

**DETERMINANTS AND GROWTH IMPACT OF FOREIGN DIRECT
INVESTMENT IN WEST AFRICAN ECONOMIC AND MONETARY
UNION (1980 – 2010)**

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CERTIFICATION

This is to certify that the Thesis titled: Determinants and Growth Impact of Foreign Direct Investment in West African Economic and Monetary Union (1980-2010), submitted to the School of Postgraduate Studies, University of Lagos, for the award of the degree of Doctor of Philosophy in Economics, is an original research carried out

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Date

DEDICATION

This work is dedicated to:

- The Almighty God (God The Father, God The Son Jesus Christ and God The Holy Spirit). *“Blessed be the name of God forever and ever: for wisdom and might are his: And he changeth the times and the seasons: he removeth kings, and setteth up kings: he giveth wisdom unto the wise, and knowledge to them that know understanding: He revealeth the deep and secret things: he knoweth what is in the darkness, and the light dwelleth with HIM” Daniel 2: 20-22.*
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LIST OF ABBREVIATIONS

AGOA	Africa Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest
EU	European Union
FDI	Foreign Direct Investment
FEM	Fixed Effect Model
GDP	Gross Domestic Product
GMM	General Method of Moments
GNI	Gross Domestic Investment
GNP	Gross National Product
ICT	Information Communication and Technology
IMF	International Monetary Fund
LDC	Less Developed Country
M&A	Mergers and Acquisition
MENA	Middle East and North Africa
MNC	Multinational Corporation
MNE	Multinational Enterprise
MPP	Marginal Physical Product
NEPAD	New Partnership for Africa’s Development
OHADA	Organisation pour l’Harmonisation en Afrique du Droit des Affaires
OECD	Organization for Economic Cooperation and Development
OLS	Ordinary Least Squares
REM	Random Effect Model
R&D	Research and Development
SADC	Southern African Developing Countries
SSA	Sub-Saharan Africa
TNC	Transnational Corporation
UN	United Nations
UNCTAD	United Nation Conference on Trade and Development
VAR	Vector Autoregressive
WAEMU	West African Economic and Monetary Union
WDI	World Development Indicators

ABSTRACT

This study's aim is to assess the trends and the macroeconomic determinants of FDI and to estimate its impact on economic growth, using West African Economic and Monetary Union (WAEMU) and its member countries (Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo) as a case study. In order to achieve the objectives of the current study, the panel cointegration method is employed for the period that expands from 1980 to 2010. This method is constituted of three steps: first, running the panel unit root tests; secondly, run the panel cointegration tests to establish a long-run relationship between the included variables; and thirdly, to run the two models of this study. All this is supplemented by Granger causality test in order to determine the direction of causality between the two variables of FDI and economic growth in WAEMU and its member countries. The findings show that: (i) the variables market size, trade openness, human capital, infrastructure development, financial development, macroeconomic stability, exchange rate and political stability are significant determinants of FDI in WAEMU and in its member countries; (ii) not all the variables affect the same way FDI inflows in WAEMU and in each one of the WAEMU member countries; (iii) there is a positive relationship between FDI and economic growth which implies that FDI stimulates economic growth in WAEMU and its member countries; (iv) this study finds a causality relationship between FDI and economic growth, which runs from FDI to economic growth not from economic growth to FDI: meaning there is a unidirectional linkage between FDI and economic growth in WAEMU; (v) the study also finds that at cross-sectional level, FDI only causes economic growth, not the opposite: this implies that there is also a unidirectional linkage between FDI and economic growth in each WAEMU member country and its runs from FDI to economic growth. Therefore, it is important that the enabling environment should always be provided not only in WAEMU but also in its member countries in order to attract more foreign direct investment and further to stimulate the

country's economic growth. Thus, this study recommends the followings, at the local or country level: first, improvement of the image of WAEMU countries. Rapid economic growth could result in an increase in foreign direct investment inflows, not only in WAEMU but in each one of the WAEMU member countries. But, this has to be done with more attention given to conditions (i.e. key variables) such as fair trade policy with abroad, development of infrastructure and financial system, availability of human capital through a sound human training and formation. At regional or WAEMU level, governments should set up policy that guaranties macroeconomic stability and political stability.