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AFRICAN INDUSTRIAL REVOLUTION AND STRATEGIES FOR ATTRACTING FOREIGN DIRECT INVESTMENT FOR SUSTAINABLE ECONOMIC GROWTH & DEVELOPMENT IN AFRICAN COUNTRIES: THE ZIMBABWEAN CASE

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Abstract

This paper focuses on various strategies that African governments can employ in their respective economies for attracting Foreign Direct Investment (FDI) for sustainable economic growth and development. The recent phenomenon of "New Scramble for Africa" should not only benefit the Multinational Enterprises (MNEs) as was witnessed in the first "Scramble for Africa" during which Africa's resources were exploited for the development of Western countries. A lot of African countries, such as Zimbabwe, South Africa, Zambia and Botswana, are rich in mineral resources which can bring about a significant "Industrial Revolution" in Africa if value addition can be executed in the countries of origin instead of shipping them in raw form to foreign markets countries, carry out value addition processes there, and bring back finished products to the African Market. In this paper, the researcher identifies various strategies that Zimbabwe has implemented over the years to attract FDI. The results of the study show that the strategies have not been very effective in attracting FDI, which is one of Zimbabwe's major sources of funding for industrialization. The study therefore recommends various interventions to make Zimbabwe a more attractive investment destination. These interventions include further policy reforms especially the Indigenization and Economic Empowerment Policy, introduction of Special Economic Zones, introduction of various incentives for foreign investors, and creating a conducive and safe environment for foreign investors. This is envisaged to make Zimbabwe a more attractive foreign direct investment destination, which will inevitably result in industrialization, and sustainable economic growth and development.

Keywords: FDI, natural resources, economic growth, industrialization, Africa

INTRODUCTION

From independence to the late 1990s, Zimbabwe had been experiencing significant levels of industrialization, with a number of foreign companies investing in various sectors of the economy. However, when the government started intensifying the economic reforms that were designed to redress economic imbalances between foreign investors and locals, the Zimbabwean economy started experiencing a myriad of changes which resulted in a significant detrimental and retrogressive impact on the performance of the economy from around 1998 to date (2015). Various reforms, which were largely politically motivated, were implemented in various sectors of the economy, including agriculture, mining and manufacturing. Unfortunately, these reforms created a situation where foreign investors lost confidence in the Zimbabwean economy, with those that were already active in the market completely withdrawing or downsizing operations and the potential investors waiting for the economic climate to improve. Hyperinflation characterized the economy coupled with shortage of basic commodities, deterioration of health service delivery, poor education standards and other key services, and the brain drain. The Zimbabwean currency continuously lost its value and most businesses and individuals started informally trading in other foreign currencies, largely the United States Dollar (USD), South African Rand (ZAR) and Botswana Pula (BWP). This was coupled with a number of changes in fiscal and monetary policies during this period, which saw the financial sector being seriously threatened with collapse, with a number of financial institutions closing shop. This was then followed by the formal introduction of the multicurrency system in February 2009, which came as a welcome move to stabilize and grow the Zimbabwean economy. There was also a significant ‘exodus’ of white commercial farmers who had been largely supporting the Zimbabwean agricultural sector. This was due to the continuous disruption of farming activities especially on commercial farms as the land reforms were being implemented. This dealt a big blow to the agricultural output these white farmers having been replaced by inexperienced indigenous farmers, who also lacked the requisite equipment to maximize land use. There were also negative downstream effects on secondary and tertiary sectors of the economy that depended on agricultural output as input into their production processes or operations. This was complemented by the ‘Look East Policy’ wherein the Zimbabwean government started soliciting trade partnerships with some Asian countries as measure to mitigate the impact of western sanctions on Zimbabwe. More recent developments designed to stimulate economic growth include reforms in the mining sector, the Indigenization and Economic Empowerment Act, the establishment of the Zimbabwe Investment Authority (ZIA), focus on beneficiation of mineral resources and various other incentives to attract foreign investors. These policy measures and incentives seem to have had more negative than positive effects on the operations of

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multinational corporations currently operating in Zimbabwe, and potential foreign investors who could have brought in FDI. Foreign remittances, that is money sent to home countries by locals working in other foreign countries, are very low and local banks are incapacitated to support significant economic revival. The government has very limited capacity to meaningfully support industry in economic reform. Programmes such as the Short Term Economic Recovery Plan (STERP), Distressed Industries and Marginalized Areas Fund (DIMAF) and other government interventions have also not yielded much on this score. While it can be appreciated that the economy has stabilized over the past five years, there has not been any significant economic growth. Foreign banks, including the "Britton Woods" have not shown much appetite for local investments, citing financial, political and structural risks as limiting factors. FDI is still very low, with some multinational corporations also being influenced by their home governments that implement sanctions on Zimbabwe to align and follow suit. It is against this background that the researcher has identified the need for developing possible strategies to harness FDI in a more structured way that is attractive to both foreign investors and local business owners. Such strategies should also be in compliance with government indigenization policy. Possible policy changes can also be accommodated, if need be to make, Zimbabwe more attractive as an investment destination.

