

# IMPACT OF FOREIGN DIRECT INVESTMENT ON THE GROWTH OF EMERGING ECONOMY MAURITANIA

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**Abstract:** This thesis investigates the effect of foreign direct investments on economic growth in Mauritania. International Monetary Fund defines FDI as investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise. Foreign direct investment is a key driver of international economic integration. With the right policy framework, FDI can provide financial stability, promote economic development and enhance the well-being of societies. The study used descriptive research design which is used when the problem has been specifically defined and where the researcher has certain issue to be described by the respondents about the problem. Secondary data was collected for the period between 1997 and 2017. Developing countries, small economies consider foreign direct investment as a source of economic development and modernization, income growth and employment. Following Washing consensus, many of the countries have liberalized their capital movement regimes and followed foreign direct investment incentives policies to attract foreign investment. They have addressed the issue of how best to pursue domestic policies to maximize the benefits of foreign presence in the domestic economy. The study Foreign Direct Investment for Development attempts primarily to shed light on the second issue, by focusing on the overall effect of FDI on macroeconomic growth and other welfare-enhancing processes, and on the channels through which these benefits take effect.

**Keywords:** foreign direct investment, economic growth, Mauritania economy, Africa.

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## I. INTRODUCTION

This thesis investigates the effect of foreign direct investments (FDI) on the growth of Mauritania's economy. Mauritania is located at the Saharan belt of Africa. It has 4 million populations. Although, GDP has been increasingly growing very rapidly, in the World Bank definition, Mauritania would be considered as part of the Least Developed Countries (LDCs). Following Solow's growth model and the mechanism of FDI, Mauritania also follows policies to attract foreign direct investment. In the thesis, basically, the effect of foreign direct investment (FDI) on Mauritanian economy will be analyzed.

The process of developing countries needs to reduce the gap between domestic savings and investment and provide the latest technology and management know-how from developed countries. Foreign direct investment (FDI) can play an important role in achieving rapid economic growth in developing countries. This study focuses on finding the benefits and drawbacks of international finance for emerging economies. It will examine the relationship between economic growth and foreign direct investment (FDI) in the emerging economy.

This thesis explores impacts of international finance on emerging economies. This research focuses on the Mauritania economy and the inflow's influence of foreign direct investment on its growth in the period specified. The purpose is summarized as follows:

- To evaluate the importance of international investment to emerging economy
- To study and know the foreign direct investment has resulted and value on the emerging economy.
- To examine the effect of foreign direct investment both positive and negative on the emerging economy.
- To determine the relationship between the economy growth and foreign direct investment.

The main propose of the thesis is to study the foreign direct investment impacts and foreign capital flows on the growth of economy emerging and domestic investment in the receiving economies.

Specifically, the foreign direct investment contribution to economic growth in Mauritania will be studied determine whether the call for more foreign direct investment is truly justified. The relationship among economic growth and foreign direct investment in the country is discussed and the contribution of FDI to growth will be revealed. To achieve this, scientific opinions and proposals will be discussed and a descriptive analysis will be conducted on FDI specifically.

Main research questions are:

1-What is the impact of FDI on economic of Mauritania?

2- Is there suitable political and economic environment for attracting FDI in Mauritania?

The main hypothesis of the study assumes that

H0: Foreign Direct Investment does not have a significant effect on Mauritania economy.

H1: FDI has a significant effect on economic growth in Mauritania.

H2o: There is no significant effect of import on economic growth in Mauritania.

H21: There is a significant effect of Imports on economic growth in Mauritania.

H03: There is no significant effect of domestic investment on economic growth in Mauritania.

H03-There is a significant effect of domestic investments on economic growth in Mauritania.

By assessing these hypotheses it is necessary to express the objectives of FDI and whether they contribute directly to economic in terms of GDP development, increased exports also reduced unemployment in the economy. Does this will this be short-term or long-term and whether the expected objectives will be achieved after the concessions made by the government, such as changes in the level of taxes and the enactment of investment legislation and agreement with domestic and foreign investment companies.

## II. LITERATURE REVIEW

Asiedu (2002) conducted a 10-year study (1988-1987) covering 32 countries in sub-Saharan Africa and 39 non-African country. In this analyses and repeated in 2004 it is recognized that natural resources and market size are key factors in determining FDI ( Asiedu, 2004).

