

FOREIGN DIRECT INVESTMENT AND INVESTMENT UNDER UNCERTAINTY IN THE NIGERIAN ECONOMY

By

Ajuwon O.S.¹ & Ogunkola E.O.²

1.0 INTRODUCTION

The World Investment Report 2008 revealed that the World Foreign Direct Investment (referred to as FDI henceforth) which averaged US 492.6 billion between 1990 and 2000 rose to US\$1.8 trillion in 2007. Despite that, only a few countries have been successful in attracting significant FDI inflows. Indeed, Africa as a whole – sub-Saharan Africa (SSA) in particular – has not particularly benefited so much from the FDI boom. FDI inflows into Africa increased from an annual average of about US\$6.9 billion between 1990 and 2000 to US\$36.6 billion over the period of 2004 and 2007. In percentage terms, the share of Africa in the global FDI was about 6 in 1990, later dropped precipitously to 3 in 2007 (UNCTAD, 2008).

Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa and indeed is one of the top three leading African countries that consistently received FDI in the past decade. However, the level of FDI attracted is mediocre compared with the resource base and potential need. Nigeria's share of FDI inflow to Africa averaged around 20.68% between 1976 and 2007. For instance, available statistics showed that Nigeria's share which was 24.19% in 1990 dropped to 21.07% in 2000 and dropped further to 16.9% in 2005 and stood at 23.51% in 2007. The pattern of movement in FDI inflow to Nigeria is suggestive of being affected by other qualitative other than quantitative factors of which uncertainty is at its centre point.

To attract Foreign Direct Investment, there is the need to improve the factors that influence foreign investors' choice of whether to invest in a given country or not. Foreign investments depend on three conditions: (i) political and macroeconomic stability, (ii) trade openness and competitive market and (iii) bureaucratic harassment and corruption. Bureaucratic harassment and corruption is perhaps the worst, especially in the area of taxation and regulation. To address these will not only attract FDI, but also domestic investors. Several studies have sought to grasp the existing link between this type of determinants and inflows of FDI. In this connection, Wheeler and Mody (1992) used country risk indices to demonstrate that there exists a strong correlation between economic and political stability, and investment inflows. Sachs and Sievers (1998) find that political stability is one of the most important determinants of FDI distribution. According to Singh and Jun (1995, 1996), socio-political instability is a complex phenomenon

¹ Ajuwon O.S. is a lecturer in the Department of Economics, University of Lagos, Nigeria.

² Ogunkola E.O. is a professor of Economics in the Department of Economics, University of Ibadan, Nigeria.

whose effect is difficult to define, since the estimations carried out to determine the link between this type of instability and FDI most often vary with the political risk indicators used.

The effect of legal and regulatory environment on FDI is another issue. We need a functioning legal and regulatory framework, where the rule of law prevails. Transparency and consistency in enforcement are also crucial. There should not be a mixed signal in the market place, and among the operators. We are also sure that any objective analyst would identify infrastructure as a key factor to attract both domestic investment and foreign investors. Infrastructure in this regard could be hard and soft. Human capital and quality education leading to availability of skilled labour represents one of the key elements of infrastructure in any society. But for this study, constant supply of electricity, good roads and water supply will be more stressed.

The essence of this research work is to find out the effect of uncertainty on the flow of foreign direct investment in to the Nigerian economy and policies to be put in place to improve the flow.

The scope of this study is to examine the effect of economic and political instability in attracting FDI into the Nigerian economy. The analysis will take the form of establishing relationship between the identified uncertainty/risk and FDI, using Granger Causality Model. Beyond the causality model, the regression analysis will also be employed to ascertain what determine FDI flow into the Nigerian economy. The data that will be used will cover between 1970 and 2008. The choice of these years has to do with the availability of data.

