Africa's Global Economic Integration and National Development: A Management Framework for Attracting FDI

Nanda R. Shrestha
Florida A&M University

Wilbur I. Smith
Florida A&M University

Charles L. Evans
Florida A&M University

Africa is far behind East and Southeast Asian countries in attracting FDI from multinational corporations (MNCs). To improve their positions, most African states are now pursuing neoliberal economic policies that focus on private sector development and export trade. In light of their chosen economic path, this exploratory paper proposes an institutionally-driven management framework for African states to create and promote national competitive advantages to enhance their attractiveness to FDI. The proposed framework highlights the government's role in managing the four critical environmental forces—techno-economic, politico-institutional, socio-demographic, and cultural—that drive national productivity and innovative capacity, especially in the early phases of the national push for economic growth and development.

INTRODUCTION

Prior research has argued that Africa is positioned to be the last frontier of globalization, owing to the continent's glaring shortage of investment capital, on the one hand, and its abundant resources, on the other—two primary conditions that multinational companies (MNCs) should find enticing as they rove the world in search of places (countries) where the prospects of returns on capital investment are high (for extended discussions, see Shrestha & Smith, 2009; Shrestha, Smith, McKinley-Floyd & Gray, 2008; Auret, 2009). In other words, Africa has, in theory, the potential to become an attractive destination for MNC investments (i.e., global capital), including investments from fast emerging countries like China and India (see Harvey, 1982; Lenin, 1969; Lorenz & Thielke, 2007). This potential has been further enhanced in recent years, in that most states in sub-Saharan Africa are pursuing neoliberal policies of economic development which emphasize the growth and expansion of the private sector. As part of this development path, these states are increasingly emphasizing the need to attract FDI from MNCs, reflecting the belief that such flows are central to private sector development, wealth creation, and poverty alleviation (Asiedu, 2002; Dupasquier & Osakwe, 2006).

In view of the seeming convergence of global capital's interests and sub-Saharan African states' (Millennium) development goals (see World Bank, 2006), this study—which is largely exploratory in

scope and prescriptive in design—advances a management framework designed to create and promote these states' *global competitive advantages* for attracting FDI, especially into the manufacturing and service sectors (beyond the sectors devoted to the extraction of natural resources, e.g., minerals and petroleum). Because the proposed framework is designed to enhance global competitiveness and engender a business climate conducive to private sector growth and expansion, it should assist sub-Saharan African states to achieve their goals for national development and export trade.

Framed by this general objective and orientation, the paper is divided into three major sections, followed by the conclusion. The first section provides a profile of FDI inflows and export trade as a guidepost to the nature and degree of Africa's incorporation into the global economy (globalization). Also presented in this section are the findings of a preliminary regression analysis of the factors that affect FDI inflows to the continent. The profile is followed by the second section where we propose what can be characterized as an *institutionally-driven management framework* for sub-Saharan African states to create national competitive advantages that are appealing to MNCs. This framework is built on a developmental approach that is "ecosystemic" in nature and in its effects, an approach in which four environmental forces (dimensions)—*techno-economic*, *politico-institutional*, *socio-demographic*, and *cultural*—are closely intertwined. In other words, enhancement of any of these forces by the state reverberates through the others, setting in motion a "virtuous" circle within the enterprise of national economic development. Creating this "virtuous" circle, especially in the early phases of the push for private-sector development, depends heavily on the state (public management). In particular, within the proposed management framework, the state formulates and implements strategies to foster an FDI-friendly business climate and to build the institutional infrastructure necessary to attract foreign investments to fuel the engine of the private sector, especially in the early phases of economic development.

Drawing on the profile of Africa and the proposed management framework, the third section of this paper zooms in on Kenya as a case in point, juxtaposing it against the Southeast Asian nation of Vietnam—two countries that started with similar initial developmental conditions but have experienced divergent developmental outcomes. The primary aim of this comparison is to gain some preliminary understanding of why African states, in general, have fallen far behind many of their East and Southeast Asian counterparts in terms of both attracting FDI and achieving national development.

The comparative picture not only lends general support for the applicability of the proposed management framework for creating national competitive advantages, but also suggests measures that Kenya (and other sub-Saharan states) should undertake to promote its national competitiveness to attract foreign investments. However, in the absence of its active, methodical, and targeted promotion to major sources (both countries and corporations) of FDI, the creation of national competitive advantage(s) alone may be insufficient to generate desired results, that is, to lure FDI inflows. This is more than a likely scenario in the case of sub-Saharan Africa, including Kenya. More specifically, the entrenched negative perception of most African countries in the eyes of global capital has generally marred their prospect of attracting foreign investments outside of the natural resources sector; FDI inflows to export-oriented manufacturing remain marginal. Asiedu (2002) pointedly noted that the problem of negative perception is significant when it comes to explaining the comparatively very low level of FDI inflows to Africa as it tends to overshadow or amplify other issues that influence the geographical movement of global capital. As Asiedu succinctly expressed it, "Africa is different" (2002, p. 116). And Kenya is hardly an exception. With this view, the present study concludes by identifying areas of future research on FDI and national development in Africa from a management perspective.

