

Relationship between Foreign Direct Investment and Tourism: A Conceptual Review of South African Context

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ABSTRACT

Purpose: The aim of this study was to investigate theoretically the relationship between FDI and Tourism as engines of economic growth in South Africa. This aim was motivated as tourism has been found as a powerful engine that could be used to change any nation's economic fortunes, generate a lot more jobs and accelerate economic growth. And, Foreign Direct Investment (FDI) on the other hands has the potential to create jobs, increase productivity, enhance the domestic economy's competitiveness by exporting skills and technology, improve infrastructure, boost exports, and contribute to the world's developing countries on long-term economic growth. **Methodology:** This study was conducted using literature review based approach. Information on FDI and tourism was obtained from journals and periodic publications of legitimate organizations both local and international. **Findings:** The findings of this study revealed that a degree of relationships exists between FDI and tourism advancement in South Africa, as economic growth largely depends on the positive attraction of both FDI and tourism. However, it was also revealed that FDI hardly attains its optimal level in a country that is under the yoke of poor economic growth. Ironically, both developed and developing economies at one time or another faces a backdrop of variables that attracts FDI within the economic and political dynamics, which also affect sustainable tourism advancement within a nation. **Implications:** It became imperative that for an advancement in tourism and economic growth in South Africa, stakeholders within these sectors should provide an enabling environment that will attract more FDI's. This recommendation is based on the findings that FDI is a growth engine for tourism, which also leads to economic growth. **Originality:** This study unlike previous studies, succeeded in unveiling the relationship between FDI and tourism advancement in South Africa, with theoretical foundation that links them together for economic growth.

Keywords: Foreign Direct Investment; Tourism; Economic Growth; Sustainable development; Economic migration, South Africa.

JEL Classification: F21; Z380; O430, O550.

INTRODUCTION:

Tourism is widely regarded as a catalyst for sustainable development, economic growth and poverty alleviation around the globe. However, financing tourism-led growth has become a major challenge in an increasingly restricted global foreign direct investment market. In many countries around the world, tourism is one of the key industries and one of the main engine for domestic economic growth, as increase

tourist arrivals present potentials of engagement and patronage of local economies (Thang, 2019; Tseng *et al.*, 2018). To this end, the Republic of South Africa among other developed and developing nations around the world recognized that to improve and sustain economic growth and development, tourism sector needs to be promoted owing to its relevance and contributions to the international and local economies (South Africa, 1996). Accordingly, the South African Accelerated and Shared Growth Initiative (ASGI-SA) acknowledges tourism as one of the industries that can help boost economic development and thereby help to minimize poverty and unemployment.

Consequently, the apparent growth of tourism in South Africa also have received a potential growth trend in other tourism support service industries like the hospitality, catering, transportation, museum to mention but few as the Gauteng Tourism Authority observed (South Africa, 2016). Although, a long-term tourism growth have been identified from previous literatures to extremely dependent on regulatory tourism policies and dynamic reforms over a long period with the involvement and engagement of all other tourism services industries across the globe (Robinson *et al.*, 2019; Tham, 2019). Accordingly, figure 1 provides information on the world tourist arrivals, which has been on the increasing trend after the Second World War in 1950.

