

# **Intra-Regional Foreign Direct Investment In SADC: South Africa and Mauritius Outward Foreign Direct Investment**

By

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# Abstract

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**T**his paper looks at intra-SADC (Southern African Development Community) Foreign Direct Investment (FDI) and focuses on Mauritius and South Africa's outward FDI. Data from 1999 to 2010 are collated and qualitative analyses conducted. The study reveals that Mauritius' outward FDI was mainly in the service sector and largely went to Madagascar, Seychelles and Mozambique, which were also the country's main trading partners, except for Botswana. Meanwhile, South African investments were mainly in Mauritius, Tanzania and Mozambique, while the country's main trading partners were Botswana, Zambia, Zimbabwe, Swaziland and Angola. The study also found the following to be potential drivers of Mauritian and South African outward investments, and hence intra-SADC FDI flows: geographical proximity, market access, liberalized markets, stable macroeconomic and political environment, natural resource availability, and policy and institutional framework. Graphical analyses and simple correlations reveal that trade and FDI are positively correlated for Mauritius and South Africa's outward investment, suggestive of a complementarity relationship.

# 1 Introduction

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Foreign Direct Investment (FDI) to and from developing countries has risen sharply over the past two decades or so. For example, in 2010 developing economies absorbed close to half of global FDI inflows for the first time. At the same time, developing economies generated record levels of FDI outflows and much of it was directed to other developing countries in the South (UNCTAD, 2011a). It is further reported that more than one-third of total FDI inflows reported by developing countries now come from other developing countries, and for some small developing countries, South-South flows<sup>1</sup> amounted to 90 per cent of the total FDI attracted (Darby et al, 2009).

In Africa, the extent of intra-regional FDI is quite limited. For example, based on FDI projects, intra-regional FDI accounted for only 5% of total projects, and 12% in terms of the value of projects in 2010 (UNCTAD, 2011a). Notwithstanding this, South Africa and Mauritius have emerged as important sources of FDI within the African region. FDI from South Africa was about US\$72.29 billion in 2010, of which US\$15.23 billion was channelled to Africa. South Africa's FDI represents about 57% of the total FDI from Africa, and about 2% of the total FDI from developing countries (UNCTAD, 2012). While FDI from Mauritius averaged US\$65.14 million between 2006 and 2010, about US\$29.9 million of this was channelled to Africa (Bank of Mauritius, n.d.).

In 1996, a Southern African Development Community (SADC) Protocol on Trade (SADC, 1996) was signed with the purpose of eventually establishing a Free Trade Area (FTA). The overriding objective of the SADC Protocol on Trade was to further liberalize intra-regional trade in goods and services, on the basis of fair and mutually equitable and beneficial trade arrangements. This was to be complemented by protocols in other areas, which aimed, among other things, to contribute towards improving the climate for domestic, cross-border and foreign investment (SADC, 1996). Consequently, in September 2000, the SADC Free Trade Area (FTA) was launched and under this accord, SADC countries would phase out tariffs on all "non-sensitive" products by 2008 and fully liberalize trade by 2012. Another initiative that is expected to facilitate intra-African trade and investment is the adoption of a decision in January 2012, by the Assembly of Heads of States and Government, to establish a Continental Free Trade Area (CFTA) by an indicative date of 2017. Through creation of a single continental market for goods and services, with free movement of business people and investments, the CFTA is expected, among other things, to promote the expansion of intra-African trade and investment flows.

Several gains are expected from the SADC FTA. Firstly, based on the literature of customs unions and FTA, the SADC FTA is supposed to bring overall static gains resulting from the net effect of trade creation against trade diversion. Secondly, the FTA

is supposed to bring dynamic gains, among which is foreign investment. The SADC FTA is therefore intended to act as a catalyst for increased regional integration and to facilitate trade and investment flows within the region. Therefore, by creating a larger regional market for goods, trade would be promoted and, therefore, FDI. In this regard, it is assumed that trade and FDI are complementary. Early theorists regarded trade and FDI as substitutable modes for serving foreign markets (Mundell, 1957; Krugman, 1983; Horstmann and Markusen, 1992). This, therefore, means that the effect of trade on FDI could be negative. However, later, empirical evidence such as that by Lipsey and Weiss (1981, 1984), Blomstrom and Kokko (1997), and Velde and Bezemer (2004) found trade and FDI to be complements. Thus large firms would invest in low cost countries (vertical modes with a particular focus on creating export platforms from which they could serve other countries. Economic reasoning suggests that vertical FDI are more prevalent between industrialized countries, whereas horizontal FDI is more prevalent among non-industrialized countries (Aizenman and Noy, 2005). The relationship between trade and FDI therefore becomes an empirical question.

From the foregoing, several questions could be raised. First, what are the trends and characteristics of Mauritius' and South African FDI in SADC? Secondly, what influences this intra-regional FDI? In other words, what are the factors that motivate South Africa and Mauritius to invest in SADC that are different from other investor countries? Lastly, what is the relationship between intra-SADC trade and FDI, are they complementary or are they substitutes?

The main objective of this study, therefore, is to assess intra-SADC FDI. Specifically, the study aims to do the following:

- (i) Collate the available South Africa and Mauritius outward FDI data from various sources and assess their characteristics.
- (ii) Assess the potential drivers of Mauritius' and South Africa's outward FDI.
- (iii) Investigate the relationship between trade and FDI within the SADC FTA.

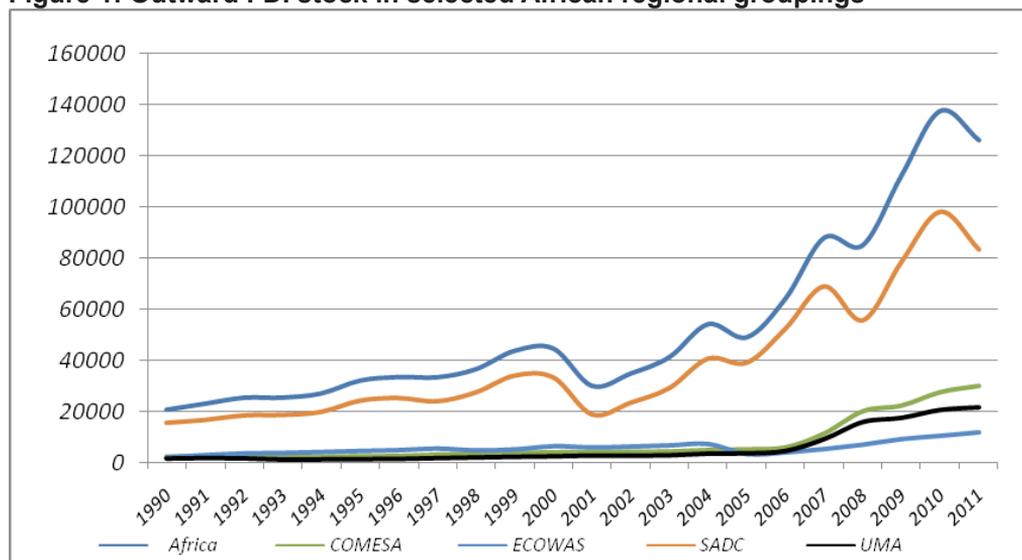
The motivation of this paper stems from the fact that the basis of creation of the SADC FTA was to promote trade within the region and hence investment. Therefore an indepth analysis of intra-SADC FDI would be important for policy makers in SADC. However, data and research in this area are quite limited, and therefore our research is aimed at filling this gap. That said, our research focuses on South Africa and Mauritius outward investment only; future research should consider looking at all SADC countries.

The rest of the paper is organized as follows: Section 2 outlines patterns of FDI in Africa. Section 3 reviews the theoretical and empirical literature on the subject. Section 4 outlines the methodology and data, and Section 5 provides conclusions.

## 2. Trends, patterns and developments of outward FDI in Africa

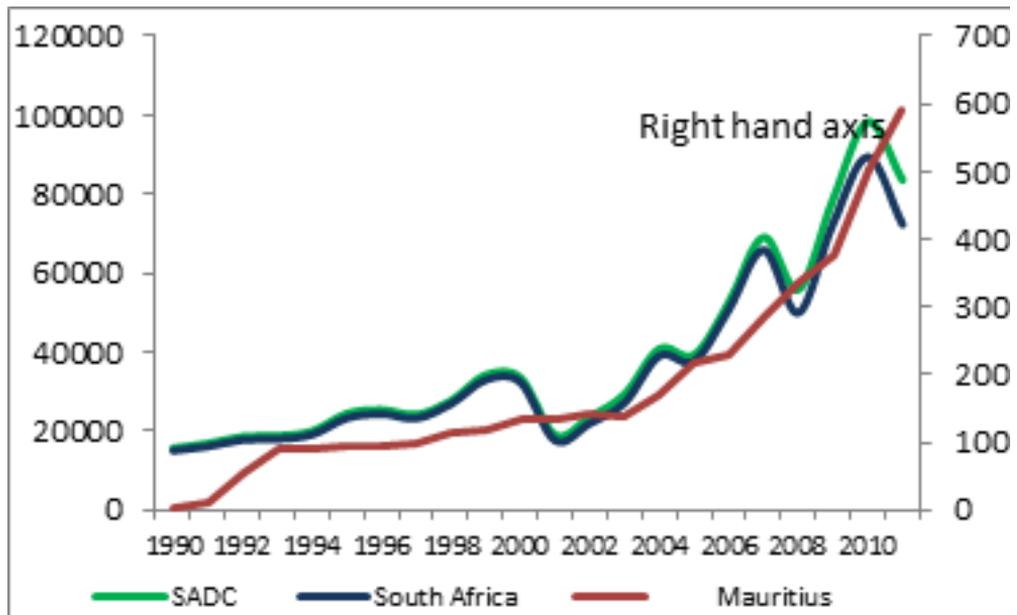
FDI from Africa has generally been growing over the past two decades. It grew at an average annual rate of 10.5% between 1990 and 2010, while the share of Africa in global outward FDI stock rose from 8% in 2005 to 22% in 2009 (UNCTAD, 2011b). Interestingly, apart from being the major recipient in Africa, SADC was also the major investor of FDI compared with other regional economic groupings in Africa (see Figure 1), with South Africa and Mauritius playing the dominant role.

**Figure 1: Outward FDI stock in selected African regional groupings**



Source: UNCTADSTAT (n.d.)

**Figure 2: South Africa and Mauritius: Outward FDI**



Source: UNCTADSTAT (n.d.)

## 3. Literature

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The literature on FDI is quite vast. However, this paper will review the literature on FDI in general, literature on the relationship between trade and investment, and literature on determinants of FDI, which will provide some insight into questions raised in the study.

