lead to fresh investment opportunities and encourage regional economic expansion. For instance, South Africa can lower trade restrictions like tariffs and non-tariff barriers to encourage investment and trade with other African nations. In order to promote investment prospects in the country, South Africa can also continue to participate in regional investment forums and conferences.

Furthermore, establishing special economic zones with tailored incentives and streamlined regulations to attract FDI. These zones can focus on industries such as manufacturing, technology, or research, creating clusters of economic activity.

4. Encourage innovation and entrepreneurship

Promoting entrepreneurship and innovation can draw foreign direct investment, leading to job creation and economic expansion. The South African government might contribute to initiatives that encourage innovation in vital industries, assist in research and development and offer incentives to new businesses

5. Simplify regulatory procedures

Simplify regulatory processes to make it simpler and more effective for firms to invest in South Africa, the government could consider streamlining regulatory processes.

This can entail making it simpler for foreign investors to start enterprises in the country, cutting down on bureaucracy and red tape, and expediting the procedure for acquiring business licenses and permits. According to World Bank (2017), foreign investors have reported that the bureaucratic procedures for registering a business in South Africa can be complex and time-consuming, leading to delays and increased costs. Some have also complained about the regulatory process's lack of transparency and predictability.

6. Boosting E-commerce and Digital Services:

With the increased adoption of online services during the pandemic, FDI in the e-commerce and digital services sectors can aid economic growth. As the country works on recovering from the pandemic FDI strategies should focus on attracting global e-commerce firms that can invest in establishing fulfilment centres and improve digital payment solutions in South Africa, facilitating safer and more efficient transactions.

In the face of the COVID-19 pandemic, foreign direct investment holds immense potential to bolster economic growth in South Africa. By leveraging FDI to support key sectors, encourage technology transfer, and facilitate export-oriented industries, the country can chart a path towards recovery and resilience. Adopting investor-friendly policies, promoting strategic sectors, and investing in infrastructure will be critical in attracting more FDI and positioning South Africa as an appealing investment destination. With well-crafted strategies, South Africa can harness the power of FDI to navigate through the challenges of the COVID-19 era and foster sustainable economic growth in the long run.

6.4 Limitations of the study

This study was conducted using desktop research, which posed limitations such as the inability to capture non-economic factors. There are non-economic, such as social, cultural, and political factors, which can significantly influence the effect of FDI on economic growth; desktop research may not always capture the impact of non-economic factors on the relationship between FDI and economic growth in South Africa. Furthermore, desktop research may not always capture the intricacies and complexities of the South African economy. This limits the ability to make precise and helpful generalisations about the impact of FDI on economic growth.

This study considered the effects of FDI on economic growth in South Africa in the COVID-19 era, which has presented limitations on the study as the pandemic has significantly altered South Africa's economic climate, negatively influencing FDI and economic growth. As a result, some of the information and analyses applicable before the pandemic may no longer be appropriate, making it difficult to draw meaningful conclusions. Additionally, to combat the financial effects of the COVID-19, the South African government has implemented a variety of policy remedies, including tax breaks for companies and COVID-19 relief funds for small business. These policy responses can significantly impact FDI and economic growth, and it may be difficult to completely comprehend and evaluate their effectiveness by desktop research alone.

While desktop research can provide valuable insights into the relationship between FDI and economic growth in South Africa, it is important to acknowledge and account for these limitations in any analysis. To understand the impact of FDI on economic growth in South Africa, researchers may need to supplement desktop research with other forms of data collection and analysis, such as surveys or interviews with key stakeholders.

REFERENCES

Abdella, A., Navaz, N & Fah, B.(2018). The Effect of Corruption, Trade Openness and Political Stability on Foreign Direct Investment: Empirical Evidence from BRIC Countries. *International Journal of Advanced and Applied Sciences*, 5(3): 1-6

Adams, S. (2009). Foreign direct investment, domestic investment and economic growth in Sub-Saharan Africa*. Journal of Policy Modelling*, 31(1), 939–949.

Alfaro, L., Chanda, A., Kalmli-Ozcan, S., & Sayek, S.(2004). FDI and economic growth: The role of local financial markets. *Journal of International Economics*, 64(1), 89-112.

Alfaro, L. (2015). Foreign direct investment: Effects, complementarities, and promotion. Partners or creditors, 21-76.

Al-Sadig, A.(2009) The Effects of Corruption on FDI Inflows*. Cato Journal*, 29 (1): 1-22

Ali, S., & Guo, W. (2005). Determinants of FDI in China. Journal of global business and technology, 1(2), 21-33.

de Angelo, C., Eunni, R. V., & Manoel Martins Dias Fouto, N. (2010). Determinants of FDI in emerging markets: evidence from Brazil. *International Journal of Commerce and Management*, *20*(3), 203-216.

Anyanwu, J. C. (2012). Why does foreign direct investment go where it goes? New evidence from African countries. *Annals of economics and finance*, *13*(2), 425-462.

Asian Development Bank. (2020). *Asian Economic Integration Report 2020: Enabling Participation in the Global Value Chains*. Asian Development Bank. Retrieved from https://www.adb.org/publications/asian-economic-integration-report-2020

Ajam, T. (2020). More eyes on COVID-19 perspectives from Economic costs of the pandemic and its response. *South African Journal Science*,116(1),7-8. Retrieved from https://doi.org/10.17159/sajs.2020/8490.

Ajayi, S. I. (2006). FDI and economic development in Africa. *A Paper presented at the ADB/AERC International(online).* Retrieved from

https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=3403b7fa68ae22535197d6cd517903084a48a30b

Bah, S.I & Giritli, N. (2019). What Drives Foreign Portfolio Investment Flows in South Africa. *Journal of Yasar University*, 15(58), 368-380.