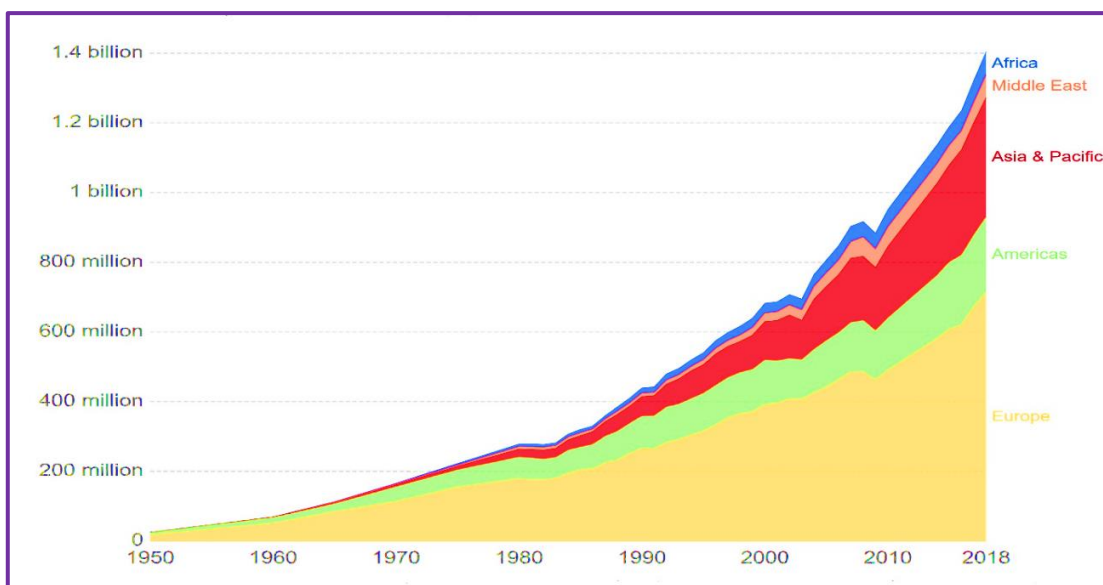


Figure 1: International Tourist Arrivals by World Region (Adapted from Our World in Data, 2019).

The United Nations World Tourism Organization (UNWTO) estimates that there were only 25 million tourist arrivals internationally in 1950. 68 years after, this number has increased to 1.4 billion international arrivals per year. This growth in the tourism industries has been one of the biggest contributors to economic growth and development around the world especially in South Africa (Rogerson & Rogerson, 2019; Strydom *et al.*, 2019). De Bruyn (2018) emphasised that tourism has not only brought economic growth to South Africa, which has increased the national output and income but also has enhanced economic development, which focused on how the growth influences individual living standard.

Similarly, FDI has also played a positive role in the global economy and has a huge positive impact on the domestic economy (Amendolagine *et al.*, 2019; Ascani *et al.*, 2019). Since the early 1980s, FDI has expanded at a phenomenal rate, making the world economy more attractive. Perhaps, that has informed developing countries like South Africa to continually introducing policies and reform that will enhance the attraction of FDI. Policymakers have a persistent belief that FDI is more favourable to long-term growth and development than other sources of capital inflows. Justifications for this argument have been numerous, but most often focused on the premise that FDI brings international technologies and management skills with it, which the host nation can then apply to several other contexts. However, there has been a historic growth in both FDI and tourism since its evolution in both developed and developing nations. This similarity in the growth trend between FDI and tourism engineered this study, to investigate and reveal the conceptual relationships that have existed between these two-growth engines of the economy with a major focus on the South African context.

MOTIVATION AND RESEARCH OBJECTIVE:

Tourism is widely seen as a parameter for inclusive growth and poverty alleviation in Africa. In 2017, the travel and tourism industry in Sub-Saharan Africa contributed 7.1% (USD\$116.9bn) to the region's GDP, while accounting for 17.2 million (5.8%) of all jobs in the region through direct and indirect employment (WTTC-2018:1). In particular, in the South African context, tourism is a viable and sustainable vector for the equitable growth agenda of the South African economy. Although, challenges also exist on the availability of infrastructures and the comprehensive variables that provides tourism advancement in South Africa. Hence, investment capital becomes vital for the growth of essential tourism-oriented infrastructure, as well as for the expansion of cross-sectoral linkages within the value chain of African tourism (Mbukanma *et al.*, 2019; UNCTAD, 2017). Indeed, the investment capital that is needed for sustainable development and growth of tourism infrastructures has been identified to come from both domestic investment and FDI (Sokhanvar, 2019). Thus, the significance of FDI on long-term infrastructural investment, financing of domestic productivities and job creation, was acknowledged as also an engine of economic growth (Shah *et al.*, 2019; Bailey, 2018). As such, it becomes inevitable to neglect the linkage between FDI and tourism in most, especially in South Africa. Hence, the objective of this study, to review previous literatures and investigate as well as reveal the relationship that exists between FDI and tourism especially in South Africa.

RESEARCH METHOD:

According to Kumar (2019), research methodology is the techniques and the philosophical theories upon which research is undertaken. It involves the selection of approaches by the researcher to carry out a research project; the approach determines the tools that will be used in the research (Yang & Tate, 2012; Leedy & Ormrod, 2010). The tools include the mechanisms the researcher uses in collecting, analysing and interpreting data. Perhaps, this study is a conceptual based research, and according to King and He (2005), several research methods are used in this type of study which includes narrative review, vote counting, meta-analysis and descriptive review. For the benefit of this study, a descriptive literature review was employed. Thus, descriptive literature review primarily summarizes and synthesizes accessible studies on a particular subject area. Bennison *et al.* (2017) and Burns (2017) have stressed that the descriptive literature review shares with readers the observations of other studies that are specifically related to the study being carried out. Accordingly, this study conducted a concise review of prior literature with appropriate consultation and acknowledgement of the studies of both local and international scholars in the field of FDI and tourism. Hence, the descriptive literature review method adopted in this study helped in providing comprehensive logical concepts concerning the relationship between FDI and tourism with a major focus on the South African context.