### FDI in general

Literature has a wide range of theories that attempt to understand and explain the growth in multinationals and FDI, but no single theory has been accepted to fully explain FDI. For example, trade theorists tried to explain FDI dynamics using the three classical theories that were commonly used to explain why corporations engage in international trade. These theories are: the comparative advantage theory, the Heckscher-Ohlin model, and the product cycle theory (Broaden, 1999). These trade theories could not explain FDI as capital is assumed to be immobile between countries. Later, Mundell (1957) introduced a capital mobility assumption into the Heckscher-Ohlin framework contribution. Vernon (1966), noting the weaknesses of the neo-classical theory and in an attempt to explain FDI, developed a theory known as the product life cycle theory. Hymer (1976), who also identified several critical weaknesses in the neo-classical explanation of FDI, developed a theory which was linked to the market imperfection hypothesis.

Although there were many approaches and theories, it was Dunning's (1980) eclectic paradigm theory of the multinational enterprise that gained prominence in literature. The theory builds upon the internalization theory pioneered by Ohlin in 1976, linking the country specific advantages (ownership and location) and firm specific advantages (internalization specific). Firms' location advantages can be grouped into the following broad categories; macroeconomic performance (market size, GDP growth); quality of institutions (e.g., political stability, market openness, infrastructure, legal framework, etc.), and the firm specific advantages of host countries. The investment environment (openness of the economy, degree of exchange rate and inflation volatility, and exchange controls) and other factors such as natural resources, cultural and physical proximity, labour, and other things also come into play. Although prominent, the eclectic paradigm theory has limited power to explain or predict particular kinds of international production and, even less so, the behaviour of individual enterprises (Dunning, 1988).

Empirical literature on the determinants of FDI is quite vast, although mainly for developed countries as it is quite limited for the SADC region. Therefore, many approaches have been used to try to understand FDI dynamics; some researchers have

applied modern econometric theories whereas others have used qualitative analyses. Page and Te Velde (2004), following the work of Dunning (1980), analysed a number of factors in trying to understand FDI flows within Africa. Using qualitative analysis they found that the complementarity of trade and FDI was not supported by data. They also found the following: that relative market size was the main reason why small countries like Mauritius and Seychelles were investing outside their borders; bilateral investment treaties (BITs) with South Africa seem not to be important; privatization in infrastructure significantly influenced investments; and changes in relative costs of production, in particular unit labour costs, were the main reason why Mauritius invested in Madagascar and Mozambique.

A survey by UNIDO (2003) analysed, among other things, investor perceptions of 10 African countries that included the SADC countries Mozambique, Madagascar and Tanzania. Their results confirmed Dunning's postulations that concluded that there are three distinct groups of investors: market seeking, resource seeking and export oriented production investors. Furthermore, they found political and economic stability, good business climate conditions, quality of infrastructure, legal framework, transparency of the investment climate and market conditions to be among the important factors influencing investors to invest in Africa.

A study by the African Development Bank (AfDB, 2013) focused on only a few SADC countries due to the scarcity of data for analysing intra-SADC cross-border investment. These countries were: Mozambique, Botswana, Mauritius, South Africa and Zambia. Their approach was similar to Page and Te Velde (2004) in that it was qualitative in nature, but different as they analysed both FDI and portfolio investments. The study categorized factors influencing intra-SADC FDI into enablers and barriers. The following were found to be enablers: proximity, market size, SADC protocol on finance and investment, special economic zones, and regional stock markets. The following were found to be barriers to FDI: underdeveloped financial markets, institutional barriers and the quantum paradigm, and business climate barriers.

## **Trade and FDI**

Early classical theorists were of the view that capital is immobile and that differences in factor endowments were the cause of international trade. This view was first formalized by the Heckscher-Ohlin model, which assumed that the only difference between countries was the relative abundances of labour and capital. However, later on Mundell (1957) introduced a capital mobility assumption into the Heckscher-Ohlin framework contribution. The model had two main predictions: first, that trade barriers encourage FDI and, similarly, that restrictions on factor mobility increases trade flows. FDI and trade are therefore considered substitutes. The second prediction was that, *ceteris paribus*, capital should be relative to endowments when there are barriers to trade, flowing from capital abundant countries to capital scarce countries. While this model was a good attempt to explain tariff-jumping FDI, it failed to explain FDI, which is a result of linkages across industries, so that is which is complementary to trade. Further, the model could not explain why capital does flow from developed to developing countries. Similarly, the proximity-concentration hypothesis by Horstmann and Markusen (1992) suggests that greater transaction costs resulting from higher trade

barriers and transportation costs lead to horizontal cross-border production expansion and thereby stimulate international investment.

The empirical literature on the trade and FDI relationship can be broadly classified into macro and micro, or firm-level, studies and has mainly concentrated on industrial countries as very few studies concentrate on the African region. Results from these studies vary considerably: from region to region, country to country, and industry to industry. Chaisrisawatsuk and Chaisrisawatsuk (2007) found a complementary relationship between exports and FDI. Similarly, Bezuidenhout and Naudé (2008) found a positive relationship between exports and FDI. On the other hand, Mitze et al (2007) found that imports and outward FDI complement each other and there was a substitutive relationship between outward FDI and exports. Page and Te Velde (2004) argue that investment in most African countries is for local sales, particularly in services and distribution or for export to third countries, and not necessarily to replace the home countries' exports or to encourage trade back to it. Mekki (2005) argues that the relationship between trade and FDI differs from one sector to the next. In view of the foregoing, it is important to investigate this relationship in the context of South Africa and Mauritius. Other studies, though not directly focusing on the relationship of trade and FDI, also found mixed results. For example, Asiedu (2002), using data for sub-Saharan African (SSA) and non-SSA countries, showed that openness to trade promotes FDI to both SSA and non-SSA countries. Mhlanga et al (2009) found that openness had a positive effect on FDI in SADC.

## Determinants of FDI

**Market size:** Gross Domestic Product (GDP) and GDP per capita are considered to give an indication of a country's market size as they reflect both the high purchasing power of consumers and high real wages. SADC integration acted as an incentive for firms in South Africa and Mauritius (given its small market size) to exploit the enlarged market. Mody and Srinivasan (1998) have argued that the host country market size plays an important role in attracting FDI, especially when the host country market allows for exploitation of economies of scale for import substituting investment.

**Bilateral investment treaties:** BITs increase foreign entrepreneurs' confidence with regard to commitment by host countries to protect their investment, and also provide an alternative dispute resolution mechanism other than the host state's courts. Therefore they are said to attract investment inflows, and the expected sign of the coefficient is therefore positive. Generally, the number of BITs ratified by developing countries has grown dramatically. To this end, South Africa and Mauritius have signed a number of BITs. However, UNCTAD (1998b) found that BITs do not play a primary role in increasing FDI, and that a larger number of BITs ratified by a host country would not necessarily bring higher inflows. Hallward-Driemeier (2003) analysed 20 years of bilateral FDI flows from the Organisation for Economic Co-operation and Development (OECD) to developing countries and found little evidence that BITs stimulated additional investment. In particular, he found that countries with weak domestic institutions, including protection of property, did not have significant additional benefits. Thus BITs act more as a complement than a substitute for domestic institutions.

**Institutional factors:** Common wisdom would suggest that free cross-border capital flows are a reflection of good practice in government policy and corporate governance and that investors would pull out if companies and or countries were not well run (Chang, 2007). Thus good institutions in terms of rule of law, political stability, no corruption, and effective governments, among other things, should attract foreign investors, as this guarantees investors' viability and return on projects. However, the controversial flow of South-to-South investments to Sudan, or the US\$400 million investment in Anglo American Platinum in Zimbabwe, at the time when the economic and political crises were at a peak in Zimbabwe, may hint at different prevailing dynamics (Zampini, 2008).

**Capital account liberalization:** It has generally been argued that the regulatory framework of both the source and the host country has a significant impact on FDI. However, Asiedu (2006) found that controls on the capital account have an insignificant influence on FDI in SSA, which is different from the Middle East and North Africa.

**Natural resource availability:** While the region's rich natural resources continue to be a critical factor in attracting FDI from other regions, there is a diversified mix of FDI flow within the region, particularly in the services and manufacturing sectors. South African and Mauritian firms investing in the SADC region are not only attracted by the natural resource endowments, as there are also those firms that seek efficiency and new markets. According to this view, FDI is expected to be positively related to natural resources. On the other hand, natural resources generate macroeconomic uncertainty and thereby crowds out FDI. There are at least two reasons for this. First, an increase in natural resources increases demand in the non-tradable sector and generates inflation (Sachs and Warner, 1995). This also agrees with the empirical results of Gastanaga, Nugent and Pashamova (1998), and is also consistent with the literature on the "curse of natural resources" which stipulates that natural resources have an adverse impact on economic growth (Sachs and Warner, 1995). In this literature, first, one of the channels through which resource abundance impedes growth is the crowding out of foreign investment (Gylfason, 2001). Second, natural resources (especially oil) are characterized by booms and busts, leading to increased volatility in the exchange rate. Exchange rate volatility and higher inflation implies increased macroeconomic uncertainty and, therefore, less FDI. The inverse relationship between FDI flows and natural resources may also be explained by the fact that while natural resources exploration requires a large initial outlay, the continuing operations demand a small cash flow. Thus, after the initial phase, later FDI may decline. In this regard, a negative relationship between FDI and resource intensity is expected.

**Infrastructure development:** Infrastructure development is said to be a magnet for FDI as it reduces the cost of doing business. However, some, such as the Overseas Development Institute (ODI, 1997), have argued that poor infrastructure has the potential for attracting significant FDI if host governments permit more substantial foreign participation in the infrastructure sector. Furthermore, others have argued that most FDI flows to Africa are mostly in relation to natural resources, and as such it does not matter whether infrastructure is developed or not.

**Geographical proximity:** Distance increases the cost of doing business and therefore would deter FDI. While geographical distance is a natural factor, there is a role government can play to reduce the transactional and informational barriers between countries (Loungani et al, 2002). Arguably, if distance is a hindrance to trade that would attract FDI to serve those distant markets.

**Macroeconomic indicators:** A favourable macroeconomic environment is key to attracting FDI. Two variables are widely used in the literature to measure economic stability: inflation volatility and exchange rate volatility. Both inflation and exchange rate volatility are said to be major sources of uncertainty for foreign investors and are therefore expected to be negatively correlated with FDI.

**Availability of labour force:** Cheap and a readily available trained labour force is a

significant attraction to foreign investors as this directly reduces the cost of production.