The role of foreign direct investment in the supply chain and the productivity of investment and production are reconsidered by all the countries. In addition to the role of manufacturers of all customers, suppliers and distribution channels in order to control the flow of materials is normal. A supply chain for customers to take a number of planning, organization and control of components, parts and finished products.

Traditionally, material flow has been considered only at the operational level. However, supply chain integration capabilities cannot be ignored. Companies that manage the supply chain as a single entity ensure proper use of tools and techniques to meet market needs (Stevens, 1989).

Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernization, income growth and employment. Countries have liberalized their FDI regimes and pursued other policies to attract investment.

Aitken and Harrison (1999) studied effects of foreign direct investment in Venezuela (Aitken and Harrison, 1999). The study found out that the net effect of productivity was very low. Foreign direct investment institutions established increased productivity and reduced productivity of national interests and institutions. "Indirect effects" in question is a serious issue.

In the past decade, the role of economic development has been assessed depending on the technology involved. The traditional growth theory is based on technological development. The rate of growth in developing countries, and “catch-up” of the technological level. Technology includes introducing new ideas and techniques that can be spread through a few channels.

In addition to these channels for growth, foreign direct investment would be considered as an important channel. Specifically, many research and development investment of the private companies are large part of global investment (Findlay, 1978). The FDI raises the rapidity of practical growth (Findlay, 1978). Wang (1990) introduced education as one of the factors of growth, the growth in FDI would push production as a result of doing by learning. Foreign direct investment would facilitate gaining experience and learning by doing (Borensztein et al, 1998).

### 2.1 The Neoclassical Theory:

The neoclassical theory argues that FDI increases capital and income level of the country. Increase in, technological knowledge, expertise push further research and development (R & D) and working force can move through the variables as a long-term growth. A development in human capital, improve the quality of international cooperation provide kinds of products and services through the implementation and development (Hanmer et al, 2003). Increase in production, specifically in technological products, new products increases commodity trade as Heckscher-Ohlin argues. However, these reasons and artifacts of these theories are based on the assumption of the ideal market structure and the nature of the strike, so the reason can not be a satisfactory explanation. In the absence of market failures and means that this was not the theories of foreign direct investment. However, they have the advantages of having a threat from a foreign country to say that means it must be.

### 2.2 Endogenous Growth Theory

The significance of expertise is to improve the effectiveness and efficiency of FDI with its positive influence on production progress and generate more revenue to enable there should be external reasons, as well as increased production. In addition to theoretical arguments, FDI may be lost from developing countries. Krugman was on the handover of control of external and local companies, because the bad selection problem is not the host country that may be useful. (Krugman 1991, Fujita et al.).

### 2.3 Cumulative Causation Theory

The cumulative causation theory was developed by Mirdal at (1957) (Panico and Rizza, 2009). This theory argues independently of the initial conditions, domestic economic growth determines the "origin". This would offer economic inequality therefore; economic policy must be corrected in this balance. Plummer and Taylor, 2001).

### 2.4 Theoretical FDI:

The theoretical explanation of the reasons for FDI based on the differences and comparative advantage of countries in connection with the traditional theory of international trade. The statement said Ricardo's comparative advantage theory of rich and free trade, participation in international trade for the benefit of the two countries. In contrast to the absolute top of the production in each country, some products may have a comparative advantage. Their sources, came to the country with a comparative advantage in their production, the company may also appear in other countries, their shares. Revenues decrease the company's prices and products to provide an effective form. Given the situation in (H) Heckscher-Ohlin's theory of self-esteem, this means that there is enough price difference, because the source of comparative advantage is a gift given by his representative (Kenton, 2018)

According to FDI theories, they can be separated to two sets; identification of FDI at the micro level and determinants of the macroeconomic level of foreign direct investment. Micro economic theories of the FDI initiative to response the inquiry of why multinationals prefer to open companies rather than exporting or licensing their products in foreign countries. The aggregate levels of FDI determinants refer to host country positions that determine the flow of foreign direct investment.

This part mainly presents books on why investment in emerging economies is the cause of the need for direct investment and its effect on host country development.

#### 2.4.1 Why investing in developing countries?

How and why a company wants to become a multinational company? Why does a company go to developing countries and strengthen its international participation? High and predicted returns in developing countries may be the main reason for foreign investors to invest in developing countries. This may take different forms than in developed countries. They can be detailed below: labor salary, infrastructure level, political stability and abundance of natural resources.

