Socio-political, legal and infrastructural issues remain a FDI barrier in Africa for decades. Will it ever change?

Tasneem Joosub
2069 Almira Court, Mississauga, Toronto, Canada

David Coldwell
School of Economic and Business Sciences
University of the Witwatersrand, Johannesburg, South Africa

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Foreign Direct Investment (FDI), Africa, socio-political, infrastructure, senior management

Abstract
The purpose of research is to investigate whether there have been fundamental recent changes in barriers to FDI in Africa as perceived by senior managers of South African multinational companies. The methodological approach involves a description from secondary data of the barriers to FDI in Africa that have been reported in the extant literature over the last decade, and to analyse this secondary data in relation to a recent quantitative and qualitative study of South African multinational senior managers’ perceptions of current barriers to FDI in Africa. The results indicate that little change has occurred over the decades and the same basic barriers to FDI in Africa persist. Practical implications of the study suggest that problems of African political instability and infrastructural deficits in particular, need to be resolved if the FDI situation is to improve in the future.

1. Introduction
FDI is an important strategy for developing countries as it provides important revenue for a country. Africa has not been successful in attracting FDI flows due to its weak infrastructure, high levels of corruption and inhospitable regulatory environments. Multinational firms have responded to the lack of infrastructure and volatile policies by reducing risk and reducing overall investment in Africa. Africa needs to reverse this continuous stigma which has remained with the continent over the last three decades (Asiedu, 2002b).

Political leaders need to improve the provision of infrastructure, which will lead to increasing FDI. And they need to correct policies, which are considered to be the worst in terms of World Bank rankings. Yet infrastructure remains a problem, it remains underdeveloped as millions of dollars are channelled from Africa into western countries. Why is this? Is colonialism the cause? Colonialism created a dual economy in most countries in Africa. Colonialism created a ‘small largely westernised modern sector of sophisticated production and consumption versus the huge hinterland of somewhat disturbed rural life tribalism and ancient cultural tradition. There seems to be only a choice of emphasising this dualism by further development of the modern sector through close economic relations with the west or of trying to escape neo-colonialism by sacrificing economic growth’ (Hunter, 1970). Instead psychically, Africa seems to foster relations with China who is psychically distant from Africa and not a colonial country with which they share much history or common knowledge. Although many of the African political elite seem oblivious to the fact that China and Russia, now entering into investment agreements, are just as interested in African raw materials as their erstwhile colonial masters. Is this a sustainable relationship? Or, is it merely the swopping of one type of colonial materialism with another.

In the 1960’s Africa was seen as a potential FDI destination. During the first half of the century Africa showed more growth and overall potential compared to Asia The political uncertainties which were inherent due to the transition period from colonialism were seen to be solved as local new governments embraced democracy. This resulted in even more increased growth from 1960 to 1970 (Maddison, 1995). Forty years later, political leaders in Africa have not contributed to growth in Africa. Rather leadership in Africa deteriorated into autocratic rule leaning on dictatorship policies (Collier and
This has resulted in some African countries being poorer than they were in 1970. This is particularly evident in Zimbabwe where poor governance and political and legal instability has brought the nation to its knees. Africa has failed to ride the economic growth wave and thereby considered unattractive in terms of courting FDI. In particular the persuasiveness of the communist and leftist ideology still lingers in countries such as South Africa where the communist party is part of the national government, although it has never won a seat in open democratic elections. This connection was brought about by factors such as China, East Germany (then part of the USSR) Cuba and Russia being comrades in the fight against apartheid, and has led to the rapid investment of countries such as China, usually to repair or build necessary infrastructures, such as roads and railways. Ironically, this has exacerbated the depth of psychic distance at functional level by the introduction of languages and culture with which Africa has very little knowledge or experience.

