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Joseph Yaw Abodakpi
Department of Finance
Cracow University of Economics, Poland

CHINESE INVESTMENT IN GHANA

Abstract

Over recent periods, especially in the last two decades, Africa has recorded growth and received inflows of both direct and indirect forms of foreign investment. This is due to ongoing globalisation and to the redistribution or allocation of capital and wealth among nations with the idea of competing on a global scale. Many countries, particularly sub-Saharan African countries, have seen this trend as part and parcel of their long term development plan and growth agenda ever since China became a development partner for most of these countries. In this paper, the Investment Development Path (IDP) theory introduced by Dunning in 1981 is used to examine the basis of the Chinese Investment model. The author sheds light on Chinese investment in Ghana after 2008 and the performance of these investments. In order to examine the possible positive impacts and prospects of foreign direct investment in Sub-Saharan African countries, the author considers the significant role of Asian investment, especially that of the People's Republic of China and its strategic dominance of investment on the continent. The last section of the article briefly examines the specifics of Chinese investment in Ghana. Finally, the author presents a summary and some policy recommendations.

Keywords: Ghana, China, FDIs, spillover effects.

1. Introduction and Background

Economic and political reforms in the People's Republic of China in the late 1980s and its eventual entry into the World Trade Organisation made China sign numerous trade agreements with other developing and emerging economies to enhance and promote its developmental and investment agenda. The desire for portfolio diversification forces countries and multinational corporations to seek new markets and expand their market share in order to compete on an international scale. There has been massive and continuous movement of Chinese investment and companies into African countries, especially in the area of raw materials extraction such as mining and textiles, oil and gas, and infrastructure development (Broadman 2007). China's strategic and somewhat aggressive level of investment in the African continent has been a major concern for traditional dominant investors such as the United States and the European Union. Interestingly, the steady pace of economic growth and development combined with it holding of high volumes of foreign exchange reserves makes China a force to be reckoned with on the international stage as regards trade issues. Its strategic position as leader of the BRICS member states also adds to its advantage, since it enjoys massive support from other emerging economies.

2. China's Financial Influence in Africa

Trade and investment ties with African countries, together with its fundamental economic and long-term strategy, have made it important for China to acquire and secure resources to implement its economic and political agenda. On the political spectrum, China enjoys a great deal of diplomatic support from African countries due to the support they receive in the form of financial packages and military hardware assistance. This strategy has been successful over a number of years, enabling China to maintain a strong and influential position in African-Chinese trade and investment affairs. From the economic and financial point of view, several state-owned banks and other financial institutions encourage China's presence in Africa. China's infrastructure and telecommunications development agenda to construct roads, health facilities, bridges and power plants in African countries enjoys support from the Exim Bank, which was established in 1994 especially to promote and support Chinese exports and FDI (Wang & Bio-Tchané 2008).

Furthermore, the Chinese Development Bank, set up in the same year as the Exim Bank[1], also makes available funds and loans to Chinese firms and has also helped in the creation of the China-Africa Development Fund with the primary aim of supporting Chinese FDI in Africa. In 2001, SINOSURE (China-Export and Credit Insurance Corporation) was also created to provide risk advice and to help Chinese firms mitigate risk in the financial markets of the African sub-region[2].

China's accelerated growth and its improving capacity, combined with its international influence, have attracted the attention not only of the advanced economies but also, in particular, the developing and emerging economies

[1] http://english.eximbank.gov.cn/tm/en-TCN/index_617.html. Accessed: 5 June 2014.

[2] http://www.sinosure.com.cn/sinosure/english/English.html. Accessed: 5 June 2014.

and markets. China has gained resilient growth out of extreme poverty and underdevelopment over the last three decades to become a formidable global power house. This pattern of growth and development has become a model to be followed by African economies and has also served as a source of finance and trade for developing and emerging economies in Africa.