Baldwin, R., Braconier, H., & Forslid, R. (2005). Multinationals, endogenous growth, and technological spillovers: theory and evidence*. Review of International Economics*, 13(5), 945-963.

Baldwin, R., & Forslid, R. (2014). The development and future of factory Asia. In A. Coe, H. W. Yeung, & T. J. Liu (Eds.), Asia and Global Production Networks (pp. 338-368). Edward Elgar Publishing.

Ben-David, D., & Loewy, M. B. (2003). Trade and the neoclassical growth model. *Journal of economic integration*,1(1), 1-16.

Bhorat, H., & Van der Westhuizen, C. (2010). Poverty, inequality, and the nature of economic growth in South Africa*. Development Policy Research Unit Working Paper 12/151.*The University of Cape Town. Retrieved from:

http://www.humanities.uct.ac.za/sites/default/files/image_tool/images/36/DPRU%20WP12-151.pdf

Boianovsky, M., & Hoover, K. D. (2009). The neoclassical growth model and twentieth-century economics. History of Political Economy, 41(1), 1-23.

Brits, J. (2014). South Africa after apartheid, 1994-2004. In F. Pretorius (Ed.), *A history of South Africa: From the distant past to the present day* (pp. 55-78). Protea Book House.

Brouthers, L. E., Gao, Y. A. N., & McNicol, J. P. (2008). Corruption and market attractiveness influences on different types of FDI. *Strategic management journal*, *29*(6), 673-680.

Burger, P., & Calitz, E. (2021). Covid-19, economic growth and South African fiscal policy. *South African Journal of Economics*, 89(1), 3-24.

Caner, M., & Hansen, B. E. (2004). Instrumental variable estimation of a threshold model. *Econometric Theory*, 20(5), 813-843.

Carkovic, M., & Levine, R. (2005). Does foreign direct investment accelerate economic growth. *Does foreign direct investment promote development*, 195, 220.

Carmona, A., Maniam, B., & Lunce, S. E. (2008). *Foreign direct investment in Latin America and the Caribbean.* Department of General Business and Finance College of Business Administration Sam Houston State University. Retrieved from

http://swdsi.org/swdsi05/Proceedings05/paper_pdf/Foreign%20Direct%20Investment%20in%20Latin%20America%20(T1B3).pdf

Chakraborty, C., & Nunnenkamp, P. (2008). Economic reforms, FDI, and economic growth in India: a sector level analysis. *World development*, 36(7), 1192-1212.

Chaudhury, S., Nanda, N., & Tyagi, B. (2020). Impact of FDI on economic growth in south Asia: does nature of FDI matters? *Review of Market Integration*, *12*(1-2), 51-69.

Chirwa, T. G. (2016). *What drives long-run economic growth? Empirical evidence from South Africa.* UNISA Economic Research Working Paper Series 02/2016. Retrieved from:

http://hdl.handle.net/10500/19975.

Choi, C. (2006). Does foreign direct investment affect domestic income inequality? *Applied Economics Letters* 13(1): 811–14.

CNBC Africa. (2019, October 15). Coca-Cola announces greenfield investment in South Africa. Retrieved from https://www.cnbcafrica.com/videos/2019/10/15/coca-cola-announces-greenfield-investment-in-south-africa/

Cole, A. P., & Trinh, Q. D. (2017). Secondary data analysis: techniques for comparing interventions and their limitations*. Current opinion in urology*, 27(4), 354-359.

Cooper, T. J. (2020). *An analysis of the impact of the size and type of government intervention on economic growth in South Africa* (Doctoral dissertation, University of Northwest, South Africa). Retrieved from

https://repository.nwu.ac.za/bitstream/handle/10394/34790/Cooper_TJ_26433737.pdf?sequence=1&isAllowed=y.

De Groot, O., & Pérez Ludeña, M. (2014). Foreign direct investment in the Caribbean: trends, determinants and policies. United Nations Economic Commission for Latin America and the Caribbean (ECLAC). Retrieved from

https://repositorio.cepal.org/bitstream/handle/11362/36620/S2014046_en.pdf

Denisia, V. (2010). 'Foreign direct investment theory: An overview of the main FDI theories', *European Journal of Interdisciplinary Studies* 3,53-59.

De Jager, J. L. W. (2004). *Exogenous and Endogenous Growth*. (Doctoral dissertation, University of Pretoria, Pretoria, South Africa). Retrieved from

https://repository.up.ac.za/bitstream/handle/2263/23183/00front.pdf?sequence=1&isAllowed=y

Deloitte. (2011). Economic Impact of the 2010 FIFA World Cup on South Africa. Retrieved from: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/consulting/ZA_Cons_EconomicImpactOfThe2010FIFAWCOnSA_250711.pdf

De Mello, L.R. (2000). Foreign direct investment in developing countries: a selective survey. *Journal of Development Studies*, 34(1):1–34.

Demir, B., & Sayek, S. (2008). *Is it vertical or is it horizontal? The type of FDI across sectors*. Retrieved from

https://www.sabanciuniv.edu/HaberlerDuyurular/Documents/DD20080923141305/typeofFDIsayekdemir.pdf

Department of Basic Education. (2014). National School Nutrition Programme (NSNP) 2013/14 Annual Report. Retrieved from:

https://www.education.gov.za/Portals/0/Documents/Reports/NSNP%20ANNUAL%20REPORT%202014%20website%20upload.pdf?ver=2015-07-06-153339-633

Department of Economic Development. (2012). The New Growth Path: The Framework. Retrieved from

https://www.gov.za/sites/default/files/gcis_document/201409/new-growth-path.pdf

Department of Finance. (1996). Growth, Employment and Redistribution: A Macroeconomic Strategy. *Government Gazette*, Vol. 373, No. 17554. Retrieved from http://www.treasury.gov.za/legislation/policies/gear/default.aspx

Department of Trade, Industry and Competition (DTIC). (2015*). Measuring economic impacts of investment in the research base and innovation: A new framework for measurement*, Department of Trade and Industry, Pretoria.