A review of the literature for the last four decades cites infrastructure and political and legal issues as a barrier for FDI growth and economic growth in African states Aharoni (1966) mentioned it, as a “nuisance factor”. Decades later, it remains a barrier and a nuisance. The purpose of this research is to show that infrastructure and legal and political issues still remain a barrier. Although governance and corruption have blighted African economic growth for decades, and continue to do so, the paper focuses on infrastructural factors, understood in broad terms, and socio political and legal factors. The core question the paper tries to answer is: Can African countries prosper when they disregard the basic necessities for MNEs to prosper? Even South African MNEs, which are considered to be part of “Africa”, are wary of FDI in the rest of Africa. The paper takes the following form: The next section of the paper presents an overview of past research on Africa and the barriers faced by MNEs. This is followed by a recent study that used both quantitative and qualitative data that shows why South African MNEs remain wary of Africa with regards to infrastructure and government policies in Africa. The study based on open-ended interviews with senior management presents data from a South African case study that describes the subjective perspectives and subjective rationale of senior MNE management for their Africa-oriented FDI decisions. A qualitative, cross-sectional research design is adopted to give insight into the actual decision making processes recently taken among MNE executives. Analysis of the interview contents tend to show that decades old problems of infrastructure socio-political issue and legislation in Africa persist, even in the eyes of Africa-based MNE executives. The discussion and analysis is followed by the conclusion and outlined recommendations for further research.

2. Literature review

2.1 Infrastructure

When a firm decides to locate its operational sites in foreign locations, this causes a change in its current logistics processes: they also have to become globalised. This occurs when the firm has to consider the availability and quality of infrastructure in the foreign country before making a decision to move the production to that location (Lee et al., 2005). Logistics is defined as “that part of the supply chain that plans, implements, and controls the efficient and effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers’ requirements”. In other words, it is a company’s chain of processes linking procurement to sales (Lee et al., 2005).

A study by Blyde and Molina (2015) found that MNEs look for places with adequate transport and logistics infrastructures in which to locate subsidiaries for manufacturing, and found that countries with efficient and functional logistics infrastructure positively impacts on vertical FDI. Countries with adequate logistics infrastructures allow for an efficient international distribution network to be maintained, and would include ports as nodes for international transportation, a good system of roads, and easy customs clearance and international distribution operational procedures (Blyde & Molina, 2015). Logistics technologies such as unit load systems and intermodal transportation systems, are all factors considered by firms when moving production to foreign locations (Lee et al., 2005).

Infrastructure, according to Lee et al. (2005), refers to institutional, facility and technological infrastructures. Institutional infrastructure includes the rules and regulations of the country, such as its legal system and FDI and trade policies, its taxation system and the effectiveness of its contract law.
Facility infrastructure refers to the transportation system (made up of nodes, modes and links), hardware infrastructure, and operation and control as software infrastructure. Technological infrastructure refers to the level of handling skills or automation in use, and includes human skills, logistics expertise and available information technologies. If a firm finds the infrastructure too weak to support its operations, this will be an incentive either not to invest or to move its production to a different location that does have the required infrastructure.

Dunning (1998) has argued that in the 1980s and 1990s three important changes occurred. First, knowledge emerged as the “key wealth-creating asset”. As a result, and with the exception of some natural resource and cheap labour seeking FDI, MNEs now attach much more importance to locations with excellent infrastructure and institutional facilities, rather than conventional location advantages such as low labour costs or easy access to raw materials. However, firms will differ in the importance they attach to infrastructure depending on the special requirements of their industries. Another set of related factors impacting firms in developing economies is the availability of suitable plant sites, the cost of land, availability of space for expansion, and local government policy for renting or purchasing land, which, together with related costs, such as transportation and construction, have been recognised by managers as important factors that influence FDI decisions (Luo, 1999a).

