

Boosting Joburg's standing within the global economic system

By [Professor Ronald Wall](#)

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While the majority of African cities are still strongly disconnected from the global investment backbone, Johannesburg has taken the initiative to change its competitive position within the complex network of foreign direct investments (FDI) that takes place between thousands of cities worldwide.

What are the reasons for this?

By statistically comparing FDI flows into these cities and their social, economic and environmental characteristics, policy to improve competitiveness can be made. This will boost Johannesburg's power within the global economic system.



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Using a database of over 200,000 investments between 13,000 world cities (2003-2014), Johannesburg is 104th in terms of attracting investment and holds 7th position in Africa. Given that the six ranked above it – Cairo, Tunis, Tripoli, Algiers, Badr, Casablanca – are all in North Africa, it's sub-Saharan Africa's most powerful attractor of inward investment. And the top four cities that invest are London, Melbourne, Beijing and Dubai.

Outward investment

In terms of Johannesburg's ability to invest in other international cities, it ranks at 71st position, and first in Africa. Johannesburg should improve its power in outward investment by entering new international markets and forming new partnerships with foreign firms.

Around 70% of Johannesburg's outward investments are to African destinations. However, it is underperforming when tested against its expected influence on the continent. Johannesburg should improve its investments into Africa, as well as its gateway role in the continent.

Positive growth

Johannesburg has experienced a positive growth rate (25%) over this period and holds the 16th position in Africa. Because it is strong in volume and growth of investment, it can be regarded as one of the most sustainable African cities.

In an initial statistical analysis of the determinants of FDI to cities, it was shown that local technological readiness, ease of doing business, technological absorptive capacity, economic sectoral diversity, regional economic integration, market size, legal rights and openness, all have significantly positive effects on attracting FDI. By improving these, the expected FDI will result.

Corruption, inequality, and large urban populations have a negative effect on FDI. Reducing these will have a positive effect on attracting FDI to cities.

Major FDI clusters

Johannesburg needs to improve its understanding of who its global city and regional competitors are, but for different industrial sectors of investment.

To make it a more resilient city, it is important to define the balance between raising its global economic competitiveness and the wellbeing of its people (job creation, improve local business, social inclusion, reducing inequality, environmental protection).

ABOUT THE AUTHOR

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