Department of Trade, Industry and Competition (DTIC). (2018). *Foreign Direct Investment in South Africa*. Retrieved from

https://www.thedtic.gov.za/wp-content/uploads/Foreign-Direct-Investment-in-South-Africa.pdf

The Department of Trade Industry and Competition. (n.d.). Trade Agreements, Retrieve from

http://www.thedtic.gov.za/sectors-and-services-2/1-4-2-trade-and-export/market-access/trade-agreements/

Dinh, T.T., Vo, D.H., Vo, A.T., & Nguyen, T.C. (2019). Foreign Direct Investment and Economic Growth in the Short Run and Long Run: Empirical Evidence from Developing Countries. *Journal of Risk and Financial Management*, 12(4),176. Retrieved from https://doi.org/10.3390/jrfm12040176

Dupasquier, C., & Osakwe, P. N. (2006). Foreign direct investment in Africa: Performance, challenges, and responsibilities. *Journal of Asian Economics*, 17(2), 241-260.

Edrees, A .(2015). Foreign Direct Investment, Business Environment and Economic Growth in Sub-Saharan Africa: Pooled Mean Group Technique. Journal of Global Economics, 3,144. doi: 10.4172/2375- 4389.1000144.

Economic Commission for Latin America and the Caribbean (ECLAC). (2020). Social Panorama of Latin America 2019. United Nations Publications. Retrieved from https://www.cepal.org/en/publications/46287-social-panorama-latin-america-and-caribbean-2019.

Economic Commission for Latin America and the Caribbean (ECLAC). (2021). The Social Challenge in Times of COVID-19. United Nations Publications. Retrieved from https://www.cepal.org/en/publications/47638-social-challenge-times-covid-19.

Economic Commission for Latin America and the Caribbean (ECLAC). (2022). Preliminary Overview of the Economies of Latin America and the Caribbean, 2022. United Nations Publications. Retrieved from

https://www.cepal.org/en/publications/49743-preliminary-overview-economies-latin-america-and-caribbean-2022

Elboiashi, H. A. (2011). *The effect of FDI and other foreign capital inflows on growth and investment in developing economies* (Doctoral dissertation, University of Glasgow).

Elshamy, H. (2017). The economic determinants of Chinese foreign direct investment in Egypt. *China and Africa: a new paradigm of global business*, 189-198.

Faeth, I. (2009). Determinants of foreign direct investment–a tale of nine theoretical models. *Journal of Economic surveys*, *23*(1), 165-196.

Farrell, R. (2008). *Japanese Investment in the World Economy: A Study of Strategic Themes in the Internationalisation of Japanese Industry*. Britain: Edward Elgar.

Fedderke, J. W., & Romm, T. A. (2006). Growth impact and determinants of foreign direct investment into South Africa, 1956–2003. *Economic Modelling*, 23(1), 738–760.

Fedderke, J., & Simkins, C. (2012). Economic growth in South Africa. *Economic History of Developing Regions*, 27(1), 176-208.

Fine, B. (2012). Assessing South Africa's new growth path: framework for change?. *Review of African Political Economy*, 39(134), 551-568.

Ford Motor Company. (2019). Ford and Mahindra to explore strategic alliance, extend existing relationship to drive profitable growth in India, other emerging markets. *Ford Media Center*. Retrieved from

https://media.ford.com/content/fordmedia/fna/us/en/news/2019/10/01/ford-mahindra-strategic-alliance.html

Gbadamosi, A. (2013). Understanding the Developed/Developing Country Taxonomy. *Advocates for International Development*. Retrieved from

https://www.a4id.org/policy/understanding-the-developeddeveloping-country-taxonomy/

Gevisser, M. (2009). *Thabo Mbeki: the dream deferred.* Cape Town: Jonathan Ball Publishers

Goh, L. T., Ranjanee, S., & Lin, W. L. (2020). Crazy Rich Asian Countries? The Impact of FDI Inflows on the Economic Growth of the Economies of Asian Countries: Evidence from An NARDL Approach. *International Journal of Economics & Management*, *14*(1).

Gopinath, M, & Chen,W. (2010). Foreign direct investment and wages: A cross-country analysis Foreign direct investment and wages: A cross-country analysis. *Journal of International Trade and Economic Development* 8199(1): 285–309.

Graham, J. P., & Spaulding, R. B. (2005). Understanding foreign direct investment (FDI) as contributors to Bizzed International Gateway for CITIBANK. Retrieved from http://www.going-global.com/jpgconsulting/services.htm

Grant Thornton. (2010). Economic impact of the 2010 FIFA World Cup on South Africa. Retrieved from https://www.gt.co.za/Insights/Economic-impact-of-the-2010-FIFA-World-Cup-on-South-Africa/

Griffith, R., Waithe, K., & Craigwell, R. (2008). The significance of foreign direct investment to Caribbean development. Retrieved from

http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.590.4270&rep=rep1&type=pdf

Gürel, E., & Tat, M. (2017). SWOT analysis: a theoretical review. *Journal of International Social Research*, 10(51).

Habib, A. (2013). *South Africa's suspended revolution: Hopes and prospects*. Wits University Press.

Hendriks, S. (2013). South Africa's National Development Plan and New Growth Path: reflections on policy contradictions and implications for food security. *Agrekon*, *52*(3), 1-17.

Herzer, D. (2010). Outward FDI and economic growth. *Journal of Economic Studies*, *37*(5), 476-494.

Herzer, D., Klasen, S., & Nowak-Lehmann, F. D. (2008). In Search of FDI-led growth in developing countries: The way forward. *Economic Modelling*, 793-810.