2.2 Inconsistent government policies

Changes in government policies can impact on the repatriation of earnings and at their worst, manifest as the expropriation of foreign-owned assets. MNEs cannot usually introduce certainty and stability to a host country’s “dynamic” political landscape, and this can create and escalate transaction-related risks affecting MNE operations. A stable political environment in which corruption tends to be low, and where good tax incentives, lower tax rates, and a positive investment climate are present, is an important driver for MNEs with regard to FDI. However, in Africa, the tax rates are high, frequently including ‘value added tax’, and withholding taxes. This is a challenging factor for MNEs operating in Africa, as they cannot then offer their products and services at lower rates (Kissel, 2013). Yarbrough and Yarbrough (2002) found that a MNE’s decision about which country, area or region it should invest in, strongly depends on the factors present in the host country that could affect a firm’s profit. However, Bellak and Leibrecht (2009) further expands on this statement by explaining that foreign firms are often attracted by factors such as security, favourable investment climate or democracy in post conflict countries as well as by the presence of favourable tax incentives (Agarwal,1980).

Most countries in Africa tend to adopt strict regulations, which do not necessarily conform to international law or respect human rights. Changes in government policy can also result in policies like the Indigenous Peoples Policy in Zimbabwe (introduced in 2011), and its counterpart in Zambia, which was introduced in 2012, both ostensibly intended to help integrate and uplift the indigenous populations in the twenty-first century global economy. However, given the fact that this did not occur in the remotest sense, it can be assumed that the policy was simply a smokescreen for further looting of the already shattered economy. Obviously such policies tend to become barriers to expansion for companies already operating in the region, or persuade potential investors to look elsewhere. Governments should be fiscally responsible, and MNEs spurn any type of government intervention. Changes to government regulations in African states are often referred to as “creeping expropriation”. These regulations are considered a major factor of uncertainty, partly because of the general belief held by western business interests that governments should not regulate business, and partly because it reinforces the expectation that existing regulations will be changed often (Aharoni, 1966) adding to future uncertainty. Overall, legally underwritten bureaucratic requirements are found by SA MNEs to be at best cumbersome, making operating in Africa difficult. This was a common issue raised by the representatives of the companies that were interviewed for this research.

The problem, in broad overview, is that legislation covering the same business-related issues is so vastly different, even between neighbouring countries, that it gives rise to significant problems. The range of legislation and red-tape-related problems encountered spans a vast spectrum, ranging from difficulties in obtaining permits for importing goods and key expatriate personnel, to restrictions on selling certain items (for example, one may not, as a foreigner, sell shoes in Nigeria, and must get special ministerial
permission to sell even basic insurance products in some other countries). In some countries, local laws stipulate that you can only share profits in a company if you are a citizen of that country, and “indigenisation” is a neologism now enjoying increasing political and popular support. In other countries one has to negotiate with state owned enterprises attempting to operate in a similar space, and this is all against the background of having to tiptoe through draconian tax laws, empowerment laws, and other regionally-specific, unique, and arcane indigenous laws. And behind it all is the fact that what some consider to be corruption, others see as nothing more than looking after the extended family’s interests.

Summary of Research on African investment in the past decades listed below in Table1, as a general rule, confirms the on-going nature of the legal, infrastructural and socio-political problems in Africa which have doggedly persisted as the main reason for Africa’s lack of development over the past decades.

Table 1. Summary of Research on African investment

<table>
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<tr>
<th>Author and year</th>
<th>Research</th>
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<tr>
<td>Reinikka, R &amp; Svensson, J. 1998.</td>
<td>The authors here found in their research that power is a huge barrier in countries that sustain growth, such as Uganda and that MNEs end up spending more than one third of their capital on generators. This becomes a serious factor for companies and their FDI strategy into Africa.</td>
</tr>
<tr>
<td>Lee, K.S., &amp; Anas, A. 1991.</td>
<td>This research found that firms in Nigeria can spend about 25% of their capital a generators to help deal with the intermittent power supply. This again becomes a deterrent for MNEs in terms of FDI into a region like Nigeria</td>
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<tr>
<td>Easterly,W &amp; Levine, R. 1997.</td>
<td>This research found that ethnic diversification significantly impacts on economic growth which in turn is correlated with political instability, poorly developed financial systems, and inadequate infrastructure. The author further emphasise the importance of ethnic diversity and its direct responsibility for Africa’s growth strategy which has retarded the economic growth of the continent.</td>
</tr>
<tr>
<td>Widner,J. 1999.</td>
<td>This research found that a functioning legal system contributes to a culture of legalism which creates a legitimacy of the regime. This adds to the socio-political stability which in turn attracts FDI. However too many regions in Africa have demonstrated the ability of political parties to overrule the courts.</td>
</tr>
<tr>
<td>Elbadawi, I., Benno, J &amp; Njiguna, N. 1997.</td>
<td>Elbadawi et al carried out research whereby they found that the debt growth relationship follows a bell shaped curve where beyond a certain threshold the impact of debt on growth becomes negative. Africa is unfortunately riddled with debt thereby resulting in lower growth because it attracts lower FDI.</td>
</tr>
<tr>
<td>Musila J. W. and Sigue S. P., 2006.</td>
<td>Musila et al found that FDI in Africa is dependent on the development of infrastructure</td>
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<tr>
<td>Dupasquier Chantal and Osakwe Patrick. N., 2006.</td>
<td>Dupasquier et al also found that FDI and infrastructure in Africa is positively related.</td>
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### Literature Review