AFRICA'S INTEGRATION INTO THE GLOBAL ECONOMY

The experiences of many East and Southeast Asian countries suggest that FDI was directly related to their increasing globalization (i.e., integration into the global economy following their impendence from their respective European colonizers after World War II). As some argue, when foreign investments are directed toward export-oriented manufacturing, FDI plays an important role in spurring economic growth in underdeveloped societies, especially in the early stages of their national development (Musila & Sigué,

2006). While some studies have shown that FDI's national development role is significant in terms of both *pecuniary* and *non-pecuniary* consequences (Dunning & Lundan, 2008; Eden, 2009), others have, however, argued that the degree of positive impact depends on the stage of the FDI recipient country's development and absorptive capacity (Meyer & Sinani, 2009; see also Waheeduzzaman & Rau, 2006; Tarzi, 2005). On the opposite side of the advocates of globalization are activists who denounce the adverse effects (e.g., increased income inequalities) that FDI-driven globalization tends to create, both at home (where MNCs are based) and abroad (where MNCs operate), as openly exemplified by "street" protests against it at recent gatherings of G20 leaders in Pittsburgh, Pennsylvania, (September 2009) and in Canada (July 2010).

Notwithstanding the diverse views on the impacts of FDI-driven globalization, this study is based on the premise that FDI has emerged as an important source of capital formation (and technology/knowledge transfer in many cases) and a notable force behind economic growth in "developing" countries, particularly in the early stages of their development trajectories. Nowhere was this more noticeably demonstrated than in those East and Southeast Asian countries where the state's national development policies systematically emphasized attracting FDI inflows and export-oriented industrial growth, thus giving rise to what came to be commonly known as the "export-oriented development model," a model which stood in clear contrast to the "import-substitution model of national development" that was imbued with an underlying policy of national self-sufficiency in the aftermath of national independence, i.e., decolonization (see Musila & Sigué, 2006; Wint & Williams, 2002). In other words, what is becoming increasingly apparent is that the FDI-driven export-oriented model has assumed primacy in most developing and emerging countries in the post-1990 period of globalization. This change in approach is exemplified by India. To be specific, despite being the early leader of the import-substitution model of development, this South Asian nation has now emerged as one of the latest adherents of FDI-driven economic policy and globalization, posting significantly high growth rates that stand in stark contrast to its past performance. And now many African countries seem to be striving to embark on this very path as they pursue neoliberal economic policies to attract FDI to fuel national development. To apply Friedman's (2005) logic, when it comes to economic development policies, the world is becoming increasingly flatter (if not completely flat) as one by one developing and emerging countries traverses the same isomorphic contour embodied in the FDI-driven model of national development. The question to be examined now is: Where does Africa stand with regard to FDI inflows?

FDI and Export Trade in Africa

During the long colonial phase of globalization (1500-1950 AD), Africa was incorporated into the Eurocentric global economy as the last frontier of colonialism, a *periphery* where the continent's vast natural resources were exploited to fuel Europe's growth and development (Rodney, 1974; Shrestha, 1987). The overall situation has undergone little change in the post-colonial period, i.e., in the contemporary phase of globalization as the continent still remains largely a periphery in terms of FDI inflows. Notwithstanding a few scattered exceptions, whatever FDI Africa has attracted has mostly gone to the natural resource extractive (e.g., minerals and petroleum) sector. The overall impact of such FDI is often negative as it retards the manufacturing sector and exacerbates economic disparities (Musila & Sigué, 2006; Rena, 2007; Sachs & Warner, 2001).

Foreign Direct Investment

In recent years, many African countries have shown signs of healthy economic growth rates, thus raising hope among some that the continent might be finally coming out of the darkness of its crippling colonial past (Auret, 2009; Farzad, 2007; World Economic Forum, 2007). For global capital, however, Africa, in general, has yet to become a preferred destination (A.T. Kearney, 2007; see also A.T. Kearney, 2010). This is particularly true in terms of FDI going to the manufacturing and service sectors, although countries with natural resource advantages (for example, Angola and Sudan) have fared somewhat better thanks to rapidly growing demands for their resources. Simply put, in terms of global FDI inflows, sub-Saharan Africa is at the bottom, attracting merely 2.2 percent of global FDI in 2005. The *World*

Investment Report 2006 (UNCTAD, 2006a, p. 6) reveals that while "[D]eveloping countries have gained in importance as recipients of FDI..., the share of African countries gradually fell, from 10% of total inflows to developing countries in 1978-1980 to around 5% in 1998-2000." When Africa's (including sub-Saharan countries) FDI inflows are compared with other regions, its share in 2000 stood at 0.7 percent. Although it has increased in the past few years, FDI totaled merely $31 billion or 3.3 percent of the world total in 2005 (see Table 1).

TABLE 1
FOREIGN DIRECT INVESTMENT INFLOWS BY REGION

Regions	$Million			Percentage Share		
	1990	2000	2005	1990	2000	2005
WORLD	201,614	1,409,568	916,277	100.0	100.0	100.0
North America	56,823	393,026	146,880	28.2	27.9	16.0
United States	*48,422*	*313,997*	*99,443*	*24.0*	*22.3*	*10.9*
Latin America / Caribbean	9,733	96,763	90,047	4.8	6.9	9.8
Europe	97,134	728,783	469,012	48.2	51.6	51.2
Africa	2,825	9,577	30,672	1.4	0.7	3.3
Northern (- Sudan)	1,116	3,064	10,433			
Sub-Saharan	1,708	6,513	20,239	0.8	0.5	2.2
Asia	24,547	163,277	212,213	12.2	11.6	23.2
Japan	*1,753*	*8,323*	*2,775*			
China (- Hong Kong)	*3,487*	*40,715*	*72,406*			
India	*237*	*3,585*	*6,598*			
Oceania	10,552	18,142	-32,547	5.2	1.3	-3.6

Source: Based on UNCTAD (2007a).