FDI Perspectives in South Africa:

FDI is widely regarded as a key component to stimulate economic growth and integrate an economy into the global economy. In developing countries, it is expected to contribute more to economic growth than domestic investment (Ketteni & Kottaridi, 2019; Dunning & Lundan, 2008:316). FDI is also considered as one of the most essential platforms through which nations can access global finance. However, Jones and Wren (2004:7) and Neuhaus (2006:42) described FDI as a permanent interest of a resident company in a specific economy (direct investor) in an organization residing in an economy other than that of the shareholder (direct investment company). Although the FDI and economic expansion literature is not completely definitive, it is still the situation that FDI flows have taken off in recent years, especially into emerging markets. With firms increasingly able to leverage on cost of labour variations and particularly engaging indirectly supplying products or services infrequently secured emerging markets, such movements are likely to continue to increase.

Accordingly, in both theoretical and empirical literature, there have been many arguments that indicate that economic prosperity is associated with significant FDI inflows into a country. However, on South African situation, after a multi-year analysis of its Bilateral Investment Treaties (BITs), the South African government terminated all the BITs it had negotiated with European countries, thereby promulgating the 2015 Investment Protection Act (PIA). The PIA's purpose is to protect the investment following the Constitution, among other things, in a way that balances the public interest and the rights and obligations of investors (Qumba, 2018). Nevertheless, the South African economy has experienced fluctuating

situation of FDI inflow, but at present, there has been an improved stable increase as shown in figure 2.

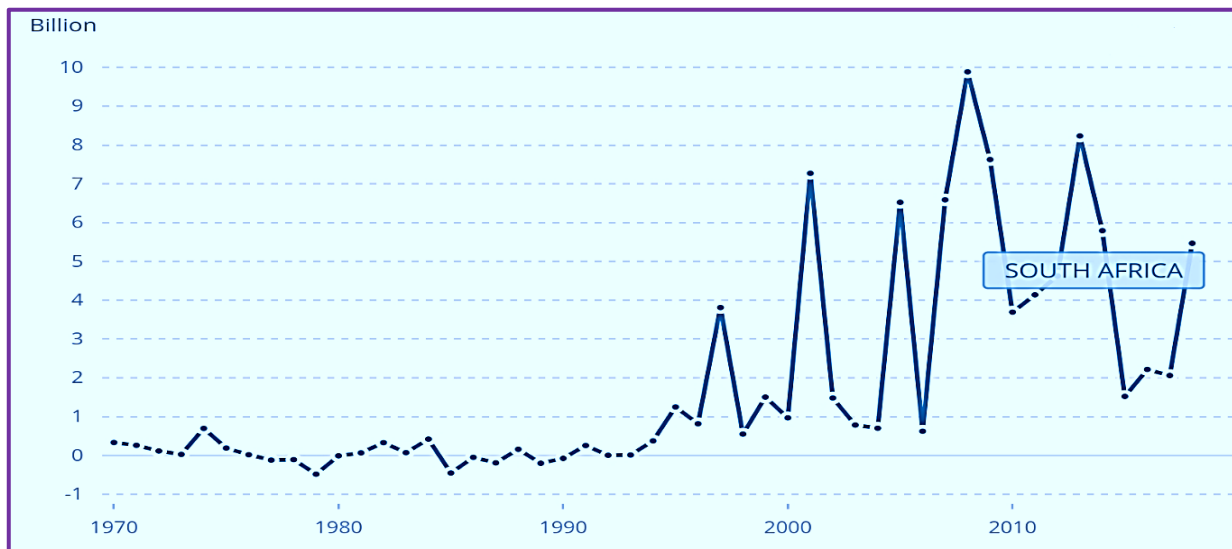


Figure 2: Foreign Direct Investment, Net Inflows (BoP, current US\$) - South Africa
(Adapted from Data.worldbank.org, 2019)

Figure 2 illustrates the FDI net inflows of the South African economy, which of recent is experiencing increase situation. This was as a result of the 446% increase from 2017 to 2018, this increase attracted a \$7.1 Billion (R98.6 Billion) in 2018 from \$1.3 Billion in 2017 (Businessinsider.co.za, 2019). As such, the impact analysis of this growth shows that with this level of FDI inflow, the South African economy will experience human capital growth, technological improvement as well as increase market competition. These economic growth variables, however, was also found from previous literatures as among the elements that underpin tourism advancement.