## 4. Methodology and data

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The objective of our study is to understand intra-SADC FDI, focusing on South Africa and Mauritius as source countries. Following Page and Veldete (2004) and AfDB (2013), the study employs a descriptive approach to analyse intra-SADC-regional. Particularly, the study looks at the characteristics of intra-SADC FDI, the potential determinants of FDI and also the relationship between trade and FDI. The potential sample for destination countries includes all SADC countries.<sup>2</sup> Bilateral FDI data is collected and organized from source countries and validated from partner countries, where possible. Notwithstanding this, there are no potential inconsistencies in the data arising from definitions and methodologies of collecting FDI data as both sources follow the IMF methodology and OECD benchmark definitions of FDI.<sup>3</sup> A detailed presentation of sources and discussion of data is in Appendix Table A1.

### Data on South Africa outward FDI

Data for South Africa outward FDI is obtained from the South African Reserve Bank *Quarterly Bulletins*. Data are only available for the following countries: Botswana, Lesotho, Namibia, Swaziland, Mauritius, Mozambique, Zambia and Zimbabwe, for the period 1999 to date. For the rest of the countries, data are obtained from different sources. For Malawi, data are sourced from the National Statistics Office and for Tanzania data are sourced from the Bank of Tanzania. These countries (Tanzania, Malawi and Zambia) have a fairly long and consistent FDI data set, as their respective central banks in conjunction with their statistical offices have been receiving technical assistance from Development Finance International (DFI) and the Macroeconomic and Financial Management Institute (MEFMI). This enables them to conduct regular private capital flows surveys and compile FDI statistics. In subsequent analyses, we use FDI stocks data for South Africa due to its availability, as FDI flows data are very scant. Conceptually, flows are changes in stock, however, this is not applicable to FDI data as FDI stock data are composed of FDI flows and other changes (valuation changes due to exchange rate changes or stock price changes). In this regard, compiling FDI flow data by taking the differences in FDI stock positions between years would grossly overestimate or underestimate the FDI data.

South Africa's FDI by country by sector is only available in the following categories: public corporations, and the banking sector and private non-bank sectors. We therefore supplement the available data with information obtained from the Labour Research Service's (LRS) Multinational Corporations (MNCs) database (2012), to have a general

understanding of which sectors South African investors are engaged in.

## **Data on Mauritius outward investment**

Data for Mauritius outward investment exclude GBC1s<sup>4</sup> and are largely obtained from the Bank of Mauritius. FDI flows data are available from 1990 to date for the following countries: Madagascar, Malawi, Mozambique, Seychelles, South Africa, Tanzania and Zambia. This is augmented where there are gaps with data from the respective

countries' central banks and also from UNCTAD.

## 5 Analysis of intra-SADC foreign direct investment

### Characteristics of Mauritius and South Africa outward FDI

**Mauritius investment by country.** Mauritius emerged as an outward investor in the 1990s, with annual outflows of FDI averaging US\$18 million between 1990 and 1994, which grew to around US\$130 million in 2010 (Bank of Mauritius, n.d). Of its total outward investment, 46% was invested in Africa (Table 1). Trend analysis shows that over the period 2006 to 2010, Mauritius's investment into these SADC countries was shrinking, except for South Africa.

**Table 1: Mauritius's outward investment flows in Africa, 2006–2010 (US\$ million)**

	2006	2007	2008	2009	2010	Total
Total World	33.02	64.72	50.77	46.62	130.59	325.72
Africa	25.11	42.03	18.56	22.10	41.95	149.75
Comoros	0.00	0.00	0.14	0.00	0.00	0.14
Kenya	0.00	0.00	0.00	0.00	0.00	0.00
Madagascar	8.49	9.48	7.39	3.14	2.32	30.82
Malawi	0.00	0.88	0.00	0.00	0.64	
Mozambique	7.86	5.18	0.30	0.30	0.29	13.93
Reunion	0.16	4.52	4.41	2.84	3.20	15.12
Seychelles	5.45	6.22	5.26	6.93	3.55	27.40
South Africa	0.40	1.24	0.64	2.32	10.60	15.21
Tanzania	0.47	1.61	0.63	0.00	0.00	2.71
Zambia	0.47	0.00	-0.17	0.06	0.00	0.37
Other	2.75	15.40	0.42	6.57	22.00	47.14

Source: Bank of Mauritius, n.d.

From Table 1, it can be seen that the principal SADC destination country for Mauritius was Madagascar, totalling about US\$30.82 million over the period. Mauritius's investments in Madagascar's banking and financial sector is quite significant, particularly the Mauritius Commercial Bank Ltd, which is the largest corporation. Apart from the banking sector, Mauritian companies have also invested in textile and clothing in Madagascar.

The second largest host of Mauritius FDI is the Seychelles as it received about

US\$27.4 million over the period 2006 to 2010. Mauritius investment in Seychelles is mostly in the banking sector and tourism (hotel construction). Mozambique received about US\$13.93 million in FDI from Mauritian investors. Mauritian investment in the sugar industry in Mozambique was quite significant. For example, Sena Holdings had a 75% stake in the Companhia de Sena operating sugar plants in Marromeu and Luabo (Goldstein, 2003 in Page and Te Velde, 2004). Further, the government of Mozambique offered Mauritius about 23,500 hectares of land, consequently, the latter set up a Regional Development Co. Ltd incorporating a subsidiary in Mozambique. The main objective of this company was to promote regional food security (so far it has issued two proposals for rice growing and processing), and the implementation of other regional development projects. The other recipient sectors of Mauritian investment in Mozambique include: manufacturing (textile and agribusiness), tourism (hospitality industry), and banking sector and services. With regard to other countries, about US\$15.21 million of FDI from Mauritius went to South Africa. In Tanzania, Mauritius FDI is mainly in sugar production and tourism (accommodation and food services) and received about US\$2.71 million.

**Mauritius outward investment by sector.** A trend analysis (Table 2) shows that investment in the agriculture sector declined significantly over the past years. Conversely, investment in the manufacturing sector, although it dipped in 2009, rose markedly in the later years.

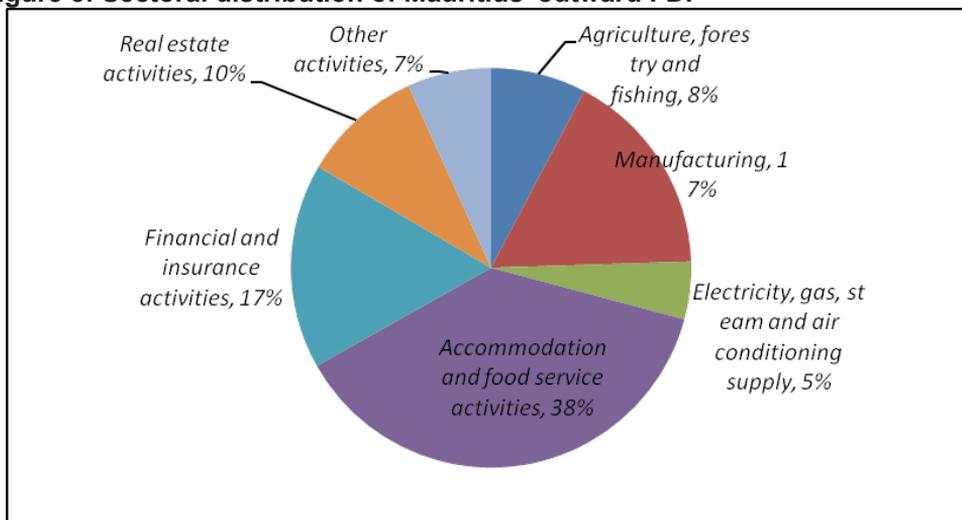
**Table 2: Mauritius’s outward FDI flows by sector, 2006–2011 (US\$ million)**

	<b>Sector</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
A	Agriculture, Forestry and Fishing	7.89	4.00	0.31	0.03	0.33	17.82
B	Manufacturing	9.76	8.34	6.46	3.77	11.32	26.33
C	Services						
i	Electricity, Gas, Water	-	-	5.38	3.30	0.51	0.03
ii	Construction	0.76	1.06	0.08	0.13	-	1.07
iii	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	0.16	0.61	0.70	1.12	0.03	1.60
iv	Transportation and Storage	0.05	0.19	0.41	0.30	-	0.25
v	Accommodation and Food Services	11.39	37.86	28.98	23.49	32.64	13.79
vi	Information and Communication	-	-	0.02	-	-	0.83
vii	Financial and Insurance Services	0.35	4.00	6.58	6.91	34.63	12.87
viii	Retail Estate Activities	2.64	8.70	6.71	10.89	4.04	5.50
ix	All Other Services	0.00	0.00	0.58	0.00	47.11	1.08
	Total	33.03	64.73	56.14	49.92	130.59	81.21

Source: Bank of Mauritius, n.d.

Overall sectoral analysis of Mauritian outward investment (Figure 3) reveals that it largely invested in accommodation and food services, mainly hotel construction (38%), followed by financial services (17%) and manufacturing (17%), while agriculture, forestry and fishing was only 8%.

**Figure 3: Sectoral distribution of Mauritius' outward FDI**



Source: Bank of Mauritius, n.d.

**South Africa investment by country.** Following a paradigm shift in corporate strategy by South African companies from conglomeration to focusing on core business in early 1990s, there was pressure by South African companies to diversify their operations internationally (UNCTAD, 2005). Consequently, South Africa has become one of the emerging global investors, accounting for an average of 0.35% of global outward investment between 2006 and 2010. Meanwhile, 2.27% of the outward FDI stock from developing countries came from South Africa during a similar period. Of the total FDI stock invested during this period, about 20.3% went to Africa (UNCTAD, 2012). Further, within the SADC region, where new policies are being agreed regionally, South Africa has a significant advantage in influencing other members' economic policies (Page and Te Velde, 2004), hence emerging as a major investor.

Trend analyses reveal that South Africa's presence in SADC countries was generally increasing with a notable increase in investments in Tanzania and Mauritius. This said, overall, Mauritius has been one of the main recipient countries for South African outward FDI for the past decade, totalling US\$23.08 billion between 2001 and 2010. The main recipient sectors include retail, financial, mining, construction and telecommunication (Appendix Table A2).

**Table 3: South African multinational corporations in SADC**

Sector	Number of MNCS in SADC
Banking and Financial Services	10
Construction	6
Diversified Holdings	4
Food and Beverages	7
Education Business training	1
Hospitality	3
Health	6
Industrial	9
Media	2
Mining	13
Paper and Packaging	3
Retail	8
Technology and Telecommunication TelecommunicationELECOMUNICACION	3
Transport	6

Source: Authors own compilation from Labour Research Service Multinational Corporations database, 2012

South African investments in Tanzania totalled US\$8.9 billion during the period under review (Table 4), with most of it invested in natural resources, particularly gold. Notwithstanding this, South Africa also invested in Tanzania's financial, retail and telecommunications sectors.