2.0 LITERATURE REVIEW

Basically, the development of the theory of FDI has followed two main approaches: location theory, which deals with the reasons underlying the choice of host country for foreign investment, and industrial organization theory, which is concerned with successful competition between domestic producers and foreign firms. Hymer (1976) provided a pioneering study and drew attention to the role of MNCs as global industrial organizations. He argued that FDI is more than a process by which assets are exchanged internationally. It also involves international production. His submission is that FDI represents not simply a transfer of capital, but the transfer of a “package” in which capital, superior managerial, administrative and marketing skills, new and advanced technology, access to low-cost funding and research and development capabilities are all combined. This theory was further extended by Caves (1971, 1974) and Kindleberger (1984).

Blomstrom et al (1994) found that FDI inflows had a significant positive effect on the average growth rate of per capita income for a sample of 78 developing and 23 developed countries. However, when the sample of developing countries was split between two groups based on level of per capita income, the effect of FDI on growth of lower income developing countries was not statistically significant although still with a positive sign. They argue that least developed

countries gain very little from MNEs because domestic enterprises are too far behind in their technological levels to be either imitators or suppliers to MNEs.

While there seems to be some agreement on the determinants of investments in both developing and developed countries, the literature identifies some additional risk and uncertainty factors that tend to constrain investment in developing countries. These include inflation (Dornbusch and Reynoso, 1989; Serven and Solimano, 1993 and Oshikoya, 1994), large external debt (Borensztein, 1990; Faruqee, 1992), credibility of policy changes during macroeconomic adjustment (Rodrik, 1989), level and variability of the real exchange rate (for example, Faruqee, 1992; Serven and Solimano, 1993, Jenkins and Thomas, 2002), terms-of-trade effect (Oshikoya, 1994) and political instability (Bleaney, 1993; Gamer, 1993; Root and Ahmed, 1979, Schneider and Fry, 1985); and infrastructure and institutions (Asiedu, 2002, and Ajayi, 2004).

In Nigeria, significant scholarly effort has gone into the study of the role of foreign direct investment in the Nigerian economy. Oyaide (1979) provides an excellent documentation of works conducted under the aegis of the Nigerian Economic Society. What follows draws substantially on this brilliant summary, and the work of Rivoli and Salorio (1996).

Ngowi (2001) in a study of FDI in Africa points out that it is difficult to determine the exact quantity and quality of each of the determinants of FDI that should be present in a location to attract a given level of FDI inflow. With respect to African countries, the study identified high risk characterized by a lack of political, institutional and policy stability and predictability, poor access to world markets, price instability, high levels of corruption, small and stagnant markets and inadequate infrastructures as some of the important factors hindering FDI in Africa.

There are a couple of survey-based studies of FDI in Africa with most of them identifying the same set of obstacles constraining FDI inflow in the region. For instance, Hess (2000) assessed the investment climate in each of the SADC economies and highlighted the most common factors constraining investment in this area. Among other prominent factors he identified are unstable political and economic environment; lack of transparency; inadequate infrastructure; inefficient and cumbersome bureaucratic which breed corruption; underdeveloped financial sectors; and low productivity. He affirmed that the most important factor in attracting significant levels of FDI is a stable macroeconomic and political environment. He noted that investors require as much certainty as possible about the trend of the economy for them to be willing to invest in such location. This work is to narrow it down to Nigeria with better and advanced method of analysis used.

3.0 THEORETICAL FOUNDATION

Following the model developed by Goldberg and Kolstad (1995) [as contained in the work of Adugna Lemi and Sisay Asefa (2001)], which incorporates both the exchange rate and demand uncertainty, this study tests the predication of the model by augmenting it with the Nigerian

economy characteristics. Foreign investors divide their production capacity across borders according to the distributions and correlations of exchange rate and demand shocks.

The profit function of a source country firm that produces only for a foreign market, with a combination of domestic capacity and foreign capacity is given by:

$$\Pi(q_d, q_f, e, \sigma) = e(p(q) + \delta)q - q_d - eq_f \quad (1)$$

Where $p(q)$ is total demand in the host country for the product of affiliate firm, q_d and q_f are home and foreign capacity costs respectively, δ is demand shock, and e is exchange rate (local currency per foreign currency) of a host country. Typically, the firm decides the level of production both in the domestic market and abroad before uncertainty is resolved. The model becomes more complex when other factors are taken into account. For example, foreign firms invest in a given host country not only to produce and sell products in the host country market, but also to export products either back to the parent firm or to neighbouring countries.