##### 2.4.1.1 Low Labor Cost:

It is generally understood that the employment factor in the country as the amount of Oland, government-owned employment, capital and entrepreneurship can be exploited in various sectors. Rybczynski (1955) explained that increasing the supply of labor would increase the production of goods using this factor intensively. In China, foreign investors are trying to benefit from cheap labor, especially when production requires abundant labor (Ali, 2005). In addition the FDI flows are also determined by the low-priced working force, the proportion of work production. Regarding to a report by the Ministry of economy and Industry in 2017, the Mauritanian labor force, estimated at 13,124,688 people, is still available and inexpensive. Labor costs are very low in Mauritania: \$ 5 per day for unskilled labor and an average monthly salary of \$ 40 for new graduates.

##### 2.4.1.2 Natural Resources

This is one of the defining significance of FDI. Dunning J., (1993) highlights that for countries in Europe and North America, production of basic metal products stresses the need for a stable and reliable resources. The main cause for the increase is a straight contribution of natural resources. Said (Berhanu, 1999) to foreign countries, especially the use of natural resources can attract sufficient mineral deposits. Theories about the benefits of the site, the lack of natural resources and development, as well as macro-economic and political stability, both before the start of the importance of cross-border activities should be respected as a sign dunning said.

##### 2.4.1.3 High Level of Government support and Investment Incentives:

Foreign direct investment policy instruments are used to attract foreign investors. This has some impact on the determination of FDI but, as described in (Asiedu, 2004), investment incentives cannot be sufficient in themselves. The host country needs to increase other determinants such as infrastructure and market size.

##### 2.4.1.4 Little capital :

In accordance with the neoclassical approach, the availability of small capital in developing countries increases its performance. In the route of discussion, wealth changes from a low-yielding economy to high returns. This approach is based on full competition and risk aversion (Harrison, 2000).

##### 2.4.1.5 Trade liberalization:

The relationship between trade and growth is concentrate by most of the literature. Many researches find a link trade or any other measure of openness and growth. (Bajona C. G., 2008) observed the theoretical link between trade liberalism and economy growth. They conclude that trade liberalism leads to advance the productivity and the real GDP growth rates (BajonaC.G., 2008).

#### 2.4.2 Why direct investment?

Direct investment involves investing directly in the production of another country, either by buying a company or by starting a new business for an existing company. Foreign direct investment as the World Bank is when an individual or an institute owns 10% or more of the capital of a foreign company. If the investor holds less than 10%, this is an addition to his portfolio. Even with only 10%, the investor usually has a significant impact on the company's management, operations and policies. For this explained by reason, most government agencies want to control those who invest in the business of their country (Delali, 2003).

Foreign suppliers invest directly in the host country is because of market size in the country. The size of domestic market can be measure by the alternative of development and wealth of a country. Measures the internal market per capita income (PCI) per day, a power indicator used to measure the volume of demand in the domestic market. In addition to intangible cultural heritage, as well as the number of the country's population, GDP, used as indicators of the size of the domestic market. A foreign direct investment company, the market should be looking for a company (Root, 1979).

### III. MAURITANIA ECONOMY

Mauritania is located between latitude 14 ° and 27 ° 10 'North and between latitude 5 ° and 20 ° north and longitude 17 ° 30' west, with a massive area of 1030 thousand square kilometers including the coast. This category of youth comprises 43.5% under the age of 15 and 54% under 20 with a slight difference between men and women. Population above 60 representing about 5%.

Mauritania is rich of natural resources, basically iron ore. Economy largely depends on agriculture. In 1960s, the GDP was 107 million dollar, in 2018 it reached to 5.3 billion USD \$ (World Bank, 2019). At the same period, the population increased from 830 thousand people to 4.3 million people. Life expectancy was 38 years old at 1960, currently it is 63 years old (World Bank, 2018). In 2010, Mauritania's second largest iron ore producer Africa ranked 15th in the world. Iron ore exports from last year were 91 percent from \$ 997 million to \$ 522 million. (AfDB, 2013)The country also produced crude oil, gold, cement, quartz, copper, gypsum, salt and steel. In 2013, Mauritania's mining sector generated revenues of \$ 375 million.