Problem Statement

Zimbabwe, like most African countries, is faced with the daunting challenge of having vast natural resources but lacking the capital, technology and expertise to extract these resources, add value to then and ensure that this natural capital significantly contributes to the growth and development of its economy. One of the sure ways of generating value out of these natural resources is attracting Foreign Direct Investment (FDI) through the engagement of Multinational Enterprises (MNEs), which have the wherewithal in terms of capital, technology and expertise to extract value from these natural resources. This however comes with the challenge of managing the sharing of the value generated from these resources between the MNEs and local governments and the extent to which the operations of these MNEs contribute to the growth and development of the host economies.

Research Objectives

- To identify possible strategies to harness FDI in a more structured way that is attractive to both foreign investors and local business owners, as well as the host government,
- To evaluate the impact of various government policy measures and reforms to attract FDI for sustainable economic growth and development,

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- To explore the potential benefits to companies and the economy at large of the synergies that can be forged with foreign investors.

LITERATURE REVIEW

According to Hossain and Hossain (2012), FDI is generally considered to be an instrument of cash and non-cash inflow into the host countries from overseas. They further assert that foreign direct investment plays a vital role in significantly contributing towards the economic growth of the developing countries. Borensztein et al. (1998) reinforce this point by alluding to the fact that the main role of FDI in the economic growth is that it creates more benefits for the host countries rather than just full filling the short-term capital deficiency problem. FDI goes beyond financial investment, and extends to transfer of technology, training, expertise, skills development and other relevant materials. According to the United Nations Commission on Trade and Development (UNCTAD) (2008), foreign direct investment has the potential to create employment, improve productivity, transfer technology and skills, enhance exports and improve the economic conditions of developing countries. In concurrence, Borensztein et al. (1998) intimate that the spillover effect of multinational companies (MNEs) is that they can provide high scope for training and labour management that leads to economic benefits for recipient countries. In addition, high standards of production and improvement of management standards can also be realized. This is the reason why FDI is included in the central economic policies of the developing countries/economies in transition. FDI has become a very critical economic growth component for economies in transition in light of the fact that internal savings and local investments in these economies are normally very minimal to make any meaningful contribution towards economic growth. Effective attraction of FDI has been identified as one of the ways through which developing countries can strike good relationships with the host countries of firms investing in their country and the rest of the world. It is therefore in the best interest of each and every country to portray itself as a lucrative destination for FDI.

Factors that Promote FDI Inflows

According to Arbatli (2011) there are a number of explanatory variables that explain cross-country and over-time variations in FDI inflows. These factors can be split into two broad categories: global push factors and country-specific pull factors. Various studies have concluded that global push factors are important in explaining capital flows to emerging market economies. There is therefore need to appreciate the importance of controlling their effects in on domestic policies. The role of global economic conditions has also gained importance with the recent

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global economic crisis and the subsequent decline in FDI inflows. Arbatli (2011) cites the following country-specific pull factors:

1) Fixed or structural factors such as whether the country is an exporter of primary goods or not, its location and the average level of education;

2) Political factors including existence of conflict, labor strikes, and/or protests;

3) Macroeconomic factors such as inflation, the share of exports, and the real exchange rate;

4) Economic policy variables including corporate tax rates, tariff rates, exchange rate policy, and whether there are capital account restrictions.

An analysis of the structural factors seem to make Zimbabwe an attractive investment destination given that it is an exporter of various primary goods, has high levels of education, and though landlocked, is accessible through various ports for example Durban in South Africa and Beira in Mozambique. Politically, while at a local level the political environment is currently stable, relations with other foreign governments are not at their best, with a number of having imposed sanctions on Zimbabwe. Looking at the macroeconomic factors, there is currently deflation in Zimbabwe and very low levels of exports, which also work against the economy as an investment destination. Economic policy variable have not made Zimbabwe's situation any better with no significant tax and tariff incentives in place for foreign investors and the Indigenization and Economic Empowerment Policy creating uncertainty for the foreign investors' future.

Global Push Factors

Growth in capital exporting countries: Real income growth in countries is used to capture the effects of economic growth in capital exporting countries on FDI flows to emerging economies or economies in transition. The expected effect of economic growth in G-7 countries on FDI flows to emerging economies is however ambiguous. While higher income growth in G-7 countries provides an environment that is more conducive to expansions into other markets and associated with easier internal financing conditions, it may also make investment in the domestic economy relatively more attractive. G-7 countries originated approximately 56 percent of total global FDI outflows during 2000-2008 according to FDI outflows data in the World Investment Report (2009) published by UNCTAD.