Theoretical Linkage between FDI and Tourism Growth:

The justifications and motives of FDI inflow switches over time however, for developed and developing countries like South Africa the goals for growth and development stay the same. Thus, in evaluating the growth and the contributions of FDI in an economy, which informs the sustainable growth of tourism, two theories were used to support the argument of this study. These theories as detailed below, encompasses the potentials from neoclassical theory and industrialization theory with spill-over effects.

Neoclassical Theory:

Neoclassical theory has been the most commonly applied economic theory today; without mentioning the terms supply, demand, profit, and satisfaction, you cannot hold a rational conversation of any economy. Classical theorists Adam Smith (1723-1790) and David Ricardo (1772-1823) established the groundwork for this theory. Thus, neoclassical theory focusses on determination of goods, outputs, and income distributions within the markets through supply and demand. Perhaps, the neoclassical economic theory informs this study's argument as FDI contributes favourably to the host country's economic growth by improving its wellbeing on social and economic standards concerning the advanced production, supply and demand channels. FDI contributes to the creation of wealth in the developing nation, thereby affecting income reinvestment and more capital inflows within the economic system (Saini & Singhania, 2018). Consequently, economic growth, industrialization and technological advancement is the bedrock of tourism development, which enhances the growth of tourist destination. In adopting this theory in South Africa context, it is acknowledged that foreign investment injection will provide higher-quality manufacturing strategies by eliminating unproductive methods and providing spill-over technology, better management expertise and information marketing skills that will further promote a sustainable growth in tourism industries.

Industrialization Theory :

Industrialization is the mechanism by which an economy transformed from predominantly agricultural to an advance manufacturing economy. Mechanized mass manufacturing and production system replaces

individual manual labour. Industrialization is characterized by economic growth, more efficient division of labour using technological innovation to solve the problems as opposed to reliance on conditions beyond human control (Green, 2019; Mukoyama & Popov, 2019). Consequently, the advancement in industrialization that resulted from FDI enhances the growth of both national and local economies, which improves the sustainable growth and development of tourism industries within a country like South Africa. To this end, it becomes unlogical to discuss the potentials of FDI without talking about industrialization and advance technology infusion. Thus, in applying this theory to the context of this study, FDI is considered as a transfer channel of investment capital, management skills, technological innovation and infusion of foreign industrial organizations. Hence, it is a channel, which encourages growth through technology transfer from a multinational corporation's of parent company to its foreign subsidiary.

Determinants of FDI:

There are several explanations concerning why companies pursue FDI, but the sums invested in a country and the choice of where to invest depends on the existence of micro and macro determinants. Thus, the micro-determinants of FDI are primarily concerned with certain location-specific variables that have an effect on the profitability of FDI at company or industry scale. The macro-determinants are the characteristics of the host country that influence productivity and cost at the micro-level. Accordingly, the macro-determinants of FDI are the variables driving profitability and the option to invest at an economical scale. These are host market size, expansion and production factors prices. As such, (Ali et al. 2018; Asongu et al. 2018 and Snyman 2007) gave a summary of both the micro and macro determinants of FDI as detailed below.

Table 1: Micro and Macro Determinants of FDI

Micro-Determinants of FDI	Macro-Determinants of FDI
Market size and growth	Openness and exports
Labour cost	Exchange rates
Host government policies	Investment and infrastructure
Tariffs and trade barriers	Political risk
Product life cycle	Financial risk
Host nation interest rates	World stock market index

A concise approach and consideration of both micro and macro determinants are conceptualized and considered by foreign firms before embarking on FDI. However, for a developing country like South Africa who is still in the process of development and growth, owes greater responsibility on holistic restructuring and reformation of international and economic treaties. Hence, the benefits of industrialized and technological economies do not only promote growth across the economic sector of a nation but also sustain the local economic development that stabilized the cross-sectional economic system and boost tourist arrivals.

Impacts of FDI on South Africa Economy:

Through job opportunities and technological transfer, FDI has contributed significantly and positively over the years to the economic growth and development of both developed and developing nations worldwide. However, the focus of this study is on the relationship between FDI and tourism growth in South Africa. As such, the impact of FDI on the sustainable growth of both national and local economies, which boosts the holistic economic growth with major focus on tourism, underpins the argument of this study. Thus, the impact of FDI on the South African economy has been identified to have both positive and negative consequences on the South African economy (Fedderke & Romm, 2006). Indeed, the infusion of foreign capital investment on the host economy comes with benefits and disadvantages to both the investors and the host nation. Consequently, South African economy has over the years benefited from FDI, which has prompted the policymakers in South Africa to continually formulate reforms and policies that will continue to sustain the attraction of FDI in a long term.