Furthermore, most individual African states receive only small fractions of FDI. One report on FDI and official development assistance (ODA) to the group of 50 least developed countries (LDCs) showed that 34 of them are in Africa, all in sub-Saharan Africa (UNCTAD, 2006b). This figure represents more than two-thirds of sub-Sahara. According to this report, FDI inflows to the group of 50 LDCs reached $11 billion in 2004, the highest level ever. The biggest recipient was Angola with more than $2 billion, followed by Equatorial Guinea and Sudan. FDI inflows to the rest were less than $1 billion with 22 sub-Saharan countries receiving less than $100 million each (see Shrestha & Smith, 2009). One pattern is that "the bulk of FDI seems to be associated with natural-resource-related investment, notably in the oil and gas industries. [For example], the largest greenfield investment projects and cross-border M&As (mergers and acquisitions) were concentrated in a few oil-producing countries, such as Angola, Equatorial Guinea and Sudan, that were also the largest LDC recipients of FDI inflows" (UNCTAD, 2006b, p. 4; parenthetical words added).

The distorting impact of natural resources on FDI flows to Africa was confirmed by the regression analysis summarized in Table 2. As shown, the model (F [4, 38] = 8.920, $p < .001$) indicates that, subject to the countervailing influence of reduced life expectancy (positive coefficient for LF), larger proportions of 2006 FDI were directed to African countries with less diverse export trade (positive coefficient for EDI), less politically stable (negative coefficient for PSV), and lower rates of labor force participation (negative coefficient for LF). This result is counterintuitive; particularly for *political (in)stability and violence* (PSV) where higher levels of instability and violence (and corruption) would normally be expected to negatively impact FDI inflows (Asiedu, 2006). In fact, one report finds that "[w]hen asked about the greatest risks to investing in Africa generally, investors placed *political instability* at the top of the list (77 percent of respondents), followed by insufficient public infrastructure (69 percent), low workforce skill level (58 percent), poor IT infrastructure (58 percent) and bureaucratic overhead (54 percent)" (A.T. Kearney, 2007; emphasis added). However, the inverse correlation between FDI inflows

and PSV presented in Table 2 suggests a countervailing economic imperative—namely, because most natural resources are geologically localized and limited, their pursuit may induce rigidities and distortions into multinational corporations' risk-reward allocation of FDI. In other words, global capital must go wherever the indispensable natural resources are found, other factors notwithstanding. Such a scenario is not merely a theoretical plausibility, but a historical reality. In Africa, it is evidenced in the fact that Angola, Chad, Equatorial Guinea, Nigeria, and Sudan, for example, are infested with political violence or civil wars yet have attracted measurable FDI owing to their oil resources.

TABLE 2
PRELIMINARY REGRESSION ANALYSIS OF FDI INFLOWS TO AFRICAN COUNTRIES

Variables	Value	Definition and Data Source
Dependent Variable *FDI Inflow 2006*		Natural log of net inflow of Foreign Direct Investment (FDI) into the country during 2006, measured in millions of U.S. dollars (UNCTAD, 2007b)
Independent Variable	B	
Export Diversity Index (EDI)	8.034** (2.532)	Index, ranging from 0 to 1, measuring the similarity between the country's export trade pattern and the world average in 2005 (UNCTAB, 2007a). Values close to 1 indicate bigger differences.
Political Stability and Violence (PSV)	-.782** (.266)	The 2005 Kaufmann-Kraay-Massimo survey measure of *Political Stability and Absence of* Violence for assessing the likelihood that the government of the country will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism (Kaufmann, Kraay & Massimo, 2010).
Labor Force (LF)	-.065** (.020)	Proportion of the country's 2005 population, ages 15-64, that was economically active in supplying labor for the production of goods and services (World Bank, 2007).
Life Expectancy (LE)	.057** (.021)	Years of life expectancy at birth for the country's 2005 population (World Bank, 2007).
N	43	
R	.696	
Adjusted R^2	.430	

Notes: 1) Numerical values within parentheses are standard errors for regression coefficients. 2) The following countries were excluded from the analysis because of missing data or as statistical outliers: Angola, Chad, Comoros, Ivory Coast, Liberia, Mauritania, Reunion, São Tomé and Príncipe, Seychelles, Somalia, and South Africa.

** $p \leq .01$.

Merchandise Export Trade

The low level of FDI inflows to Africa is directly reflected in its share of the world merchandise export trade. In other words, Africa suffers from the dearth of internal capital allocated to the manufacturing sector, and inward FDI currently is too small to fill this void. The pattern of Africa's merchandise exports exhibited in Table 3 is hardly encouraging. In 2006, the total value of world merchandise exports was $11,982,932 million, whereas Africa's share amounted to merely $332,801 million or 2.8 percent. Although this dollar amount for 2006 is larger than those for the previous years, it represents a proportionate decline of a 0.3 percentage point from the 1990 level (see Table 3). Moreover, since most of the FDI inflows to Africa go to the natural resource extraction sector, African export trade is largely tied to raw materials and primary products, with oil leading the way (UNCTAD, 2006b; see also World Bank, 2006). Manufacturing's role in exports is minimal, except in the case of South Africa where it accounted for $26.7 billion (58%) out of the total exports ($46 billion). "Heavy dependence on primary commodities remains a common feature of production, exports and growth in all the sub regions" of the continent (ECA, 2007, p. 2). For instance, 73 percent of Nigeria's total export earnings ($31.1 billion) come directly from the exports of oil ($20.7 billion) and gas ($2.0 billion).