International liquidity: Lower interest rates are expected to increase FDI flows, making it easier for firms in capital exporting countries to finance investment projects in emerging economies.

Risk environment: The global risk appetite has also been cited as a common push factor that could affect FDI flows to emerging economies.

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Generally, there has been slow growth in most of the capital exporting countries that Zimbabwe has relied on for FDI over the years. This compounds the country's challenges in attracting FDI given the impact of the country-specific pull factors that have been discussed earlier. Given the global financial crisis of 2008, most investors are now more cautious and in relation to the Zimbabwean climate, investors have demonstrated skepticism over the safety of their investments given the country's economic policy inconsistencies highlighted earlier.

Country Specific Pull Factors

Fixed or Structural Factors

- **Size of domestic market**: The size of the domestic market can play a role in attracting horizontal FDI, where firms decide to invest in the host country to capture a share of the domestic market. This variable is also related to the capital-to-labor ratio and, hence, the productivity of capital. Countries with a low level of per capita income might attract more inflows, consistent with a higher marginal product of capital.
- **Education:** Barro and Lee (2010) constructed an instrument which uses the average years of school attainment to measure the level of education and its impact on attracting FDI.
- **Role of Primary Sector:** The level of abundance of natural resources such as oil, gas, minerals and other primary factors of production determine the extent to which capital exporting countries may have interest in investing in an emerging economy.
- **Location**: Proximity of the emerging economy to the capital exporting country and accessibility by sea, road, rail and air also affect FDI attraction.

Political Environment and Institutions

- **Legal, political and the institutional environment:** A possible determinant of foreign direct investment in a country is the quality of its legal, political and institutional environment. Legal rights, contract enforcement, protection of investor rights are important for an investor's decision regarding bringing capital into a foreign country. Political stability and whether there are internal or external conflicts also play a role since they affect economic uncertainty, safety of invested capital and economic prospects of the host economy. This is one factor that has had a significant negative impact on attracting foreign direct investment in Zimbabwe, considering how most potential investors have reacted to the Indigenization Policy, which insists on 51% shareholding for local investors. However, it is important to note that political risk and its relationship

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with FDI is complex and hard to quantify. The following components of political risk may be considered separately and also together as a composite: government stability, internal and external conflict, law and order and bureaucracy quality.

- **Conflicts, revolutions and labor strikes based on events:** Given that the interpretation of conflict indices can be challenging, it may be useful to use event based variables to look at the effects of labor strikes, riots, and protests on FDI inflows. According to Arbatli (2011) most studies use four domestic conflict event variables from the Cross-National Time-Series Data Archive (CNTS); 1) General strikes (captures major strikes involving 1,000 or more workers and more than one employer aimed at national government policies); 2) major government crises (a rapidly developing situation that threatens to bring down the current regime; 3) revolutions (forced change in the top government elite) and 4) anti-government demonstrations.

Macroeconomic Environment

The macroeconomic environment and policies in emerging market economies have generally improved consistently over the past decade, which partially explains the overall positive trend and the sharp rise in inflows during the second half of 2000s. However, one of the challenges in evaluating the effects of macroeconomic variables on FDI is the feedback effect from FDI to macroeconomic variables, especially to economic growth. Wei (2000) found that corruption played an important role in explaining bilateral FDI flows during 1994–1996 from industrialized to developing countries. Campos and Kinoshita (2008) assert that financial reform efforts, privatization, level of development and quality of infrastructure are significant determinants of FDI in Eastern Europe and Latin America, and that reform efforts tend to be more powerful determinants of FDI than reform outcomes.

Figure 1. Factors affecting FDI flow

FACTOR	IMPACT
Real GDP Growth	High real GDP growth rates can attract FDI inflows, indicative of high productivity in an economy. As mentioned above, there can also be feedback effects from FDI (both current and past) on economic growth in return.
Inflation	Dabla-Norris etal. (2010), find a positive impact of a low inflation environment on FDI inflows. Abartli (2011) in his study found out that the inflation performance of emerging market economies, measured by the share of countries that had less than 10 percent annual inflation improved significantly during the sample period.
Exports to GDP	One of the key determinants of FDI inflows is the export orientation and competitiveness of an economy. This is normally measured using the share of exports to GDP (export) as a proxy for the export orientation of a country over time. As noted by other studies, the effect of export orientation on FDI inflows may be

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	ambiguous since it would depend on whether FDI-related production is meant to serve the export or the domestic market (in other words whether it is vertical or horizontal FDI).
Real Exchange Rate	Fluctuations in the real exchange rate are normally used to assess the effects of competitiveness on FDI flows. This may be more important if the investment is oriented towards the export market.