Development of the Mauritanian steel industry. In 2010, Xstrata plc. Switzerland has acquired 75% of Globe Minerals Ltd, which has been engaged in ore mining in Mauritania for more than 10 years. SNIM produced 11.5 million tons of the country's total iron ore production in 2010. The company plans to increase production to 20 million tons per year by 2014 by operating three iron ore projects in Mauritania's Xstrata, And in a second. In 2010, the company plans to invest \$ 6 billion in these projects to improve its production. In the same year, Kinross Global acquired Redback Mining Inc. On the gold mine for \$ 7.1 billion. Kinross had two other statements: Ahmeyim Tijirit and Caritas. In 2010, Tasiast gold mine production statistics reached 5765 kg of gold compared to 5138 kg in 2009, in which the company plans to invest \$ 55 million to carry out the exploration program from Tasiast Area. ( AfDB, 2013)

Guelb Maghren where Mauritania copper is located which which produces about 37 billion tons of copper in 2010. The mine sector remain 6.5 years of mining with 1216 workers. Gryphon Global Mining Company assimilated Shield Minerals in 2010 and began developing exploration projects for Sabussiri, Akjoujt and Tirjit. This will increase copper and gold production over the next two years. ( (Azo, 2012)

#### 3.1 Fossil Fuels

Mauritania has many global companies exploring for uranium. The following are some of the prominent ones, in 2011; Mauritania awarded seven oil exploration licenses worth \$ 30 million. Shankwit's deposits alone produced 8,000 to 9,000 barrels. / D Reserves are estimated at 120 million tons. ((Azo, 2012).

However, the country's economy depends on agriculture and fishing. Recently, the government has taken a series of measures to strengthen the watching industry and cannot attract foreign capital on a large scale.

#### 3.2 Investment

Despite the failure of oil forecasts to attract many international investments, the iron and gold mining industries have succeeded, with many major global mining companies such as Kinross and Xstrata starting to invest in them.

The presence of a large number of international companies in Mauritania is due to some of these factors:

- Improvement in infrastructure
- Privatization of economy
- Development of the mining laws
- Conducive investment conditions
- Reduction of poverty level to a certain extent

Mauritania's mining and geology department enforces mining laws and ensures a climate conducive to foreign investment. According to mining laws, miners are exempt from customs duties for prospecting during the first five years. Experts believe the Mauritanian mining sector is likely to contribute to a more stable economy in the coming years.



### 3.2.1 Level of infrastructure

Country wants to attract foreign investors need to develop its infrastructure because the development of infrastructure plays an important role in the expansion of FDI, since an efficient and acceptable infrastructure means improved access to natural resources and a potential market. According to Berhanu (1999), the reliability and availability of telecommunications services, land and air transport services, water facilities, reliable energy supplies from the income of foreign companies are of great importance and direct intervention of foreign funds.

Mauritania's modest infrastructure is modest compared to the structure of its neighbors. Roads are bad, especially in the country. It is difficult to maintain the long and difficult distances of desert climates. There are about 7,660 kilometers (4,760 miles) of roads, 866 kilometers (538 miles) from the pier and 704 kilometers (460 miles) of railway to transport iron ore from Zuwairat to Nouadhibou. Many roads under construction, land conversion and road construction are a priority for the state.

Nouakchott port that made by China receives 85% of imported goods from the country. The second seaport is the Nawadabu Fish and Iron Export Center. Bogue, Cody and Rousseau are other ports in the Senegalese river, and there is traffic on the Senegal River. Mauritania provides international services between Nokoce, Casablanca, Dakar, Palas, Bamako and Bengal. With international airports in Nukucha, Nouadhibou and Noumou, Mauritania helps French airlines, African airlines, Morocco, Tunisia, Algeria and Senegal.

Electricity production reached 152 million kilowatts per year in 1998, 80% of which came from thermal installations and 20% from hydro power plants. Most companies have their own generators. Energy consumption is 141 million kWh (1998). Public sector energy production increased by 25% between 1993 and 1997, with demand from Newcastle and Nivea. Mauritania depends on fuel imports. Alternative energy generation, such as solar power, is limited but growing. Get 15 percent of the electricity from a man-made dam in the Senegal River. La Société Mauritanienne D'Electricite, an energy monopoly, is improving its management and is planning to privatize it by using a consortium of companies in Hong Kong and Shanghai and has led the banking sector to prepare the process. Power projects under construction include expansion of the Nova Scotia power grid. Euro Wood covers half of the national demand for fuel, but the European Union (EU) encourages the distribution of gas cylinders and torches to encourage consumers to switch to gas. To meet the demand for drinking water, the government plans to build sewerage systems, encourage the drilling of new wells in the suburbs and increase the capacity of the Nouadhibou and Nova Scotian reservoirs.