From the above model, expected profit is a function of exchange rate and demand shock uncertainty and the correlation between the two. Therefore, level of production in the domestic market and abroad is a function of demand (price) and exchange rate uncertainties. As foreign firms cross boundaries, other factors pertinent for foreign investors include political instability and host country government policies; these factors are important because, in most cases, they treat foreign firms differently. Other macroeconomic determinants of investment, such as total and skilled labour force, market size and potential, cost of capital, productivity (technology), infrastructure, size of export sector, investors' confidence, and image of a host country in the international business community are commonly used control variables for the study of investment behaviour of multinational firms.

The traditional investment model is given by:

$$K_{it} = f(Y_{it}, IR_{it}) \quad (2)$$

$$i = 1, \dots, N \text{ and } t = 1, \dots, T$$

Where K_{it} is the desired capital stock, Y_{it} is output and IR_{it} is real user cost of capital in a host country. The basic model refers to the traditional determinants of investment for domestic investors. However, as seen in equation (1) a multinational firms' investment is affected by other host country characteristics, which alter exchange rate, and demand.

Therefore, this model is augmented based on the premise that in equation (1) both revenue and cost functions are subject to host country uncertainties and instabilities. Revenue is also affected by market size, degree of trade orientation and labour force of the host country. As indicated by Thomas and Worrall (1994), other forms of uncertainty emanate from risk of expropriation, and can be guaranteed only through signing bilateral and/or multilateral investment guarantees to protect foreign investors. Baker (1999) reinforced the role played by the Multinational Investment Guarantee Agency (MIGA) to increase flow of FDI. The level of exchange rate becomes a determinant factor, as indicated by Campa (1993), for the case of FDI inflow to U.S., and also by Bacek and Okawa (2001) for Japanese FDI in Asia. Previous empirical works have not addressed the roles of some of these uncertainty indicators and policies. Furthermore,

robustness of their results to different host and source countries and industrial groups is questionable.

The expected sign for the measure of uncertainty is not clear from economic theory. Positive sign implies that firms invest more in a foreign market to diversify production, use a market as a shock absorber, or to compete with rival competitor, which is a strategic motive. Cushman (1985) argued that uncertainty affects FDI positively, as multinational firms tend to serve foreign market through FDI than through export when investors start to worry about uncertainty. On the other hand, the theory of investment and option value imply that firms lower investment when there is uncertainty, due to high sunk cost which further delays investment. The predictions of these models may not have been tested in the context of the Nigerian economy. The purpose of this paper is to fill this gap.

3.1 MODEL VARIABLES AND DATA

Definitions and sources of model variables are presented below. The period of analysis for the flow of FDI from all source countries is between 1970 and 2008. The variables used in the estimation are in annual frequency. The explanatory variables are grouped into economic uncertainty, political instability and government policy, investor's confidence, domestic market size, potential and cost of capital, and size of export sector. Investors' confidence is proxy by two indicators: ratio of total external debt of a host country to Gross Domestic Product (GDP) (REDEBT). Investors' confidence is expected to be high in cases where the debt burden is low, so that there is no future tax obligation on the business community to pay back the debt. The second indicator is the receipts from international tourist arrivals as a ratio to total exports.

It is difficult, if not impossible to incorporate the different forms and objectives of policies that host countries have towards the flow of FDI. It is also argued that most policies designed by host countries may not be enforceable and do not address what foreign investors seek in guaranteeing security and benefits. Mostly initiated by source country, host countries sign bilateral and multilateral agreements to show their commitment and to secure their benefits and those of foreign investors. The number of Bilateral Investment Treaties (BIT) signed by a host country and membership in Multilateral Investment Guarantee Agency (MIGA) are used as proxies for government policy and commitment.