Trends of Foreign Direct Investment in Zimbabwe

According to a report published by_http://www.equityzw on Wednesday, 18 January 2012, Zimbabwe is among the least attractive investment destinations for Foreign Direct Investment in Southern Africa. Statistics available from the Zimbabwe Ministry of Finance show that FDI, which averaged 14-20% of Gross Domestic Product (GDP) during the period 1980-2000, has declined remarkably in the last ten years to the current 1.1% of GDP. Foreign investment inflows were US$125 million for 2011 and this is less than 1% of the US$17 billion that was invested into the Southern African Development Community (SADC) region, leaving Zimbabwe among the least attractive investment destinations in the region. Below is an extract of the FDI figures for some of the Southern African countries, including Zimbabwe.

Table 2: FDI Figures for some Southern African Countries

Country Name	2009	2010	2011
Angola	2,205,298,180	-3,227,211,182	-3,023,770,965
Botswana	128,840,736	-6,121,431	413,586,012
Democratic Republic of Congo	-278,000,000	2,728,800,000	1,596,024,304
Kenya	116,257,609	178,064,607	335,249,880
Lesotho	99,919,914	113,659,351	132,128,979
Malawi	49,130,855	97,010,028	92,407,704
Mauritius	256,680,712	429,958,031	273,392,322
Mozambique	895,683,362	1,005,443,951	2,079,312,790
Namibia	549,806,151	686,289,139	968,867,335
Seychelles	114,865,793	155,725,793	138,749,984
South Africa	5,353,688,723	1,224,280,433	5,889,306,981
Swaziland	65,705,860	135,660,414	94,751,092
Tanzania	952,630,000	1,022,809,294	1,095,401,491
Zambia	694,800,000	1,729,300,000	1,981,700,000
Zimbabwe	105,000,000	165,900,000	387,000,000

Source: International Monetary Fund (2014)

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Zimbabwe's foreign direct investment trends for the three decades since independence has been characterized by low inflows and accelerating disinvestment in agriculture, mining, and manufacturing among other key sectors of the economy. This has been at the backdrop of a growing concern by national governments, business entities and civic societies worldwide that the political and economic dispensation in the country is controversial and financially risky. Despite the fact that the country is endowed with vast natural resources, skilled labour, great potential and lucrative investment opportunities, the country has not successfully attracted foreign investors to an extent significant enough to turn the economic fortunes of the nation.

Zimbabwe's economic policies, Indigenization and Economic Empowerment, being one of the most recent developments, have in recent years been blamed for contributing towards the country's failure to attract foreign direct investment. While other economic policies have also been promulgated to attract foreign direct investment, FDI in Zimbabwe remains significantly low because the indigenization and empowerment regulations, which stipulate 51% ownership for locals in business ventures, still deters potential investors.

The unfavorable investment climate coupled with the slow pace of economic reforms has not made the challenge of attracting FDI for Zimbabwe any better. It has been argued that if Zimbabwe's business environment would improve and align to the general SADC standards, it would attract an additional $500 million of FDI a year.

The Ministry of Finance and Economic Development has estimated that Zimbabwe requires a new injection or investment of between $45billion and $47billion for it to get back to its peak level of economic activity of 1997. Zimbabwe has vast deposits of natural resources, highly skilled human capital, a number of idle production factories and others operating below capacity, potential, making it a potentially lucrative investment destination. The country's challenge is therefore that of extensively reforming its economic and political climate to make it a more attractive location for investment, so that it would attract the levels of investment required for sustainable growth. This should be complimented by willingness on the part of the owners of the means of production within the Zimbabwean economy, to give up shareholding to potential investors, who can come in with the requisite capital to increase capacity utilization, replace obsolete equipment, buy new plant and equipment to increase production capacity and capitalize on economies of scale. Policy makers should also develop more accommodative policies especially for the mining, agriculture, tourism and hospitality, and manufacturing so as to attract foreign direct investment into these sectors, which are the mainstay of the Zimbabwean economy.

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Benefits of Foreign Direct Investment

FDI has increasingly been viewed by policy makers in developing and emerging market economies (EMEs) as a tool to finance development, increase productivity and import new technologies, (Arbatli, 2011). There is substantial empirical literature (Asiedu, 2002, Sun etal 2002, Kose etal, 2004, Alfaro etal, 2004, Tembe, 2012) that has explored the effects of capital inflows and FDI in particular, on economic growth in host countries. Although there is no strong consensus on the evidence that FDI inflows promote growth, various researches provide evidence that there are positive growth effects of FDI. Kose etal. (2009) argues that there can be threshold effects of financial and institutional development of an economy on the effects of FDI flows while Alfaro etal. (2004) found out that the development of financial markets affect the extent to which host countries benefit from FDI inflows.