**Table 4: South African FDI stock in selected SADC countries, US\$ million**

	2001	2003	2004	2007	2008	2009	2010
Botswana	47.4	64.0	71.9	108.7	178.6	309.6	333.2
Lesotho	20.6	23.7	29.7	24.5	20.4	35.7	48.4
Mauritius	769.9	476.9	942.7	3,847.3	5,115.4	5,727.8	6,201.4
Mozambique	478.2	589.0	510.6	664.1	903.6	743.4	892.2
Namibia	93.6	133.7	97.6	84.3	59.6	81.2	155.1
Malawi	124.7	98.2	110.8	93.6	149.7	158.9	180.9
Swaziland	18.1	108.8	97.7	97.6	135.2	204.0	312.6
Tanzania	415.7	608.5	979.5	1,307.0	1,389.7	2,330.3	1,891.1
Zambia	10.3	48.2	47.9	40.5	87.6	65.9	162.5
Zimbabwe	68.2	236.1	74.9	120.3	80.1	319.3	659.4
Africa	2,046.7	2,387.2	2,963.3	9,800.9	11,719.1	13,437.6	14,143.3
Total SA OUTWARD	24,762.4	20,966.8	25,558.3	52,110.5	53,993.8	62,219.5	68,905.2

Source: SARB Quarterly Publication, 2012; Bank of Tanzania, 2012; National Statistical Office, Issues 2001, 2005, 2009 and 2012

Mozambique is one of the most significant South African investment destinations in Africa, accounting for 7% of its total outward investments. In fact, South Africa is said to be a leading investor in Mozambique. Its investment in Mozambique is quite broad and diverse, with both parastatals and the private sector being participants. Its major investments are in the mining, industrial, infrastructure and construction sectors (Appendix Table A1). That said, South Africa's MNCs have also invested in the retail, financial and agricultural sectors in Mozambique.

South Africa's presence in Botswana constituted 2% of total investment over the study period. Notable other investments are in the financial, retail, construction and manufacturing sectors, excluding mining. South African investment in Zimbabwe is in various sectors and somewhat sizable accounting for an average of 2% of its total outward FDI. South African investments in Namibia, Zambia and Malawi each accounted for an average of 1% for the period under study. The investments in Namibia were mainly in the retail, banking, construction and mining sectors, while Zambia has attracted South African companies in agriculture and mining. South Africa has also invested in other sectors such as retail, manufacturing, agriculture, financial and construction. With regard to Malawi, South African foreign investments are mainly in the banking and financial services, retail and construction sectors.

**South African investment by sector.** South African outward FDI in Africa is principally in private non-bank sectors, and is mostly financed through re-invested earnings (Table 5). This, to a large extent, signals a high return for these investments, hence the incentive to reinvest and expand in these countries. According to the LRS MNCs database, South African MNCs have invested widely in the services sector (retail, construction, transport and technology, and telecommunications). Notable investments have also been in the primary sector (mining sector) and a few in the manufacturing sector, though not widely spread across the region.

**Table 5: Total South African FDI by source component**

Year	2005	2006	2007	2008	2009	2010
Public Corporation	597.5	595.3	<b>885.8</b>	<b>970.8</b>	<b>1,522.4</b>	<b>591.4</b>
Equity capital	17.1	20.2	27.5	43.2	81.0	92.2
Reinvested earnings	231.5	275.3	613.4	721.1	502.8	343.2
Other capital	348.9	299.7	244.9	206.5	938.5	155.9
<b>Banking Sector</b>	<b>185.5</b>	<b>148.9</b>	<b>71.7</b>	<b>23.3</b>	<b>34.3</b>	<b>36.6</b>
Equity capital	117.8	93.4	39.2	13.7	8.3	6.6
Reinvested earnings	67.7	55.5	32.5	9.7	26.0	30.0
<b>Private Non-bank Sector</b>	<b>36,923.0</b>	<b>50,081.3</b>	<b>64,920.6</b>	<b>48,988.9</b>	<b>71,025.9</b>	<b>86,234.2</b>
Equity capital	13,084.0	17,490.2	20,681.2	12,506.9	27,129.1	29,622.7
Reinvested earnings	21,462.3	26,346.1	37,882.5	32,486.1	39,128.7	49,970.1
Long-term capital	1,087.9	4,626.8	3,937.3	2,192.9	2,749.5	3,870.3
Short-term capital	1,288.9	1,618.2	2,419.5	1,803.0	2,018.6	2,771.1

Source: South African Reserve Bank, 2012

The banking sector accounted for an average of only 1.1% in the past decade (SARB, 2012). Outward investment stock in this sector significantly declined at the beginning 2007, largely due to divestments by South African MNCs (UNCTAD, 2012). Nevertheless, the South African banking sector has widely invested in the region, covering almost all SADC countries. As in 2010, the banking sector had 10 region-wide MNCs (Appendix Table A1).

The financing structure of South African investments in SADC is rather interesting. The private non-bank sector has largely been financed through reinvested earnings rather than through equity participation, whilst in the banking sector equity participation has also been shrinking. The shift of financing to reinvested earnings by South African investments is clear evidence of high profitability and hence return on capital of the investments in these sector. This validates the argument that South African regional investments in banking offers return on equity of about 30% compared to that of 20%–23% in South Africa (AfDB, 2013).

## **Potential drivers of intra-SADC FDI**

The analysis of this section is based on findings from various reports highlighting potential determinants. An analysis is undertaken from both the source and destination countries' perspective.

**What drives Mauritius outward investment?** Most of Mauritius's investments abroad began as local enterprises and expanded abroad over time. The export market largely drove Mauritius's investment, both locally and abroad, mainly given the small size of the Mauritian population and hence market. Further, geographic proximity has been a major push factor for Mauritius's investment in Madagascar and Seychelles, both of which are main recipients of Mauritian investments. This is because proximity to a large extent reduces transactional costs. Apart from proximity, an efficient telecommunications system coupled with well-developed infrastructure are said to be key to driving Mauritian investors into Seychelles. While Mauritius's investment is not in mineral resources, land availability attracted Mauritian investors to Madagascar and to Mozambique's sugar industry. In addition, a relatively cheap labour force in Madagascar was also a pull factor for Mauritius's investment into this country.

Although gross fixed capital formation in Madagascar is relatively high compared with other countries (Appendix Table A3), private capital is somewhat limited and was therefore topped up with Mauritius capital investments. Evidently, Mauritius's investment in the banking and financial sector is quite significant, particularly in Mauritius Commercial Bank LTD, which is the largest corporation.

The Government of Mauritius has also undertaken a number of initiatives in support of FDI. For instance, in January 2006 the Government of Mauritius launched the cross-border investment initiative in Madagascar. It also instituted a number of specific measures to strengthen the institutional infrastructure and information network, and to ease specific hindrances to the flow of goods and services. All this was aimed at facilitating the flow of investments between Madagascar and Mauritius. The other initiative that attracted Mauritian investment to the region in the early 2000s was the African Growth Opportunity Act (AGO) initiative. This motivated several Mauritian

textile companies to open factories in the region, mainly in Madagascar.

Apart from the discussed drivers, Mauritius's outward FDI policy has been very active and accommodating, which has also helped outward investment by Mauritian investors. Aiming at positioning itself as a hub for Africa, the Government of Mauritius has implemented several policies with the purpose of encouraging outward FDI. Mauritius has no official foreign exchange controls, a policy that was formalized in 1994. Incentives for outward FDI were formalized in 1998 by the creation of a Regional Development Certificate. That is so that an enterprise based in Mauritius can apply for such a certificate if it plans to invest in any sector in a defined regional country (UNCTAD, 2001). Other initiatives include the establishment of a Regional Development Company, which is managed by the Ministry of Finance as a private company. The company is focused on the development of land on concession to the State of Mauritius by the Government of Mozambique.

Further, Mauritius is the most active player regarding Bilateral Tax Treaties (BTTs) with non-OECD countries. Most of its BTTs are signed with other African countries and are largely motivated by a desire to seek greater regional integration. This has also driven Mauritius to invest in the region. Within SADC, Mauritius has signed BTTs with seven countries (see Table 6).

**Table 6: Mauritius's bilateral treaties with SADC member countries**

	Date signed	Date of entry in force
Botswana	17-Aug-05	..
Madagascar	6-Apr-04	1-Jun-05
Mozambique	14-Feb-97	26-May-03
South Africa	17-Feb-98	7-Oct-98
Swaziland	15-May-00	..
Tanzania	4-May-09	..
Zimbabwe	17 May 00	..

Source: UNCTAD International Investment Agreements Navigator, n.d.

In addition to BITs, investors place great emphasis on the presence of BTTs, which give them greater certainty regarding the fiscal implications of cross-border transactions. Mauritius has successfully negotiated and concluded an extensive network of bilateral Double Taxation Avoidance Agreements (DTAAs) and in 2010 had signed such agreements with 39 countries, including all of the SADC members except for Angola, Malawi, Tanzania and Zambia (UNCTAD, 2012). This, to some extent, attracts investors to route their investment through Mauritius which has a low-tax jurisdiction.

Also, Mauritius is a signatory to Investment Promotion and Protection Agreements (IPPAs) with several countries including the following SADC countries: Botswana, Zimbabwe, Mozambique, South Africa and Swaziland. These IPPAs provide additional assurances to investors since they significantly reduce investment risk in countries where there is risk of nationalization or expropriation (AAMIL, 2012). The IPPAs are designed to encourage and protect Mauritian investment overseas and they contain clauses stating that investments shall enjoy continuous protection and security. This has

encouraged Mauritius's investment in African countries that suffer from high political instability.

**What drives South Africa's investment?** South African investors have in the SADC region mainly flown to Mauritius; the major contributing factor for this is geographical proximity between the two countries. A business friendly regulatory framework, stable macroeconomic fundamentals and tax incentives in Mauritius are some of the factors that have attracted South African investors to this country (Ernst and Young, 2013). Conversely, abundant natural resources were the major attraction for South African investors in Tanzania, mostly in gold mining. As alluded to earlier, South African investors also invested in Tanzania in the financial, retail and telecommunications sectors, which was largely driven by increased consumer demand owing to the country's high and sustained growth of an average of more than 4% for over a decade. Apart from the sound macroeconomic environment, liberalization policies implemented during the 1990s also seemed to have yielded positive results allowing more FDI to flow into Tanzania (Bank of Tanzania, 2001). Other factors that positively contributed to FDI inflow in Tanzania include improved governance and political stability (TIC, 2013). Notwithstanding Tanzania's encouraging record in attracting South African FDI, there are still a number of challenges negatively affecting investment flows to that country, among them poor electricity supply and poor infrastructure (Bank of Tanzania, 2012).