3.2 Econometric Methodology

This study addresses the role of economic uncertainty and political instability in affecting FDI inflow to the Nigerian economy. The rate of inflation and the exchange rate uncertainty, as well as political instability are expected to impede FDI inflow to the Nigerian economy. Apart from these uncertainty indicators, host country economic policy parameters, investors' confidence, market size and potential size of export sector, labour force available and infrastructure facilities are factors in deciding whether to invest in a country. These control variables are expected to contribute to the inflow of FDI. Studies show the inflow of FDI to African economies is to exploit cheap labour and a large export sector (mainly to extract resources) (Nnadozie, 2000; Allaoua and Atkin, 1993). It is evident from similar studies that the role of advanced communication infrastructure, and suitable policy environment is critical. By using proxy

variables for the uncertainty indicators and other control variables, this study estimates FDI model for the Nigerian economy.

The following model is estimated:

$$RNFDI = \beta_1 + \beta_2 INF_{it} + \beta_3 RER_{it} + \beta_4 POLI_{it} + \beta_5 BIT_{it} + \beta_6 MIGA_{it} + \beta_7 GDPPC_{it} + \beta_8 REDEBT_{it} + \beta_9 REXPO_{it} + \alpha X_{it} + \epsilon_{it} \quad (4)$$

RNFDI which measures ratios of FDI to GDP of a host country, INF is the variability of inflation, ER is the variability of exchange rate, and POLI = political freedom indicator. X_{it} is a vector of explanatory variables that measure market size (GDPPC), investors' confidence indicators (REDEBT), government policy and commitment (MIGA, BIT), and size of export sector (REXPO).

Positive signs are expected for RLFT, GDPPC, BIT, and MIGA. GDPPC is a measure of effective market size of the country, and foreign firms may sell products to domestic consumers, even though their goal is exporting to neighbouring markets. MIGA captures commitment from the government side, and positive sign may imply investors take advantage of policies and government commitment (after controlling for political freedom indicator (POLI)]. Market potential is often measured by growth rate of GDP. Again, high growth rate may encourage investment, unless there is crowded out effect by domestic firms.

The variables are annual net total foreign direct investment (NFDI) from 1970 – 2008, annual consumer price index from 1970-2008, annual real exchange rate from 1970- 2008, and political freedom index for the Nigerian economy. Other control variables include growth rate of real gross domestic product per capita, dummy for periods of membership in Multilateral Investment Guarantee Agency (MIGA), number of bilateral investment treaties signed by the host countries (BIT), external debt (EDEBT), and GDP per capita.

The following variables are used in the regression:

Dependent Variable

RNFDI = ratio of net foreign direct investment to gross domestic product

Economic Uncertainty Indicators

INF = annual variability in consumer price index

VRER = annual variability in exchange rate of dollar

Investor's confidence indicator

REDEBT = ratio of total external debt to GDP

Domestic market size, cost of capital, technology and infrastructure

GDPPC = GDP per capita, which is given by GDP divided by total population of the country.

RLR = real leading rate defined as nominal leading rate minus inflation.

Political freedom and government commitment indicators

POLI = political freedom indicators measured on a one-to-seven scale, with one representing the highest degree of political freedom and seven the lowest.

MIGA = dummy variable for periods of membership in Multilateral Investment Guarantee Agency (MIGA); it takes value of 1 for the years that Nigeria signed agreement and 0 otherwise.

BIT = number of bilateral investment treaty.

Size of export sector indicator

REXPO = ratio of value of total export of goods and services to GDP.

4.0 DATA ANALYSIS

4.1.1 LONG RUN EQUATION

Dependent Variable: RNFDI

Method: Least Squares

Date: 06/19/10 Time: 18:07

Sample: 1970 2008

Included observations: 39

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.682063	3.604233	-0.189240	0.8512
EXR	-0.121681	0.071801	-1.694694	0.1008
GDPPC	7.87E-05	0.000999	0.078796	0.9377
INF	-0.118236	0.228191	-0.518143	0.6083
MIGA	2.493476	4.198243	0.593933	0.5572
POLI	0.363863	0.557781	0.652340	0.5193
REDEBT	0.744416	0.565333	1.316775	0.1982
REXPO	0.933149	0.650412	1.434705	0.1621
RLR	-0.102222	0.218909	-0.466962	0.6440
BIT	0.148642	0.835625	0.177881	0.8601
R-squared	0.191578	Mean dependent var	0.922244	
Adjusted R-squared	-0.059311	S.D. dependent var	4.285187	
S.E. of regression	4.410436	Akaike info criterion	6.022379	
Sum squared resid	564.1065	Schwarz criterion	6.448933	
Log likelihood	-107.4364	F-statistic	0.763597	
Durbin-Watson stat	2.546518	Prob(F-statistic)	0.649864	

