

The Dimensions Of FDI In The Tourism Sector In Africa

Henri Bezuidenhout, North-West University (Potchefstroom Campus), South Africa
Sonja Grater, North-West University (Potchefstroom Campus), South Africa

ABSTRACT

The tourism sector in Africa has received an increasing focus as it is viewed to be a fast growing sector and a potentially substantial provider of employment. With increasing numbers of tourists from developing countries the sector is set to become a major contributor to the African growth story through higher standards of living and positive effects on the economy. Little is understood of the contribution of multinational tourism enterprises and whether their investments are affecting the much acclaimed story of increasing tourism to Africa. We aim to contribute to the discussion by investigating links between the tourism of African countries and inward FDI in tourism. Although datasets for African countries are mostly incomplete, at best, the changing dynamics of international data collection allows for the establishment of a baseline comparison between the tourism data of the United Nations Tourism Organisation and the FDI data of Financial Times FDI-Markets databases. We find that, not only, does FDI in tourism positively affect the various tourism categories' figures but also that the main investors are not the traditional African FDI partners. FDI in tourism is also focussed on a narrow band of highly specialized tourist destinations, which allows for highly specialized policy adaptations. These results help to focus FDI policy formulation by African governments and Investment Promotion Strategies, Investment Incentives and Bilateral Investment Agreements between home and host countries as well their respective Investment Promotion Agencies. The results may also help industry to understand the untapped potential for tourism FDI in Africa.

Keywords: Foreign Direct Investment; Africa; Tourism; Investment Promotion

INTRODUCTION

International tourism has been increasing rapidly and reaching record highs by the end of 2014. The volume of total international tourists reached 978 million at the end of 2014, which is 45 million more than in the same period of 2013. A total increase of 4.7% was reported, with the highest growth in the American region (8%), Asia and the Pacific region (5%) and Europe (4%) (UNWTO, 2014). Also in many countries there is evidence of a growing political commitment to the tourism sector, especially in developing countries.

The tourism sector in Africa has received increased attention as it is viewed to be a fast growing sector and a potentially substantial provider of employment at all skills levels. Africa's international tourism grew by 3% in 2014 (UNWTO, 2014). With increasing numbers of tourists from developing countries, the sector is set to become a major contributor to the African renaissance and growth, through increased standards of living and positive effects on the current account of the countries involved.

However, it has been argued that the potential of tourism in Africa has not been fully recognised as a source of economic growth and development (Christie, Fernandes, Messerli, & Twining-Ward, 2014). In addition, very little is understood of the contribution of multinational tourism enterprises to the region, and whether their investments are directly affecting the much acclaimed story of increasing tourism to African countries.

This paper therefore aims to investigate the existing links between the tourism figures of African countries and inward FDI in the tourism sector. The goal is to determine whether increased inward FDI in tourism in Africa leads to a substantial growth in tourism. The results will be useful for FDI policy formulation by African governments.

The following section will discuss some relevant literature on the role that FDI in tourism has played in the growth of tourism. This section is then followed by a more in-depth discussion of the current state of FDI in Africa. The methodology is then explained and the results discussed.

THE ROLE OF FDI IN TOURISM

Multinational enterprises (MNEs) wish to engage in FDI activities abroad for various reasons, which are usually very closely linked to their overall long-term growth strategy. The eclectic theory of international production, also known as the OLI theory, is the most commonly used framework to explain the reasons for firms investing abroad. Dunning and Lundan (2008:93) explain that MNEs are likely to engage in FDI only if they find the net benefits to be higher than what they can gain from normal trading relationships.

The level and structure of a multinational firm's FDI will depend on its ownership (O), market internalisation (I) and location (L)-specific advantages. The *ownership advantage (O)* could be due to a product or production process to which other firms do not have access to, and provides the MNE with a level of market power or cost advantage that outweigh the disadvantages of doing business abroad, such as high communication and transport costs, added cost of doing business in another country, etc. (Markusen, 1995). The foreign market could also offer the MNE a *location advantage (L)* that makes it more profitable to produce the product in the foreign country, or exploit specific assets abroad rather than in the home country. The third potential benefit of FDI for these MNEs is an *internalisation advantage (I)* by which it is more beneficial for firms to use internal assets than to contract with other firms in the destination country (Dunning, 2001).

The advantages of FDI have also be explained in the form of four categories, namely: resource-seeking FDI, market-seeking FDI, efficiency-seeking FDI and strategic-asset-seeking FDI (Dunning, 2001; Dunning & Lundan, 2008). *Resource-seeking FDI* occurs when MNEs invest abroad to acquire specific resources that are usually of a higher quality and at a lower cost than what they can acquire in their home country. This includes natural resources, and production inputs like materials or labour. *Market-seeking FDI* refer to investment by MNEs in foreign markets, with the aim of supplying goods or services to these markets. In most cases these markets would have been serviced previously by exports from the MNE. The third form of *efficiency-seeking FDI* is used by firms that seek to enhance productivity by minimizing costs or economies of scale and scope. These firms wish to take advantage of different factor endowments, cultures, institutional arrangements, demand patterns and market structures. The final form, *strategic-asset-seeking FDI*, refers to MNEs that engage in FDI in order to promote their long-term strategic aims to sustain or increase their global competitiveness.

FDI in the tourism industry are mostly linked to the location (L) advantage whereby on-site provision of services is part of the company's business (Markusen, 1995). Therefore, it would mostly be market-seeking, in terms of the four categories explained above. A growth in tourists to a specific destination generates a greater demand for hotels and other tourist infrastructure, which requires more investment from the MNEs (Tang, Selvanathan & Selvanathan, 2007).

Endo (2005) refers to the fact that FDI in tourism might occur differently to other sectors as there are often a separation of ownership and control. A local investor could purchase land and build facilities for a foreign firm to manage, and the foreign firm has the choice to either control the local marketing and operations under its own policies, or to depend on local expertise. Therefore the MNEs choice of entry mode will mostly depend on its competitive advantages, absorptive capacity in the local market and the availability of local resources.

In turn, a growth in FDI in the tourism industry also holds benefits for the host economy. Most studies indicate a positive relationship between FDI and tourism development, as well as a positive impact on growth. Tang et al (2007) investigated the relationship between FDI and tourism in China and found that FDI is a significant contributor to expanding tourism in China. They argue that more tourists would increase the demand for hotels, and consequently lead to increased investment. Also that FDI can increase as the large international hotel chains invest more in different countries to meet the growing tourism demand. Sandford and Dong (2000) also find a positive relationship between FDI and tourism in the USA with similar implications.

In a study investigating the relationship between FDI and tourism in Small Island Developing States (SIDS), Craigwell and Moore (2007) found a bi-directional relationship. The results indicated that FDI provides additional capacity for SIDS and allow these countries to expand its tourism product. Similar results were found in countries like Jamaica (Williams & Deslandes, 2008), Vietnam (Sadi & Henderson, 2001), as well as other Asian countries (Salleh, Othman & Sarmidi, 2011).

Airlines and land carriers, tour operators and travel agents, as well as the hotel industry can also gain from increased tourism demand (Buckley & Geyikdagi, 1996). A study by UNCTAD (2008) showed that the link that tourism creates between various activities such as accommodation, transport, entertainment, constrictioin and agricultural and fisheries production leads to positive spill-over effect.

UNCTAD (2008) also indicated that the distribution of FDI in tourism was quite unevenly distributed among regions according to 2008 data. The study found that Latin America and the Caribbean, as well as Asia has dominated as FDI recipients among developing regions, while Africa and the Pacific has received very little FDI. The same study also suggests that the impact of tourism-related FDI can vary according to the specific country’s historical context, economic and human development. It also depends very much on the country’s absorptive and productive capacities, which in turn is also linked to the extent to which foreign companies have linkages with the domestic economy.

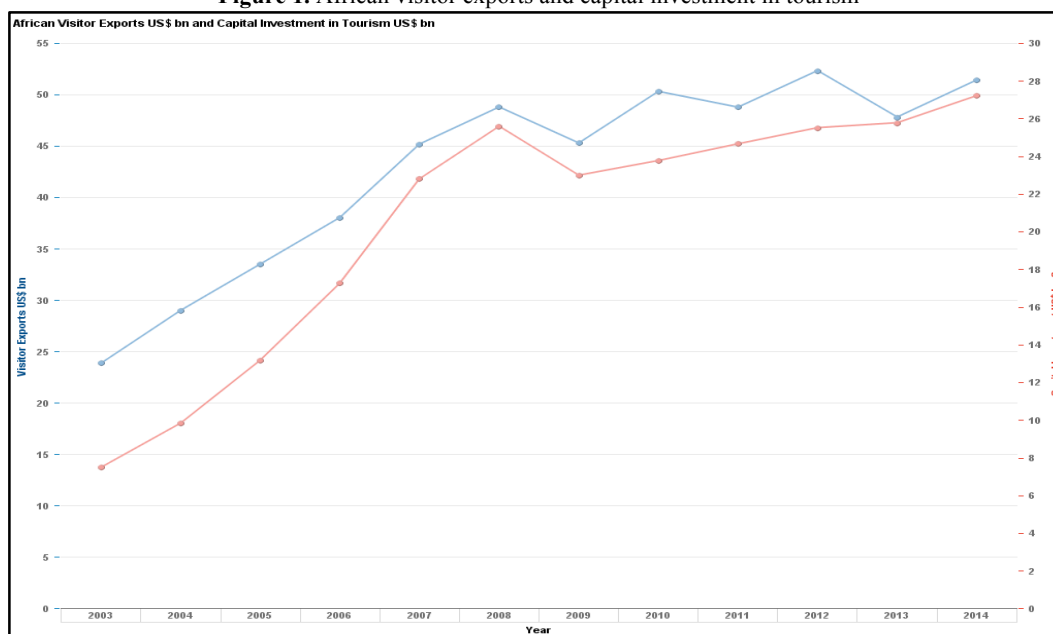
These country-specific elements are especially important in the African context, given the continents unstable political and economic history. The following section will focus on the current state of the tourism sector in Africa, followed by relevant data on tourism in Africa.