In essence, the benefits of FDI to South African economy including but not limited to the inflow of foreign

investment capital as FDI creates opportunities of investment capital infusion from the foreign investor to the host nation, which are used to facilitate the development of domestic industries (Ali *et al.*, 2018; Asongu *et al.*, 2018). Secondly, economic growth and balance of payments of South Africa has continued to receive favourable impact as the infusion of FDI presents opportunities of economic growth across all sector, which presents potentials that enhances the favourable balance of payment for the host nation. Besides, there has been a reported increase in local employment and development of human capital in South Africa as the transfer of technological skills that result from FDI create an avenue for human capital development as well as the creation of employment at both the national and the local economic levels (Masipa, 2018 & Qumba, 2018).

According to Masipa (2018), there exists an increase in domestic production capacities as a result of the introduction of advanced technological process of production, which was informed by FDI, thereby resulting to a boost in the production process of both the multinational firms and the domestic industries in South Africa. Perhaps, the structure of FDI presents mediums which technical skills are transferred from the parent multinational companies to the domestic companies of the host nation. In essence, the South African stock market is being expanded as well as integrated into global markets as a result of an increase in the number of foreign corporations working within the country, and providing domestic operating companies with export markets (Ho, 2019). However, the South African stock market is perhaps the most usable channel through which foreign companies can acquire ownership of local enterprises. This as a return boost the liquidity of the stock markets as international firms chooses to purchase the local firm's existing shares as part of the investment.

However, FDI presents simultaneous development of industries and reduces shortcomings in coordination by introducing forward and backward linkages within the industries of the host nation. A forward linkage can be seen in this instants as one company purchasing goods from another in development building, while a backward link is one when a company purchases products or services from another to be used as their input. Consequently, stimulation of domestic investment with the growth that comes with FDI has been evident as the growth of domestic investment within South Africa also sustained as companies present long-term growth projections (Masipa, 2018 & Qumba, 2018). Hence, the FDI generated profits contribute to the host nation's corporate tax revenues. However, the government sometimes reduces the tax rate on foreign investment to attract FDI to certain regions.

On the contrary, the negative impacts of FDI to South African economy cannot be overemphasised, as most FDI motives are majorly on profit-oriented with less concern of the effects on local economies of the host nations. According to Masipa (2018) and Ho *et al.* (2019), impacts such, as crowding out, transfer of control of domestic industries to the parent multinational industries, instability as well externalities and violation of both the domestic environment and human right were among the negative impacts of FDI that South Africa has suffered. However, in evaluating both the positive and the negative impacts of FDI, it is evident that South African economy has received more of the positive impacts, hence a conducive platform should be maintained by policymakers to continue to attract FDI in a long term.

Tourism Perspectives in South Africa:

Tourism has become a booming global industry with the power to shape both positive and negative aspects in developing countries like South Africa. No doubt, it has become one of the largest industry in the global economy. Similarly, in developing countries like South Africa, tourism has become one of the major sectors of the economy, contributing to a large proportion of the National Income and generating huge employment opportunities (Houdet *et al.*, 2019; Rogerson & Rogerson, 2019). South African Tourism is the official marketing agency that is responsible for marketing South Africa to the world. Perhaps, the recent World Bank data release 2019 shows a continuous increase in the numbers of tourist arrivals to South Africa as presented in figure 3.