Source: Computed by the author

4.1.2 Unit Root Test

The results of the unit root test are presented in the table 1 below, using the Augmented Dickey Fuller (ADF). Most of the variables were stationary at levels or at first difference, with the exception of ratio of total external debt to GDP (REDEBT) and ratio of value of total export of goods and services to GDP (REXPO).

Table 1 UNIT ROOT TEST

Variable	Order of Integration	Percentage	Test
RNFDI	I(0)	1%	ADF
BIT	I(1)	1%	ADF
EXR	I(1)	1%	ADF
GDPPC	I(1)	1%	ADF
INF	I(0)	1%	ADF
MIGA	I(1)	1%	ADF
POLI	I(1)	1%	ADF
REDEBT	I(2)	1%	ADF
RLR	I(1)	1%	ADF
REXPO	I(2)	1%	ADF
RLFT	I(0)	1%	ADF

Source: Computed by the author

With the result of the unit root test, where some variables were not stationary at first difference, there is the need for a cointegration test. The cointegration test shows that some of the variables were cointegrated. One econometric issue can be raised in estimation of this model and that is Collinearity. Collinearity is due to the use of ratio of GDP and growth of GDP as regressors, which maybe correlated. One solution for the collinearity problem is to drop one of the correlated variables, but they were both important to the analysis of these models. In this study, the degree of collinearity obtained was 0.37, which shows that collinearity was not a problem.

Having ascertained that the variables are not stationary after differentiating once, and that they are cointegrated, the stage is set to formulate an error correction model. The intuition behind the error correction model is the need to recover the long-run information lost by differencing the variables. The error correction model rectifies this problem by introducing an error correction term. The error correction term is derived from the long-run equation based on economic theory.

The result of the parsimonious ECM for the equations is presented in the table 2 below. The Over-Parameterized model from which the parsimonious ECM emanated is presented in the appendix.

TABLE 2 RESULTS FROM THE ERROR CORRECTION MODEL FOR RNFDI

Variable	Coefficient	t-Statistic	Prob.
C	0.5295	1.0658	0.3034
Δ EXR	-0.4053	-5.6842	0.0000
Δ EXR(-2)	-0.3445	-4.7465	0.0003
Δ GDPPC(-2)	-0.0017	-1.1827	0.2553
Δ INF	-0.1641	-4.6765	0.0003
Δ INF(-1)	0.2744	2.1844	0.0452
Δ INF(-2)	-0.4448	-4.7081	0.0003
Δ MIGA	7.3781	2.5630	0.0216
Δ MIGA(-2)	-16.6459	-4.6095	0.0003
Δ POLI	1.3494	2.5542	0.0220
Δ POLI(-2)	-1.1343	-3.0040	0.0089
Δ REDEBT	4.5881	6.0317	0.0000
ΔREDEBT(-1)	-4.7335	-5.5307	0.0001
ΔREDEBT(-2)	6.1569	6.1387	0.0000
ΔREXPO	4.0761	5.8565	0.0000
ΔREXPO(-1)	1.4924	3.4238	0.0038
ΔRLR(-1)	0.3285	2.6387	0.0186
ΔRLR(-2)	-0.3782	-3.9809	0.0012
ΔBIT	4.4723	3.2399	0.0055
ΔBIT(-2)	-1.1670	-1.2642	0.2255
ECM(-1)	-0.8057	-5.1364	0.0001

Adjusted R² = 0.7969

Standard Error = 2.0101

F-Statistics = 7.8684

D-W Statistics = 1.8302

Source: Computed by the author

4.2 RESULT

The adjusted R^2 of the estimated model shows that almost 80% of the variation in total FDI into Nigeria is explained by the combined effects of all the determinants while the F-Statistics shows that the overall regression is significant at the 1% level. The value of Durbin Waston statistics shows that the problem of serial correlation has been adequately taken care of. Also the ECM variable is in line with the norms, it has a negative coefficient and it is significant.