TOURISM IN AFRICA

It is evident that tourism in Africa has been growing rapidly. Christie et al (2014) indicates that in 1995 Africa received 3.6% of world tourist arrivals, and by 2010 it had increased to 5.2%, of which Sub-Sahara Africa received 3.3% of world tourist arrivals.

The graph below, indicates that tourism and investment in the tourism industry in Africa has grown significantly in the period 2003 to 2012. A strong correlation exists between tourism and investment in tourism in Africa.

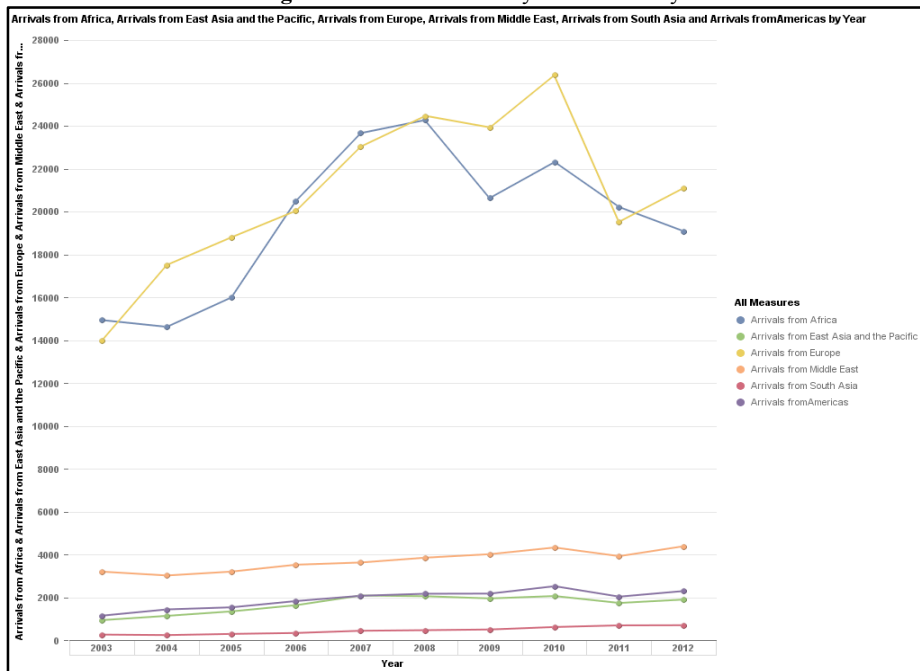
Figure 1. African visitor exports and capital investment in tourism



Source: author’s own rendering based on WTTC, 2014

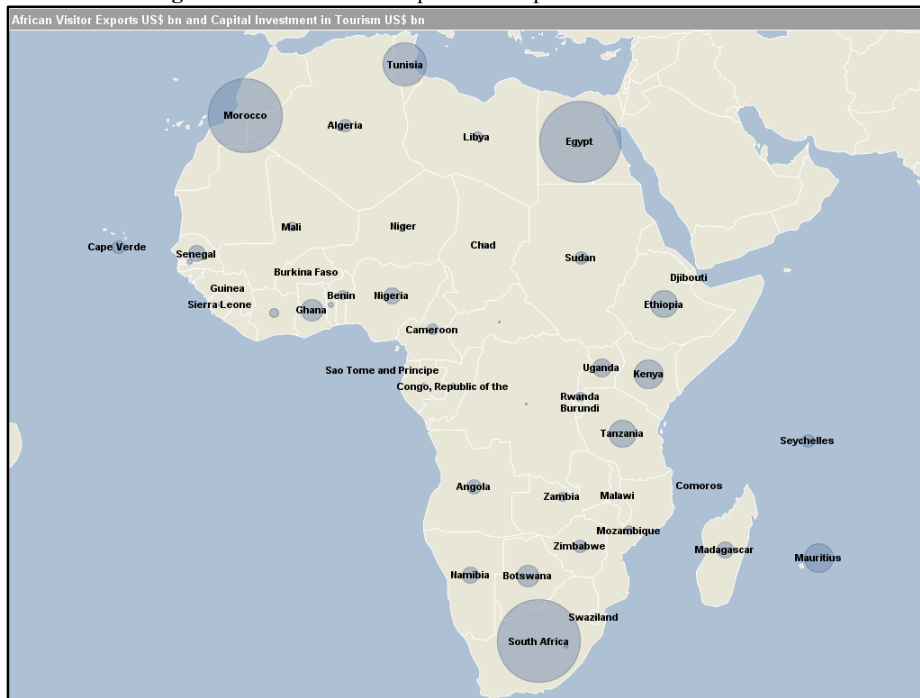
Figure 2 below reveals that the growth in tourism in Africa is mostly linked to arrivals from other African countries as well as from Europe (see graph 4 and 5 below for a further breakdown of the tourist arrivals from Africa and Europe). Arrivals from other parts of the world have remained relatively stable between 2003 and 2012.

Figure 2. Tourist arrivals by source country



Source: author's own rendering based on WTTC, 2012 and UNWTO, 2014

Figure 3. African visitor exports and capital investment in tourism

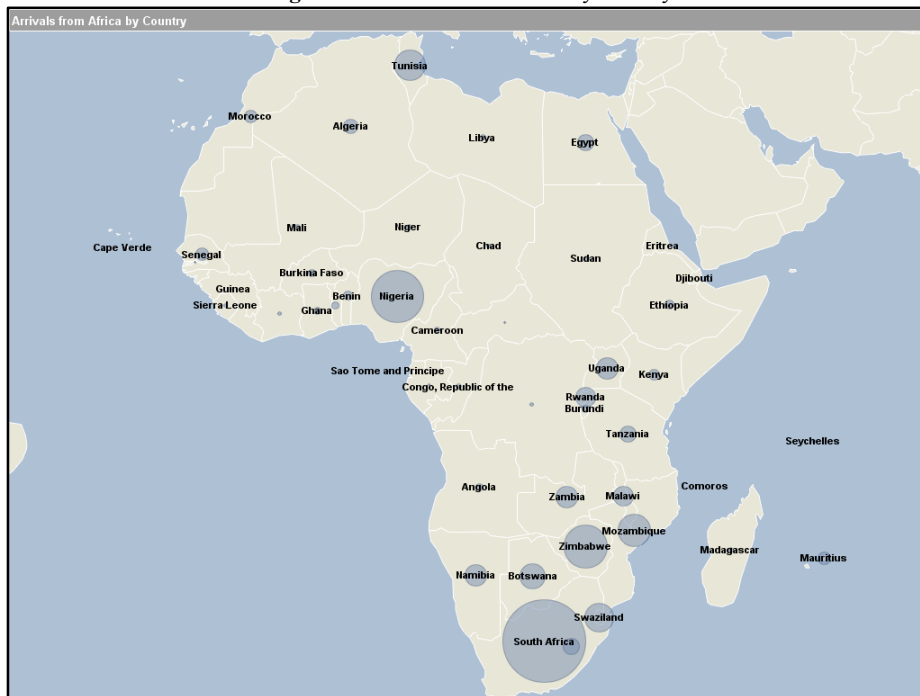


Source: author's own rendering based on WTTC, 2012 and UNWTO, 2014

The statistics show however that the tourists in this period have generally been attracted to the traditional tourist destinations in Africa. Figure 3 indicates that the majority of tourism occurred in Egypt, Morocco and South Africa, followed by smaller coastal countries like Tunisia, Tanzania, Kenya and Ethiopia, and the island destinations of Mauritius and Seychelles.

Figure 4 below indicates tourist arrivals in Africa from other African countries between 2003 and 2012. The majority of African tourists are destined for Tunisia, Nigeria, Zimbabwe and South Africa, and very little in the rest of Africa. Overall there much more intra-Africa tourism activity in the Southern African Development Community (SADC) and the East African Community (EAC) than elsewhere on the continent.