Foreign Direct Investment significantly contributes towards the economic growth and development of the receiving country. This positive impact is largely to the advantage of economies in transition, which ordinarily may have a lot of natural resources and other investment opportunities yet they will be lacking the financial resources to tap into these natural resources for value addition or capitalizing on the investment opportunities for economic growth. Kravtsova, et al. (2010) intimate that “Foreign direct investment is an important catalyst for the economic changes in transition economies offering host countries external resources, technology, management, and access to foreign markets”.

Some countries which have experienced economic decline and gone into recessions have in the past been assisted out of their economic quagmires through injection of foreign direct investment.

Foreign direct investment has the potential for creating employment as production capacity increases in the different economic sectors wherein investment would have been made. There is also potential increase in job creation in the downstream industries, for example, suppliers of raw material to the sector where FDI has been injected would have scope to increase employment levels due to increase in demand from the upstream sector.

The injection of foreign direct investment is usually accompanied by transfer capital equipment and technological advancement as the new investors in some cases would come into the host economy with new plant and equipment, for the purposes of replacing obsolete technology or simply for the purposes of increasing production capacity and efficiencies. According to Javorcik (2004) “policy makers in many developing and transition economies place attracting foreign direct investment (FDI) high on their agenda, expecting FDI inflows to bring much-needed capital, new technologies, marketing techniques, and management skills.” Arnold and Javorcik (2009), using Indonesian plant-level data, confirm that changes from domestic to

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foreign ownership lead to improved performance. In their research, they find that the increase in plant productivity is quite significant, reaching about 13.5 percent in the third year of foreign ownership. Hoekman, Saggi, and Maskus (2005) assert that the main avenues through which technology transfer occurs are: trade in goods, direct investment and licensing, and movement of people.

Closely related to the advantage of the host country receiving technological advancement is also the creation of new and improvement of existing technical knowledge. According to Zimmermann, Wolfgang and Hervas (2013), foreign subsidiaries contribute to a local, national or supranational environment by deploying expertise that is new to the local market environment. Normally, the new plant and equipment would require the impartation of new technical knowledge and skills to the employees and management of the organization that would have received such an investment. This would come in the form of expatriates coming into the host country to train and impart the requisite technical expertise. Alternatively, the organization that would have received the new technology will send their employees to the country of origin (where technology is coming from) for training.

FDI has the advantage of creating economies of scale as production capacity for the receiving firm is significantly increased. This benefits both the investor and the host firm and its country. Closely associated with this is the reduction in cost of production, capacity to competitively price products and creation of competitive advantage in the receiving organization's markets.

In certain instances, FDI has also been used for circumventing stringent market entry regulations, which ordinarily would preclude certain foreign investors who would have wanted to make direct investments.

METHODOLOGY

The researcher carried out a Desk Analysis (Policy Analysis) – evaluating the effectiveness of Zimbabwe's economic policies in attracting FDI. Secondary data was gathered from various policy frameworks and economic reports from various government ministries, industry bodies, and global trade and investment institutions.The research took the form of an analysis of the various policy frameworks that the Zimbabwean government, through its various ministries, has put in place to attract foreign direct investment (FDI) and promote Sustainable Economic Growth and Development. Various policy frameworks were analyzed, their objectives being evaluated against the evident results of their impact as reported in various private and public economic review reports. In addition, the researcher compared the FDI inflows for Zimbabwe, with two other African countries, South Africa and Mozambique.