Mauritania communication system is weak, used only 9,000 major roads in 1995, but expanded dramatically in the late 1990s. The first GSM cell phone with 50,000 new lines, covering Nova Scotia and Newbury, was launched. The system administrator, a The privatization of OP (telecommunications), formerly controlled by the Government, was launched in 1999 with the aim of establishing three separate units by private sector companies. Sajima Canada has issued a reauthorization letter. Alcatel acquired its market share by installing a new line of 10,000 lines at Nokia for \$ 4.5 million in 2000. joint venture between Tunis Telecom and local companies, has \$ 28 million to compete with France Telecom and Starcel.

The World Bank approved a US\$10.8 million loan to the government for assistance in privatization and expanding access to communications.

### 3.2.2 Political stability

The economic process of the country, in particular the entry of foreign direct investment into the country, can add to political crises and unstable, implicit, explicit, internal or external conflicts. Regardless of the country's economic environment and political instability, FDI is extremely difficult to achieve. Political instability can lead to direct foreign investment until the storm is eliminated or disappears forever (Birehanou, 2003)..

Policies and society are constantly affected by ethnic tensions, ethnic divisions and political developments. Since independence in France in 1960, Mauritania has fallen victim to this fragile situation of stability and collapse. This is the story of a coup d'état between 1978 and 2008; major ethnic conflicts in 1989 and 1990; terrorist attacks between 2005 and 2011 put the country at boiling point. But Mauritania has never been destroyed in civil war or violent collapse.

However, the internal and external effect of growth conditions it is very difficult to maintain stability in the turbulent. After Mohamed Ould Abdel Aziz became president in 2009 after the 2008 coup led to a period of joint reaction to the threats of violent extremists and economic paralysis in the country.

Mauritania's economic freedom index of 54.0, ranked its economy in 2018 as 140. Index decreased by 0.4 percentage points, while the tax burden and improvement of financial health indicators are the lowest. . Mauritania ranks 24th out of 47 in sub-Saharan Africa, with overall levels below regional and global averages.

Recent GDP growth has benefits from foreign investment in the Mauritania's mining and oil sectors; a half of the population still depends on agriculture and livestock husbandry. Institutional weakness and continuing political instability constitute the legal and regulatory framework for improving the business environment. Corruption undermines the rule of law, and there is growing political weakness and inefficiency. Market policy does not fully reflect the lack of participation in the global economy, the government and other restrictions prevent the lifting effectively (foundation, 2018) after decades of weak growth, raw materials, the beginning of the end of the cycle, one of Mauritania's GDP in 15 years. In 2003 and 2015, the annual rate of increase in world prices, using historical growth was 5.5%.The mining sector, the highest income of this dynamic was the main engine of economic growth. In terms of value, the mining industry stagnated in general, mineral exports, \$ 318 million in 2013, and in 2003 rose to \$ 2652 million. On average, in the mining sector compared to GDP, exports amounted to 25%, 82% and 23% of national income. (mondiale, 2018)

Between 2010 and 2014, Mauritania's fish production increased in the mining industry, due to severe service and recovery, an increase of 5.5 percent. Meanwhile, in 2015, the economy was devastated by the fall in world market prices, growth rates and deterioration in export earnings, foreign exchange reserves, economic growth and the state budget deficit. Lack of a kind of production, structural defects, and government has increased the impact of this situation. Current external accounts The inspection area is intended for debt problems and general cash flows. As a result, the real GDP to reduce the impact of the main building and the fishing industry to reduce iron ore production and activity slowdown in 2015 to 6.6 percent in 2014 fell to 1.9 percent. Sum as of the end of 2015 fell by 2.8%, respectively, due to lower food prices and real exchange rate.