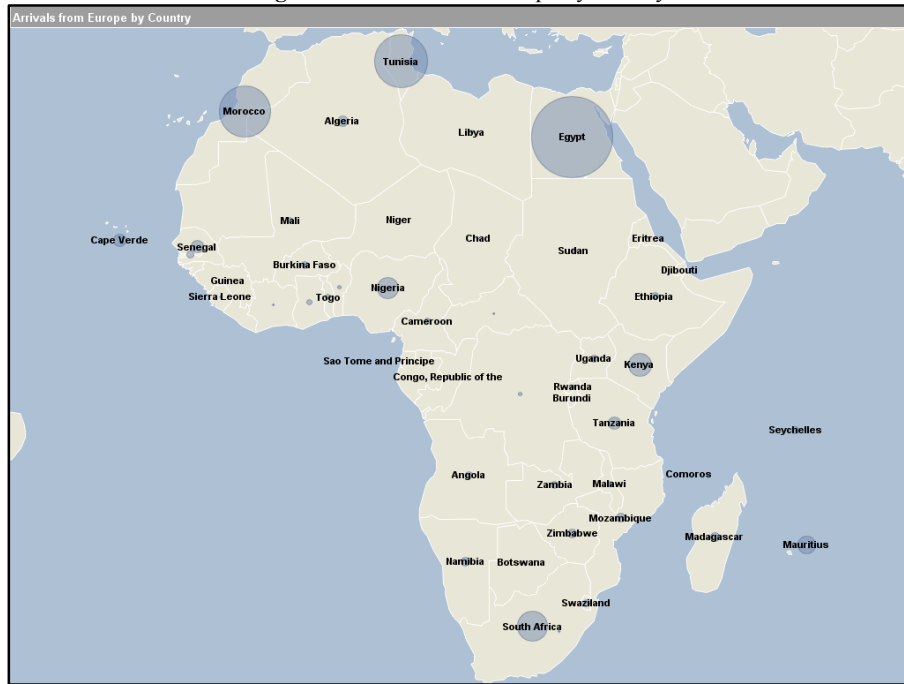
Figure 4. Arrivals from Africa by country



Source: author's own rendering based on WTTC, 2012 and UNWTO, 2014

In Figure 5 below the tourist arrivals from Europe is displayed and it is evident that they are mostly destined for Morocco, Tunisia and Egypt. This is likely due to the geographical proximity to the European market. In this instance South Africa, Nigeria and Kenya are very distant followers in tourism arrivals.

Figure 5. Arrivals from Europe by country



Source: author’s own rendering based on WTTC, 2012 and UNWTO, 2014

Figure 6. Tourism openness of African countries

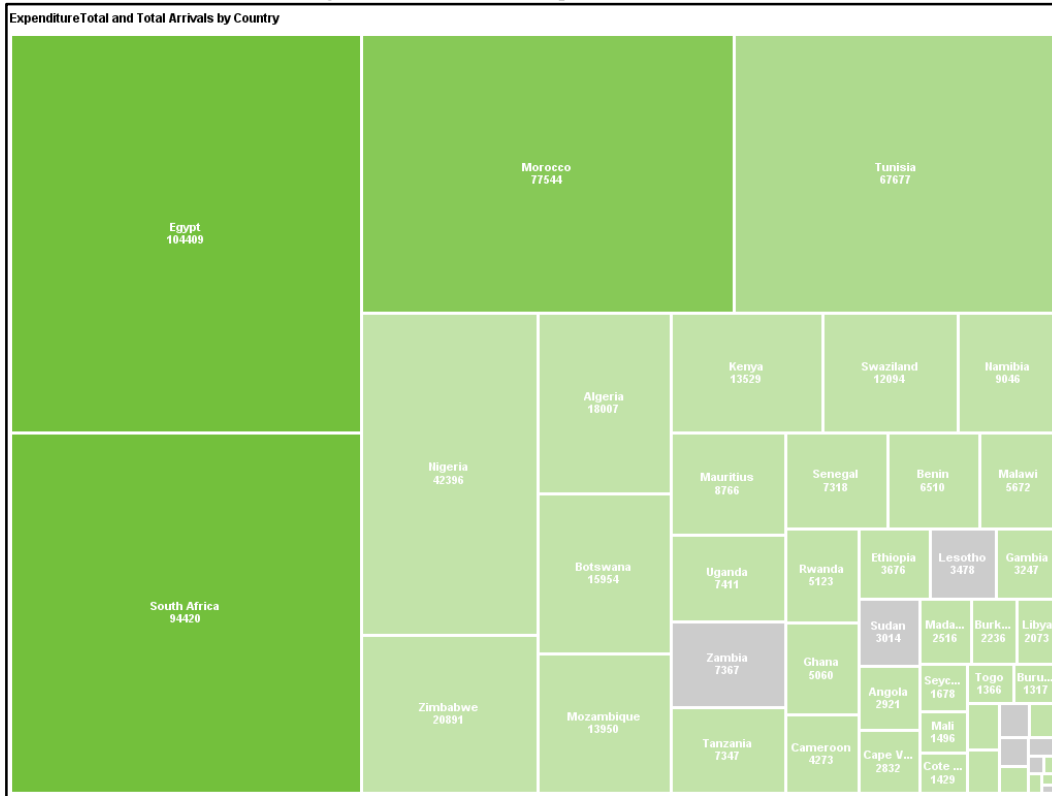


Source: author’s own rendering based on WTTC, 2012 and UNWTO, 2014

Figure 6 shows each African country’s tourism openness in terms of inbound and outbound tourism expenditure over GDP per country. From this data it is interesting to note that it is the smaller countries that are more open to tourism, such as Seychelles, Mauritius and Cape Verde, even though they do not attract the majority of tourism as per the previous figures.

The following figure indicates the total expenditure and total arrivals by African country. It shows that Egypt, Morocco, Tunisia and South Africa draw the majority of tourists, even if they are not as open for tourism as the above graph indicates.

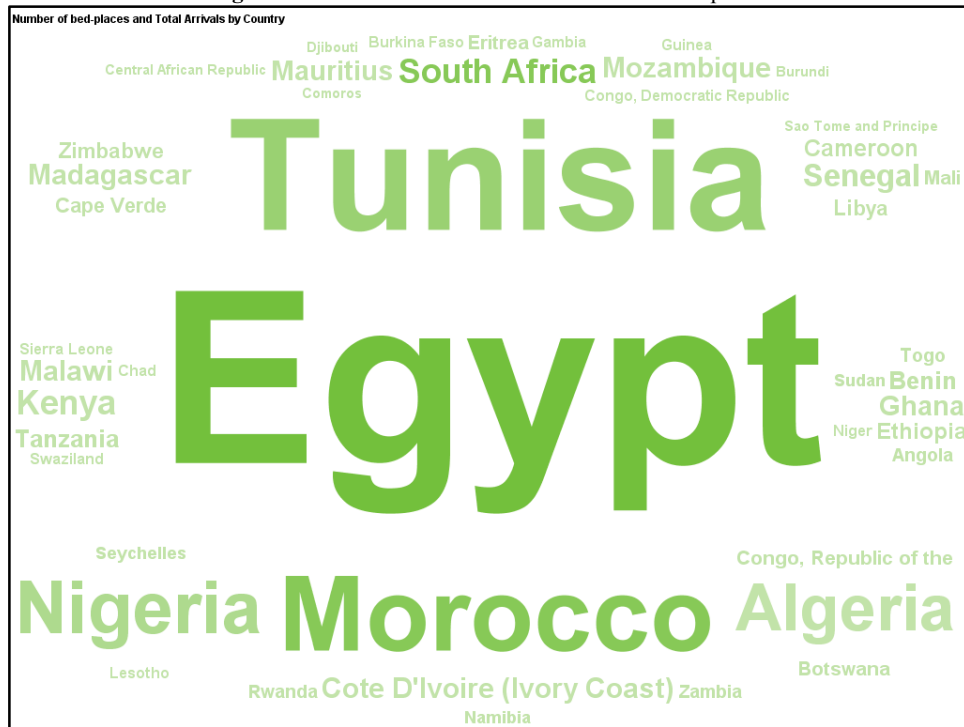
Figure 7. Total tourism expenditure and arrivals



Source: author’s own rendering based on WTTC, 2012 and UNWTTTO, 2014

When evaluating the number of bed places and total arrivals by country, Figure 8 clearly shows again the main tourist destinations as Egypt, Tunisia and Morocco, followed by Nigeria, Algeria and South Africa. Most of these destinations are North African countries, and the tourism demand is mostly likely due to their close proximity to Europe. The scale of the number of available beds also shows that country size is not a determining factor.

Figure 8. Total tourism arrivals and number of bed-places



Source: author's own rendering based on WTTC, 2012 and UNWTO, 2014

Figure 9. Tourism by purpose: business and professional



Source: author's own rendering based on WTTC, 2012 and UNWTO, 2014

The purpose for travel in each country, based on business and professional travel is shown in Figure 9. Nigeria far outweighs other countries in terms of business tourism figures, indicating that even though the North African countries are attracting more leisure tourists in general, Nigeria is current the largest economy in Africa and a major business destination. SADC and the EAC also shows major business tourist activity.