<table>
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<tr>
<th>Source</th>
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<tr>
<td>Disdier, Anne Cecilia and Mayer Thierry, 2004. How Different in eastern Europe? Structure and Determinants of Location Choices by French Firms in Eastern and Western Europe. Journal of Comparative Economics 32, No. 2, 280-296.</td>
<td>Disdier and Thierry found that political stability allows markets to properly function which thereby attracts MNEs to carry out FDI.</td>
</tr>
<tr>
<td>Clarke, R. and Logan, T-M., 2008. Emerging FDI Patterns in the CARICOM Region. Journal of International Business Research 8 (1), 16-23.</td>
<td>Clarke and Logan found that FDI flows increase in countries that have a history of lower political risk and more developed infrastructure.</td>
</tr>
<tr>
<td>Campos, Nauro F. and Kinoshita Yuko, 2003. Why Does FDI Go Where it Goes?: New Evidence from the Transition Economies, IMF Working Paper, WP/03/228, November.</td>
<td>Campos et al found that good infrastructure is an important requirement for MNEs to be able to operate successfully.</td>
</tr>
<tr>
<td>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.</td>
<td>Anyanwu using empirical testing found that Aid contributions are made in regions where the infrastructure is more developed.</td>
</tr>
<tr>
<td>Asiedu, E. 2006. Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability. The World Economy, 29(1), 63-77.</td>
<td>Asiedu found that established infrastructure and political stability promote inward FDI.</td>
</tr>
<tr>
<td>Lemi, A. &amp; Asefa, S. 2001. Foreign direct investment and uncertainty: The case of African economies. Paper prepared for the Allied Social Science Association Annual meeting to be held in Atlanta, 4-6 January 2002.</td>
<td>Lemi and Asefa found that when political uncertainty reaches a specific threshold point, MNEs then worry about the uncertainty which then impedes FDI in African economies.</td>
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### 3. Methodology

In the current study reports an empirical study, involving a questionnaire survey and personal interviews in a triangulated research design. These two sources of information were triangulated to get insight into their strength and prominence in senior MNE managements’ FDI decisions to invest in African countries. (Joosub & Coldwell, 2017)

For this mixed method study, a formal quantitative research study was used that incorporates a formal research design to test the research questions. Using quantitative research initially, allowed for the use of classic data, which is done using survey instruments that were sent out to companies that were multinational companies. Survey research provided a basis for answering questions about incidence frequency and co-occurrence of social phenomena for a given population (distinguished by vital parameters), thereby adding to the quality of the survey research (Greene, 2008). A total of 378 surveys were sent out with a response of 105 (22% response rate) companies, which responded to the survey (Joosub & Coldwell, 2017).
To provide additional information, qualitative data was also gathered. (Glaser & Strauss, 1967; Flick, 2009). The qualitative aspect of this research used in depth interviews with senior management of 29 South African companies, that provide views on barriers related to investment in Africa (managers were believed to be best positioned to provide a comprehensive picture of barriers faced by South Africa MNEs with regards to the FDI location in Africa decisions. To make the triangulated analysis the quantitative data using the survey responses and the 29 interviews were used.