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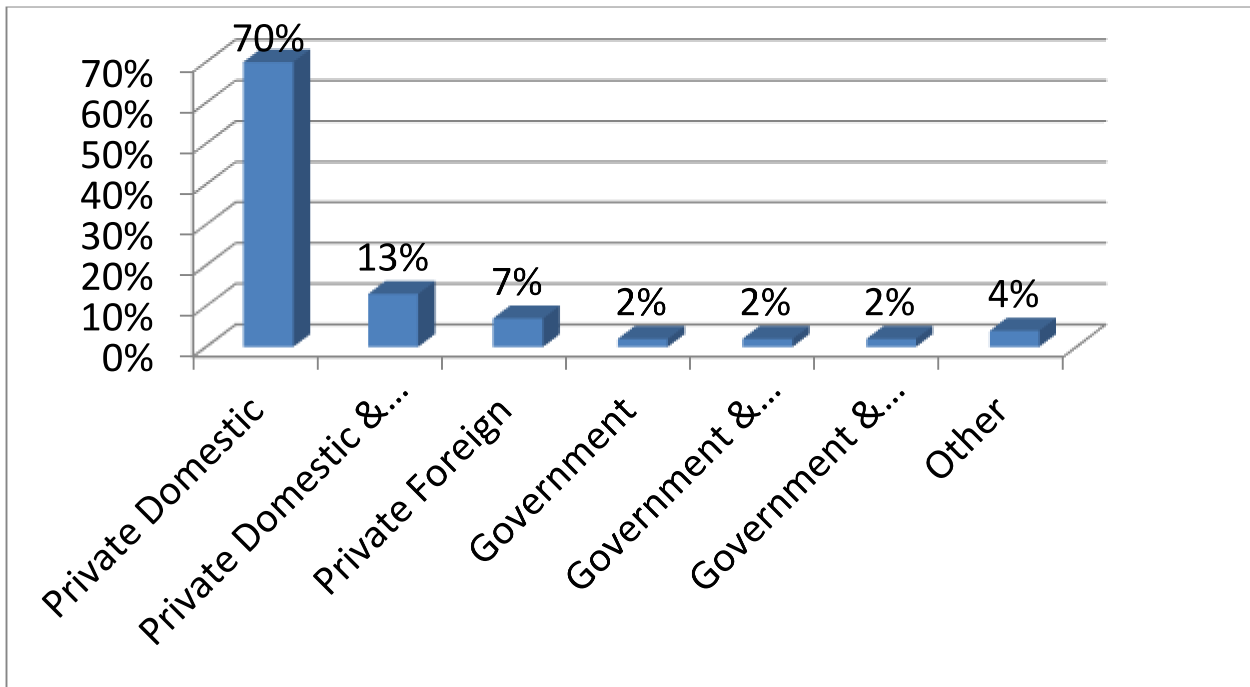
RESEARCH FINDINGS

Over the years, Zimbabwe's efforts to attract FDI have not been very fruitful as evidenced by the distribution of ownership in one of the key sectors of the economy. Below is a summary of the distribution of company ownership for the manufacturing sector as at the end of 2014 according to the Confederation of Zimbabwe Industry 2014 Manufacturing Survey Report.

Figure 1: Typical Ownership Structure of the Zimbabwean Manufacturing Sector Companies in 2014



Source: CZI 2014 Manufacturing Sector Survey Report

This ownership distribution of the companies in the manufacturing sector is reflective of how as a nation we have failed to effectively attract FDI as a very insignificant portion of our economy foreign owned investments (7% purely foreign, 13% foreign & domestic private and 2% government & Foreign)

In 2012, the position was more or less the same hence there has not been any significant improvement over the years. In fact there has actually been a decline in the purely foreign owned from 13% in 2012 to 7% in 2014, though there has also been an increase in Private Domestic/Foreign as well as Government/Foreign ownership (See Figure below).

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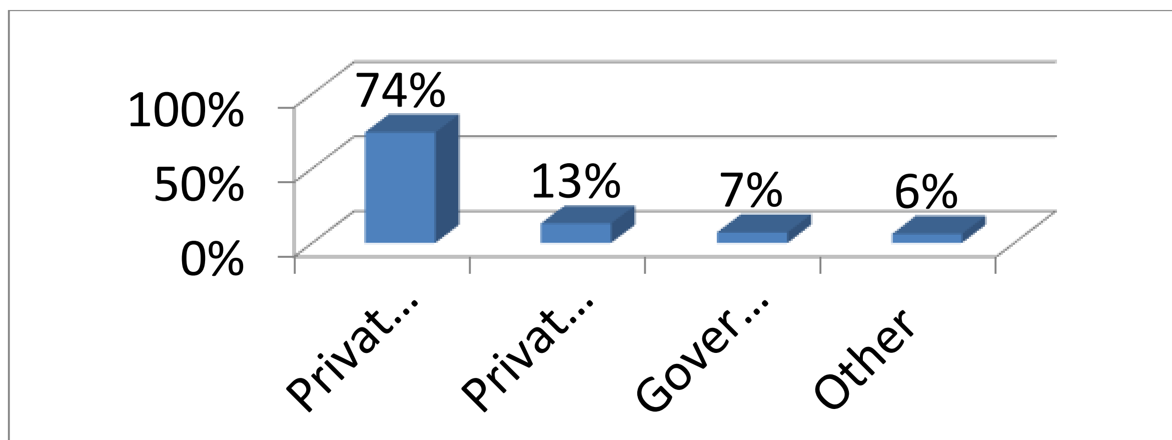
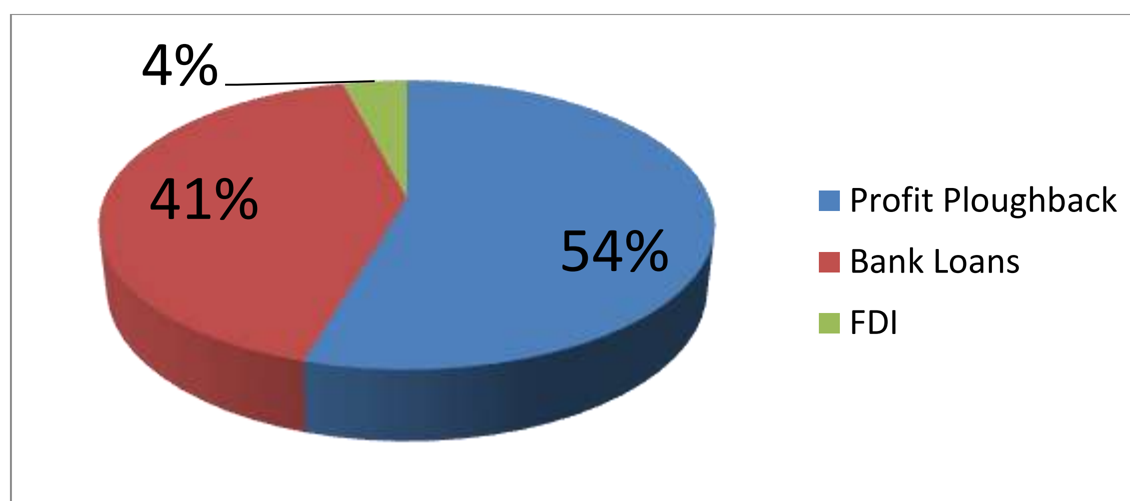
Figure 2: Typical Ownership Structure of the Zimbabwean Manufacturing Sector Companies in 2012