Hirsch, A. (2005). Season of Hope: Economic Reform under Mandela and Mbeki. S. Hines (Ed.). University of KwaZulu-Natal Press & International Development Research Centre.

Ho, S. C., Kauffman, R. J., & Liang, T. P. (2007). A growth theory perspective on B2C e-commerce growth in Europe: An exploratory study. *Electronic Commerce Research and Applications*, *6*(3), 237-259.

Humphrey, L., & Fraser, G. (2016). 2010 FIFA World Cup stadium investment: Does the post-event usage justify the expenditure?. *African review of economics and finance*, *8*(2), 3-22.

Institute for Justice and Reconciliation (IJR). (2021). National Development Plan: Lessons in Transformation. Retrieved from https://www.ijr.org.za/wp-content/uploads/2021/06/National-Development-Plan-Lessons-in-Transformation-IJR-Occasional-Paper-4-2021.pdf

International Monetary Fund. (2003). Foreign Direct Investment Statistics: How Countries Measure FDI, 2001. Washington. Retrieved from

https://www.imf.org/external/pubs/ft/fdis/2003/index.htm

International Monetary Fund. (2012) Spill over Report. Washington: International Monetary Fund. Retrieved from https://www.imf.org/external/np/pp/eng/2012/071012.pdf

International Monetary Fund. (2016). *World Economic Outlook Report*. Retrieved from https://www.imf.org/external/pubs/ft/weo/2016/01/.

Ishida, M. (2012). Attracting FDI: experiences of East Asian countries. *Economic reforms in Myanmar: Pathways and prospects*. Retrieved from https://www.burmalibrary.org/docs21/ISHIDA-IDE-2013-Attracting_FDI-Experiences_of_East_Asian_Countries-en.pdf

Jeffery, A. (2010). *Chasing the Rainbow: South Africa's Move from Mandela to Zuma. Johannesburg*: South African Institute of Race Relations.

Jilenga, M. T., Xu, H., & Gondje-Dacka, I. M. (2016). The impact of external debt, and foreign direct investment on economic growth: Empirical evidence from Tanzania. *International Journal of Financial Research,* 7(2), 154–162.

Johnson, A. (2006). The effects of FDI inflows on host country economic growth. The Royal Institute of technology. *Centre of Excellence for studies in Science and Innovation.* Retrieved from

http://www.infra.kth.se/cesis/research/publications/workingpapers

Jordà, Ò., Singh, S. R., & Taylor, A. M. (2020). Longer-run economic consequences of pandemics. *National Bureau of economic research,* (No. w26934).

Jyun-Yi, W., & Chih-Chiang, H. (2008). Does foreign direct investment promote economic growth? Evidence from a threshold regression analysis. *Economics Bulletin*, 15(12),1–10.

Kargbo, S. M. (2017). Foreign direct investment and economic growth in Africa. (Doctoral thesis, University of Cape Town.) Retrieved from

https://open.uct.ac.za/handle/11427/25741

Kamaly, A. (2011). Inward FDI in Egypt and its policy context. Country profiles of inward and outward foreign direct investment. *The Vale Columbia Center on Sustainable International Investment*. https://doi.org/10.7916/D8S75Q96

Kawai, M., & Wignaraja, G. (2007). ASEAN+3 or ASEAN+6: Which way forward? Asian Development Bank Institute (ADBI), ADBI Discussion Paper Series, No 77. Retrieved from http://hdl.handle.net/10419/53447.

Khan, M. & Akbar, M.(2013) The Impact of Political Risk on Foreign Direct Investment. *International Journal of Economics and Finance* , 5(8):1-7

Kinda, T. (2013). Beyond natural resources: Horizontal and vertical FDI diversification in Sub-Saharan Africa. *Applied Economics*, 45(25), 3587-3598.

Knight, R. (2001). South Africa: Economic Policy and Development. Retrieved from http://richardknight.homestead.com/files/sisaeconomy.htm

Krugman, P & Obstfeld, M. (2008). *International economics: Theory and policy*. 8th edition. Addison Wesley.

Knoerich, J. (2017). How does outward foreign direct investment contribute to economic development in less advanced home countries?. *Oxford Development Studies*, *45*(4), 443-459.

Koojaroenprasit, S. (2012). The impact of foreign direct investment on economic growth: A case study of South Korea. *International Journal of Business and Social Science*. 3(21), 8–19

Konings, J. (2003). The effects of foreign direct investment on domestic firms. Economics of Transition and Institutional Change. 9, (3), 619-633.

Lancaster, L. (2018). Unpacking discontent: Where and why protest happens in South Africa. *South African Crime Quarterly*, 64, 29-43.

Lessmann C. (2013). Foreign direct investment and regional inequality: A panel data analysis. *China Economic Review*, 24 (1),129 – 149.

Liberto, D. & Estevez, E. (2020). Endogenous Growth Theory Definition. Retrieved from https://www.investopedia.com/terms/e/endogenousgrowththeory.asp.

Liu, L. G., Chow, K., & Li, U. (2006). Determinants of foreign direct investment in East Asia: Did China crowd out FDI from her developing East Asian neighbours. HKUST Institute for Emerging Market Studies, No 0617

Loayza, N., & Soto, R. (2002). The sources of economic growth: An overview. *Series on Central Banking, Analysis, and Economic Policies, no. 6*.

Lodge, T. (2002). *Politics in South Africa: From Mandela to Mbeki* (Second ed.). Cape Town: David Philip.

Loots, E., & Kabundi, A. (2012). Foreign direct investment to Africa: Origins, dynamics and challenges. *SAJEMS,* 15(1), 128–141.

Louzi, B.M., and Abadi, A.(2011). The effect of Foreign Direct Investment on Economic Growth: IJRAAS Journal of Economics (8): 2-16.