The story that all these figures and statistics tell is that tourism is centred in only a handful of countries in Africa and there is thus scope to expand tourism in Africa to more destinations that are “of the beaten path”. One method would be to attract more foreign investment into the sector by large MNEs as part of their global offerings. The following section discusses the current state of FDI in tourism in Africa, which is followed by figures and graphs detailing the investment facts of FDI in the sector.

FDI IN TOURISM IN AFRICA

The African continent is considered to have long history of war and poor governance, however in the last two decades some enormous changes have occurred in terms of political reform, and decreases in war (Mataen, 2012). Many investors have noticed these developments and total FDI in the region grew by 27% between 2010 and 2011. Many Chinese and Indian firms have invested in resource-rich countries such as Ghana, Mozambique, DRC and Tanzania. Investment is also slowly diversifying to other sectors, such as retail, management consultancy, finance and insurance.

The importance of FDI for Africa has been acknowledged in the New Partnership for Africa’s Development (NEPAD) as it is perceived as a source for growth and development for the African region. Africa needs a substantial inflow of external sources to fill the savings and foreign exchange gap experienced in many countries (Ibi Ajayi, 2006). Most African countries seek investment to accelerate their development efforts and reduce poverty by job-creation. These countries have put in place different incentives to secure investment and in many cases countries compete for FDI from the same sources.

The potential for growth in the tourism industry in Africa is significant and global hotel chains are planning to invest in Africa over the next few years to meet growing tourism demand (Christie et al, 2014). The Swiss International Hotels group, for example, are planning to expand its hotel chain from its current presence in Nigeria to the entire African continent (Ochelle, 2015). The Thai Hotel Group is another example. They have partnered with Sun International and are planning to expand hotel and casino operations in Africa (AFK Insider, 2014). Similar expansions are being made by Hilton Hotels, Melia Hotels and many others.

The African region is seen as the second fastest growing tourist destination in the world, after the Asia Pacific (UNWTO, 2014). In 2011 tourism directly generated 2.7% of GDP and accounted for more than 1 in 20 jobs in the region (WTTC, 2012). Mozambique, for example, has increased tourism arrivals by 284% between 2005 and 2010 and government expects an even faster growth rate in the coming years.

However it is by no means easy to develop and sustain a successful tourism industry, as Christie et al (2014) indicate “it is not enough to have interesting natural and cultural attractions and friendly people”. MNEs have been hesitant to invest in Africa due to political and economic conditions, corruption and various other risk factors.

Sub-Saharan Africa has abundant tourism resources, with expansive beaches, wildlife and extensive nature, culture and adventure opportunities. However, many African countries are sceptic about the economic and social benefits of tourism, due to a lack of data and proof that the sector provides growth and development (Christie et al, 2014).

McLachlan (2012:108) found that rapid economic growth is attracting more tourists to the continent and demand is growing, especially in the business hotel sector. However, the large MNEs face many challenges, including high cost of building and availability of local construction skills. Government red tape and bureaucracy is another challenge for all businesses wishing to set up in Africa.

Also Fortanier and Van Wijk (2010) questions what the overall benefits of FDI in the hotel industry are for the local economy in Sub-Sahara Africa. For example, they found that foreign hotels in Mozambique, Tanzania and Ethiopia

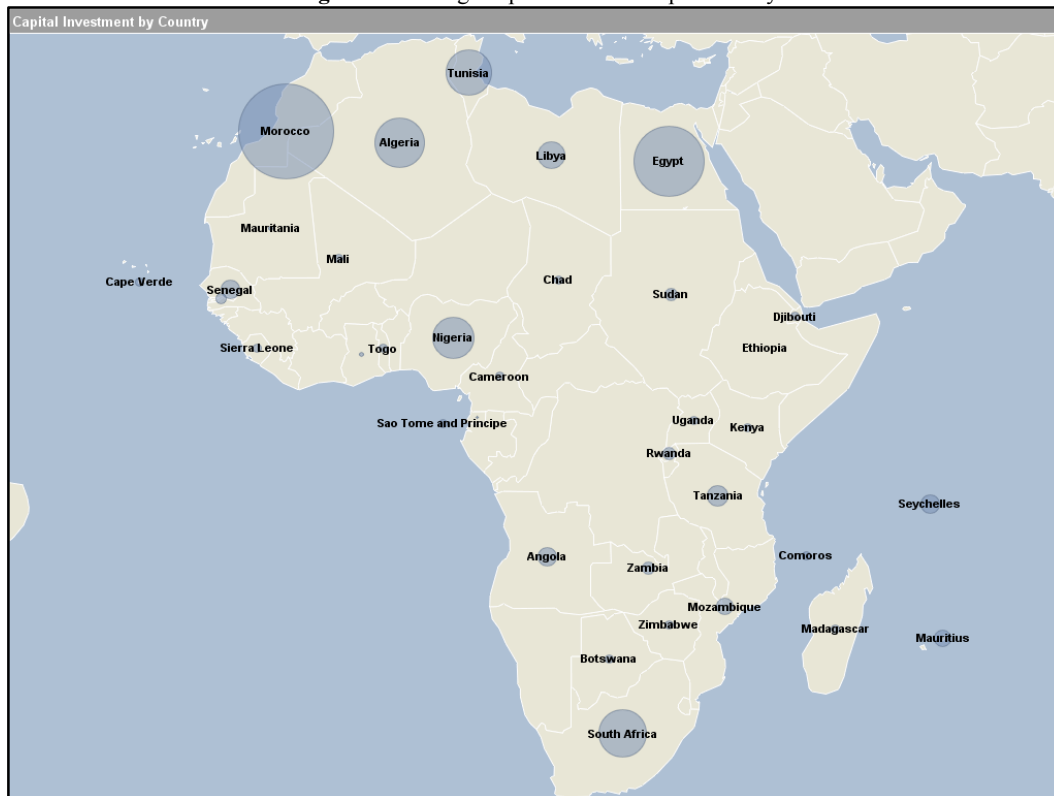
did not contribute to local human capital by offering training, but instead prefer to hire trained employees that are already employed within the local hotel industry. UNCTAD (2007) also indicate that the impact of tourism FDI vary according to country contexts and the impact depend very much on the host country’s economic and human development. Also the motivation and corporate strategy of the MNCs plays a large role.

Many studies have been done on FDI in Africa overall, but very few focus on specifically the tourism industry in Africa, and the benefits that FDI in this sector can hold for the local economy. The following section will show the most recent data on FDI flows in the region, specifically in the tourism industry.

DATA ON FDI AND TOURISM IN AFRICA

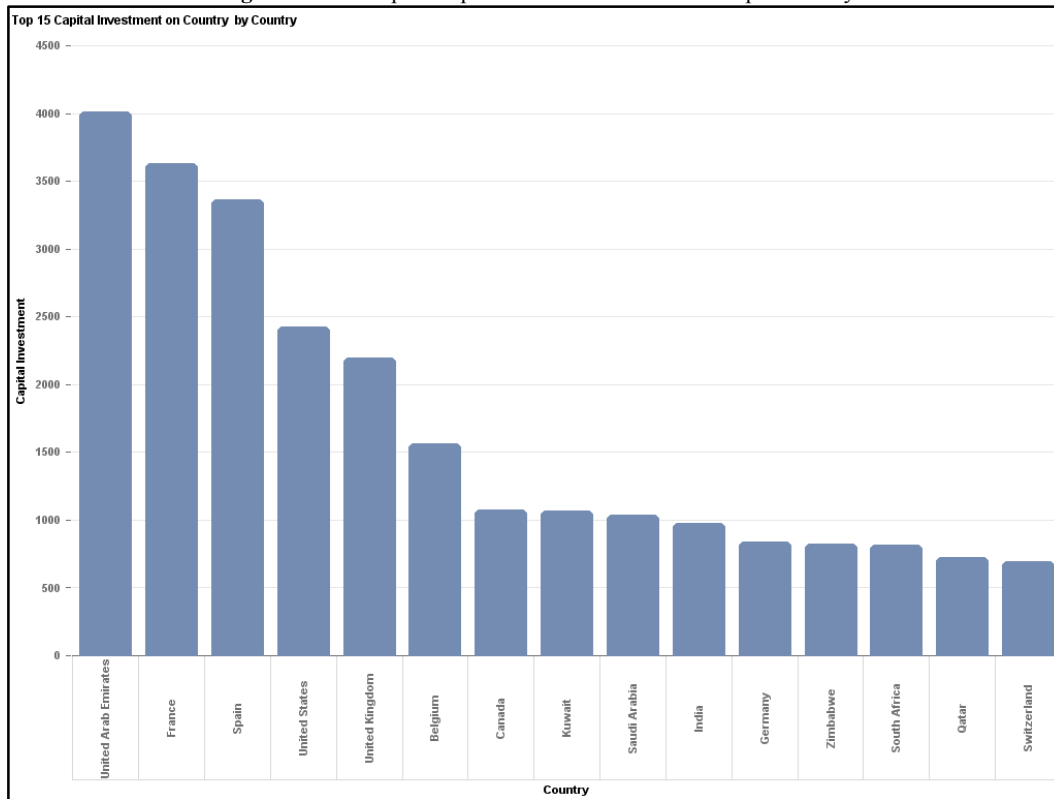
The data on FDI in the tourism sector in Africa shows very similar results from the tourist figures discussed in section 3. Much of the investment is centred in North Africa, with some in Nigeria and the rest in sub-Saharan Africa, as can be seen in Figure 10 that indicates the average of total foreign capital investment in each African country in the tourism sector between 2003 and 2012.