TABLE 3
WORLD MERCHANDISE EXPORT TRADE BY REGION

	Value in $Million				Percentage Share			
	1990	2000	2005	2006	1990	2000	2005	2006
WORLD	3,478,571	6,444,106	10,440,780	11,982,932	100.0	100.0	100.0	100.0
North America	521,758	1,058,872	1,267,022	1,442,551	15.0	16.4	12.1	12.0
United States	*393,592*	*781,918*	*907,158*	1,037,320				
Latin America/Caribbean	143,801	361,101	566,842	679,988	4.1	5.6	5.4	5.8
Europe	1,765,628	2,735,040	4,612,628	5,235,409	50.8	42.4	44.2	43.5
Africa	106,993	147,173	298,026	332,801	3.1	2.3	2.9	2.8
Northern (- Sudan)	40,681	52,306	107,137	119,864				
Sub-Saharan	*66,312*	*94,867*	*190,889*	*212,937*	*1.9*	*1.5*	*1.8*	*1.8*
Asia	888,442	2,060,695	3,562,790	4,139,437	25.5	32.0	34.1	34.6
Japan	*287,581*	*479,249*	*594,905*	*644,541*				
China (- H. Kong)	*62,091*	*249,203*	*761,953*	*969,100*				
India	17,969	42,379	99,474	120,887				
Oceania	51,949	81,225	133,472	152,746	1.5	1.3	1.3	1.3

Source: Based on UNCTAD (2007a).

UNCTAD (2007a, p. 2) reports that "oil-exporting African countries as a group contributed 57.5 per cent of the continent's 5.7 per cent growth rate in 2006." The issue is that, in the world market, the comparative dollar value of Africa's primary commodity exports (e.g., copper, cotton, coffee, crude oil, timber etc.) is significantly lower than the value of manufactured products (e.g., machinery), the mainstay of exports from most developed and emerging economies. The reason is simple: the higher the level of the process of production along what we call the *production value chain*, the greater the market value of products. Take, for instance, the production of furniture vs. timber. The value of the former (which entails an increasingly accumulated value of labor resulting from the chain of production moving upstream from low skills [e.g., tree planters and lumberjacks] to more specialized skills [e.g., furniture designers and carpenters]) is far higher than the market value of timber which rarely includes more than two layers of low-skilled labor (tree planters and lumberjacks). A similar example applies to oil production and mining, the two dominant sources of exports from several African nations, e.g., Angola, Chad, Equatorial Guinea, Nigeria, and Sudan.

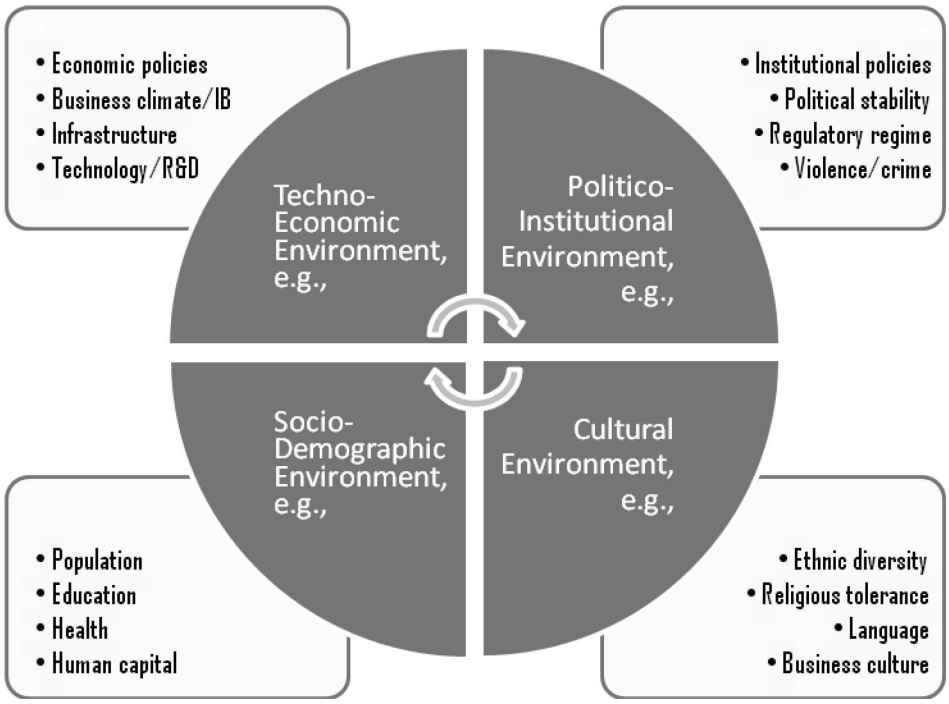
So, given Africa's limited integration into the global economy in terms of both FDI inflows and exports (especially export diversification), what should sub-Saharan states do to attract global capital and direct it toward the manufacturing and service sectors? It is this question that we now attempt to address in the following section by advancing an institutionally-driven management framework for developing national competitiveness.