Luiz J. (2007). The battle for social and economic policy. Discourse Wits Business School,University of the Witwatersrand, 35(2).

Lumbila, K. N. (2005) What makes FDI work? A panel analysis of the growth effect of FDI in Africa. The African Region Working paper no. 80. Retrieved from

https://www.worldbank.org/afr/wps/wp80

Lyroudi, K., Papanastasiou, A., and Vamvakidis, A., 2004. The Importance of FDI on Economic Growth: Evidence from Transition Economies, South- Eastern Europe Journal of Economics (1): 97-110.

Mah, J. S., & Yoon, S. C. (2010). Determinants of FDI Flows into Indonesia and Singapore. *International Area Review*, *13*(1), 63-73.

Mahembe, E. & Odhiambo, N.M. (2014) Foreign Direct Investment and Economic Growth: A Theoretical Framework. *Journal of Governance and Regulation*, 3(2), 63-69.

Makhoba, B. P., & Zungu, L. T. (2021). Foreign Direct Investment and Economic Growth in South Africa: Is there a Mutually Beneficial Relationship?. *African Journal of Business and Economic Research*, 16(4), 101.

Mankiw, N. G. (2000). *Real business cycles: A new Keynesian perspective* (pp. 328-341). Macmillan Education UK.

Masipa,T. (2014). The impact of foreign direct investment on economic growth and employment in South Africa: A time series analysis. *Mediterranean Journal of Social Sciences*, 5(25), 18.

Masipa, T. S. (2018). The relationship between foreign direct investment and economic growth in South Africa: Vector error correction analysis. *Acta Commercii*, *18*(1), 1-8.

Masry, M. (2015). Does foreign direct investment (FDI) really matter in developing countries? The case of Egypt. *Research in World Economy*, *6*(4), 64-77.

Mehic, E., Silajdzic, S., & Babic-Hodovic, V. (2013). The impact of FDI on economic growth: Some evidence from Southeast Europe. *Emerging Markets Finance and Trade*, *49*(sup1), 5-20.

Melnyk, L., Kubatko, O., & Pysarenko, S. (2014). The impact of foreign direct investment on economic growth: case of post communism transition economies. *Problems and perspectives in Management*, 12(1), 17-24.

McCusker, K., & Gunaydin, S. (2015). Research using qualitative, quantitative, or mixed methods and choice based on the research. *Perfusion*, 30(7), 537-542.

Mickle, T. (2018). Tesla is building a factory in China. CNBC. Retrieved from https://www.cnbc.com/2018/01/10/tesla-is-building-a-factory-in-china.html

Mining Technology. (2019, June 5). Sibanye-Stillwater completes acquisition of Lonmin. Retrieved from https://www.mining-technology.com/news/sibanye-stillwater-completes-acquisition-of-lonmin/

Moeti, K. B. (2006*). Rationalization of government structures concerned with foreign direct investment policy in South Africa* (Doctoral dissertation, University of Pretoria). Retrieved from http://hdl.handle.net/2263/24485

Moosa, I. A., & Merza, E. (2022). The effect of COVID-19 on foreign direct investment inflows: stylised facts and some explanations. *Future Business Journal*, *8*(1), 20.

Mosala, S. J., Venter, J. C. M., & Bain, E. G. (2017). South Africa's economic transformation since 1994: What influence has the National Democratic Revolution (NDR) had?. *The Review of Black Political Economy*, *44*(3-4), 327-340.

Mottaleb, K. A., & Kalirajan, K. (2010). Determinants of foreign direct investment in developing countries: A comparative analysis. *Margin: The Journal of Applied Economic Research*, *4*(4), 369-404.

Mpanju, A.K.(2012). The impact of foreign direct investment on employment creation in Tanzania, *International Journal of Business Economics & Management Research* 2(1), 126-139.

Mugeni, S.(2015). *Foreign Investment, Democracy and Income Inequality: Empirical Evidence.* (Masters Thesis, University of Ottowa). Retrieved from

https://ruor.uottawa.ca/bitstream/10393/32373/1/Mugeni_Sandrine_2015_researchpaper.pdf

Musakwa, M. T & Odhiambo, N. M. (2019). Foreign direct investment dynamics in South Africa: Reforms, trends and challenges. *Studia Universitatis "Vasile Goldis" Arad. Economics Series,* 29(2),33-53. ISSN: 1584-2339.

Musibah, A.(2017). Political Stability and Attracting Foreign Direct Investment: A Comparative Study of Middle East and North African Countries. Sci.Int. (Lahore), 29(3): 1-4

Nair-Reichert, U. & Weinhold, D. (2001). Causality tests for cross-country panels: A new look at FDI and economic growth in developing countries*, Oxford Bulletin of Economics and Statistics* 63(2): 153-171.

National Planning Commission. (2013). National development plan: vision 2030. Retrieved from https://www.gov.za/sites/default/files/gcis_document/201409/ndp-2030-our-future-make-it-workr.pdf.

National Treasury (2020). Budget Review. Retrieved from http:// www.treasury.gov.za./.

Nattrass, N. (2011). South African Economic Policy under Democracy. Economic *Development and Cultural Change*, 59(4), 907-909.https://doi.org/10.1086/660005

Newman, C., Rand, J., Talbot, T., & Tarp, F. (2015). Technology transfers, foreign investment and productivity spill overs. *European Economic Review*, *76*, 168-187.

Ndoricimpa, A. (2009). *Foreign direct investments, exports and economic growth in COMESA countries: A heterogeneous panel causality approach* (Doctoral dissertation, Makerere University). Retrieved from

https://www.mak.ac.ug/documents/Makfiles/theses/Ndoricimpa_Arcade.pdf

Ng, T. H. (2007). Has foreign direct investment led to higher productivity in Sub-Saharan Africa? Research and Statistics Branch Staff Working Paper 08/2007. United Nations Industrial Development Organization. Retrieved from

https://open.unido.org/api/documents/4817868/download/Has%20Foreign%20Direct%20Investment%20Led%20to%20Higher%20Productivity%20in%20sub-Saharan%20Africa%3F.