Geographical proximity is one of the main considerations of South African companies to invest in Mozambique, apart from access to natural resources. In addition, government cooperation and the support of big investors from both the Mozambican and South African sides have been critical to the success of the country's investment inflow for mega-projects (Grobbelaar, 2004). South Africa's MNCs have also invested in the retail, financial and agricultural sectors. Several policy factors influenced the flow of investment into these sectors, such as non-restrictive investment policies as well as tax concessions. The privatization of national companies also contributed to the inflow of FDI in Mozambique (Mwilima, 2003).

In Botswana, proximity, good governance and a stable macro environment were critical factors in attracting South African investors to this country. Zimbabwe, on the other hand, was a promising country in terms of attracting FDI. However, following the fast-tracked land reform programme, and economic and political instability, investor confidence weakened, hence FDI dropped significantly. South African investments in Namibia in the retail and banking sectors were largely driven by proximity, a stable macroeconomic environment, and efficient infrastructure. In Zambia, the availability of minerals and land resources were the main pull factors for South African agriculture and mining companies. With regard to Malawi, South African foreign investment is dismal, and Investor Perception Survey reports reveal that the dismal performance was attributed to a number of factors, including an unstable macroeconomic environment, unreliable power supply, and poor road and rail infrastructure.

In the earlier years, South Africa's outward investment policy was largely passive. This was compounded by exchange controls that had been intensified in the early 1960s following a deterioration in the balance of payments that necessitated restrictions on capital outflows. Notwithstanding this, selective easing of exchange controls were used to encourage investment, first in SADC countries and then in Africa.

However, in later years, there generally has been a substantial relaxation of exchange controls and capital restrictions, such as the relaxation of cross-border financial regulations and tax requirements on companies, and measures to make it easier for banks and other financial institutions in South Africa to invest and operate in other countries. Specifically, the Government of South Africa progressively raised the ceilings for taking capital abroad. In March 1997, the Government of South Africa relaxed exchange controls and South African firms were allowed to invest up to R30 million abroad, with an additional R20 million for investment in member countries of the SADC (SARB, 2010). This was followed by a further relaxation in 1999 that allowed South African-resident firms to invest up to R250 million per approved investment in the SADC region. Fixed investment in new ventures allowed in from the rest of the world was raised to R50 million (UNCTAD, 2003). The investment ceilings were further relaxed in subsequent years. In October 2004, the government further removed restrictions and raised investment-ceiling limits for outward FDI by South African companies. Further, the amount that enterprises could raise in loans locally over and above the investment ceiling was increased from 10% to 20%. Nevertheless, the SARB still had to approve outward investment.

In June 2004, tax on foreign dividends repatriated to South African shareholders in companies, where those shareholders have more than a 25% beneficial interest, was removed. It was seen to have the unintended incentive of encouraging investment in developed or capital-exporting countries rather than developing countries, such as those in Africa (UNCTAD, 2005). Since 2008, approval was required only for new investments above R50 million (US\$7.75 million at the time), and in 2009 the threshold was raised so that approval was required only for new investments exceeding R500 million (US\$59.25 million) (SARB, 2010). All these have positively influenced South African outward investment, including in SADC.

Further, South Africa is a party to a number of bilateral treaties, and by the end of 2010 had signed six with other SADC countries (see Table 7), which also somewhat helped in encouraging outward investment.

**Table 7: South African bilateral treaties with SADC member countries**

Country	Date signed	Date of entry in force
Angola	17-Feb-05	..
DRC	31-Aug-04	..
Madagascar	13-Dec-06	..
Mozambique	09-05-97	28-July-98
Tanzania	22-09-05	..
Zimbabwe	27-Nov-09	..

Source: UNCTAD International Investment Agreements Navigator, n.d.

**Assessment of potential determinants of FDI in SADC from Mauritius and South Africa.** The discussions in the sections above have a number of common determinants for both Mauritius and South Africa's outward investment into SADC. These factors include: geographical proximity, ease of market access, stable macroeconomic

environment, availability of cheap labour and infrastructure development. With regard to natural resources, it was mainly land availability that drove Mauritius to invest in Madagascar and Mozambique, while South African MNCs were largely attracted by minerals resources in the SADC region. Apart from Botswana and Seychelles, there is generally low domestic investment in SADC countries as evidenced by low gross domestic fixed capital formation (Appendix Table A3). This implies that there are capital constraints in these countries and therefore should have been one of the motivating factors for South African and Mauritian companies.

## The relationship between FDI and trade in SADC

*Mauritius's trade and FDI.* Mauritius's trade with SADC constitutes about 18% of their total trade with the rest of the world. Total trade by Mauritius with SADC members has generally grown with the growth of exports outpacing imports, as shown in Table 8.

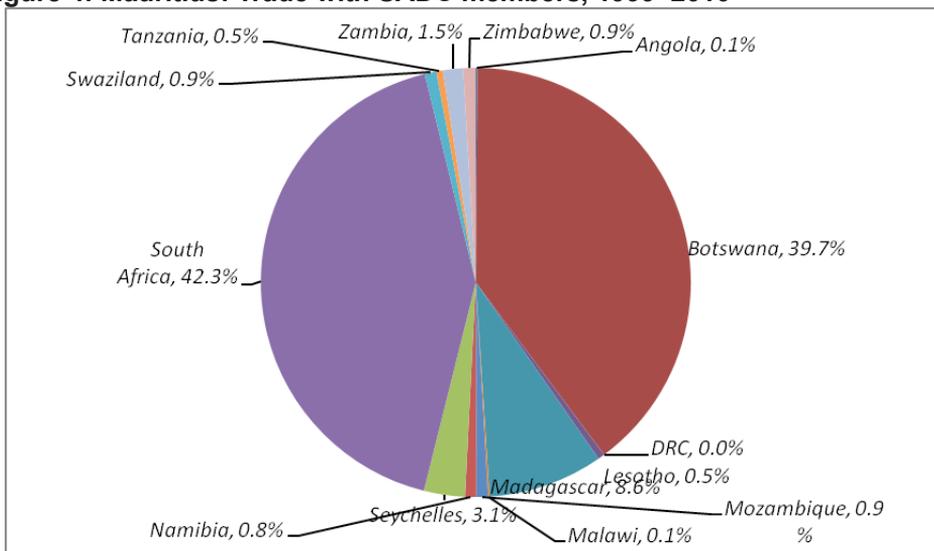
**Table 8: Mauritius's trade balance with world and SADC, 1999–2010 (US\$ million)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Exports	1,554.9	1,488.3	1,525.0	1,746.4	1,813.1	1,921.2	2,000.8	2,110.6	1,971.5	2,074.0	1,760.2	1,955.7
Imports	2,248.5	2,088.2	1,996.3	2,165.9	2,389.6	2,779.9	3,165.3	3,639.7	3,864.6	4,645.5	3,702.2	4,236.1
<i>Trade balance</i>	<i>(693.6)</i>	<i>(599.9)</i>	<i>(471.3)</i>	<i>(419.5)</i>	<i>(576.6)</i>	<i>(858.6)</i>	<i>(1,164.5)</i>	<i>(1,529.1)</i>	<i>(1,893.1)</i>	<i>(2,571.4)</i>	<i>(1,942.0)</i>	<i>(2,280.3)</i>
<i>Total trade volume</i>	<i>3,803.3</i>	<i>3,576.4</i>	<i>3,521.3</i>	<i>3,912.3</i>	<i>4,202.7</i>	<i>4,701.1</i>	<i>5,166.1</i>	<i>5,750.3</i>	<i>5,836.1</i>	<i>6,719.5</i>	<i>5,462.4</i>	<i>6,191.8</i>
Exports to SADC	468.9	365.2	371.6	350.0	370.6	428.9	385.7	396.8	467.6	592.0	544.0	669.5
Imports from SADC	470.8	340.1	303.3	330.1	360.3	352.6	406.7	398.5	411.8	559.2	452.1	518.6
<i>Trade balance with SADC</i>	<i>(1.9)</i>	<i>25.2</i>	<i>68.3</i>	<i>20.0</i>	<i>10.2</i>	<i>76.3</i>	<i>(21.0)</i>	<i>(1.7)</i>	<i>55.7</i>	<i>32.9</i>	<i>91.9</i>	<i>150.8</i>
<i>Total trade volume with SADC</i>	<i>939.6</i>	<i>705.3</i>	<i>674.9</i>	<i>680.1</i>	<i>730.9</i>	<i>781.6</i>	<i>792.3</i>	<i>795.3</i>	<i>879.4</i>	<i>1,151.2</i>	<i>996.0</i>	<i>1,188.1</i>

Source: IMF, 2012

The major trading partners in the region include South Africa, Botswana, Madagascar and Seychelles (Figure 4). Incidentally, these are the same countries in which Mauritius has heavily invested, apart from Botswana (Table 1).