ECOSYSTEMIC MANAGEMENT FRAMEWORK FOR DEVELOPING NATIONAL COMPETITIVENESS TO ATTRACT FDI

In its 2005 report on development in Africa, UNCTAD states that "attracting FDI has assumed a prominent place in the strategies of economic renewal being advocated by policy makers at the national, regional and international levels" (UNCTAD, 2005, p. 1). This means that public (state) management of Africa's environmental forces of national competitiveness should be a strategic priority (Shrestha, et al., 2008). Given the importance of state management, as recognized by World Economic Forum (2009a), World Bank (2006), UNCTAD (2005), Porter (1990), the underlying premise of this study is that the state is responsible for guiding the national economy in terms of laying a sound foundation for private sector growth and expansion, especially in the early stages of its development. To be specific, African countries should formulate, implement, and reinforce a management system that is globally oriented and nationally

focused. This management system must be rooted in the nexus of the four environmental forces that we consider fundamental to driving national productivity and innovative capacity: *techno-economic, politico-institutional, socio-demographic,* and *cultural* (see Figure 1). These four key forces reflect important aspects of a country's institutional infrastructure for governance. Collectively, they not only capture the pillars of competitiveness in the World Economic Forum framework (2009a), but also embody the cornerstones of strategic resource management.

FIGURE 1
ENVIRONMENTAL FORCES FOR NATIONAL COMPETITIVENESS



Source: Based on Shrestha, et al., (2008).

Techno-Economic Environment

This environmental force encompasses various economic and technological components, ranging from GDP to foreign trade/investment to infrastructure. In essence, it gauges the economic health of a nation and indicates where techno-economic improvements are needed to develop or enhance competitive edge.

Politico-Institutional Environment

This environmental force includes the political climate, institutional policies and apparatus, and legal codes (rule of law) of a country. It determines legal and administrative framework within which individuals, businesses (the private sector), and government agencies (the public sector) behave and operate to generate income and wealth in the economy (World Economic Forum, 2009a). As such, the politico-institutional environment establishes institutional infrastructure for governance which supports the development and performance of the other three environmental forces in the ecosystemic management framework, especially in the early stages of economic development.

Socio-Demographic Environment

The variables associated with this force revolve around population, which forms both the basis and subject of economic production and development. For example, the socio-demographic variables include

the size of the labor force, its educational/training levels and health conditions, and consumers (market demand and expectations). Because a healthy and productive labor force is vital to a country's productivity, management of the socio-demographic environment is critical for enhancing national competitiveness in the global economy.

Cultural Environment

The cultural environment is being increasingly viewed as an important player in national economic development and international business. As this force includes ethnic and religious compositions (diversities), management is faced with people's cultural values and views within the country which may vary from one ethnic/religious group to another in accordance with their identities, often creating a climate of tension and uncertainty in business and society (especially when they assume different roles such as workers, managers, policymakers, or consumers). In short, the challenge is for management to create (and reinforce) a cultural environment that is conducive to business development and national competitiveness.

Nexus of Environmental Forces

As a consequence of being intertwined, these four environmental forces are intrinsically ecosystemic in their functional dynamics, roles, and effects. That is, when managed effectively, these forces work together like a mutually interdependent ecosystem to enhance the productivity of a country's economy, thus improving its global competitiveness and, hence, attractiveness to FDI (see also Porter, Ketels & Delgado, 2007). To illustrate the dynamic nature of these environment forces or how they drive national productivity and innovative capacity, take population, for example. As portrayed in Figure 1, population is featured under the socio-demographic environmental force as the source of labor. In its practical manifestation, however, population intersects all other environmental forces, for it acts as agents of economic transformation and innovations—and as consumers (techno-economic), as political leaders and policymakers (politico-institutional), and as purveyors, practitioners, and guardians of cultural values and views (cultural), which may vary in accordance with their group roles and identities as workers, managers, policymakers or consumers. So, systematic development and effective deployment of human capital as a primary socio-demographic force is a national strategic management imperative to elevate the level of techno-economic performance, politico-institutional policies, and cultural understanding and cooperation. Since most other components within the nexus of these environmental forces have a similar transcending dynamic, implementation of the proposed framework requires a heuristic approach.

AN ILLUSTRATION OF THE FRAMEWORK: KENYA VS. VIETNAM

Countries must manage their environmental forces in a systematic fashion to develop their national competitiveness. As such, the proposed framework is not a new management construct, for it is consistent with the foundational tenets of management as an organizational or institutional process. In short, the framework is an overlay, a system for thinking about how to deploy (manage) national resources (e.g., human, natural, capital, and technological) so as to create an economic environment characterized by advantages in productivity and innovation. Consequently, applying the framework is largely an exercise in the art of public (state) management of resources, particularly relevant for those countries that are stranded in the early phases of economic development.

To illustrate its application, the Appendix presents a stylized comparative assessment of the national competitiveness of Kenya and Vietnam, two countries that started with similar initial developmental conditions. Currently, they are, respectively, ranked 84th (GDP(ppp) of $61.51B) and 46th (GDP(ppp) of $241.70B) largest national economies of the world (CIA, 2009). In the 2009-2010 Global Competiveness Report, both countries were placed in Stage 1 of economic development, with Kenya ranked as the 98th and Vietnam as the 75th most competitive out of 133 economies in the world (World Economic Forum, 2009a). When framed within the nexus of the framework's environmental forces, the picture emerging from the comparison of the two countries looks as follows:

- *Techno-economic environment*. The Appendix shows that Vietnam has five global competitive advantages under techno-economic, compared to three for Kenya. As the Appendix further reveals, it outperforms Kenya on 70 percent of the techno-economic measures, including the development of economic clusters and the efficiency of import-export procedures. The only techno-economic area where Kenya meaningfully surpasses Vietnam is in market access; Kenya ranks 34th among world economies whereas Vietnam is 112th.
- *Politico-institutional*. In the politico-institutional area, Vietnam has the higher rating for institutions, higher inward FDI potential, and, since 1990, is signatory to 49 (nearly 10 times more) bilateral investment treaties, compared to merely 5 for Kenya. In addition, Vietnam is regarded as more politically stable.
- *Socio-Demographic*. Vietnam has the larger, healthier, and wealthier population. For example, life expectancy (72 years) in Vietnam ranks 69th in the world and 118th in Kenya (54 years), where adult mortality is 2.7 times the rate in Vietnam. Furthermore, a substantially smaller percentage of the Vietnamese live under the crush of extreme poverty than Kenyans.
- *Cultural*. In terms of internal cultural or identity fault lines, Vietnam is far less fractionalized (factionalized) than the Kenyan society. As evidenced by the data, ethnic/tribal and language fractionalization in Kenya is more than 3.5 times the level found in Vietnam. In other words, the chances of international companies having to navigate and negotiate cultural fault lines or tug-of-war rooted in the fractionalized ethnic/tribal terrain—and the various problems and issues and resultant costs associated with such a terrain—are greatly reduced.

The upshot: from the national (and international trade and investment) perspective, Vietnam has done a better job of managing its environmental forces than Kenya. This shows up vividly in the two countries' overall economic performances and outcomes. In particular, although Africa offered the world's best rate of return on FDI deployed to developing regions in 2006 and 2007, Kenya has *underperformed* its FDI potential. In contrast, Vietnam has *over performed* its potential (UNCTAD, 2008a). The tangible result is that, in 2007, Kenya attracted a total of $728M inward FDI (equal to about 2.4 percent of its GDP). Comparatively speaking, this amount is less than one-ninth of Vietnam's total FDI inflows of $6,739M or 10 percent of its GDP (UNCTAD, 2008b).

From this picture, we can discern that Kenya faces two critical issues. First, the country needs to formulate and implement the strategic/institutional reforms necessary to convert the Kenyan national economy into a more inviting, competitive destination for inward FDI. Second (and subsequently), Kenya must undertake a robust strategy to promote its national competitive advantages in the international arena, targeting viable sources of global capital or FDI. While the issue of strategic/institutional reforms can be addressed by systematically executing the proposed management framework in its entirety or in some modified form to reflect specific characteristics prevalent in the country, the issue of promoting its national competitiveness internationally is covered in the concluding section.

CONCLUSION

The proposed framework, when applied systematically and effectively, is expected to improve a country's business environment and competitive advantages for attracting FDI. However, creating such an environment may not be sufficient. This is particularly true in the case of Africa, given its pervasive negative perception within the global investment community (Asiedu, 2002; Perry & Blue, 2008). In other words, sub-Saharan states must aggressively promote their FDI-friendly business environment and competitive advantages to targeted sources of global capital or FDI—and do so in a concerted and sustained fashion. Such promotional drives require nation-state-specific strategies, for their respective national competitive advantages are likely to vary from country to country. While some have advanced FDI promotional strategies (e.g., Musila & Sugué, 2006), we propose the following as future research areas to close the circle of FDI attraction to sub-Saharan Africa:

- Designing marketing strategies to improve the global image of Africa to address the lingering negative perception of the continent.
- Designing strategies and tactics to promote Africa's country-level competitive advantages (e.g., sea transportation) in supply chains for manufactured goods and services. For instance, this research should address issues of cluster development within Africa as well as explore the benefits that MNCs could derive from investing in countries that are part of regionally integrated economies.

Broadly speaking, our argument is that future research should be aimed at finding ways to improve Africa's attractiveness to foreign investments. As Musila & Sigué (2006, p. 591) put it, African states must use "clear strategic marketing approaches to target selected FDI and to design sustainable and competitive positioning strategies able to match the interest of investors in a free market." However, pursuing increased inward FDI does not come without risks. An FDI-driven development strategy must be managed effectively so that it does not end up as a Faustian bargain, a "race to the bottom" that disintegrates into a new scramble for Africa's natural resources, an unwelcome ghost of the colonial-era scramble that followed the Berlin conference of 1884-85 (Foster, 2006; Okonkwo, 2007; Watts, 2006).

REFERENCES

A.T. Kearney (2007). New Concerns in an Uncertain World: The 2007 A.T. Kearney Foreign Direct Investment Confidence Index. Retrieved 25 January 2008 from www.atkearney.com

A.T. Kearney (2010). Investing in a Rebound: The 2010 A.T. Kearney Foreign Direct Investment Confidence Index. Retrieved 11 June 2010 from www.atkearney.com

Asiedu, E. (2002). On the Determinants of Foreign Direct Investment to Developing Countries: Is Africa Different? *World Development, 30*, 1, 107-119.

Asiedu, E. (2006). Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Instability. *World Economy, 29*, 1, 63-77.

Auret, L. (2009). Emerging Markets Help Pull Africa Up. Retrieved 30 September 2009 from www.CNBC.com

CIA (2009). The World Factbook. Retrieved 30 September 2009 from Central Intelligence Agency: www.cia.gov/library/publications/the-world-factbook/index.html

Dunning, J. H. & Lundan, S. M. (2008), *Multinational Enterprises and the Global Economy* (2nd ed.), Cheltenham, UK; Northampton, MA: Edward Elgar.

Dupasquier, C. & Osakwe, P. N. (2006). Foreign Direct Investment in Africa: Performance, Challenges, and Responsibilities. *Journal of Asian Economics, 17*, 2, 241-260.

ECA (2007), *Economic Report on Africa 2007: Accelerating Africa's Development Through Diversification*, Addis Ababa, Ethiopia: The Economic Commission for Africa.

Eden, L. (2009). Letter from the Editor-In-Chief: FDI Spillovers and Linkages. *Journal of International Business Studies, 40*, 7, 1065-1069.