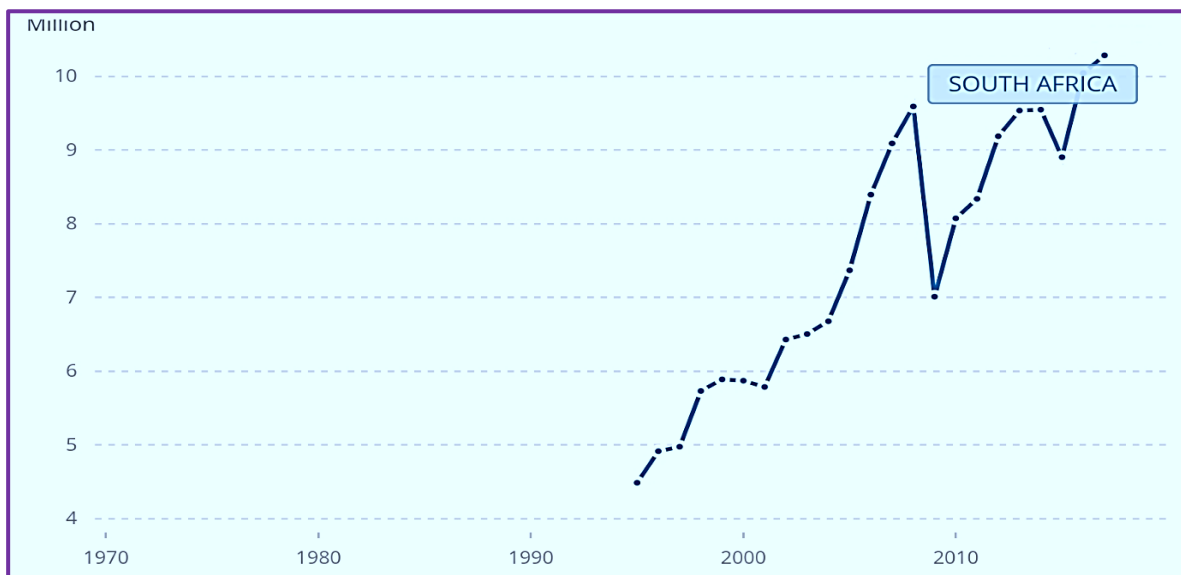


Figure 3: International Tourism, Number of Arrivals in South Africa
(Adapted from *Data.worldbank.org*, 2019)

The data from figure 3 shows that as of 1995 after South Africa got their independent, 4, 488,000 Million tourists visited South Africa. Ten years later, the tourist arrival rate increased to 7, 369, 000 Million and 10, 285, 000 Million in 2017. Comparing this number of arrivals with other African nations, it is significant that South Africa is doing a great deal of work in the tourism industry. As such, the continuous growth of the tourist arrival at recent time stands positive and it presents a more positive image of South Africa at the international scene (Sokhanvar *et al.*, 2018).

South Africa offers a wide range of options for both domestic and international tourists, including picturesque natural landscapes and game reserves, a diverse cultural heritage and well-known wines. Some of the most popular destinations include several national parks, such as the expansive Kruger National Park in the north of the country, the coastlines and beaches of the KwaZulu-Natal and Western Cape provinces, and the major cities like Cape Town, Johannesburg and Durban. Hence, the growth period of tourism advancement in South Africa presents a platform that complements with the increasing trend of FDI in South Africa as well.

Impacts of Tourism Growth on the South African Economy:

The tourism industry has expanded considerably over the last few decades, and the sector has made a significant contribution to the economic growth and development of emerging and industrialized countries around the globe. In the context of South Africa, the tourism sector has been described as one of the fast-growing engines of economic growth and development and has the potential to make a greater contribution to job creation in South Africa (Sokhanvar *et al.*, 2018 & Ho *et al.*, 2019). Tourism has provided the government of South Africa an attractive means of export diversification from manufacturing and primary goods. It is a labour-intensive and inclusive sector that tends to employ young people than most other sectors and creates significant opportunities for small and medium-term enterprises.

Nunkoo *et al.* (2020) added that tourism could be a tool for expanding remote and lagging areas where prospects for economic growth are sometimes minimal, leading to enhanced mutual prosperity. Inequality persists; however, as one of the major problems confronting policymakers in South Africa, as the unequal distribution of employment, wealth, education, power and income still exists. Although the tourism industry in South Africa is still developing when compared with the international ratings, it has in the past few decades contributed a significant role in the South Africa local economies (Joshua *et al.*, 2020). A conceptual view from previous scholars such as (Joshua *et al.* 2020 and Scholtz & Slabbert 2016) revealed the areas of local economies that have received the positive impact of tourism activities in South Africa includes but not limited to the attraction of foreign investment, job creation, enhancement of food security, education, poverty alleviation and promotion of cultural heritage of South Africa.

Furthermore, tourism is seen as an export industry as visitor numbers from other countries spend on tourism products and services within the country, such as accommodation, transportation and other related products.

However, South Africa's foreign exchange earnings has improved through the growth of tourist exports by receipts that lead to the development of the economy (Houdet *et al.*, 2019). Thus, as tourism arrivals increases over the years, significant revenue is achieved thereby boosting the GDP of South Africa as illustrated in figure 4 below.