**Figure 4: Mauritius: Trade with SADC members, 1999–2010**



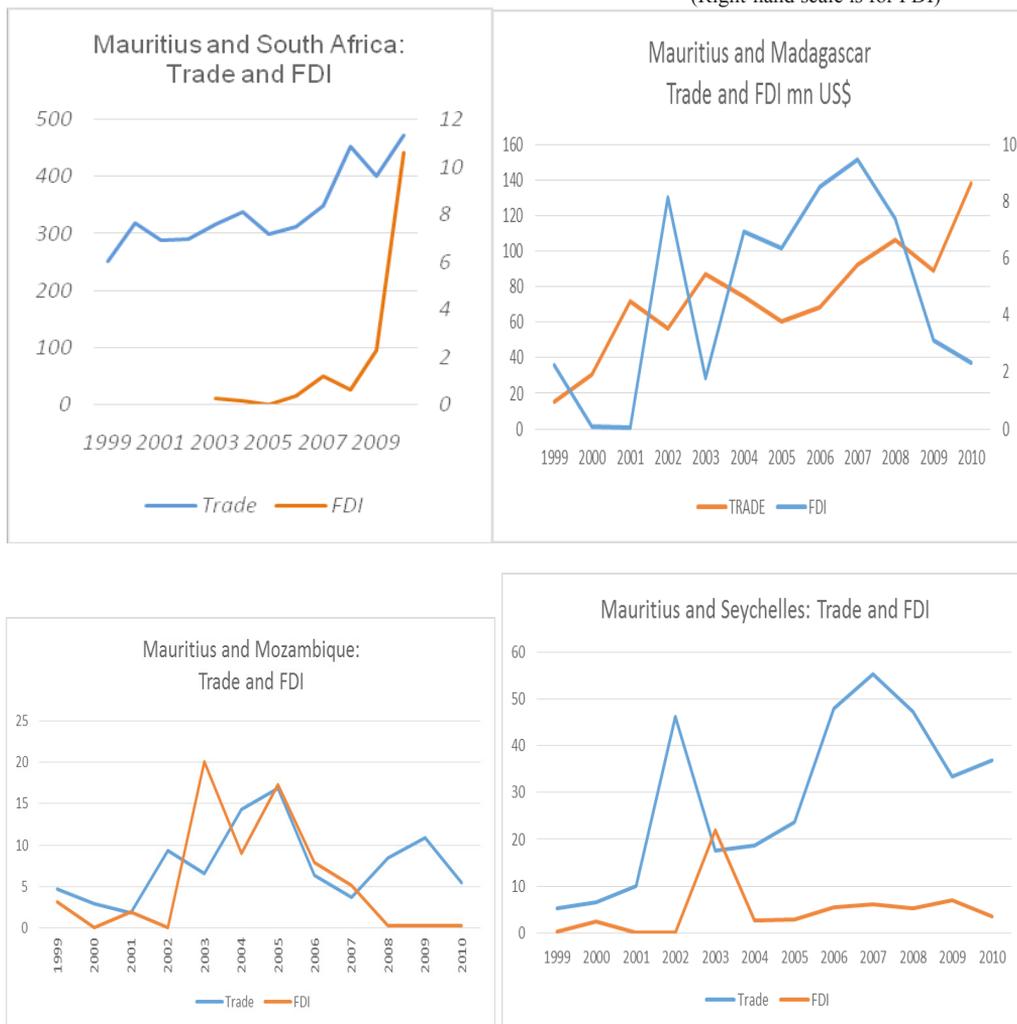
Source: IMF, 2012

Figure 5 shows that both trade and FDI between Madagascar and Mauritius were very volatile, with FDI persistently declining after reaching a peak in 2007. Further analyses reveal a systematic positive correlation between trade and FDI with a correlation coefficient of 0.17 (Appendix Table A4), which suggests a complementary relationship during the period. This is expected as Mauritius's investments in Madagascar during the period were largely in manufacturing of textiles and clothing, which were also among the main traded commodities (UNCOMTRADE). As alluded to earlier, Mauritian investors also invested in the banking sector in Madagascar.

Mauritius's trade and investment in South Africa was fairly stable and highly correlated, with a positive correlation of about 0.70. Trend analyses (Figure 5) reveal that both flows grew steadily from the beginning of 2007. Mauritius largely traded in mineral fuels and manufactured items with South Africa (UNCOMTRADE).

Figure 5: Mauritius: Trade and FDI with selected SADC members

(Right-hand scale is for FDI)



Source: Bank of Mauritius, n.d. and IMF (2012a)

Mozambique’s trade and investment with Mauritius was very volatile. They both showed a declining trend after 2005 and picked up in later years. Both Mauritius’s investments and trade with Mozambique were concentrated in the primary sector (UNCOMTRADE), and had a correlation coefficient of 0.43, which suggests complementarity. With regard to Seychelles, its trade with Mauritius between the period 2004 and 2011 was very erratic, though exhibiting an increasing trend. By contrast, FDI inflows were quite steady. The relationship between the two flows was relatively high with a positive correlation coefficient of 0.53, suggestive of complementarity.

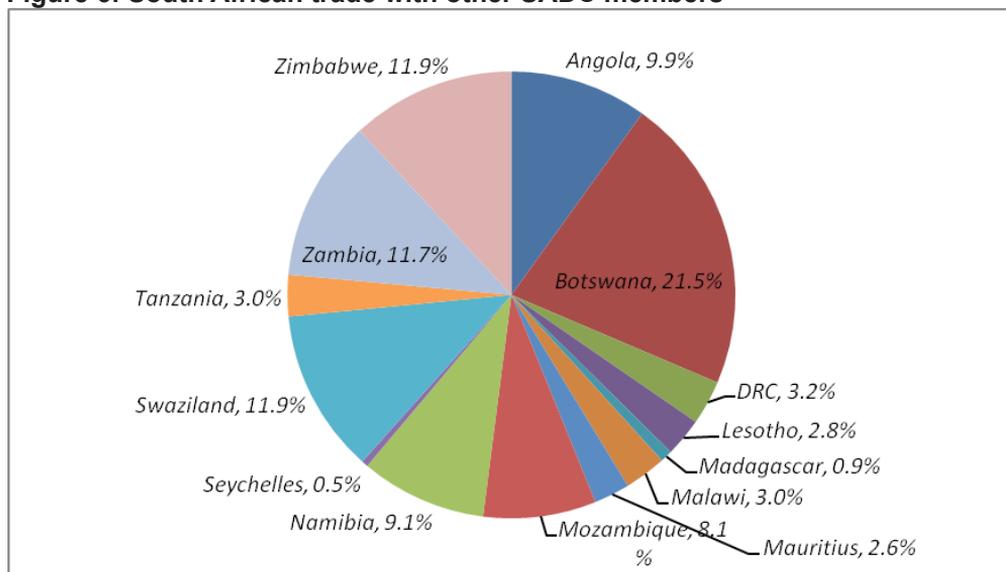
**South Africa’s trade and FDI.** South Africa’s trade with SADC constituted about 13% of its total trade between 1999 and 2010, but generally grew with imports from the region growing faster than exports (Table 9).

**Table 9: South Africa's trade balance with world and with SADC, 1999–2010 (US\$ million)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Exports	24,422.5	30,429.8	29,512.6	29,901.7	36,356.4	45,557.6	51,566.6	52,443.3	63,490.6	73,005.4	54,407.9	78,544.5
Imports	26,225.4	29,354.5	27,760.1	28,545.1	37,354.0	51,885.3	59,653.1	74,781.1	94,131.8	99,560.5	73,781.3	89,237.1
Trade balance	(1,802.9)	1,075.3	1,752.5	1,356.6	(997.6)	(6,327.7)	(8,086.5)	(22,337.8)	(30,641.2)	(26,555.1)	(19,373.4)	(10,692.6)
Total trade volume	50,647.9	59,784.3	57,272.7	58,446.8	73,710.4	97,442.9	111,219.7	127,224.4	157,622.4	172,565.9	128,189.2	167,781.6
Exports to SADC	6,402.3	6,679.4	6,135.5	6,860.7	7,756.6	9,743.4	9,571.7	11,145.3	13,457.6	17,302.3	14,862.1	17,507.9
Imports from SADC	760.2	841.0	777.6	1,049.5	1,669.1	2,211.8	2,448.8	2,995.6	5,070.8	5,905.0	3,099.6	4,430.4
Trade balance with SADC	5,642.1	5,838.4	5,357.9	5,811.2	6,087.5	7,531.6	7,122.9	8,149.6	8,386.8	11,397.3	11,762.5	13,077.6
Total trade volume with SADC	7,162.5	7,520.4	6,913.1	7,910.2	9,425.7	11,955.1	12,020.5	14,140.9	18,528.3	23,207.2	17,961.6	21,938.3

Source: IMF, 2012

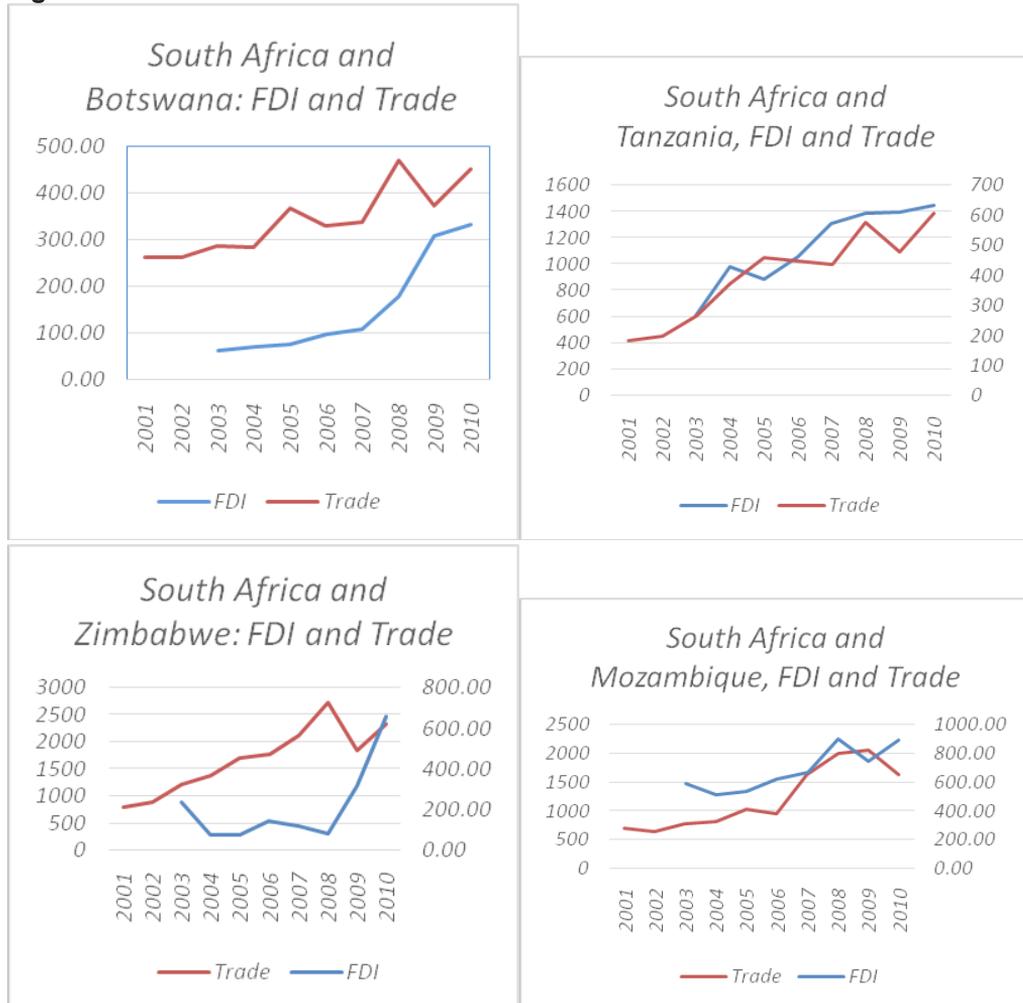
The main regional trading partners were Botswana (21%) and Swaziland (11.9%), mainly due to the SACU arrangement under which products from Botswana and Swaziland have free access to the South African market. Trade with Zimbabwe, Zambia and Angola accounted for 11.9%, 11.7% and 9.9%, respectively (Figure 6). This is in contrast with the main FDI destinations, which include Mauritius (44%), Tanzania (12%), Mozambique (7%), Zimbabwe (2%) and Zambia (2%). Though Zambia and Zimbabwe are also main FDI destination countries, they each constitute a very small percentage regarding trade. Thus the major trading partners are not necessarily FDI destinations for South Africa.