Farzad, R. (2007). Can Greed Save Africa? Fearless Investing is Succeeding Where Aid Often Hasn't. *Business Week*, 4062, 46.

Foster, J. B. (2006). A Warning to Africa: The New U.S. Imperial Grand Strategy. *Monthly Review, 58*, 2, 1-12.

Friedman, T. (2005), *The World Is Flat: A Brief History of the Twenty-first Century*, New York: Farrar, Straus and Giroux.

Harvey, D. (1982), *The Limits to Capital*, Chicago: University of Chicago Press.

Kaufmann, D., Kraay, A. & Mastruzzi, M. (2010). Governance Matters 2009: Worldwide Governance Indicators, 1996-2008. Retrieved 16 July 2010 from World Bank Group: http://info.worldbank.org/governance/wgi/sc_country.asp

Lenin, V. I. (1969), *Imperialism, The Highest Stage of Capitalism*, Peking, Beijing: Foreign Language Press.

Lorenz, A. & Thielke, T. (2007). The Age of the Dragon: China's Conquest of Africa. Retrieved 23 August 2007 from www.speigel.de

Meyer, K. E. & Sinani, E. (2009). When and Where Does Foreign Direct Investment Generate Positive Spillovers? A Meta-Analysis. *Journal of International Business Studies, 40*, 7, 1075-1094.

Musila, J. W. & Sigué, S. P. (2006). Accelerating Foreign Direct Investment Flow to Africa: From Policy Statements to Successful Strategies. *Managerial Finance, 32*, 7, 577-593.

NSD (2009). MacroDataGuide, Fractionalization Data. Retrieved 25 January 2010 from Norwegian Social Science Data Services: www.nsd.uib.no/macrodataguide/set.html?id=16&sub=1

Okonkwo, R. O. (2007). The Second Scramble for Africa. Retrieved 23 August 2007 from www.edofolks.com/html/pub159.htm

Perry, A. & Blue, L. (2008). The Demons That Still Haunt Africa. *Time, 171*, 3, 42.

Porter, M. E. (1990). The Competitive Advantage of Nations. *Harvard Business Review, 68*, 2, 73-93.

Porter, M. E., Ketels, C. & Delgado, M. (2007). The Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index, The Global Competitiveness Report 2007-2008. Available from www.gcr.weforum.org

Rena, R. (2007). Dealing with Africa's Resource Curse. Retrieved 23 August 2007 from www.AllAfrica.com

Rodney, W. (1974), *How Europe Underdeveloped Africa*, Washington, D.C.: Howard University Press.

Sachs, J. D. & Warner, A. M. (2001). The Curse of Natural Resources. *European Economic Review, 45*, 4-6, 827-838.

Shrestha, N. R. (1987), Historical Evolution of the World System. In T. A. Hartshorn & J. W. Alexander (Eds.), *Economic Geography*, Englewood Cliffs, NJ: Prentice Hall.

Shrestha, N. R. & Smith, W. I. (2009). *Plowing the Last Frontier of Globalization: Management Implications for Africa's Development*. Paper presented at the 10th Annual International Conference of the International Academy of African Business and Development (IAABD). Available from www.iaabd.org/tableofcontent.aspx

Shrestha, N. R., Smith, W. I., McKinley-Floyd, L. & Gray, K. R. (2008). Management and National Development in Kenya: Toward a Normative Framework. *International Journal of Emerging Markets, 3*, 3, 244-267.

Tarzi, S. (2005). Foreign Direct Investment Flows into Developing Countries: Impact of Location and Government Policy. *The Journal of Social, Political, and Economic Studies, 30*, 4, 497-515.

UNCTAD (2005). Economic Development in Africa: Rethinking the Role of Foreign Direct Investment. Available from www.unctad.org

UNCTAD (2006a). The World Investment Report 2006. Available from www.unctad.org

UNCTAD (2006b). FDI in Least Developed Countries at a Glance: 2005/2006. Available from www.unctad.org

UNCTAD (2007a). UNCTAD Handbook of Statistics 2006-07. Available from www.unctad.org

UNCTAD (2007b). The World Investment Report 2007. Available from www.unctad.org

UNCTAD (2008a). The World Investment Report 2008. Available from www.unctad.org

UNCTAD (2008b). Foreign Direct Investment Database, FDIStat. Retrieved 25 September 2009 from United Nations Conference on Trade and Development: www.unctad.org

UNCTAD (2009a). UNTAD Handbook of Statistics Online 2008, IV. International Merchandise Trade Indicators. Retrieved 25 September 2009 from United Nations Conference on Trade and Development: www.unctad.org

UNCTAD (2009b). IIAs Database. Retrieved 25 September 2009 from United Nations Conference on Trade and Development: www.unctad.org

Waheeduzzaman, A. N. M. & Rau, P. A. (2006). Market Potential and Foreign Direct Investment: Exploring the Relationship in Emerging Markets. *Advances in Competitiveness Research, 14*, 1, 44-60.

Watts, M. (2006). Empire of Oil: Capitalist Dispossession and the Scramble for Africa. *Monthly Review, 58*, 4, 1-2,4-17.

Wint, A. G. & Williams, D. A. (2002). Attracting FDI to Developing Countries: A Changing Role for Government? *The International Journal of Public Sector Management, 15*, 4/5, 361-374.