Figure 10. Foreign capital investment per country



Source: own calculations based on data from Financial Times FDIMarkets, 2015

Figure 11. The top 15 capital investor home countries per country

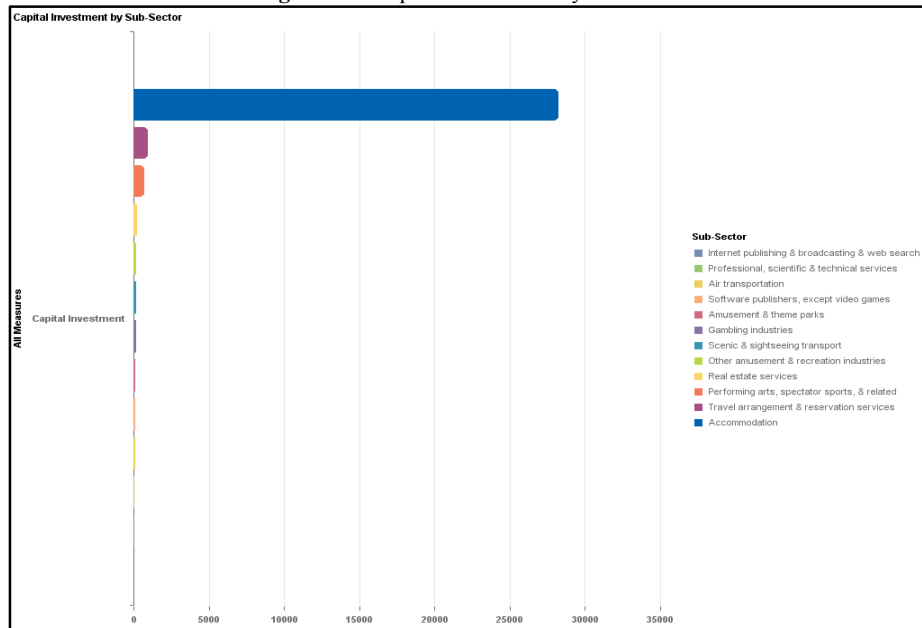


Source: own calculations based on data from Financial Times FDI Markets, 2015

Figure 11 shows the total capital investments made in Africa by top 15 source countries between 2003 and 2012. The highest investment in the tourism industry was made by companies originating in the United Arab Emirates, followed by France, Spain, the United Kingdom (UK) and the United States (US). These countries have invested significantly more than the bottom of the top 15.

The figure below shows the sub-sector of tourism in which the various capital investments were made. From the graph it is clear that accommodation attracts the majority of foreign direct investments, which would point to the high level of investments made by international hotel chains in Africa in recent years. In comparison, very little foreign investment is made in the other sub-sectors of tourism. Literally investing in “beds” shows that the sector is expanding rapidly and that the new investments are in support of the growth of the industry and tourist arrivals.

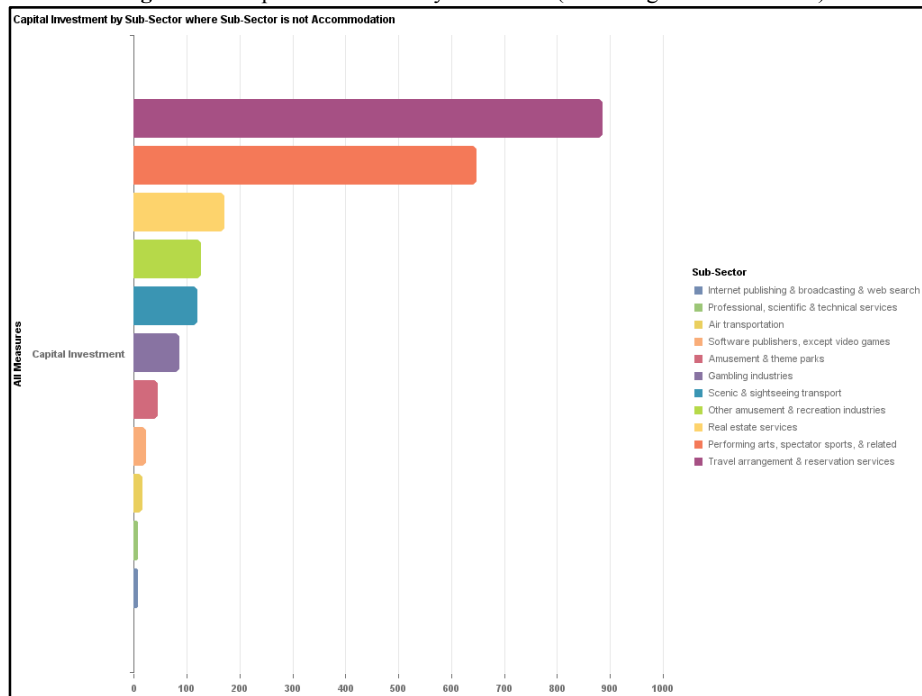
Figure 12. Capital investment by sub-sector



Source: own calculations based on data from Financial Times FDI Markets, 2015

In Figure 13 the same foreign investment is shown in the sub-sectors of tourism in Africa, however the accommodation sector was left out in order to reveal the nuances of the rest of the sector. Here one can more clearly see that the two sectors that attract foreign investment besides accommodation, is travel arrangements and reservation services, followed by performing arts, spectator sports, and related services. This supports the established picture of growth in leisure and business tourism as opposed to events and festivals.

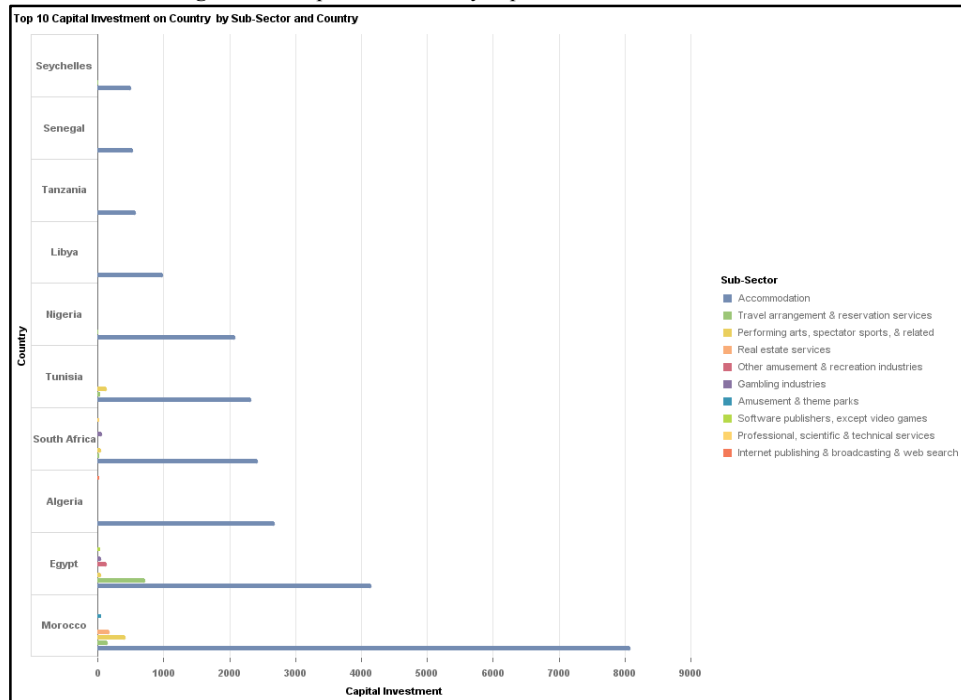
Figure 13. Capital investment by sub-sector (excluding accommodation)



Source: own calculations based on data from Financial Times FDI Markets, 2015

Figure 14 serves to disambiguate the data further by investigating the top 10 African host countries that attract foreign direct investment in the tourism industry per sub-sector. Here it is evident that the majority of investment is in Morocco, Egypt and Algeria, followed by South Africa, Tunisia and Nigeria, However, only Morocco and Egypt show diverse investments in the sector. This corresponds with the data on tourism in Africa as discussed in section 3. The majority of tourism in North African countries is very likely due to their proximity to Europe.