Nistor, P. (2015). FDI implications on BRICS economy growth. *Procedia Economics and Finance*, *32*, 981-985.

Noble, H.& Smith, J. (2015) Issues of validity and reliability in qualitative research. *Evidence Based Nursing*, 18, (2): 34-35.

Nowak, M., & Ricci, L. A. (2006). "5 Foreign Direct Investment in South Africa: Why Has It Been So Low?". In Post-Apartheid South Africa. USA: International Monetary Fund. Retrieved from

https://www.elibrary.imf.org/view/book/9781589064706/ch005.xml.

Obashi, A. (2022). Overview of Foreign Direct Investment, Trade, and Global Value Chains in East Asia. ERIA Discussion Paper Series, No. 417. Retrieved from

https://think-asia.org/bitstream/handle/11540/14778/Overview-of-Foreign-Direct-Investment%2C-Trade%2C-and-Global-Value-Chains-in-East-Asia.pdf?sequence=1

Odusola, A. (2018). Investing in Africa is sound business and a sustainable corporate strategy. *Africa Renewal*, *20*. Retrieved from

https://www.researchgate.net/profile/Ayodele-Odusola/publication/327189634_Investing_in_Africa_is_Sound_Business/links/5b7efd95a6fdcc5f8b636d01/Investing-in-Africa-is-Sound-Business.pdf

ODI. (2018). Global Investors Driving Development: Private Sector Investment in Developing Countries. Overseas Development Institute.

Ocran, M. K. (2011). Fiscal policy and economic growth in South Africa. *Journal of Economic Studies*, 38(5),605-618. Retrieved from

https://doi/10.1108/01443581111161841/full/html.

Olaniran, S. O., & Ilesanmi, K. K. (2022). Socio-Economic Impact of the COVID-19 Pandemic in South Africa: Counting the Cost. Economics of Development, 20(2), 41-50.DOI:10.21511/ed.20(2).2021.04

Organisation for Economic Co-operation and Development (OECD). (2002). Foreign Direct Investment for Development: Maximising Benefits, Minimising costs. Retrieved from:

https://www.oecd.org/investment/investmentfordevelopment/foreigndirectinvestmentfordevelopmentmaximisingbenefitsminimisingcosts.htm.

Organisation for Economic Co-operation and Development. (2020). COVID-19 and international investment: impacts and policy responses. Paris, France: OECD Publishing. Retrieved from https://doi.org/10.1787/9bf4c648-en.

Organisation for Economic Co-operation and Development. (2011). OECD FDI Restrictiveness Index: 2011 Update. OECD Publishing.

Omri, A., & Sassi-Tmar, A. (2015). Linking FDI inflows to economic growth in North African countries. *Journal of the Knowledge Economy*, 6, 90-104.

Othman,M., Yusop, Z & Gul,A .(2018). Impact of Government Spending on FDI Inflows: The Case of Asean-5, China and World Bank Group. *International Journal of Business and Society*,19(2):1-12.

Owusu-Nantwi, V., & Erickson, C. (2019). Foreign direct investment and economic growth in South America. *Journal of Economic Studies*, 46(2), 383-398. https://doi.org/10.1108/JES-11-2017-0323.

Parliamentary Budget Office. (2021).Social grant performance as at end March 20/21. Retrieved from

https://www.parliament.gov.za/storage/app/media/PBO/National_Development_Plan_Analysis/2021/june/03-06-2021/May_2021_Social_Grant_fact_sheet.pdf.

Rady, T. (2012). Foreign direct investment and growth: Theory, evidence and lessons for Egypt. *Journal of International Business Research*, 11(1), 1.

Raff, H., Ryan, M., & Stähler, F. (2009). The choice of market entry mode: Greenfield investment, M&A and joint venture. *International review of economics & finance*, 18(1), 3-10.

Ramirez, M. D. (2017). FDI flows to Latin America: A pooled and cointegration analysis, 1980-2014. *Business and Economic Research*, 7(2), 178.

Reconstruction and Development White Paper (RDP WP). (1994). Reconstruction and Development White Paper. Parliament of the Republic of South Africa. Cape Town:

Ministry in the office of the President. Retrieved from https://www.gov.za/sites/www.gov.za/files/governmentgazetteid16085.pdf

Repezza, A. P. (2013). APEX-BRASIL a study of internationalization. *International Trade Forum*, (1), 18. Retrieved from

https://www.proquest.com/openview/66ce6474c8a30f6d39b694a5ba133ebf/1?pq-origsite=gscholar&cbl=47429

Rusike, T. G. (2007). *Trends and determinants of inward foreign direct investment to South Africa* (Doctoral dissertation, Rhodes University).

Sahoo, P., Nataraj, G., & Dash, R. K. (2014). Foreign direct investment in South Asia. *Policy, Impact, Determinants and Challenges*. Springer. Retrieved from https://link.springer.com/book/10.1007/978-81-322-1536-3.

Sasol. (2020, September 17). Sasol and CEF announce formation of new entity to manage South Africa's strategic fuel stocks. Retrieved from https://www.sasol.com/media-centre/media-releases/sasol-and-cef-announce-formation-new-entity-manage-south-africa%E2%80%99s

Santandertrade.com. (2019). Foreign investment in South Korea. Santandertrade.com. Retrieved form https://santandertrade.com/en/portal/establish-overseas/south-korea/foreign-investment.

Sarkar, S. (2020) Pandemic and the state. *Journal of Social Economic Development*, 23(Suppl 2), 366-372. Retrieved from https://doi.org/10.1007/s40847-020-00129-7.