Using a combination of combining quantitative and qualitative data assists in overcoming the limitations inherent in using a single method. The qualitative and quantitative research was designed to allow two paradigms to be connected and compared under an overall conceptual frame. The mixed method is a novel form of social inquiry that analyses the different foundations of ‘seeing and hearing’ (Greene, 2008). It allows for the making of assumptions that “there are legitimate approaches to social inquiry” (Greene, 2008:20). The mixed method allowed the researchers to understand the different aspects of social phenomena by using multiple forms of inquiry, thereby enhancing the overall validity of the study. (Joosub & Coldwell, 2017).

Triangulation is a method which allows researchers to corroborate and confirm results from both qualitative and quantitative research methods by providing a third paradigm choice that assists in providing the most informative, complete, and balanced research results. Triangulation helps to validate data, which provides “persuasive evidence” (Flick, 2009). Triangulation is a process of playing quantitative data off against the qualitative data so as to confirm the validity of the fieldwork and provide a deeper understanding of the data obtained, rather than simply validating existing positions or ideas. (Denzin, 1989; Joosub & Coldwell, 2017).

4. Findings
4.1 Quantitative data

Globally, MNEs remain wary of Africa due to the constant recurrence of the issues of political and economic (in)stability and uncertainty. (Kumar, 1982) and most importantly the lack of adequate infrastructure. Another generally negative factor regarding Africa is that they are plagued by corruption and red tape, and are considered to be “slow reformers” (Prasad Kodiyat, 2009).

Most MNEs that seek new markets are interested in large and fast growing economies, which African economies are able to offer (Meyer & Estrin, 2007; Meyer, 2001).

An important objective of the research was to determine whether South African firms also consider infrastructure and political instability important when making FDI decisions. Using a survey instrument which was sent out to 378 companies with 105 companies that responded and a ten-point Likert scale (from very unimportant to very important), was used to gather data on the perceived importance of the two issues (Joosub & Coldwell, 2017).

Political stability and governance

Political stability is an important factor considered by respondents, because it impacts on a location, its economy, and the sustainability of the investor’s investment. Political risk is defined by Butler and Joaquin (2002) as “…the risk that a sovereign host government will unexpectedly change the ‘rules of the game’ under which businesses operate, and this affects a firm’s assessment of the viability of FDI in that country. Assessment of political risk changes as a result of political changes due to elections, revolts, recessions, or wars, as these events can typically lead to expropriation, increased taxes, reduced or cancelled FDI incentives, changes to local ownership requirements, local content requirements, and currency volatility issues. The net effect is that firms experience losses through loss of assets or of income generating operations, and most importantly, they typically lose the ability and right to repatriate funds (Bhalla, 1983).

A low level of political risk is desirable for any multinational firms (except those providing “protective services”). Thirty-two of the responding South African firms consider political stability and governance to be an important factor (scored as an 8 on the 10-point Likert scale), whereas 17 of the firms consider it to be very important. 18 of the respondents scored it as 7 on the 10-point Likert scale, and 8 considered it to be relatively unimportant. Out of total of 105 respondents, 85 consider political stability and governance to be an important factor (scored 6 or higher). Transparency within the judicial system of the
intended host country is also an important consideration for firms contemplating FDI. Because of the unfamiliarity with local laws and customs, firms anticipate higher than normal encounters with the local legal system.