World Economic Forum (2007). The Africa Competitiveness Report 2007. Available from http://www.weforum.org/en/initiatives/gcp/index.htm

World Economic Forum (2009a). The Global Competitiveness Report 2009-2010. Available from http://www.weforum.org/en/initiatives/gcp/index.htm

World Economic Forum (2009b). The Global Enabling Trade Report 2009. Available from http://www.weforum.org/en/initiatives/gcp/index.htm

World Health Organization (2009). WHO Statistical Information System. Retrieved 25 September 2009 from World Health Organization: www.who.int/whosis/en/index.html

World Bank (2006). Africa Development Indicators 2006. Retrieved 23 August 2007 from World Bank: www.worldbank.org

World Bank (2007). World Development Indicators Database. Retrieved 8 September 2007 from World Bank: www.worldbank.org/datastatistics

World Bank (2009a). Governance Matters 2009. Retrieved 25 September 2009 from World Bank: http://info.worldbank.org/governance/wgi/index.asp

World Bank (2009b). Doing Business 2010. Retrieved 25 January 2010 from World Bank: www.doingbusiness.org/

World Bank (2009c). World Development Indicators 2005, Table 2.5 Poverty. Retrieved 25 January 2009 from World Bank: http://devdata.worldbank.org/wdi2005/index2.htm

APPENDIX
SELECTED GLOBAL COMPETITIVENESS INDICATORS

	Kenya		Vietnam	
	Statistic (Rating)	Rank[1]	Statistic (Rating)	Rank[1]
Environmental Forces	□ Competitive disadvantage		■ Competitive advantage	
Techno-Economic				
Infrastructure[2]		92 □		94 □
Technological readiness[2]		96 □		73 □
Innovation[2]		48 ■		44 ■
Macroeconomic stability[2]		121 □		112 □
Market size[2]		74 □		38 ■
State of cluster development[2]		39 ■		18 ■
Extent of market dominance (concentration)[2]		54 □		41 ■
Domestic and foreign market access[3]		34 ■		112 □
Efficiency of import-export procedures[3]		102 □		49 ■
Export Diversification Index[4]	.6974		.6212	
Politico-Institutional				
Institutions[2]		107 □		63 □
Regulatory quality[5]	-.07		-.53	
Political stability & absence of violence[5]	-1.25		.32	
Ease of doing business[6]		95		93
Bilateral investment treaties (1990-2006)[7]	5		49	
Inward FDI potential[8]		126		80
Socio-Demographic				
Population[9]	39.0 M	34	87.0 M	14
Population under age 15[9]	42.3 %		24.9%	
Labor force[9]	17.4 M	34	47.4 M	12
Life expectancy (years at birth)[2]	54.0	118	72.0	69
Adult mortality rate (per 1,000 age 15 to 60) [10]	41.6%		15.5%	
Malaria incidence rate (per 100,000) [2]	32.3%	123 □	.08%	86 □
Tuberculosis incidence rate (per 100,000) [2]	.35%	122 □	.17%	100 □
HIV prevalence (age 14 to 49) [2]	6.1%	124 □	.50%	78 □
Population below poverty line ($2 per day)[11]	58.3%		33.4%	
Literacy rate (age 15 and over) [9]	85.1%		90.3%	
Higher education and training[2]		85 □		92 □
Labor market efficiency[2]		40 ■		38 ■

APPENDIX (CONTINUED)
SELECTED GLOBAL COMPETITIVENESS INDICATORS

	Kenya		Vietnam	
	Statistic (Rating)	Rank[1]	Statistic (Rating)	Rank[1]
Environmental Forces	☐ Competitive disadvantage		■ Competitive advantage	
Cultural				
Ethnic fractionalization[12]	.8558		.2383	
Religious fractionalization[12]	.7765		.5080	
Language fractionalization[12]	.8860		.2377	

Notes for Selected Global Competitiveness Indicators

[1]Except for population and labor force counts, lower *ranks* indicate better performance, operations, quality, or conditions. The designations of *competitive advantage or disadvantage* for ranks were determined by the authors, following the indexing rules outlined in the "How to Read the Country/Economy Profiles" section of the 2009-2010 Global Competitiveness Report (World Economic Forum, 2009a).

[2]*Source*: The Global Competitiveness Report 2009-2010 (World Economic Forum, 2009a). Country ranks range from 1 to 133.

[3]*Source*: The Global Enabling Trade Report 2009 (World Economic Forum, 2009b). Country ranks range from 1 to 121.

[4]*Source*: UNTAD Handbook of Statistics Online 2008, IV. International merchandise trade indicators (UNCTAD, 2009a). The Diversification Index ranges from 0 to 1, with higher values indicating larger differences between the structure of a country's export trade and the world average.

[5]*Source*: Governance Matters 2009 (World Bank, 2009a). Ratings of *Regulatory quality* and *Political stability & absence of violence* for countries range from -2.5 to 2.5, with higher values indicating better government outcomes.

[6]*Source*: Doing Business 2010 (World Bank, 2009b). Country ranks range from 1 to 183.

[7]*Source*: IIAs Database (UNCTAD, 2009b).

[8]*Source*: The World Investment Report 2008 (UNCTAD, 2008a). Country ranks range from 1 to 141.

[9]*Source*: The World Factbook (CIA, 2009). Country ranks range from 1 to 266.

[10]*Source*: WHO Statistical Information System (World Health Organization, 2009).

[11]*Source*: PovertyNet, Table 2, World Development Indicators 2005 (World Bank, 2009c).

[12]*Source*: MacroDataGuide, Fractionalization Data (NSD, 2009). The fractionalization statistic takes on values between 0 and 1, with higher values indicating greater heterogeneity in the population.