Source: CZI 2012 Manufacturing Sector Survey Report

Closely related to this distribution of ownership is the level of investment in the manufacturing sector over the same period:

Figure 3: Capital Investment in the Manufacturing Sector



Source: CZI 2012 Manufacturing Sector Survey Report

Capital Investment in Zimbabwe's manufacturing sector has largely been financed from companies' reinvestment of profit and bank loans, 54% and 41%, respectively.

Only 4% has been financed through FDI, reflective of how much work there is for Zimbabwe with regards to attracting FDI for economic growth.

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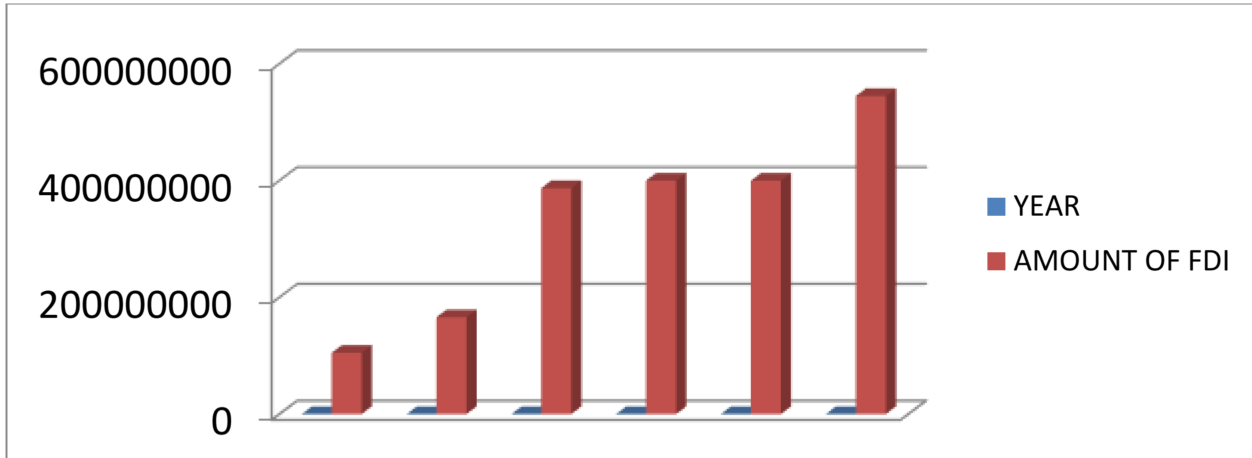
Figure 4: FDI Trends in Zimbabwe since Dollarization to 2014

