Analysis of fdi into zimbabwe

UNCTAD (2016) reported that in 2015 FDI inflow to Africa was US$54 billion. However, Zimbabwe only received a fraction of the FDI at just US$0. 7 billion (ibid). Similarily for 2014, 2013, and 2012 FDI trends have been low (ibid). According to the World Bank Group Flagship Report (2017), Zimbabwe is the 161th country to *ease doing business with* out of 190 contries. It pales in comparrion with its neighboring countries such as South Africa who is ranted at 74 and Botswana at 71 (WBG, 2017). Following the adoption of the USD in 2009, investment has averaged at just 16% of GDP- however; this is 17% below the investment rate of 33% of GDP that is required for economic growth (WBG, 2017). It could be argued that the low FDI patterns are not reflective of Zimbabwe's potential. The research paper will study influential factors that encourage FDI inflows into Zimbabwe and those that hinder Zimbabwe's economic growth.

Aims and Objectives of the Study

The aims and objectives of this research is to provide its reader with an empirical investigation of FDI into Zimbabwe and an analysis of what determinants are crucial to boost FDI inflows into Zimbabwe.

Literature Review

Bekaert et al. (2014) define FDI a occurring when a company from one country makes a significant investment that leads to at least a 10% ownership interest in a firm in another country. Dunning (2002) is accredited for the infamous electic paradigm thereom that is a commom framework for FDI. Dunning (2002) argues that foreign investors are driven in search for location, internalisation and ownership. In addition, foreign investors are attracted to developing nations such as Zimbabwe for resources, strategic assets and markets and efficiency. The favoured route for FDI in Southern Africa is for effeciency and resource seeking companies. Sikwila (2015) states that companies interested in efficiency are attracted to developing contries such as Zimbabwe. This is due to the low production and labour costs and trade liberisation. Resource seeking companies are in search of gold and diamonds in Zimbabwe and Botswana. Sikwila (2015) also argues that developing nations rarely, if ever, attract strategic seeking investotrs as they are often behind on technology and innovation due to domestic financial issues. Economic globalisation consists of FDI, trade and the transfer of technology and knowledge. Despite the globalisation phenomenon, it is evident that LEDC are yet to reap the rewards particularly in technological advancements (Van de Bank, C. 2010).

Emperical Literature

There are four frameworks that examine FDI in developing nations. The first concept studies the key factors of FDI in relation to push and pulls factors (Norris, E. et al. 2010). This approach focuses on examining factors such as the firm's size, its parity conditions (interst rates, exchange rates and inflation rates), its five forces – with particular attention to export competitiness – and other operational and endogenous conditions. These factors either push or pull FDI. The second concept studies the FDI drivers that are derived externally to investors. Nguyen et al. (2012) classifies these factors into four areas (i) supply side (ii) demand side (iii) institutional. The third concept places FDI determinants into one of three economic groups. The first is the investment climate, secondly, the exchange market policies, and lastly trade (Sekkat et al. K. 2007). The final concept studies FDI in relation to timing, irreversibility, and uncertainty (Ramirez, M. 2006. Lee, C. et al., 2009). Researches provide arguments for the above afromention constructs and will be dicussed in detail in the final research project.

Research Design

Methodology

Saunders et al. (2012) suggest that ones approach to research stratergy and implementation is crucial as it determines the results and expectations one desires to achieve. To optimise the results, the research metholodody will begin by considering each layer of the *research onion* (Saunders et al. 2012). As the onion layers unravel, the model will offer a clear metholodogy in conducting the research. The research proposes for the variables to be GDP, Inflation, External debt, Trade Openess. The variables computed will all be led by theoretical assumptions and empirical literature. The methodology for the research will be a dominated by qualitative research with minor quantitative approaches (hbgkbgkergbkre). The general equation for the research can be traced to Clarke's (1917) accelerator theory, which was furher developed by Hicks (1951). However, it was Bernake et al. (1988) who observed that the neo classical approach to investment combined with the accelerator theory produced inteprable and accurate results for FDI in developing nations.

Data Collection Method

The research will use secondary data from a variety of enquiry sources thus reducing the risk of biased results. The enquiry sources are listed below (not exhausted);

- Reserve Bank of Zimbabwe
- South African Development Community
- Southern African Trade and Investmnet Hub
- World Bank Group
- World Trade Organisation
- Zimbabwe Investment Centre
- Zimbabwe Minsitry of Finance
- Zimbabwe National Statistics Agency