The influence of the Chinese model of investment in Africa, whether positive or negative, has been in diverse and has in different ways depended on the spectral segmentation of each country's production. Over the decades, the Chinese government has increased its partnership with most African economies, such as Zambia, Tanzania, Botswana, Ghana and Angola to name just a few. These trade packages have generated important gains for most African countries in various sectors of the economy. However, a cost-benefit analysis is needed to measure and quantify the advantages and disadvantages and also to fashion policy frameworks necessary to increase and accelerate the China's rate of impact. This primarily depends on African economies creating the room and capacity to be in position to reap the full benefits of China-Africa trade relations as well as the various engagements on different platforms. With countries such as Nigeria having huge amounts of oil, and Ghana also discovering oil in huge quantities, relations with China have intensified. "China recently overtook America as the world's largest net importer of oil. Almost 80% of Chinese imports from Africa are mineral products. China is Africa's top business partner, with trade exceeding USD 166 billion"[3].

China's growing demand for oil reveals the urgent needs of its energy sector, especially in the production and manufacturing industries.

3. Investment Motives

For multinationals, the most important and common incentives to invest are efficiency-seeking, resource-seeking, and market-seeking (Dunning 1993). The availability of natural resources combined with unskilled, semi-skilled, and skilled labour and the presence of a well-developed infrastructure encourage resource-seeking investment as in the case of China in most African countries and in other parts of the world such as Canada. An abundance of raw materials gives a comparative advantage and creates opportunities for trade. Resource-seeking investment takes place rapidly when there is an insufficient capital base to develop a vast stock

[3] http://www.economist.com/news/middle-east-and-africa/21574012-chinese-trade-africa-keeps-growing-fears-neocolonialism-are-overdone-more. Accessed: 5 June 2014.

of resources or when there is a shortage of skilled labour and professional knowledge (UNCTAD 1998).

The market-seeking motive is encouraged when there exists a huge market in terms of population size, with per capita income used as the measurement to determine the economic prospects of the investment. New markets that are unsaturated give firms the chance to compete and grow, thereby making specialisation the route to gaining economies of scale. In assessing the size of markets, China looks at the Sub-Saharan African corridor as a massive investment hub and other regional blocks as investment destinations. Countries such as Nigeria, along with Ghana, Kenya, South Africa and other investment hotspots, provide markets for China's manufacturing and production capabilities.

Finally, the motive of efficiency-seeking FDI is "to rationalise the structure of established resource-based or market-seeking investment in such a way that the investing company can gain from the common governance of geographically dispersed activities. The intention of the efficiency-seeking MNE is to take advantage of different factor endowments, cultures, institutional arrangements, economic systems and policies, and market structures by concentrating production in a limited number of locations to supply multiple markets (Dunning 1993, p. 59). In order for efficiency-seeking foreign production to take place, cross-border markets must be both well developed and open, therefore it often flourishes in regionally integrated markets (Dunning 1993, p. 59)" (Kudina & Jakubiak 2008). It should also be noted that multinationals combine all the above motives when seeking investment proposals.

4. Dunning's Investment Development Path Hypothesis

In carrying out an in-depth analysis of foreign direct investment (FDI) as a model, the Investment Development Path (IDP) theory introduced by Dunning in 1981 and other authors (Dunning 1986, 1993; Dunning & Narula 1996; Durán & Úbeda 2001, 2005) will be employed to explain Chinese investment business models. Multinational enterprises (MNEs) mainly operate from advanced and developed economies, but in recent decades there has been constant increase in FDI from China, which has gained the position of the world's second largest economy[4] and this new phenomenon challenges existing FDI theories. Neither the Ownership-

[4] http://www.bloomberg.com/news/2010-08-16/china-economy-passes-japan-s-in-second-quarter-capping-three-decade-rise.html. Accessed: 7 October 2014.

-Location-Internalisation (OLI) nor the Linkage-Leverage-Learning (LLL) models fit the Chinese investment model completely: the OLI model is used to analyse FDI from China to developing economies, while the LLL model explains FDI to advanced and developed economies. Based on those models, FDI normally develops along a path that shows a correlation between a country's level of development in terms of GDP or per capita income and net investment. Most multinational have used the both the eclectic model of international production (Dunning 1993) and the OLI as a framework for analysis over past decades. For the OLI model to work, three conditions have to be satisfied, namely, the existence of ownership advantages and locational advantages and the absence of imperfect external markets.