Infrastructure quality

A key feature of any location’s attractiveness is how well-developed the infrastructure is. Infrastructure includes telecommunications and data networks, transportation, availability of all-weather roads, railways, airports, seaports, electricity and information. All are necessary to achieve better productivity. Literature reviewed is unanimous in its view that infrastructure development is an important factor in the selection of location of FDI in developing countries (Root & Ahmad, 1979; Wheeler & Mody, 1992). An efficient transport and communications network is necessary for markets to function properly. Countries with formal and efficient infrastructures are attractive to firms because they facilitate accelerated market growth through cheaper and better transport, and effective communication networks. Thus, developing countries with poorer infrastructures, as in Africa, are generally less appealing. A study by Clark et al. (2013) shows that FDI flows are greatest to countries with better physical infrastructure – infrastructural compatibility is important for successful market entry. Seventy-six (76) respondents identified this factor as an important consideration in their FDI selection processes in Africa. Luo (1999a), in his research explains that a superior infrastructure may increase FDI in a country or region. Important infrastructure variables include transportation, telecommunications, and utilities. Many countries in Africa do not have well-developed infrastructures, and this introduces difficulties for MNEs with regard to their FDI. Obtaining access to needed infrastructure from the local government is important to production and market development if the MNE is to locate in such areas.

The results of the quantitative data indicated that country governance, political risk and infrastructure are the most important considerations for South African firms when investing into Africa.

4.2 Qualitative data

Multinational firms take into account a wide range of factors in making direct investments, including not only investment costs related to institutional and regulatory barriers, but also infrastructure quality, macroeconomic stability, and so on (Venables, 2005; Arita & Tanaka, 2013). These factors are crucial for multinational activity, and a broad measure of investment barriers is useful for understanding aggregate impacts on multinational production (Kinda, 2010). Prior evidence shows that a better investment climate encourages FDI activity (Markusen, 2002). However, regulatory barriers to foreign investment in Africa remain more restrictive than their equivalents in developed economies.

Regulatory reforms and discriminatory tax practices affecting multinational firms remain contentious issues, as does political instability and macroeconomic factors such as bad road networks and congested ports: are all hurdles that firms have to negotiate in Africa. Moreover, firms face structural and bureaucratic constraints, such as huge currency exchange rate fluctuations, poor infrastructure, the lack of a skilled workforce, the lack of readily accessible finance, high business costs, high import tariffs, and sub-optimal domestic markets (Joosub & Coldwell, 2017). The challenges are compounded when combined with a lack of access to global markets, a poor regulatory framework and a lack of intellectual and physical security for their assets (The Economist, 2011). However these challenges in Africa have remained stagnant for the last couple of years.

The evaluation of FDI opportunities necessitates the investigation and consideration of a host of different factors. Some of these are peculiar to foreign investments; others are part of the analysis of any investment opportunity. Research on FDI has shown that all firms face some form of barrier when internationalising (Aharoni, 1966; OECD, 2014). The barriers encountered by a firm are generally not unique: the firm’s size, its business sector and other external factors all have their own challenges (Jaklic & Svetlicic, 2001). During the investigation phase, general indicators are used to form a working opinion of these barriers to FDI in Africa. The risk factors most commonly feared in foreign investments have been described in many reports on barriers to FDI and can be generally summarised as: political, economic, and nuisance (a lack of adequate services) (Aharoni, 1966).

In the current study interviews were carried out with 29 senior managers of listed companies who had FDI in Africa. Senior managers stated in the qualitative interviews that inconsistent government
policies including: repatriation of funds, import regulations, state owned enterprises, tax legislation overall regulatory environment and infrastructural factors, were the key issues faced by their companies. This group of related factors reflects the uncertainty occasioned by political and government policies which are crucially important to the survival and profitability of the firm entering a foreign country (Joosub & Coldwell, 2017).

4.3 Triangulation

Triangulation is a unique form of social inquiry that analyses the fundamental differences between observing and listening (Greene, 2008). It allows researchers to make assumptions that “there are legitimate approaches to social inquiry” (Greene, 2008:20). Triangulation further helps understand the different and often difficult-to-define aspects of social phenomena by using multiple forms of inquiry in order to obtain answers (Greene, 2008:20). Triangulation resolves diversity to achieve answers, thereby enriching the knowledge base.