Selby, P. 2000. *Grace and Mortgage in FDI*. London: Longman.

Seric, A & Hauge, J. (2020). *COVID 19 and the global contraction in FDI*. Retrieved from https://trade4devnews.enhancedif.org/en/op-ed/covid-19-and-global-contraction-fdi .

Seyoum M., Wu R., Lin J. (2014). Foreign direct investment and trade openness in sub-Saharan economies: A panel data granger causality analysis, *South African Journal of Economics*, 82 (3): 402 – 421.

Siu, A., Aminian, N., Fung, K. C., & Iizaka, H. (2008). Foreign direct investment, intraregional trade and production sharing in East Asia. Research Institute of Economy

Retrieved from: https://hdl.handle.net/20.500.12870/1503.

Sjöholm, F. (2014). Foreign direct investment in Southeast Asia. In Routledge Handbook of Southeast Asian Economics (pp. 162-180). Routledge. Retrieved from https://www.taylorfrancis.com/books/e/9781315888374/chapters/10.4324/9781315888374-13.

South African Institute of International Affairs (SAIIA). (2015). Foreign Direct Investment in Africa: Performance and Potential. Retrieved from https://saiia.org.za/wp-content/uploads/2015/10/FDI-in-Africa-Factsheet-Web.pdf.

South Africa Institute of International Affairs (SAIIA). (2019). FDI in South Africa: Promotion and Protection of Investors and the Public Interest. Retrieved from https://saiia.org.za/research/fdi-in-south-africa-promotion-and-protection-of-investors-and-the-public-interest/.

South Africa Institute of International Affairs (SAIIA). (2020). FAQs on Foreign Direct Investment. Retrieved form https://saiia.org.za/news/faqs-on-foreign-direct-investment/.

SARB (South African Reserve Bank). (2001). Balance of Payments and International Investment Position Developments in the Fourth Quarter of 2000. Retrieved from https://www.resbank.co.za/en/home/publications/publication-detail-pages/quarterly-bulletins/quarterly-bulletin-2001/q1-2001/2748.

South African Reserve Bank (SARB). (2015). South African Reserve Bank Annual Economic Symposium 2015: FDI and Employment Creation in South Africa. Retrieved fromhttps://www.resbank.co.za/content/dam/sarb/publications/speeches-and-presentations/2015/20151006_AnnualSymposium2015-FDIandEmploymentCreationInSA.pdf.

South African Reserve Bank (SARB). (2017). Quarterly Bulletin June 2017. Retrieved from https://www.resbank.co.za/content/dam/sarb/publications/reports/qb/2017/June/Quarterly%20Bulletin%20June%202017.pdf

South African Reserve Bank (SARB). (2021). Quarterly Bulletin June 2021. Retrieved fromhttps://www.resbank.co.za/content/dam/sarb/publications/reports/qb/2021/QB21Jun.pdf

Soumaré, I. (2015). Does FDI improve economic development in North African countries?. *Applied Economics*, *47*(51), 5510-5533.

Sridharan, P., Vijayakumarand, N., & Rao, K. (2009). Causal relationship between foreign direct investment and growth: Evidence from BRICS countries. *International Business Research, 2(4).*

Retrieved from http://ccsenet.org/journal/index.php/ibr/article/viewFile/3660/3442.

Statistics South Africa. (2019). Growth domestic product statistics, Government Printer, Pretoria

Statistics South Africa. (2021). Quarterly employment statistics, Government Printer, Pretoria.

Statistics South Africa. (2020). Quarterly employment statistics, Government Printer, Pretoria.

Streak , J. C. (2004). The Gear legacy: did Gear fail or move South Africa forward in development?, *Development Southern Africa*, *21*(2), 271-288. DOI:10.1080/0376835042000219541.

Sukamolson, S. (2007). Fundamentals of quantitative research. *Language Institute Chulalongkorn University*, *1*(3), 1-20.

The Presidency. (2006). Accelerated and Shared Growth Initiative for South Africa 2006 Annual Report. South Africa, Pretoria: The Presidency. Retrieved from http://www.thepresidency.gov.za/report-type/jipsa.

The Presidency. (2007). ASGISA Annual Report 2007. Pretoria: The Presidency, The Republic of South Africa. Retrieved from http://www.thepresidency.gov.za/reporttype/jipsa.

Thomsen, S., Otsuka, M., & Lee, B. (2011). The evolving role of Southeast Asia in global FDI flows. *Center for Asian Studies*, 1-51.

Thorbecke, W., & Salike, N. (2011). Understanding foreign direct investment in East Asia. ADBI Working Paper, No. 290, Asian Development Bank Institute (ADBI), Tokyo. http://hdl.handle.net/10419/53595.

Tiwari, A.K., & Mutascu, M. (2011). Economic growth and FDI in Asia: A panel-data approach. *Economic Analysis and Policy*,41(2),173-187.

Tripathy, J. P. (2013). Secondary Data Analysis: Ethical issues and challenges. *Iranian Journal of Public Health*, 42(12),1478-1479. Retrieved from https://www.researchgate.net/publication/278044529.

Tordo, S., Hasanova, R., & Schuurman, F. (2021). Africa's Mineral Wealth: A blessing or a curse? African Development Bank Group. Retrieved from

https://www.afdb.org/sites/default/files/documents/publications/africas-mineral-wealth-blessing-or-curse.pdf

United Nations Conference on Trade and Development. (2000). Cross-border Mergers and Acquisitions and Development: World Investment Report 2000. Retrieved from https://unctad.org/system/files/official-document/wir2000_en.pdf.

United Nations Conference on Trade and Development. (2004). World Investment Report 2004: The Shift Towards Services. United Nations Publications. Retrieved from https://unctad.org/system/files/official-document/wir2004_en.pdf.