As shown in table 4.1.3 exchange rate is a significant factor negatively affecting the attraction of FDI into the Nigerian Economy to the tune of 41%. The lagged to second year is also significant and have slightly less effect. The lagged value of per capita is not in accordance with the a priori expectation and it is not significant, but the implication of the negative sign can be that economic growth or large market size can hinder the flow of foreign capital. One explanation may be that when the market gets saturated, then foreign investors see little future expansion of demand to enter the market. As explained in Lemi and Asefa (2001), Abekah (1998) argued that the negative sign implies that as GDP expands, some capital requirements are met locally, which leads to lower FDI flow. Inflation conform to the a priori expectation and it is significant. It has a negative effect of a magnitude of up to 16.5%. The first lag of inflation is also significant but did not conform with the a priori expectation and the magnitude is higher. This might mean that previous level of inflation encourages in-flow of FDI in the sense that price will be set factoring the previous inflationary level which will definitely increase the profit margin. Signing pact with multi lateral investment agency is a positive factor that contribute to inflow of FDI. The second lag is showing an opposite direction and higher impact. The possible explanation for this is the policy summersault in this country. Our policies, most especially economic policies lack singlar direction in this country. The a priori expectation for political freedom is negative but this is depicting positive sign and it is significant, but looking at the second lag value for political freedom, it is negative and significant. This confirms my earlier assertion when looking at response of foreign direct investment to the level of inflation, one will see that decision to invest in a country is always taken before the actual investment commences. That is why what is happening in the present does not necessarily affect inflow of FDI except it has been perceve before hand. Instead of debt servicing to be having negative impact on attracting FDI, it is exercising positive impact except for the first lag. This can be explained as debt burden tax not really being a problem in Nigeria, since government source of income is more on crude oil, foreign investors do not perceve servicing of our external debt as a problem. Value of our export volume exercise positive impact and it is significant, this is in accordance to expectation. The cost of capital has mixed signal. The first lag that suppose to be negative is positive, while the second lag is negative. This can also be explained that the decision to invest and all the necessary arrangement is always taking before the actual investment commence. Entering into Bilateral investment treaty also display mixed sign, but this has been explained earlier that the cause of this is the policy summersault by the government.

5.0 CONCLUSION AND POLICY RECOMMENDATIONS

By looking at economic uncertainty and political instability indicators, this study has examined the role of uncertainty in affecting the inflow of FDI into the Nigerian economy. There is no empirical work that we can say in Nigeria has formally tested the impact of uncertainty on the

inflow of disaggregated FDI into the Nigerian economy. This study has attempted to fill the gap by looking into the connection between uncertainty and the flow of total FDI from all source countries.

There is the need for a right enabling environment to encourage inflow of FDI. This can be achieved by designing policy measures that promote adequate provision of good infrastructure, transparent laws, reliable legal systems, security to lives and property among other things as well as sound macroeconomic policies that will reduce inflation and exchange rate variability. Development of our tourist centres to attract foreigners through which the world will know that Africa and Nigeria in particular is a place to be, as well as a place to invest. Lastly, looking at the US MNEs, the world's largest contributor of investment funds, has generally followed a regional pattern, and the prime destination since the 1950s has been Western Europe. Countries in this region, besides benefiting from geographical contiguity and integrated infrastructure, also generally had similar political and economic systems, and were relatively close in cultural terms to the USA. Further, these countries progressively integrated themselves into an economic union, which conferred immense spin-off benefits for trade and investment. This region thus provided the best mix of the traditional determinants of US FDI, notably political and economic stability, high GNPs, sound infrastructure, technically skilled labour and cultural proximity. Likewise the Asian region, where liberalization and improvement in their infrastructure have contributed to a change in the trend of FDI over time towards their region. If Nigeria and in general Africa can follow this pattern, Africa will soon become a haven for FDI inflow.