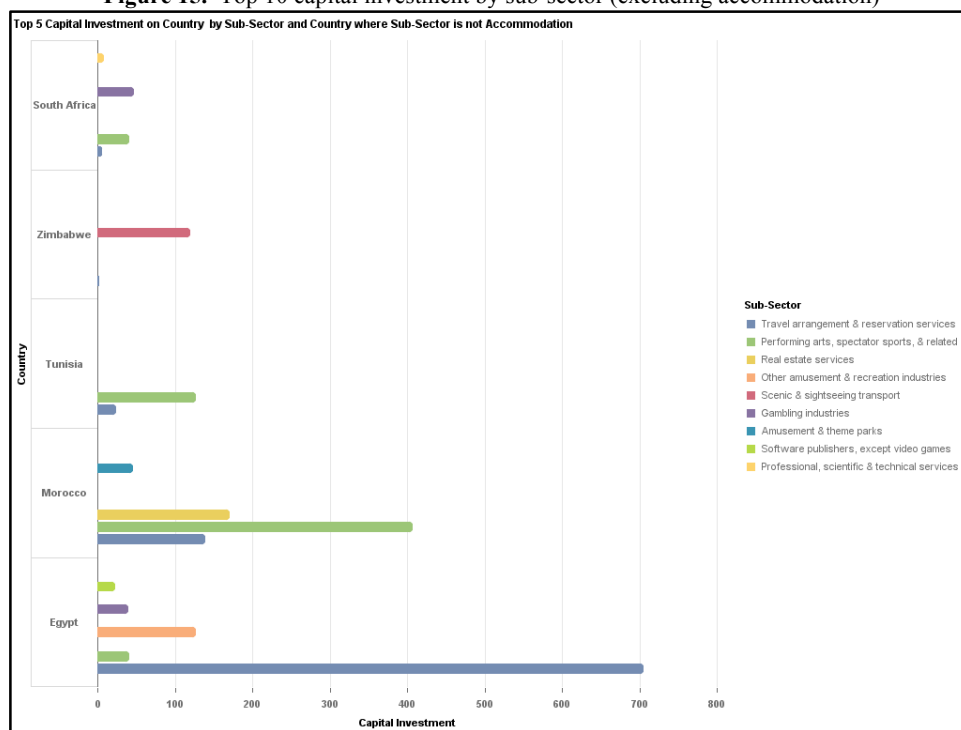
Figure 14. Top 10 countries by capital investment and sub-sector



Source: own calculations based on data from Financial Times FDIMarkets, 2015

Figure 15 repeats the exercise of Figure 14 but omits accommodation and confirms the conclusion of Figure 14. When the accommodation sector is not taken into account, the majority of FDI is in travel arrangements and reservation services, as well as the performing arts sector, and mostly in Egypt and Morocco.

Figure 15. Top 10 capital investment by sub-sector (excluding accommodation)



Source: own calculations based on data from Financial Times FDI Markets, 2015

The following table shows the top 15 multi-national companies that have been investing in the tourism sector in Africa in the period 2003 to 2012 as well as the number of investment projects they have been involved in.

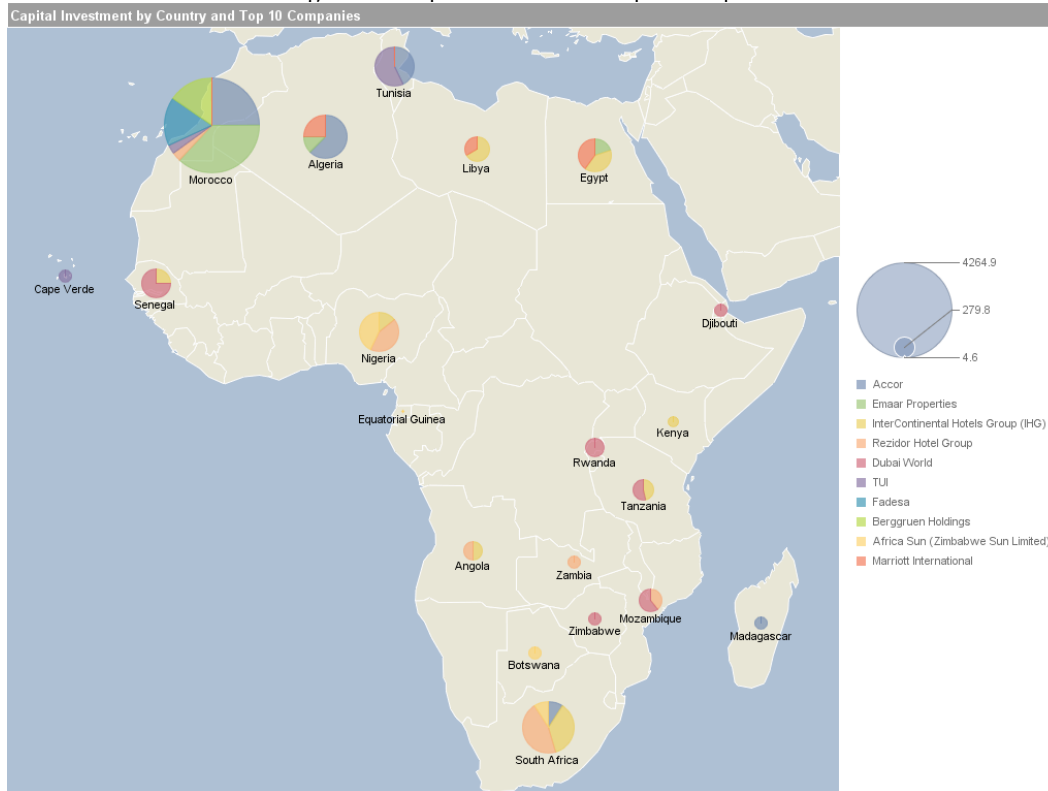
Table 1. Top 15 companies investing in tourism in Africa

Company	Capital Investment (US\$ mil)	Nr of projects
Accor	2359.90	22
Emaar Properties	1840.20	6
InterContinental Hotels Group (IHG)	1635.90	13
Rezidor Hotel Group	1559.00	12
Dubai World	1218.30	9
TUI	780.20	6
Fadesa	703.10	3
Berggruen Holdings	656.00	5
Africa Sun (Zimbabwe Sun Limited)	653.60	6
Marriott International	650.80	7
Grupo Iberostar	649.00	5
Tata Group	630.30	5
Gazprom	618.00	1
Sidar	600.00	1
OHL	589.00	1

Source: own calculations based on data from Financial Times FDI Markets, 2015

The investments per company as per the table above can also be seen in the following chart, to indicate where these investments by these MNCs have been made. The majority of tourism FDI is in North Africa and in the sub-Saharan Africa region. The figure shows that a more diverse pattern in North Africa, especially Morocco, while the rest of Africa shows more unified investment pattern.

Figure 16. Capital investment of top 10 companies



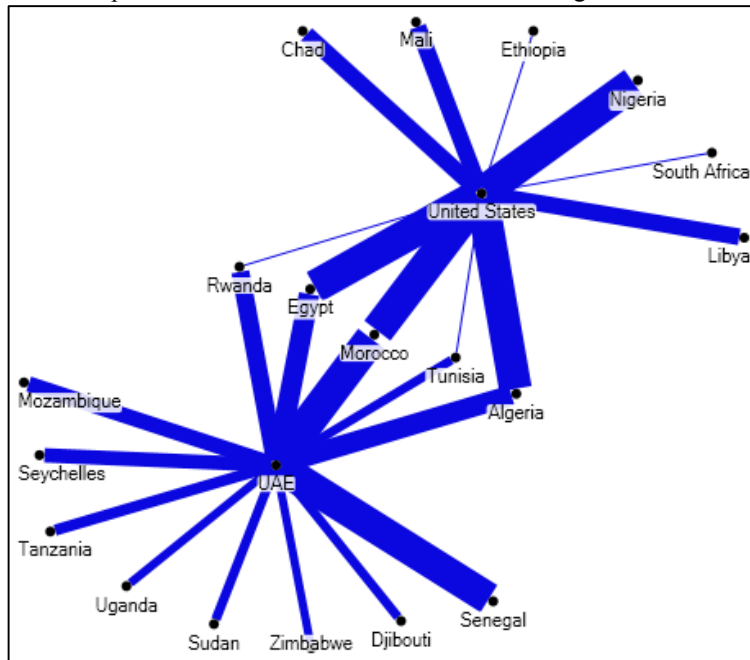
Source: own calculations based on data from Financial Times FDIMarkets, 2015

The FDI data clearly coincides with the data on tourism in Africa, as discussed in section 3. The data and figures indicate that the majority of tourism as well as FDI in tourism are in the North African countries of Morocco, Algeria and Egypt, with some going to Nigeria, South Africa, and other southern African countries. Morocco and Egypt seems to get more diverse investments by diverse companies while the other major recipients receive more focused investments by less companies.

The picture has emerged that distinct investment patterns exist between source countries. In Figure 17 and 18 the investment patterns of the UAE (being the largest investor) and the United States and France respectively (As other major source countries) are compared. In the case of the UAE and the United States there is an obvious correlation between the large recipients of FDI namely Morocco, Tunisia, Egypt and Algeria. Rwanda being a surprising mutual beneficiary. (Source) This can be attributed to the significant economic growth in Rwanda in the last decade and its role in the East African Union and as a gateway to the resource rich Eastern Democratic Republic of Congo.