United Nations Conference on Trade and Development (UNCTAD). (2006). World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development. Retrieved from https://unctad.org/system/files/official-document/wir2006_en.pdf.

United Nations Conference on Trade and Development. (2007). Transnational Corporations, Extractive Industries and Development: World Investment Report 2007. Retrieved from https://unctad.org/system/files/official-document/wir2007_en.pdf.

United Nations Conference on Trade and Development. (2008). World Investment Report 2008: Transnational Corporations and the Infrastructure Challenge. United Nations Publications. Retrieved from https://unctad.org/system/files/official-document/wir2008_en.pdf.

United Nations Conference on Trade and Development. (2009). World Investment Report 2009: Transnational corporations, agricultural production and development. Retrieved from https://unctad.org/system/files/official-document/wir2009_en.pdf.

United Nations Conference on Trade and Development. (2010). World Investment Report 2010: Investing in a low-carbon economy. Retrieved from https://unctad.org/system/files/official-document/wir2010_en.pdf.

United Nations Conference on Trade and Development. (2012). World Investment Report 2012: Towards a new generation of investment policies. Retrieved from https://unctad.org/system/files/official-document/wir2012_en.pdf.

United Nations Conference on Trade and Development. (2013). World Investment Report 2013: Global value chains - investment and trade for development. Retrieved from https://unctad.org/system/files/official-document/wir2013_en.pdf.

United Nations Conference on Trade and Development .(2014). World Investment Report 2014: Investing in the SDGs: An Action Plan. Retrieved from https://unctad.org/system/files/official-document/wir2014_en.pdf

United Nations Conference on Trade and Development. (2016). World Investment Report 2016: Investor Nationality: Policy Challenges. United Nations Publications. Retrieved from https://unctad.org/system/files/official-document/wir2016_en.pdf.

United Nations Conference on Trade and Development. (2017). World Investment Report 2017: Investment and the digital economy. Retrieved from https://unctad.org/system/files/official-document/wir2017_en.pdf.

United Nations Conference on Trade and Development. (2018). World Investment Report 2018: Investment and new industrial policies. Retrieved from https://unctad.org/system/files/official-document/wir2018_en.pdf.

United Nations Conference on Trade and Development. (2019). World Investment Report 2019: Special Economic Zones. United Nations Publications. Retrieved from https://unctad.org/system/files/official-document/wir2019_en.pdf.

United Nations Conference on Trade and Development. (2020). World Investment Report 2020: International production beyond the pandemic. Retrieved from https://unctad.org/system/files/official-document/wir2020_en.pdf.

United Nations Conference on Trade and Development. (2021). World Investment Report 2021: Investing in the SDGs: An action plan. Retrieved from https://unctad.org/system/files/official-document/wir2021_en.pdf.

United Nations Conference on Trade and Development. (2022). World Investment Report 2022: Harnessing investment for a resilient recovery and sustainable development. Retrieved from

https://unctad.org/system/files/official-document/wir2022_en.pdf.

Vadlamannati, K. C., & Tamazian, A. (2009). Growth effects of FDI in 80 developing economies: the role of policy reforms and institutional constraints. *Journal of Economic Policy Reform*, *12*(4), 299-322.

Visser, W. (2004, September). Shifting RDP into GEAR: The ANC Government's Dilemma in Providing an Equitable System for Social Security for the'New'South Africa. In *A paper presented at the 40th ITH Linzer Konferenz* (Vol. 17). Retrieved from

http://academic.sun.ac.za/history/downloads/visser/rdp_into_gear.pdf

Vo, D.H., Vo, A.T., & Zhang. Z. (2019). Exchange Rate Volatility and Disaggregated Manufacturing Exports: Evidence from an Emerging Country. *Journal of Risk Financial Management*. 12(1),1-25.

Wälde, K. (2005). Endogenous growth cycles. *International Economic Review*, *46*(3), 867-894.

Wang, M. (2009). Manufacturing FDI and economic growth: evidence from Asian economies. *Applied Economics*, *41*(8), 991-1002.

Welch, C., & Liao, S. (2020). Google completes acquisition of Fitbit. The Verge. Retrieved from https://www.theverge.com/2020/1/14/21064866/google-fitbit-acquisition-deal-complete-official-wearable-tech.

Williams, K. (2015). Foreign direct investment in Latin America and the Caribbean: An empirical analysis. *Latin american journal of economics*, *52*(1), 57-77.

Wöcke, A., & Sing, L. (2013). Columbia FDI Profiles. Columbia Center on Sustainable International Investment. Retrieved from

http://wordpress.ei.columbia.edu/vcc/files/2014/03/South_Africa_IFDI_-_May_8_2013_-_FINAL.pdf.

World Bank. (2019). South Africa Economic Update: Tertiary Education for Inclusive Growth. Washington, DC: World Bank Group. Retrieved from https://openknowledge.worldbank.org/handle/10986/31557

World Bank. (2020). *Doing Business Report*. Retrieved from https://openknowledge.worldbank.org/handle/10986/32436

Wübbeke, J., Meissner, M., Zenglein, M. J., Ives, J., & Conrad, B. (2016). *Made in china 2025. Mercator Institute for China Studies*. Papers on China, 2, 74. Retrieved from

https://kritisches-netzwerk.de/sites/default/files/merics_-_made_in_china_2025_-_the_making_of_a_high-tech_superpower_and_consequences_for_industrial_countries_-_76_seiten_1.pdf.

Zeng, S., & Zhou, Y. (2021). Foreign direct investment's impact on China's economic growth, technological innovation and pollution. *International Journal of Environmental Research and Public Health*, 18(6), 2839. https://doi.org/10.3390/ijerph18062839

Zheng, Y. (2019). Foreign direct investment in China. *Handbook on the International Political Economy of China*, 61-75. https://doi.org/10.4337/9781786435064.00010