5.1 LIMITATIONS OF THE STUDY

The major limitation of this study is the data. There are dimensions to it. First is the data period limitation, you can not get data for all the variables used for earlier period beyond 1970 which makes the time frame for the analysis a constraint. The second aspect is that, some data were not readily available such as data for tourism receipt in Nigeria.

Another limitation is that all the identified variables for economic uncertainty and political instability could not be incorporated into the analysis. This is the off shore of the time period for the analysis, some variables we considered not that important were left out, such as literacy ratio of the working force population.

REFERENCE

- Abekah, Joseph Y. (1998), 'Overseas Private Investment Corporation and its Effects on U.S. Direct Investment in Africa', *Journal of African Finance and Economic Development*, vol. 3, No. 1.
- Adugna Lemi, Sisay Asefa and Panos Varangis (2001): "Foreign Direct Investment and Uncertainty: Empirical Evidence from Africa"; Centre for Economic Research on Africa (CERAF), School of Business, Montclair State University, Upper Montclair, New Jersey. Paper Prepared for the Allied Social Science Association Annual Meeting That held in Atlanta, GA January 4-6, 2002.

- Ajayi, S.I. (2004): "Determinants of Foreign Direct Investment in Africa: A Survey of the Evidences"; A Framework Paper Presented at the IMF/AERC Special Workshop on FDI in Africa, Nairobi, Kenya. December 2-3.
- Allaoua, Abdelkader and Atkin, Micheal (1993): "FDI in Africa: Trends, Constraints and Challenges"; Economic Commission for Africa (ECA), Addis Ababa, Ethiopia.
- Asiedu, E. (2002): "On the Determinant of FDI to Developing Countries: Is Africa Different?"; World Development vol. 30, No.1.
- Baek, In-Mee and Okawa, Tamami (2001), 'Foreign Exchange Rates and Japanese Foreign Direct Investment in Asia', Journal of Economic and Business, vol. 53, pp. 69-84.
- Baker, C. James (1999): "Foreign Direct Investment in Less Developed Countries: the role of ICSID and MIGA"; (Boston: Quorum Books).
- Bleaney, M. (1993), 'Political Uncertainty and Private Investment in South Africa', CREDIT Research Paper no.93/15, University of Nottingham.
- Borensztein, E et al (1995). 'How Does Foreign Direct Investment Affects Economic Growth?' Working paper No 5057; Cambridge M.A; National Bureau of Economic Research
- Campa, J. (1993), 'Entry by Foreign Firms in the US Under Exchange-Rate Uncertainty', Review of Economics and Statistics, vol 75, (4), pp. 614-622.
- Caves, R.E. (1971), 'International Corporations: The Industrial Economics of Foreign Investment', Economica, February, pp.1-27.
- Caves, R.E. (1974), 'Multinational Firms, Competition and Productivity in Host-Country Markets', Economica, vol. 32, pp. 176-193.
- Collier, Paul (1994), 'The Marginalization of Africa', Center for the Study of African Economies, Mimeo.
- Cushman, D. (1985), 'Real Exchange Rate Risk, Expectations, and The Level of Direct Investment', The Review of Economics and Statistics, vol. 67, pp. 297-308.
- Dornbusch, R and A Reynoso (1989), 'Financial Factors in Economics Development', American Economic Review Papers and Proceedings, vol.79, pp. 204-209.
- Faruqee, R. (1992), 'Private Investment in Sub-Saharan Africa: An Exploratory analysis', Internal Discussion Paper (Africa regional series), World Bank.
- Freedom House, Annual Survey of Freedom Country ratings 1972-73 to 2007-08, 2008.
- Garner, J (1993), 'Determinants of Recent Direct Investment flows to South Africa', Research Paper No.8, London School of Economics: Centre for the Study of the South African Economy and International Finance.