The distinction lies in the other focus of the UAE on mostly East African tourism destinations while the USA focusses mainly on Northern African countries with business interests and South Africa. The graph thus gives the impression that the UAE primarily focuses on leisure tourism investments followed by business investments, while the USA focusses on business tourism investment.

Figure 17. Comparison of UAE and USA investment strategies in tourism in Africa

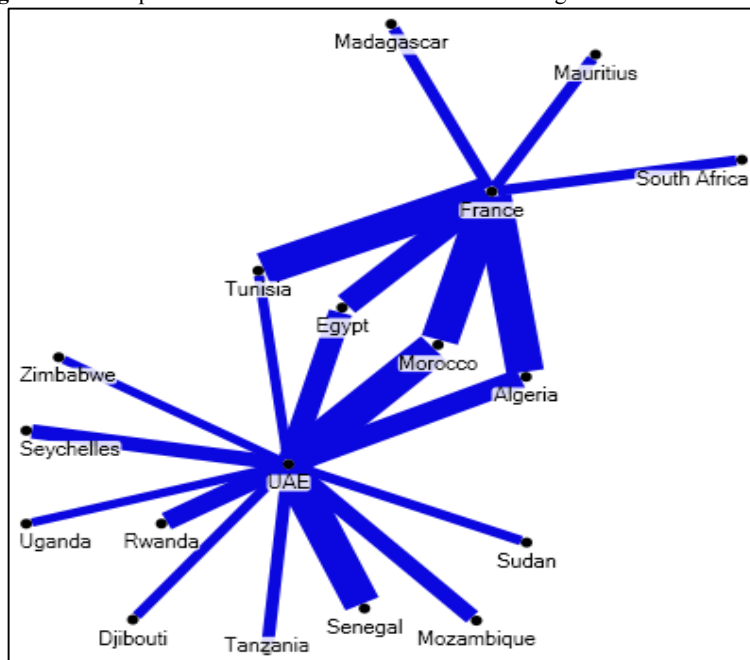


Source: own calculations based on data from Financial Times FDI Markets, 2015

In Figure 18 the comparison is made between the UAE and France. France differs in that the focus is mainly on the major tourism recipients in Africa with a hint of colonial tourist links in Mauritius and Madagascar. Both these nations are island nations and the mainland colonies are mostly overlooked.

The following section will draw some correlations between the tourism data discussed previously, and the FDI data in tourism in Africa.

Figure 18. Comparison of UAE and USA investment strategies in tourism in Africa



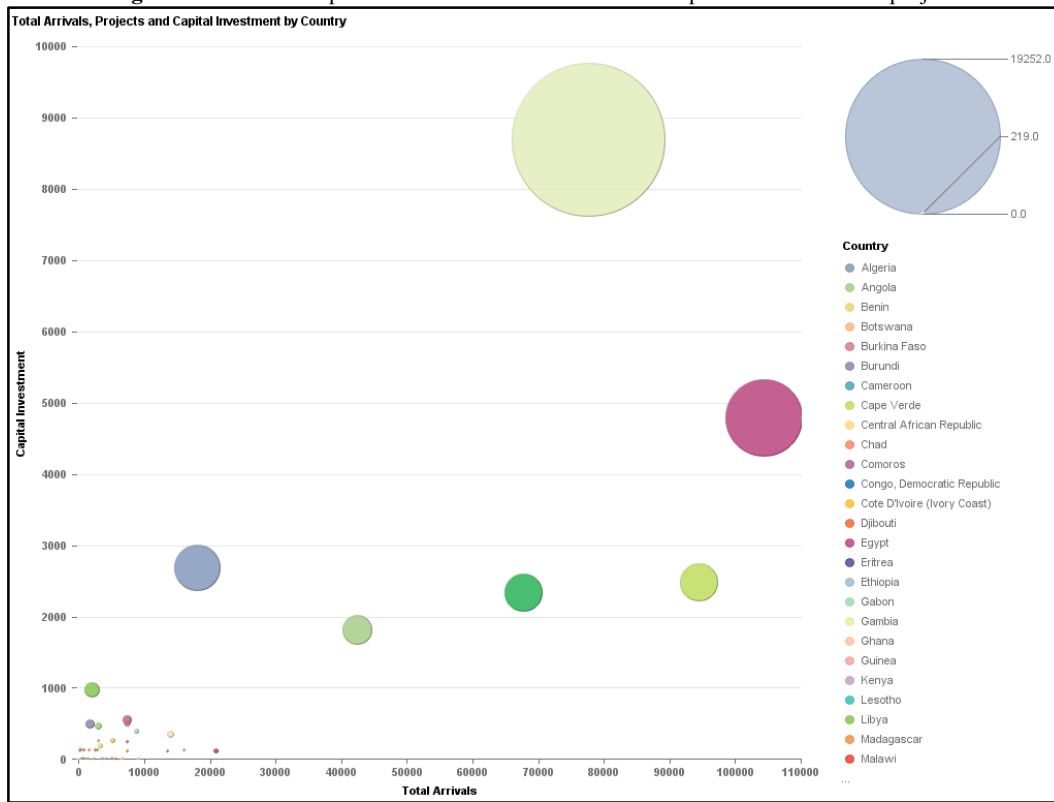
Source: own calculations based on data from Financial Times FDI Markets, 2015)

CORRELATION BETWEEN TOURISM IN AFRICA AND FDI

From the data discussed earlier in the paper, it would appear that there is a strong correlation between the African countries that have high tourism levels, as well as those that attract FDI in the tourism sector. The aim of this section is to delve deeper into the data and indicate how the figures correlate.

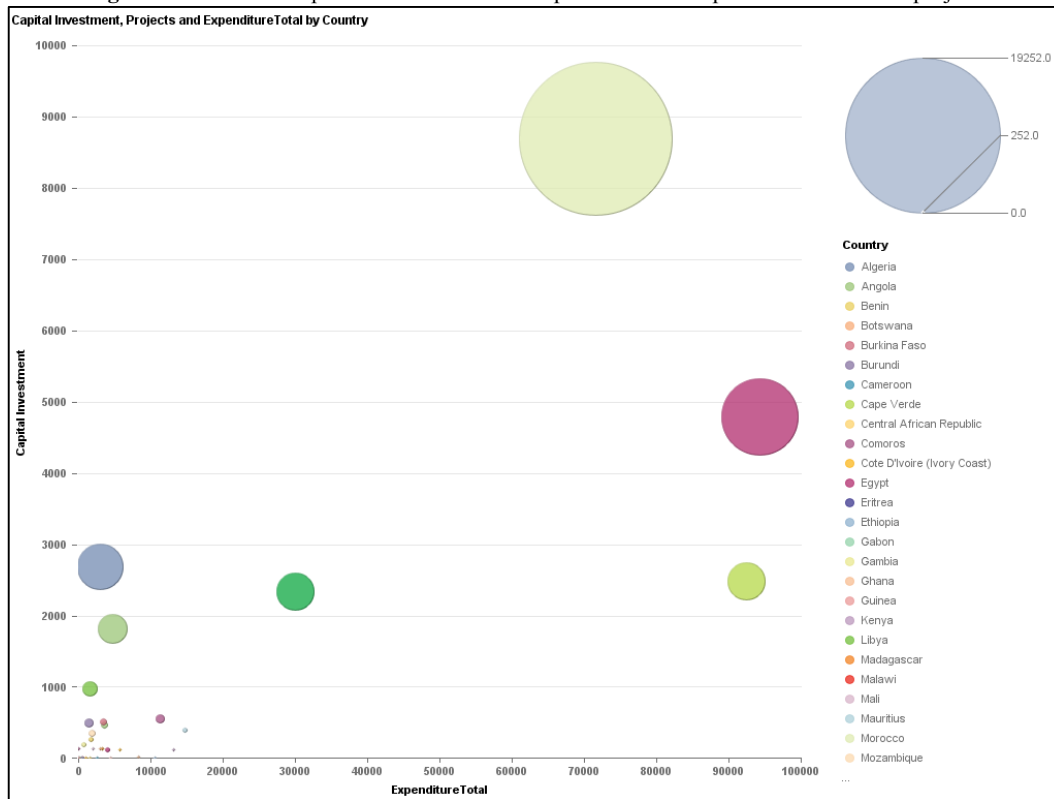
The Figure below shows the correlation between FDI capital investments and number of projects, with total tourism arrivals in the African countries. Here Morocco has a very strong positive relationship between FDI and tourist arrivals, followed by Algeria, Nigeria, Tunisia, South Africa and Egypt. There seems to be two tiers of recipient countries. The major recipients shows an almost horizontal relationship between investment and arrivals while the rest shows no clear pattern.