**Figure 6: South African trade with other SADC members**

Source: South African Reserve Bank, 2012

Though major trading partners were not the same as the main FDI destinations, vis-à-vis a selected number of countries, South African trade and outward FDI were positively and highly correlated (Figure 6). For example, the correlation coefficients for trade and FDI was 0.73 for Botswana, 0.92 for Tanzania, 0.85 for Mozambique and 0.32 for Zimbabwe. Trend analyses show that both FDI and trade were growing between South Africa and Botswana and also between South Africa and Tanzania. The growth in trade was somewhat erratic while that in FDI was very steady and significant in the latter years.

**Figure 7: South Africa’s outward FDI and trade with selected SADC countries**



Sources: South African Reserve Bank, 2012 Bank of Mauritius, n.d. and IMF (2012a).

Despite the economic downturns in Zimbabwe, trade persistently grew and only declined after 2008, which could have been due to the global economic and financial crisis. On the other hand, FDI took a slump and only picked up noticeably after 2008. With regard to Mozambique, both trade and FDI grew rapidly and were highly correlated with a correlation coefficient of 0.85, suggestive of complementarity.

From this analysis, it can be concluded that trade and FDI were positively correlated between Mauritius or South Africa and the respective SADC countries, suggestive of a complementary relationship. However, the relationship was investigated using simple correlations which are not very robust. In this regard, further analyses using econometric approaches are required to ascertain the relationship.

## 6. Conclusion

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The objective of the study was to understand intra-SADC FDI by focusing on Mauritius's and South Africa's FDI into the region. A data overview revealed that intra-SADC FDI data are very scant. While countries have made efforts to compile inward FDI flows, very few countries have made efforts to have systematic data for outward FDI. In view of this, we collated data for Mauritius and South Africa and performed an in-depth analysis.

The study employed a descriptive approach to analyse intra-SADC regional FDI. Particularly, the study looked at the characteristics of intra-SADC FDI, the potential determinants of FDI and also the relationship between trade and FDI. An analysis of the data during the period under study revealed that most of Mauritius's FDI was directed to Madagascar, Seychelles and Mozambique. The three main FDI destinations for Mauritius's investments were also the country's main trading partners, except for Botswana. Thus Mauritius's FDI patterns converge with its trade patterns. Conversely, South African investments were mainly located in three countries (Mauritius, Tanzania and Mozambique), and its main regional trading partners were Botswana, Zambia, Zimbabwe, Swaziland and Angola, in that order. Evidently, FDI patterns did not generally converge with trade patterns for South Africa.

The study further found that Mauritian investments were principally in the service sector (hotel and tourism and financial services), but also in manufacturing. A further analysis of the data indicated that Mauritian foreign investment in the agriculture sector was very low, posing a threat to regional food security. As such regional initiatives should be encouraged to attract investment to this sector, such as that by the Government of Mozambique and the Government of Mauritius to set up of a Regional Development Co. Ltd incorporating a subsidiary in Mozambique with the objective of promoting regional food security.

South African FDI by ownership of capital showed that most investments were directed at the non-bank private sector. The financing structure revealed that equity participation was shrinking. Most South African investments, particularly in the banking sector, were financed through reinvested earnings. This evidently points to the fact that there is high profitability and return on capital for investment in SADC.

Further analysis revealed the following to be potential drivers of Mauritian and South African outward investments and hence intra-SADC FDI flow: geographical proximity, market access, liberalized markets, stable macroeconomic and political environment, natural resource availability, and conducive policy and institutional frameworks. In this regard policies aimed at liberalizing markets, sustaining a stable macroeconomic environment and other policies that would ensure political stability are key to attracting intra-SADC FDI. Whilst geographical proximity is a natural factor,

there is still a role that governments can play to reduce the cost of doing business, such as ensuring that infrastructure development is a priority.

Graphical analyses and simple correlations show that trade and FDI are positively correlated for Mauritius and South Africa's outward investment, suggesting a complementary relationship. However, since correlation tests are generally not robust and do not say anything regarding causality, future research should consider this.

# Notes

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- 1 South-South flows are capital flows from developing countries to developing countries.
- 2 South Africa, Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe (SADC, 2006)
- 3 The OECD *Benchmark Definition of Foreign Direct Investment* 4<sup>th</sup> edition (2008) sets the world standard for direct investment statistics. It is fully compatible with the underlying concepts and definitions of the International Monetary Fund's (IMF, 2006) *Balance of Payments and International Investment Position Manual* 6<sup>th</sup> edition (BPM6). It also follows the general economic concepts set out by the *System of National Accounts*, 2008 (SNA, 2008)
- 4 A GBC1 is a company that is tax resident in Mauritius and therefore has access to the many Double Taxation Treaties which Mauritius has signed with other countries. Through the Double Taxation Treaties, GBC1 companies can benefit from low tax rates and tax credits on business and investments in partner countries (Bank of Mauritius, 2014).

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# Appendix

Table A1: Description of data available as at 30 October 2013

Column 1	Data type	Source country	Recipient country	Years data available	Frequency	Other description	Sources	URL
I	Outward FDI stock by country	South Africa	Angola	So far none				
		DRC		So far none				
		Botswana		2001, 2003–2010	9		South African Reserve Bank <i>Quarterly Bulletins</i> , various December issues of statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>
		Lesotho		2001, 2003–2011	9		South African Reserve Bank <i>Quarterly Bulletins</i> , various December issues of statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>
		Madagascar		So far none				
		Mauritius		1999–2010	12		South African Reserve Bank <i>Quarterly Bulletins</i> , various December issues of statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>

Malawi	1999–2004, 2007–2010	10	Malawi Foreign Private Capital and Investors' Perception Surveys (2001, 2005, 2009, 2011)	<a href="http://www.nsomalawi.mw/index.php?option=com_content&amp;view=article&amp;id=195:malawi-foreign-investors-perceptions-survey-2011&amp;catid=11">http://www.nsomalawi.mw/index.php?option=com_content&amp;view=article&amp;id=195:malawi-foreign-investors-perceptions-survey-2011&amp;catid=11</a>
Mozambique	2001, 2003–2010	9	South African Reserve Bank Quarterly Bulletins, various December issues statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>
Namibia	2001, 2003–2011	9	South African Reserve Bank Quarterly Bulletins, various December issues statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>
Seychelles	So far none			
Swaziland	2001, 2003–2011	9	South African Reserve Bank Quarterly Bulletins, various December issues statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>

Tanzania	1999–2010	12	Already compiled data were obtained from BOT	Tanzania Investment report	<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TANZANIA%20INVESTMENT%20REPORT.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TANZANIA%20INVESTMENT%20REPORT.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania.Invest.Report.2009.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania.Invest.Report.2009.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_%202006.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_%202006.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania_Investment_Report_2004.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania_Investment_Report_2004.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_Dec_2001.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_Dec_2001.pdf</a>
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	Zambia	2001,2003–2011	9	South African Reserve Bank <i>Quarterly Bulletins</i> , various December issues statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>
	Zimbabwe	2001,2003–2011	9	South African Reserve Bank <i>Quarterly Bulletins</i> , various December issues statistical tables, December issue 2002–2012 pp. S94–S101	<a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx</a>
II	Outward FDI flow by country				
	Angola	So far none			
	DRC	So far none			
	Botswana	So far none			
	Lesotho	So far none			
	Madagascar	2003–2008	6	Purchased from UNCTAD	
	Mauritius	So far none			
	Malawi	So far none			
	Mozambique	2004–2010	7	Data sent by email by Central Bank of Mozambique	
	Namibia	1999–2008	10		
	Seychelles	So far none			

Swaziland	1999–2010	12	Data sent by email by Swaziland Central Bank	<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TANZANIA%20INVESTMENT%20REPORT.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TANZANIA%20INVESTMENT%20REPORT.pdf</a>
Tanzania	1999–2010	12	Tanzania Investment report	<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania.Invest.Report.2009.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania.Invest.Report.2009.pdf</a>
				<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_%202006.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_%202006.pdf</a>
				<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania_Investment_Report_2004.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania_Investment_Report_2004.pdf</a>
				<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_2001.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_2001.pdf</a>

	Zambia	2007, 2009, 2010	3	Foreign Private Investment & Investor Perceptions in Zambia obtained from Bank of Zambia
	Zimbabwe	So far none		
III	a. South Africaoutward FDI by sector	All countries where data are available by stock	9	South African Reserve Bank <i>Quarterly Bulletins</i> , various December issues statistical tables, December issue 2002–2012 pp. S94–S101  Categorized as follows: Public corporation, Banking sector, Private non-bank sector  <a href="https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx">https://www.resbank.co.za/Publications/QuarterlyBulletins-Home.aspx</a> <a href="http://www.resbank.co.za/Publications/Detail-Item-View/Pages/Publications.aspx">http://www.resbank.co.za/Publications/Detail-Item-View/Pages/Publications.aspx</a>
	b. South Africa MNCs in SADC	All SADC countries		Labour Research Service (LRS) Multinational Corporations (MNCs) database, 2012  Compiled by sector to complement sectoral analysis  <a href="http://www.lrs.org.za/index.php/resources/10-resources/">http://www.lrs.org.za/index.php/resources/10-resources/</a> <a href="http://www.lrs.org.za/resources/79-south-african-multi-national-companies-in-africa">resources/79-south-african-multi-national-companies-in-africa</a>
IV	Mauritiusoutward FDI	Angola	So far none	
		DRC	So far none	
		Botswana	So far none	
		Lesotho	So far none	

Madagascar	1999–2010	12	Bank of Mauritius Foreign Assets and Liabilities Survey 2010 report complemented by unpublished data from the Bank of Mauritius	<a href="https://www.bom.mu/publications-statistics/statistics-surveys/fal-survey/press-release-reports-foreign-assets-and-liabilities-survey-2010">https://www.bom.mu/publications-statistics/statistics-surveys/fal-survey/press-release-reports-foreign-assets-and-liabilities-survey-2010</a>
Malawi	2002–2004	3	<i>Malawi Foreign Private Capital and Investors' Perceptions Survey</i> (2001, 2005, 2009, 2012)	<a href="http://www.nomalawi.mw/index.php?option=com_content&amp;view=article&amp;id=195:malawi-foreign-private-capital-and-investors-perceptions-survey-2011&amp;catid=11">http://www.nomalawi.mw/index.php?option=com_content&amp;view=article&amp;id=195:malawi-foreign-private-capital-and-investors-perceptions-survey-2011&amp;catid=11</a>
Mozambique	1999, 2001, 2003–2010	11	Unpublished data from Bank of Mauritius	
Namibia	1999, 2001, 2003–2011	11	Unpublished data from Bank of Mauritius	
Seychelles	1999, 2001, 2003–2012	11	Unpublished data from Bank of Mauritius	
South Africa	2001, 2003–2010	9	Unpublished data from Bank of Mauritius	
Swaziland				