An ownership advantage involves markets, raw materials, and high quality human resources being available to the international firm, and these assets are normally intangible. A strategic location will influence the MNE to invest especially where transportation costs are lower and where there exist a well-developed telecommunications system and a market with good purchasing power. In the situation where an imperfect external market is absent, the MNE becomes directly involved in the production process instead of opting for licensing. The theoretical framework establishes a five stage phase which shows the pattern of investment development.

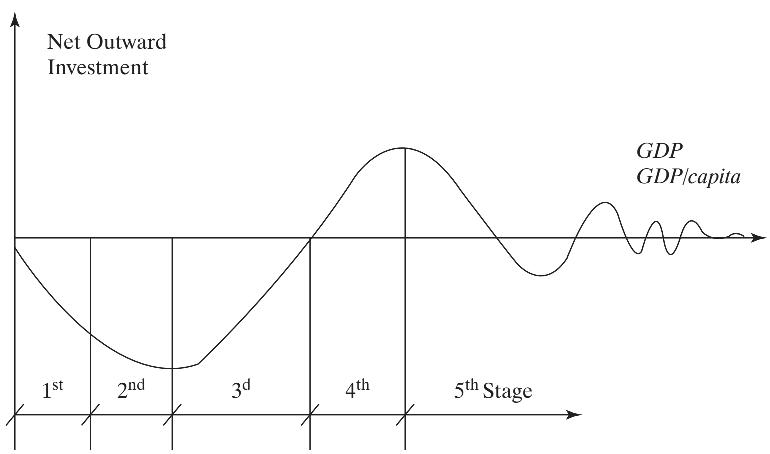

Fig. 1. The Investment Development Path Model

Source: Dunning & Narula (1996, p. 38).

The first phase of the IDP model describes and represents countries that are less developed and face the impact of a net outward investment (NOI) position as a result of these countries being FDI receivers and also being endowed with natural resources which serve as a leverage for them. Moreover, at this stage of the developmental path, FDI is probably negligent or absent and attracting investment is less feasible. One barrier during this phase is the lack of locational advantage combined with a low human development index (education), inadequate infrastructure, the absence of state-of-the-art technology, unskilled labour, and political instability that is often present in such developing economies.

The second phase is more attractive due to the inflow of inward investment. An increased inflow of FDI combined with a sustained level of GDP growth are crucial at this stage of the investment development path model. As the locational advantages become paramount for the host countries, there is an influx of FDI most importantly where there are natural resources with a sufficient level of technology, skilled labour (human capital) and financial capital. Domestic markets at this stage benefit from technological and technical know-how and from the associated positive spillover effects from the multinational companies that enter. Domestic markets at this stage must possess the full capacity to absorb the benefits of economies of scale present during this phase of the developmental path.

Emerging economies experience the third stage of the investment development path where there exist a growing NOI position, an upward increase in the economy's income per capita, and improvement in industrialisation and specialisation as a result of economies of scale that orient demand towards refined products. Competition at this level also intensifies at the domestic level as the level of diffusion transmits into domestic industry.

In the fourth phase of the model, outward FDI stock exceeds inward FDI stock and there is a desire to seek market efficiency and cheap human capital. Certain strategic decisions, such as mergers and acquisitions and strategic alliances, are associated with this stage. Production becomes capital intensive and improvements in technology and a desire to seek complex markets and attract highly-skilled and qualified labour are prevalent at this stage of the investment model.

Finally, Dunning (1986, pp. 30–31) and Dunning and Narula (1996, pp. 7–9) argue that in some advanced economies such as Germany, France and the United States, to mention just a few, stage five of the IDP correlates with surplus and high volumes of both inward and outward FDI and the net outward investment. "Beyond a certain point in the IDP, the absolute size of GNP is no longer a reliable guide of a country's competitiveness; neither, indeed, is its NOI position" (Dunning & Narula 1996, p. 11).

In trying to evaluate the relationship between Ghana's international investment position and its level of economic development, the investment development path model has been used to analyse the country's investment phase. The impact on intra-regional FDI in Africa has also been examined, with South Africa using it for comparative purposes, and there is empirical evidence in support of IDP in Ghana. Evidence suggests that the country is in the second stage of the investment development phase and is entering the third phase. Furthermore, location-specific advantages combined with natural resources have contributed to this pattern of investment development (Abdul 2012).