Taking into account the macroeconomic and tertiary sector (trade and finance) are becoming increasingly important. In 2016, after signs of improvement have emerged through improved tax collection, the budget deficit may be expected to rise in 2016 by lower non-tax revenues.

Foreign direct investment, net inflows (% of GDP)

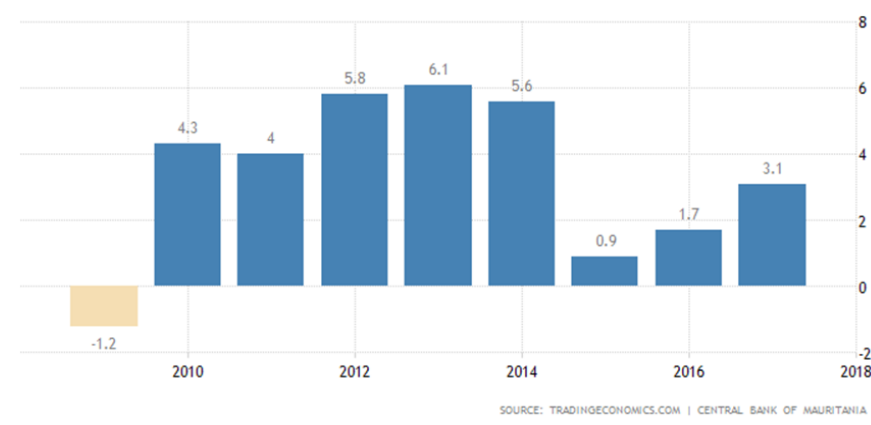
Year	GDP	Foreign Direct Investment	Foreign direct investment, net inflows (% of GDP)
1990			0.66
1991			0.15
1992			0.51
1993			1.28
1994			0.15
1995			0.49
1996			-0.03
1997	567.2228466	-3329920	-0.23
1998	539.4253598	132643.0002	0.01
1999	534.7159444	15119460	1.07
2000	477.4761024	40096000	3.10
2001	464.229758	76700000	5.92
2002	460.9542322	67340352.32	5.08
2003	528.5806613	101957951.6	6.52
2004	602.547286	404102025.7	22.04
2005	697.7452864	811869181.4	37.16
2006	944.1304851	154601638.1	5.08
2007	1013.310149	139372822.3	4.15
2008	1167.535733	342770662	8.50
2009	1046.837935	-3072044.396	-0.08
2010	1203.383663	130528391.3	3.00

2011	1393.261734	588749564.2	11.39
2012	1364.283926	1386098851	26.49
2013	1450.577949	1126004760	19.67
2014	1326.668654	502589833.8	9.32
2015	1158.256371	501726765.7	10.35
2016	1101.901529	271134845	5.72
2017	1136.763975	588217194.8	11.70

Source: World Bank <https://data.worldbank.org/country/mauritania>

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Taking into account the macroeconomic and tertiary sector (trade and finance) are becoming increasingly important. In 2016, after signs of improvement have emerged through improved tax collection, the budget deficit may be expected to rise in 2016 by lower non-tax revenues. Exports to Sudan, Mongolia and the National Bureau of Statistics (last year) for the first time since the last quarter of 2013, even if imports exceeded \$ 483 million US trade deficit in 2016. To improve educational and industrial support in the country, (Iron, copper, gold, sapphires, livestock and fish), and the need to reduce economic dependence. MECKLENBURG relies on international assistance, country and economy of funds and technical assistance. They are sensitive to fluctuations in the global market as well. (moci, 2018). Figure : Mauritania GDP Annual Growth Rate



#### IV. RESEARCH METHODOLOGY

The methodology identifies the way used in the study to collect and analyze data in order to achieve the research objective. This study targeted population research, analytical model, data collection and analysis, as well as, ultimately, the use of screening methods. Thus, Mecklenburg in this economy is economic growth, direct foreign trade and mutual understanding. Development of relations between the two countries, practical work? Time analysis of field data and econometric instruments. In this chapter, first of all, helps to understand the relationship between variables in the details of the main types of options. In the next chapter, either to interpret the data analyzed in this analysis.