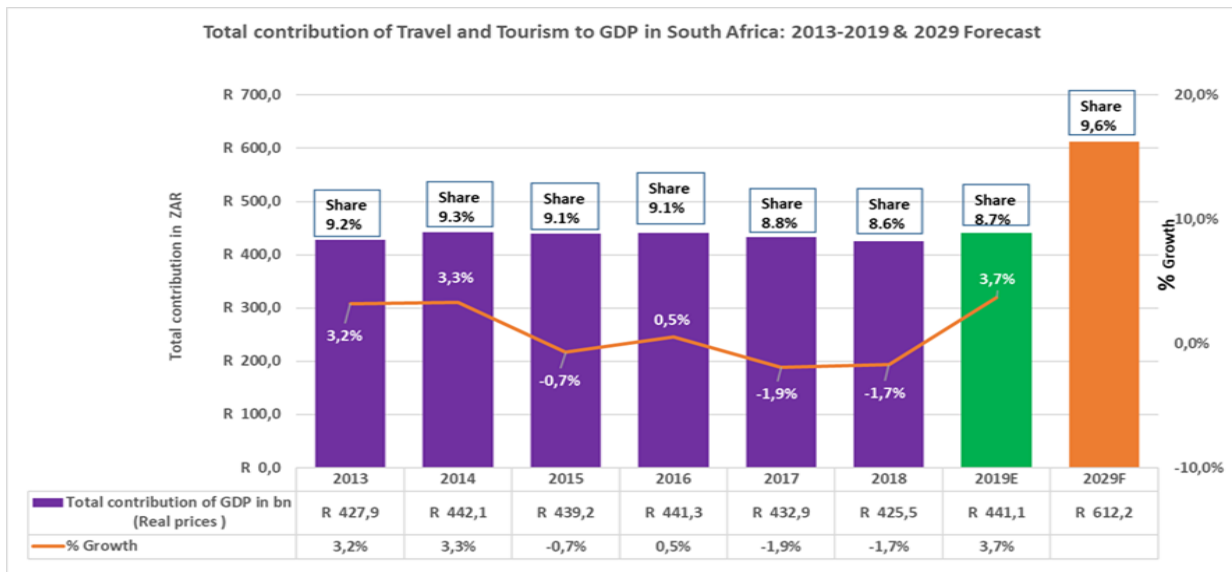


Figure 4: Total contribution of Travel and Tourism to South Africa GDP: 2013-2019 and forecast for 2029 (Adopted from WTTC, South Africa Report, 2018)

The total tourism contribution to South African GDP as shown in figure 4 indicates a slow but consistent trend between the periods of 2013-2019. It was revealed that between 2017-2018 the total direct and indirect contributions of tourism to South African GDP decreased from R432, 9 billion in 2017 (8.8% of GDP) to R425, 5 billion in 2018 (8.6% of GDP), which recorded a decline of -1.7% for that period. However, a significant contribution was estimated to be achieved in 2019 with a better mark to be reached in 2029. Accordingly, travel and tourism have also contributed immensely to job creation in South Africa, as local economies are empowered by the growth of patronage and engagement of tourist arrivals. Although, a sharp increase in the growth of job creation has not been recorded in South Africa, but for the period between 2013-2019, a stable and consistent growth have been maintained as illustrated in figure 5 below.



Figure 5: Total Contribution of Travel and Tourism to Employment in South Africa 2013-2019 and forecasts for 2029 (Adopted from WTTC, South Africa Report, 2018).

Accordingly, Figure 5 indicates that the travel and tourism industry added approximately 1,499,670 employees in 2018 (contributing 9.2% to total employment), an improvement of 0.4 per cent relative to 1,494,230 staff (9.2% to total employment in the country) in 2017. In 2019, WTTC also projected that the travel and tourism sector would contribute around 1,513,620 jobs (9.2% to total employment in the country) and this was a 0.9 per cent increase over 2018. Forecast data for 2029 suggested that the South African travel and tourism sector will contribute a total of 1 991 320 jobs with a 10.2% share of total employment. Although, it is still believed that tourism activities have diluted the preserved long-term culture of South African by the penetration of imported ideas, character and attributes such as new ideas, illicit drugs, prostitution practices and communicable diseases (Scholtz & Slabbert, 2016). Therefore, standardized legislation on tourism must be implemented and monitored by both the South African government and people to control the excesses and externalities of tourism activities, but to promote and boost South African economic growth.

Relationship between FDI and Tourism in South Africa:

The continued growth and development of the tourism industry depends on the availability of sufficient long-term financing for the industry, which means that the scarcity of these financial resources is a hindrance to the development of the tourism industry. However, investment capital must be crucial to the advancement of tourism, which is more infrastructure-oriented, as well as to the expansion towards other nations of the world. For instance, in 2017 the SSA region only attracted USD\$17.5bn (5.2% of the total FDI to the region) in capital investment to the industry (WTTC, 2018:1). Perhaps, with the signing of investment capital for tourism advancement globally, which FDI provides, thus table 2 unveils the related perception of different authors on the relationship that exists between FDI and tourism.