5. Legal Framework and Investment Policy of Ghana

The Promotion Act (Act 478) of 1994 established the Ghana Investment Promotion Centre (GIPC) with the aim of attracting foreign and domestic business and also monitoring business operations. The GIPC encourages, promotes, and facilitates investment in Ghana consistent with Ghana's economic policy goals and registers projects. As a result of good infrastructure and financial sector development in Ghana, Chinese investments benefit immensely from this. The conducive investment climate and improved legal and administrative nature of the economy make doing business easy. Between 1982 and 1992, the government of Ghana implemented the Structural Adjustment Programme[5] and this was accompanied by the signing of various trade treaties and agreements within the World Trade Organisation as well as by the liberalisation of the financial sector, which has encouraged foreign investment. Ghana's liberal FDI policy makes it a safe destination for investment, not forgetting the wealth of natural resources that exist in the country.

Investment regulations allow foreign investors to employ foreign nationals in Ghana. The GIPC's investor-targeting strategy has identified China as one of ten countries with a potential to increase investment in Ghana, and the GIPC plans to open an office in Shenzhen, a sub-provincial city in Guangdong province, to facilitate investment between China and Ghana.

[5] http://dspace.knust.edu.gh:8080/xmlui/handle/123456789/2969. Accessed: 17 September 2014. For detailed information on the SAP programme implemented between 1982 and 1992, see the Ministry of Finance and Economic Affairs.

Investment forums and missions staged in both Ghana and China will implement plans – now in development – to improve language integration, investment drives, and promotional activities (ACET 2009a).

6. Special Economic Zones and the Gateway Programme

"In 1995, the parliament of Ghana passed the Free Zones Act. This set up the Ghana Free Zones Scheme, which was to accelerate exploration of the country's potential. In order to assist the activities of export processing zones (EPZs), the Ghana Free Zones board was established to help monitor their activities. EPZs specialise in the industrial sector, are located physically and administratively outside customs jurisdiction, and are focused on export production. The zones help attract investors into various sectors because of the investment incentives they provide as administrative and policy-making bodies. The main goal of the Free Zones Act is to attract FDI, and it contains various provisions to achieve this goal:

– exemptions from tax on income or profits for ten years;

– payment of a maximum 8% tax after the exemption expires;

– possibility of withholding tax on dividends accruing from free zone investments;

– opportunity to hold a 100% share in any free zone venture;

– assurances in respect of repatriation of earned profits and also against a policy of nationalisation of assets in the event of a change of government or regime.

The New Partnership for African Development (NEPAD) is also a very important policy direction" (Abodakpi 2012, pp. 34–35). The Gateway programme, which aims to promote Ghana as an investment and trade destination in the hub of West Africa, has also been introduced. It is focussed on export processing zones and foreign direct investment. Part of the agenda is also to encourage the establishment of financial services, transport services, and telecommunication networks, thus enhancing Ghana's position as an economic hub and regional powerhouse. The emphasis is on private operators developing three export zone enclaves, while the government provides the framework for the investment. The programme is also focused on observing ISO 9000 and International Chamber of Commerce (ICC) standards (Abodakpi 2012, pp. 34–35).

7. Direct Chinese Investment in Ghana

Ghana's trading commodities – mainly cocoa, gold, and forestry products such as timber – make up about 90% of Ghana's GDP. These products accounted for over 75% of Ghana's commodity exports in 2008. Over-reliance on raw materials, without any value added products, exposes Ghana's economy to unstable world prices. The commodity price shock of 1999 is a clear example – between 1998 and 2000, a fall in world commodity prices affected the economy with a negative 20% drop in Ghana's GDP growth rate (IMF 2012). The goal of achieving a middle income status by 2012 under a liberal trade policy has been achieved due to prudent management of the economy. "Ghana's trade policy[6] towards China has become more important as China has become a more important trade partner since 2000. China's trade policy seeks 'sound economic development' for China by opening its economy, acquiring foreign technology and skills and gaining access to raw materials for industrial expansion (China Trade Policy Review 2008). A key part of China's trade policy is increasing trade with Africa, facilitated by the Forum on China-Africa Cooperation (FOCAC)[7]. Chinese tariffs discourage many kinds of African imports to China. China levies low or no tariffs on almost 500 commodity items from the developing world but levies higher tariffs on value-added goods. For example, China levies a tariff of 6.5% on raw hides, 8.8% on leather, and 14.6% on manufactured leather. China also subsidises its agricultural sector, using non-tariff distribution and marketing restrictions, price controls, and import and export restrictions" (ACET 2009a).