- Goldberg, L. and C. Kolstad (1995), 'Foreign Direct Investment, Exchange Rate Variability and Demand Uncertainty, *International Economic Review*, vol 36(4).
- Hess, R. (2000), 'Constraints on Foreign Direct Investment'. In Jenkins, C., J. Leape and L. Thomas (eds), *Gaining from Trade in Southern Africa: Complementary Policies to Underpin the SADC Free Trade Area*, Macmillan/Commonwealth Secretariat.
- Hymer, S (1976), *The International Operations of National Firms: A study of Foreign Direct Investment*, MIT Press.
- Jenkins, C. and Lynne Thomas (2002), 'Foreign Direct Investment in Southern Africa: Determinants, Characteristics and Implications for Economic Growth and Poverty Alleviation'. A Research on Globalization and Poverty, Funded by DFID.
- Kindleberger, C.P. (1984), *Multinational Excursions*. Cambridge: MIT Press.
- Lemi, Adugna and Asefa, Sisay (2001), 'Foreign Direct Investment and Uncertainty: The Case of African Economies', *Proceedings of the International Business and Economics Research Conference*, October 8-12, 2001, Reno, Nevada.
- Ngowi, H.P. (2001), 'Can Africa Increase its Global Share of Foreign Direct Investment (FDI)' *West Africa Review*, vol 2(2).
- Nnadozie, Emmanuel (2000) 'What Determines US Direct Investment in African Countries?' Truman State University, Mimeo.
- Nurkse R. (1953). 'Problems of Capital Formation in Underdeveloped Countries'. Oxford: Basil Blackwell.
- Oshikoya, T (1994), "Macroeconomic Determinants of Domestic Private Investment in Africa: an Empirical Analysis", *Economic Development and Cultural Change*, vol 42(3), pp.573-596.
- Oyaide, W.J. (1979). 'Twenty Years of the Nigerian Economic Society and Foreign Investment in Nigeria'. *Nigerian Journal of Economic and Social Studies* 21(1-3) Special Issue: 57-66.
- Ravioli, Pietra. And Salorio, Eugene. (1996). 'Foreign Direct Investment and Investment Under Uncertainty', *Journal of International Business Studies*, Second Quarter.
- Rodrik, D (1989), 'Policy Uncertainty and Private Investment in Developing Countries', NBER Working Paper 2999.
- Root, F. and A. Ahmed (1979), 'Empirical Determinants of Manufacturing Direct Foreign Investment in Developing Countries', *Economic Development and Cultural Change*, vol 27, pp.751-767.
- Sachs, J. and S. Sievers (1998), "FDI in Africa", *Africa Competitive Report*. 1998, Geneva: World Economic Forum.

- Scaperlanda, Anthony and Robert Balough, 'Determinants of US Direct Investment in the EEC': Revisited." *European Economic Review*, May 1983, pp 381-90.
- Schneider, F. and B. Fry (1985), 'Economic and Political Determinants of Foreign Direct Investment', *World Development*, vol 13(2), pp. 161-175.
- Senbet, W. Lemma. (1996). 'Perspective on African Finance and Economic Development', *Journal of African Finance and Economic Development*, Vol 2(1): pp 1-22.
- Serven, L. and A. Solimano (1993), 'Debt Crisis, Adjustment Policies and Capital Formation in Developing Countries: Where Do We Stand?' *World Development*, vol 21(1), pp.127-140.
- Serven, Luis. (1998). 'Macroeconomic Uncertainty and Private Investment in LDCs: An Empirical Investigation', *The World Bank*.
- Singh H. & K. W. Jun (1996). 'The Determinants of Foreign Direct Investment in Developing Countries'. *Transnational Corporations*, vol 5, (2), August.
- Thomas, Jonathan and Worrall, Tim (1994), "Foreign Direct Investment and the Risk of Expropriation", *Review of Economics Studies* vol. 61.
- UNCTAD (2006), *World Investment Report*, United Nations, New York and Geneva.
- UNCTAD, *World Investment Report 2008* United Nations, New York and Geneva.
- Wheeler, D. and A. Mody (1992), 'International Investment Location decisions: The Case of U.S. Firms', *Journal of International Economics*, vol 33, pp. 57-76.