In order to obtain further validity for the findings of the investigation and to note those that were supported by both the quantitative and qualitative analyses, a triangulated technique was employed. The former used statistical analysis to test the interactions of the different elements of the decision making process, while the latter investigated the decision making process through interviews with CEOs and other senior managers of MNEs. These two studies were conducted sequentially. The findings from the quantitative and qualitative research were then triangulated to expose the most powerful determinants of FDI in Africa. Triangulated findings emphasised the importance of the infrastructure and political uncertainty factors in particular by South African senior executives in their FDI decision-making. Thus these findings are very much in line with the earlier studies described in the paper. The same problems regarding FDI in Africa have remained prominent over a considerable period of time. The problems of political uncertainty and infrastructural inadequacies remain largely unresolved on the African continent and act as on-going deterrents to FDI.

5. Conclusion

The objective of the study was to identify whether infrastructure and political uncertainties remain an FDI deterrent in Africa. Existing literature for the past decade has shown that infrastructure and political uncertainty are considered to be risk factors that impact on the FDI decision into Africa. The aim of this study was to identify whether infrastructure and political uncertainty impacted on SA firms’ decisions to enter Africa. The triangulated analysis of the variables considered in the study indicates that these factors (infrastructure and political uncertainty) are important for SA firms when deciding to enter or not to enter Africa. Of paramount importance for every firm contemplating FDI is their assessment of the political environment of the country in which they plan to invest: the stability or instability of the existing political systems and of the government and its policies are the major concerns.

An important element identified in the research is that SA firms are keen to diversify so as to mitigate the risks from political uncertainty in the home market. They therefore seek environments and locations that are politically stable, predictable and less economically hostile. South Africa has embraced Africa partially in terms of FDI but remains wary of the infrastructure and political uncertainty.

FDI decisions are influenced by any form of political risk or uncertainty. Political risk is the risk that arises from the potential actions of governments and/or other influential forces that could impact negatively on the expected returns on investments. SA firms have sought to expand into new locations because the fluidity of the SA political landscape is also creating instability. There are intensifying challenges facing the political leadership in South Africa: as unemployment runs high, labour relations have increasingly turned violent and reports of graft and corruption in the political class continue to mount. The government’s slow rate of spending on infrastructure maintenance and development has become a push factor, thus inhibiting the country’s economic growth potential. The local economy has seen a slow decline due to continuous infrastructure constraints, epitomised by the lack of a sufficient and reliable power supply that is fundamental to achieving higher levels of growth. If Africa corrects the decades’ long stigma of volatile political decision making and lack of infrastructure, it will attract more FDI from South Africa. Africa has remained static and the old problems noted in earlier work of the past decades has shown that the same problems of legal, infrastructural and socio-political ones remain...
that the tendency to move away from traditional and longstanding colonial contacts may have further exacerbated the problem through increasing psychic distance.

For the last five years, China has provided infrastructure in certain countries in Africa in a reciprocal arrangement in order to benefit from the abundant resources available on the continent. Chinese capital investment and FDI has been directed in Egypt. China has also provided electricity, infrastructure and transport projects in the rest of Africa, including ports, roads, railways, dams, telecom networks, airports and powerstations. The relationship between China and Africa is psychically distant. Africa seems to pursue and foster relations with distant locations both culturally, and in terms of business customs. It appears to completely shun the colonial relations which are culturally closer (Ernst & Young, 2017).

The South African government’s policies are not stable, but rather exhibit a pattern of continuous (and sometimes arbitrary and capricious) change. This environment of continuous policy change has produced a mixed bag of reactions. There has been some support (in the form of local investment) when policy changes are expected to raise profits/returns. However, even if the proposed policy is perceived to be beneficial, it nevertheless also increases uncertainty, as firms believe (and evidence is mounting to support this) that the policy changes could as easily be reversed, thus increasing the risk that the decision to invest locally was not optimally beneficial for the SA firm. Therefore South African firms look to invest across the border into Africa. Africa just needs to court South Africa with the right factors, in terms of strengthening its infrastructure and creating stable policies. This will help to enrich the continent.

Africa is a ‘poor continent’ is a sentiment raised for too long. Africa needs to reverse and embrace democracy, technology and the 21 Century. Africa’s political instability and infrastructure can be removed as a barrier, if governments on the continent realise that the only way Africa can compete on a multinational level is to reform policy and form psychically close alliances in order to reform economically.

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