Table 2: Authors and Conceptual Relationships between FDI and Tourism

Authors	Conceptual Relationships between FDI and Tourism
Buckley and Geyikdagi (1996)	The theories of FDI have considerable explanatory power concerning the growth and development of tourism.
Sanford Jr, and Dong (2000)	Tourism is associated with increased investment by FDI in both capital-intensive and service-intensive industries.
Endo (2006)	The role that FDI plays in tourism is much more critical for some developing countries in their overall economic activities.
Tang et al. (2007)	FDI plays an increasingly important role in the global economy and has a huge impact on a domestic economy and, in particular, its tourism industry.
Craigwell and Moore (2008)	FDI provides much-needed capacity for Small Island Developing States and therefore enables these countries to expand their tourism products.
Snyman and Saayman (2007)	FDI marketing is a function of tourism advancement.
Sheng and Tsui (2010)	FDI prospects, which are informed by clear host country policies, promotes tourism advancement.
Selvanathan et al. (2012)	As FDI inflows increase, so does the demand for tourism.
Khoshnevis Yazdi et al. (2017)	FDI is one of the tools used by developing countries to increase their tourism sector.
Satrovic and Muslija (2018)	Tourism sector is financed in great percentage using FDI

Authors	Conceptual Relationships between FDI and Tourism
Kaur (2019)	FDI has the potential to bring employment, increase productivity, increase the competitiveness of the domestic economy through transfer of skills and technology, strengthen infrastructure, increase exports and contribute to the long-term economic development of developing countries around the world, which in all enhance tourism advancement.
Matiza (2019)	Tourism growth is a function of FDI led finance.
Sheng <i>et al.</i> (2019)	Tourism attracts a higher degree of openness on FDI vice-versa.

The presentation in table 2 revealed the perceptions and findings of different scholars on the relationship between FDI and tourism. However, the majority of the scholars argued that truly, a relationship exists between FDI and tourism, which is informed by economic growth and development of host nations. The growing interest worldwide in the area of FDI and economic growth are vying for a share of global tourism. This phenomenon is demonstrated through several unique policies of different nations, which strives to promote tourism advancement and economic growth. Hence, the relationship between FDI and tourism is economically driven towards stable growth of the host nation's gross domestic products.

Policy and Managerial Implications:

The global economy faced a series of serious challenges in the 21st century. Although globalization has brought benefits to most stakeholders, the increased interconnections of the global economy have led to several intercontinental economic growth. Perhaps, an improved economic system attracts international investors (FDI), which also underpins tourism advancement (Sheng *et al.*, 2019; Sokhanvar, 2019). Hence, for a possible solution for South Africa to attract FDI and promote tourism advancement, concerned stakeholder should consider the following policy and managerial implications when building policies to this regards.

- a. Economic and social stability should be considered during policy-making to promote a positive image of the nation in the international scene;
- b. Political stability cannot be neglected in the quest of national building;
- c. Rules and policies regarding entering and exit (border policies) should be logical for a sustainable relationship with other nations;
- d. A standardized treatment of foreign affiliates should be viable to attract FDI and promote tourism advancement;
- e. Policies on the functioning and structures of the domestic market should be international standards;
- f. Tax and trade policies are key to FDI and promote tourism advancement;
- g. Standardized structures should be made available for international agreements on FDI and
- h. Policies on privatization should reflect positive structures that will enhance FDI and promote tourism advancement.

CONCLUSION AND RECOMMENDATIONS:

This article aimed to investigate theoretically and unveil the relationship between FDI and tourism in South Africa. For this purpose, a concise literature review was conducted. From the literature analysis, evidence was unveiled on the relationship between FDI and tourism, as FDI was found to be an engine that promotes tourism advancement in most countries. Thus, this paper has succeeded in unveiling the ideas of previous scholars on the relationship between FDI and tourism. As such, concise information on FDI and its present state in South Africa was provided. Information on tourism as it relates to the South African situation was also reviewed. However, it was identified that South Africa is not doing bad in both FDI and tourism, but sustainable policies should be maintained to enhance the continuous growth of both sector as they represent and also promote economic growth. Thus, it is recommended that policies on micro and macro-economic level that attracts FDI and promote tourism as outlined on table 1 should be considered to maintain a sustainable growth in both FDI and tourism in South Africa.

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