##### Research Model

The linear regression of independent and dependent variables was estimated using the linear regression model below to determine the relationship between FDI and economic growth. The analysis was quantitative and descriptive in nature. The user form was as described below. (ASEAN, Economic Bulletin, 2004)



$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where;

Y= Economic growth measured by GDP growth rate  $\beta_0$ = the value of Y when X is zero

$\beta$  = the regression coefficient of change induced on economic growth by FDI

X1 = Foreign Direct Investment Measured by inflows and outflows

X2 = Annual Inflation Rate

X3 = Exchange Rate measured by value of Mauritania's currency against the dollar, s = error term.

## V. CONCLUSION AND RECOMMENDATION

This study has been corrected to clarify measures on FDI and economic growth, the impact of negative and positive FDI and the policies used to improve foreign direct investment to increase economic growth. It explains the research problem, its purpose and value for other researchers and the economy as a whole. The study presented theories on foreign direct investment and economic growth. Theoretical studies on FDI and economic growth have led to a better understanding of the economic mechanism and behavior of economic factors, both partial and partial.

The descriptive part of the analysis examined the performance of the Mauritanian economy in terms of foreign investment and the impact of various economic sectors on economic growth.

Mauritanian economy structure is divided into five main sectors: fishing, livestock, mining, agriculture and oil.

In the hope of promoting FDI flows, African countries have undertaken many economic reforms. The main elements of global reforms are macroeconomic stability, liberalization of investment laws, simplification and rationalization of labor regulations. Africa's share of FDI flows to developing countries is very small. In addition, small foreign direct investment in Africa is unevenly distributed across the continent. LDCs' performance is linked to attracting FDI to their natural resources. In other words, countries rich in natural resources, especially oil-rich countries, have attracted significant foreign direct investment, regardless of their political and economic environment. For middle-income African countries, economic development, the political climate and the business climate are key determinants of foreign direct investment. Middle-income African countries have attracted many FDIs. So I argue that the host country gets a direct or indirect foreign investment looking for resources when it reaches a certain level of development. Because the level of development in recipient countries is the key factor in determining the operating costs and potential profitability of investments. In the least developed countries, the purchasing power of the population is very low: lack of infrastructure and skilled labor. As a result, the cost of doing business is extremely high and the profit potential of investors is very low. In other words, foreign direct investment could increase the host country's infrastructure but would require a minimum level of infrastructure development; FDI was also thought to have increased labor productivity in the host country, but required some minimum labor productivity. Could also improve the purchasing power of the host country, but would require a certain minimum per capita income.

The Mauritanian government is trying to boost foreign direct investment flows in the country by liberalizing the country's investment system and offering diverse investment incentives. However, the volume of FDI in Mauritania is very low. The regional distribution of foreign direct investment in Mauritania is uneven. China is the main source country, accounting for more than half of the country's total foreign direct investment, followed by the United States, United Arab Emirates, Morocco and France, respectively. The factors that prevent FDI inflows in Mauritania are: low effective demand due to the purchasing power of the population, lack of important natural resources such as oil, low level of infrastructure development, excessive bureaucracy, inefficient legal system, ineffective and unstable political environment, Lack of liberalization and slow privatization program. Any country should derive substantial or indirect foreign direct investment from a variety of foreign resources, which should be developed at a minimum. As a result, the factors associated with the level of development in the country are largely responsible for Mauritania's poor record of attracting foreign direct investment.

The country must attract large foreign investment that can reach a certain level of development. The implications of policy are the way forward. The initial impetus for growth must come from the Mauritians themselves. Therefore, the

government should focus on factors that hinder domestic investment. Foreign investors are encouraged to invest in a country where local investors succeed. In other words, the success of local investors can influence the decision of the site for foreign investors. However, how can local investments fuel growth in a country like Mauritania where the overall domestic savings are very low? In this regard, the mobilization of Mauritanian resources in the diaspora is an alternative.

The development of weak infrastructure and civic education should be a priority for the Government because it is a prerequisite for foreign direct investment and economic development.

Serious commitment is needed to address excessive bureaucracy, weak legal and regulatory frameworks and corruption, which increase the costs of doing business in the country and affect the image of the country in the eyes of potential investors. As a satisfied investor is an important promoter for potential investors, the government should also support existing investors by proposing a post-treatment program aimed at identifying and resolving the problems faced by current investors.

The purpose of this thesis was to describe Mauritania's political and economic environment as the most important factor in attracting foreign direct investment and its impact on economic growth. Three hypotheses on the importance of foreign direct investment, imports and domestic investment were tested on Mauritania's economic growth.

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