Tanzania	1999–2010	12	Some data not published obtained from BOT	Tanzania Investment report (2001, 2004, 2006, 2009) complemented by unpublished data from BOT	<a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TANZANIA%20INVESTMENT%20REPORT.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TANZANIA%20INVESTMENT%20REPORT.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania.Invest.Report.2009.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania.Invest.Report.2009.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_%202006.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_%202006.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania_Investment_Report_2004.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/Tanzania_Investment_Report_2004.pdf</a> <a href="http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_Dec_2001.pdf">http://www.bot.go.tz/Publications/TZInvestmentReports/TZ_Investment_Rept_Dec_2001.pdf</a>
Zambia	2000, 2001, 2007, 2009, 2010			Unpublished data from Bank of Mauritius	
Zimbabwe	So far none				

VII  
MAURITIUS  
outward FDI by  
sector

Data are  
available for  
all countries  
where flow  
data are  
available

Unpublished data  
from Bank of  
Mauritius

Sectors are  
categorized  
as banking,  
manufacturing,  
tourism and other

**Table A2: South African Multinational Corporations in SADC**

Company Name	Sector	Country Operating
Standard Bank Group	Banking and Financial	Angola, Botswana, DRC, Malawi, Madagascar, Mauritius, Mozambique, Namibia, Swaziland, Zambia, Lesotho, Tanzania
Illovo	Food and Beverage	Malawi, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe
ABSA	Banking and Financial	Angola, Botswana, Mozambique, Namibia, Tanzania, Zimbabwe
Inpala Platinum	Mining	-
South African Airways	Transport	-
Shoprite	Retail	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Zambia
Group Five	Construction	Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia
Gold Fields	Mining	-
Eskom Holdings Limited	Industrial	Lesotho, Zambia
MTN Group	Technology and	Botswana, DRC, Swaziland, Zambia
Vodacom Group Limited	Technology and	Tanzania, Lesotho, Mozambique, DRC, Mauritius
Sun International	Hospitality	Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia
Nampak	Paper and Packaging	Angola, Swaziland, Botswana, Malawi, Mozambique, Zimbabwe, Namibia, Tanzania, Swaziland, Zambia
Trans Hex	Mining	Angola
AngloGold Ashanti	Mining	Namibia, Tanzania, Zimbabwe
Sappi	Paper and Packaging	Swaziland
WBHO	Construction	Botswana, Zambia, Mozambique, Malawi, Mauritius, Swaziland, Zambia, Zimbabwe
De Beers Family of	Mining	Botswana, Namibia
Massmart	Retail	Botswana, Lesotho, Malawi, Mauritius (closed January 2012), Mozambique, Namibia, Swaziland, Tanzania, Zambia
Network Healthcare	Health	Lesotho
Pick n Pay Stores Ltd	Retail	Botswana, Zambia, Zimbabwe, Lesotho, Namibia, Mauritius, Mozambique, Malawi (to open soon), Swaziland, Zimbabwe
Pioneer Foods	Food and Beverage	Botswana, Namibia, Zambia
Transnet	Transport	-
Truworths	Retail	Botswana, Lesotho, Namibia, Swaziland, Tanzania, Zambia
Steinhoff International	Diversified Holdings	Botswana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Swaziland, Tanzania
African Rainbow	Mining	DRC, Zambia
Aveng	Construction	Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe
Murray & Roberts	Construction	Botswana, Namibia, Zimbabwe
Woolworths	Retail	Botswana, Lesotho, Mozambique, Namibia, Swaziland, Tanzania, Zambia
Spar	Retail	Malawi, Mozambique, Swaziland
Foschini	Retail	Botswana, Namibia, Swaziland, Zambia
Adcorp Holdings limited	Education, Bus	-
ArcelorMittal SA	Industrial	-
Caxton CTP	Media	-
Discovery	Banking and Financial	-
Bidvest	Diversified Holdings	Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Zambia, Zimbabwe
Aspen Holdings	Health	Mauritius, Tanzania
Tiger Brands	Food and Beverage	Zimbabwe
Grindrod	Transport	Angola, Botswana, DRC, Malawi, Mauritius, Mozambique, Namibia, Zambia, Zimbabwe
Reunert	Industrial	Lesotho, Zimbabwe
Life Healthcare Group	Health	Botswana
Liberty Life	Banking and Financial	Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe

South African Multinational Corporations (MNCs) in SADC		
Company Name	Sector	Country Operating
Barlowsorld Limited	Diversified Holdings	Angola,Mozambique
Mondi Group	Paper and Packaging	Mozambique,Namibia,Zimbabwe
Lommin plc	Mining	-
Sasol	Industrial	Mozambique
FirstRand Bank	Banking and Financial	Angola,Botswana,Lesotho,Mauritius,Mozambique,Namibia,Swaziland,Tanzania,Zambia
Isogo Sun Holdings	Hospitality	Mozambique,Seychelles,Tanzania,Zambia
City Lodge Hotels	Hospitality	Botswana
Harmony	Mining	-
Petra Diamonds	Mining	Botswana,Tanzania
Kumba Iron Ore Limited	Mining	-
Xstrata	Mining	Tanzania
Exxaro	Mining	Namibia
Cashbuild	Retail	Botswana,Lesotho,Malawi,Namibia,Swaziland
Crookes Brothers	Food and Beverage	-
Tongaat Hulett	Food and Beverage	Botswana,Mozambique,Namibia,Swaziland,Zimbabwe
Telkom	Technology and	-
Medielmic	Health	-
Super Group	Transport	-
Sanlam	Banking and Financial	Botswana,Malawi,Mozambique,Swaziland,Tanzania,Zambia
Nedbank	Banking and Financial	Angola,lesotho,Malawi,Namibia,Swaziland,Tanzania,Zimbabwe
African Oxygen	Industrial	Angola, Botswana, lesotho,Malawi,Mauritius,Mozambique,Namibia,Swaziland,Zambia
Denel	Industrial	-
Invicta Holdings	Industrial	-
Hosken Consolidated	Diversified Holdings	-
Naspers	Media	-
Pretoria Portland Cement	Construction	Botswana,Mozambique,Zimbabwe
Anglo-Vaal Industries	Food and Beverage	-
Distell	Food and Beverage	Botswana,Mauritius,Namibia,Swaziland,Tanzania,Zimbabwe
RMB Holdings	Banking and Financial	-
African Bank Investments	Banking and Financial	Botswana,Lesotho,Namibia,Swaziland,Zambia
Investec	Banking and Financial	Mauritius
AfroCentric Investments	Health	Botswana,Mauritius,Namibia,Swaziland,Zimbabwe
Cargo Carriers	Transport	Botswana,DRC,Lesotho,Mozambique,Namibia,Swaziland,Zambia,Zimbabwe
Alltron	Industrial	Botswana,DRC,Lesotho,Mauritius,Mozambique,Namibia,Tanzania
Imperial Holdings	Transport	-
Basil Read	Construction	-
AECI	Industrial	Botswana,DRC
Anglo American Platinum	Mining	Zimbabwe
Adecock Ingram	Health	Zimbabwe

Source: Authors own compilation from Labour Research Service Multinational Corporations database, 2012

**Table A3: Gross fixed capital formation (% GDP)**

	2005	2006	2007	2008	2009	2010	2011
Angola	8.76	12.23	13.72	15.98	16.14	16.14	16.14
Botswana	27.15	25.90	30.79	34.39	37.89	35.35	38.73
Dem. Rep. of the Congo	11.78	14.81	14.02	11.19	14.87	20.69	21.09
Lesotho	21.98	20.66	24.21	27.62	25.46	27.73	21.09
Madagascar	22.20	25.29	29.61	40.32	34.74	20.74	17.56
Malawi	19.38	20.26	11.90	24.23	13.55	16.22	9.88
Mauritius	22.67	26.70	26.92	27.30	21.30	23.73	25.98
Mozambique	17.12	19.82	13.94	13.22	15.11	15.32	18.38
Namibia	19.69	22.26	22.02	24.85	22.08	20.13	25.35
Seychelles	35.11	26.92	27.20	24.59	25.44	35.39	34.34
South Africa	18.31	20.19	20.99	23.01	20.73	19.51	19.14
Swaziland	15.04	12.81	12.34	11.09	10.27	9.68	9.29
United Republic of Tanzania	27.48	30.23	32.48	31.48	25.00	27.49	33.29
Zambia	23.67	22.09	21.96	20.92	21.03	22.57	25.01
Zimbabwe	1.53	1.57	7.11	5.13	15.10	23.98	22.39

IMF (2012b)

Table A4: Correlation coefficients for Mauritius

	LFDI_FLOW	LTRD	KA	LROL	EVSTD	IV	EV	LNRA	LGDP_j	LGDP_i	LTEL	BIT
LFDI_FLOW	1.0000											
LTRD	0.1883	1.0000										
KA	-0.2530	-0.5901	1.0000									
LROL	-0.1284	-0.3182	0.7155	1.0000								
EVSTD	0.1406	-0.1448	-0.1591	-0.3522	1.0000							
IV	0.1950	-0.1257	-0.1941	-0.5154	-0.0612	1.0000						
LCPR	0.0869	-0.7416	0.6777	0.6554	-0.0282	-0.0692	1.0000					
LNRA	-0.3942	-0.6154	0.2830	0.0745	-0.1320	0.1805	0.2985	1.0000				
LGDP_j	-0.7357	-0.4274	0.3421	0.1111	-0.3243	0.0837	0.1007	0.6911	1.0000			
LGDP_i	0.1609	0.0580	-0.2006	-0.1432	-0.1655	0.1881	0.0585	0.0509	0.2317	1.0000		
LTEL	-0.1240	0.5223	-0.3147	-0.3635	-0.3049	0.1745	-0.4584	-0.1105	0.2970	0.7248	1.0000	
BIT	0.5182	0.9053	-0.6331	-0.2977	-0.0012	-0.0692	-0.5599	-0.6758	-0.6642	0.1789	0.4090	1.0000
LFDI_OECD	-0.2073	0.8588	-0.4566	-0.2097	-0.3245	-0.1477	-0.7964	-0.3261	-0.0024	0.0077	0.5809	0.6401
LDIST	0.2798	0.6636	-0.4455	-0.2198	0.2103	-0.2392	-0.5581	0.6473	-0.7469	-0.5375	-0.2067	0.6393
LTEL	-0.1240	0.5223	-0.3147	-0.3635	-0.3049	0.1745	-0.4584	-0.1105	0.2970	0.7248	1.0000	0.4090

	<u>LFDI_OECD</u>	<u>LDIST</u>	<u>LTEL2</u>
LFDI_OECD	1.0000		
LDIST	0.4660	1.0000	
LTEL	0.5809	-0.2067	1.0000