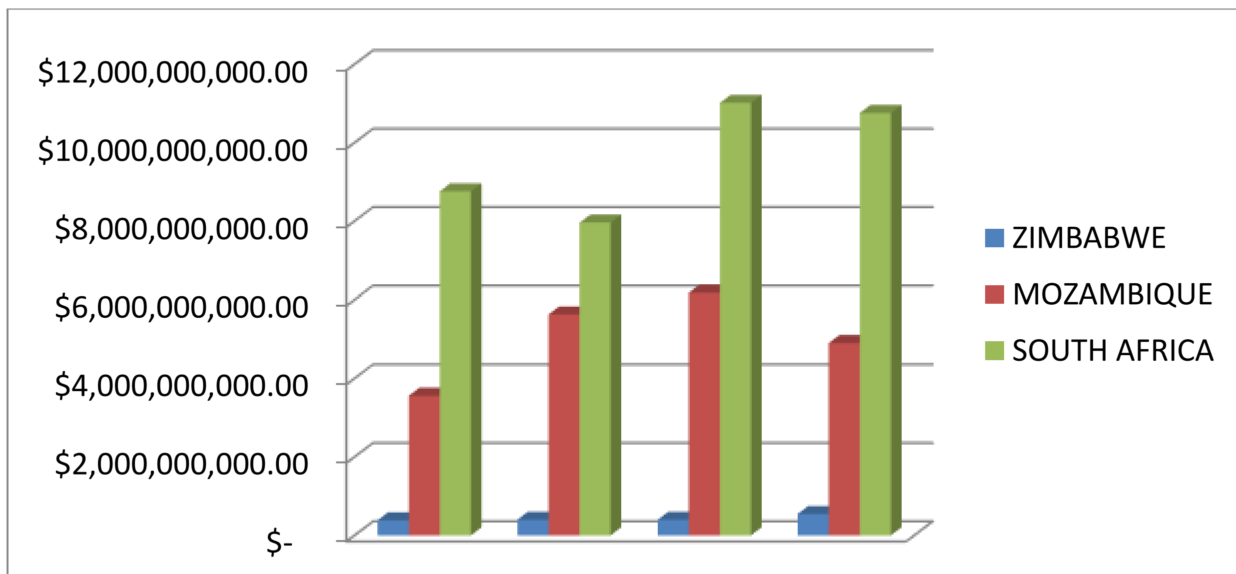


Source: UNCTAD World Investment Report 2015

FDI inflows have generally increased from $105m in 2009 to $545m in 2014, a 419% increase. While in percentage terms it sounds significant, in absolute terms it is very insignificant given that Zimbabwe requires approximately $47 billion for economic growth and return to the 1997 level of economic activity.

These FDI inflows are also insignificant in comparison to other regional countries that have been receiving larger amounts of FDI over the same period. Below is a comparison of Zimbabwe's FDI inflow with those of South Africa and Mozambique.

Figure 5: Comparative FDI Flows; Zimbabwe, South Africa and Mozambique



Source: UNCTAD World Investment Report 2015

This slow pace in attracting foreign direct investment has resulted retarded industrialization in the Zimbabwean economy. Major sectors of the economy such as mining, manufacturing, construction and engineering have not registered any meaningful growth having received insignificant inflows of FDI over the years.

CONCLUSIONS

The current investment framework in Zimbabwe has not effectively attracted foreign direct investment, which the economy desperately needs for revival and growth. Some of the Zimbabwean business people lack understanding of the benefits of engaging foreign investors, hence their lack of pursuit of such helpful sources of funding. Zimbabwean companies are in dire need of working capital and capital expenditure assistance, which both the government and local financial institutions have failed to adequately provide. The initial attempt at introducing special economic zones (which were then termed "Export Processing Zones") was a failure due to policy inconsistencies and lack of an effective implementation framework

RECOMMENDATIONS

The researcher recommends further Investment Policy Reforms to make Zimbabwe more attractive as an investment destination, for example, revisiting the Indigenization and economic empowerment policy. It is further recommended that the government, industry bodies, tertiary institutions, and other key stakeholders in the economy develop and implement programmes for educating the Zimbabwean business community on the benefits of engaging foreign investors. Some of the benefits include accessing capital, embracing new technologies, skills transfer, access to foreign markets and increase in capacity utilization which are all critical for the industrialization of the Zimbabwean economy. Establishment of Special Economic Zones in all cities and towns where there are abundant natural resources and infrastructure that is currently underutilized will go a long way in contributing towards the industrialization of Zimbabwe.

There is therefore need to focus on effective implementation of value addition and beneficiation especially of minerals that are currently being exported in their raw form (ore). Industry bodies should continue lobbying the government for more investor-friendly investment policies, which can guarantee significant FDI inflows and arrest capital flight, which the country has suffered over the years. Government should develop a systematic way of compensating foreign investors who will be expected to give up their shareholding as part of the indigenization policy.

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THE WAY FORWARD

Further studies could make use of a bigger sample cutting across the whole economic divide throughout the country. In addition further research could also be carried out on the subject of attracting Foreign Direct Investment (FDI), evaluating the extent to which recent policy reforms have improved the rate at which the country has been able to attract FDI since the introduction of some of these policy reforms.

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