Figure 19. Relationship between total tourist arrivals and capital investment and projects



Source: own calculations based on data from UNWTO, 2014; WTTC, 2012; Financial Times FDImarkets, 2015

Figure 20. Relationship between total tourist expenditure and capital investment and projects

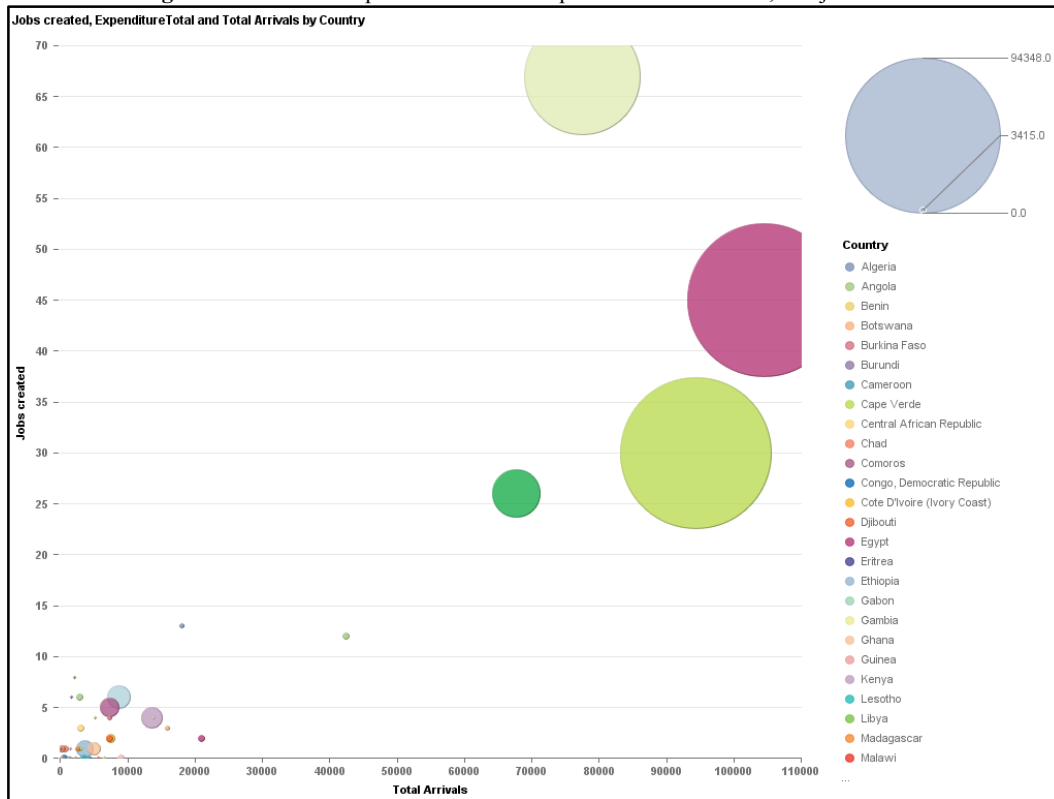


Source: own calculations based on data from UNWTTTO, 2014; WTTC, 2012; Financial Times FDI Markets, 2015

When comparing FDI capital investment and number of projects with tourist expenditure figures (see Figure 20), there is also a strong positive correlation for the same countries, except for Algeria, Libya and Nigeria. These countries have higher levels of investment and number of projects but low levels of tourist expenditure. Furthermore, there seems to be an re-enforcement of the two tier system where the rest of the countries show no clear pattern and is significantly different from the major recipients.

It is also interesting to see from Figure 21 that there is a very strong significant positive relationship between total arrivals/expenditure, and total jobs created through FDI. This supports the idea that increased FDI in tourism, can lead to increased employment in the tourism industry in Africa.

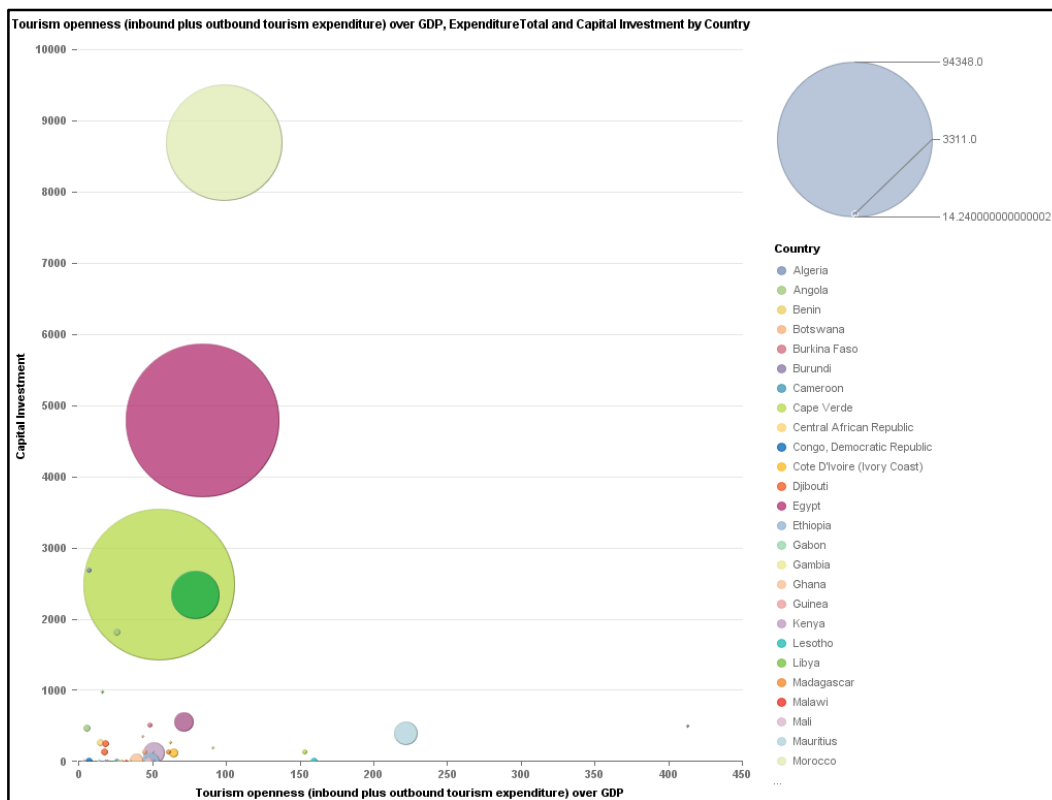
Figure 21. Relationship between tourist expenditure and arrivals, and job creation



Source: own calculations based on data from UNWTTTO, 2014; WTTC, 2012; Financial Times FDIMarkets, 2015

The final figure shows the relationship between tourism openness (defined as inbound plus outbound tourism expenditure) over GDP, and total capital investments in each country. Interestingly the results show that large recipients of FDI with high earnings are not affected as much by openness as smaller countries. Among smaller countries there is a definite positive relationship between tourism openness and capital investment. This has significant policy implications and business opportunities for these countries.

Figure 22. Relationship between tourism openness and capital investment



Source: own calculations based on data from UNWTO, 2014; WTTC, 2012; Financial Times FDI Markets, 2015

CONCLUSIONS

International tourism has been increasing rapidly and reaching record highs by the end of 2014. Also in many countries there is evidence of a growing political commitment to the tourism sector, especially in developing countries.

The tourism sector in Africa has received increased attention as it is viewed to be a fast growing sector and a potentially substantial provider of employment at all skills levels. With increasing numbers of tourists from developing countries the sector is set to become a major contributor to the African renaissance and growth, through higher standards of living and positive effects on the current account. However, it has been argued that the potential of tourism in Africa has not been fully recognised as a source of economic growth and development.

This paper aimed to investigate the existing links between the tourism figures of African countries and inward FDI in the tourism sector. The goal was to determine whether inward FDI in tourism in Africa, leads to a substantial growth in tourism.

The data discussed on tourism and FDI in tourism in Africa, shows that tourism and FDI in tourism is still very limited to specific countries, mostly in North Africa, and some in the sub-Saharan African regions. Most investment is made in the accommodation sector. Also there is a strong positive relationship between tourism and FDI, as discussed in section 6. FDI and tourism is positively correlated with each other, and also with job creation.

This confirms the view that the potential of tourism in Africa has not been realised to its full and that investment promotion organisations throughout Africa need to place much more emphasis on attracting FDI into their tourism industries, due to the clear benefits it holds in terms of employment and development.

Opportunities also exist for smaller African countries that are currently under represented in the FDI to grow their respective markets and become major player in tourism on the continent. Notably absent from the figures are larger countries like Ethiopia, Ghana and Sudan. These countries have rich cultural, archaeological and natural vistas that remain underutilised.

AUTHOR BIOGRAPHIES

Prof. Bezuidenhout is an associate Professor at North-West University who specialises in FDI in Africa as an interdisciplinary field of study. He is widely published in this area, as well as African trade relations and the role of the BRICS countries in Africa. E-mail: Henri.Bezuidenhout@nwu.ac.za

Dr. Grater is a senior lecturer at North-West University who specialises in Services and Exports of Services in Africa. She is widely published in this area. E-mail: Sonja.Grater@nwu.ac.za

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