8. Development Assistance to Ghana

Due to prudent management and a sound economy with good macroeconomic indicators between 2001 to 2007, the Ghanaian economy was a major beneficiary of about USD 770 million in foreign capital inflows, which accounted for about 25% of government revenue in 2007 and 6% of GDP in 2008. The Ghanaian economy has received substantial

[6] China's Ministry of Commerce coordinates and implements all trade-related policy.

[7] FOCAC is a platform for China and African countries to hold collective dialogue promoting South-South cooperation. The FOCAC Beijing Summit and Third Ministerial Conference was held on 3–5 November 2006 in Beijing with about 48 African countries in attendance. The Forum adopted the Declaration of the Beijing Summit of FOCAC and the Beijing Action Plan (2007–09). China announced eight new measures for Sino-African cooperation including those on duty-free market access and debt relief programmes for African LDCs (China Trade Policy Review 2008).

loan facilities from China for the construction of infrastructure. Amongst the most important of these was an interest free loan facility of USD 30 million to construct the 16.9 km Ofankor-Nsawam stretch of the Accra--Kumasi Highway in 2002. Furthermore, Ghana secured China's largest loan agreement – a USD 292 million non-concessional loan to construct a hydroelectric power plant at Bui, with 6.1% average interest, 17-year amortisation, and no grant element. When Ghana was included in the Heavily Indebted Poor Countries programme, in 2006 China wrote off a loan of USD 24 million as part of its financial commitment to the growth of the economy.

9. Technical Assistance

The public and social sectors have also recorded some benefits as a result of Chinese investment in Ghana. The benefits range from scholarships and educational exchanges to technical assistance including personnel, equipment and training, with their respective spillover effects in various sectors in the economy. The National Communications Backbone Network Project was the recipient of a USD 32 million financial package to finance phase one of the project in 2007, which aims to link the various regional capitals and other major towns with telecommunications access (ACET 2009a, pp. 15–17).

10. Trade and Investment

Tables 1 and 2 and the Figures below depict Chinese Investment since 2008, the year after the worst economic recession. Previous empirical studies show that this trend in Chinese trade and investment in Ghana has increased. Trade and investment has been mostly in projects located in special economic zones and in various strategic areas of the Ghanaian economy.

The foreign direct investment component shows a remarkable improvement over the previous year compared to 2009. China has increased its investment in various aspects of the Ghanaian economy. The recent USD 3 billion Chinese loan Ghana contracted is a classic example of how both trade and the commercial relationship have improved and advanced. "The China Development Bank (CDB) agreed to provide Ghana with a loan of USD 3 billion for a package of projects, the majority of which are related to infrastructural development. The loan was signed by CDB and Ghana on 16 December 2011. In February 2012, the Ghanaian parliament approved the agreement at the recommendation of the deputy speaker of parliament, Edward Doe Adjaho. According to Ghanaian government officials' projections of oil prices, Ghana will end up paying USD 6.4 billion to China for the USD 3 billion loan or will give away 750 million barrels of the nation's crude oil to a Chinese company for more than 15 years. The loan agreement stipulates that 60% of all contracts under the loan go to Chinese companies"[8]. On the other hand, these loans and assistance come with conditions attached to them, thereby raising concerns about how to refinance these loans in a profitable way without societal costs in the long run. Another example of an investment with major conditions attached is the dam funding deal, where natural resources such as cocoa will be used to pay for the cost of credit (Reuters 2007).

Table 1. Foreign Direct Investment by Number and Value of Projects

Number of Projects		Value of Projects	
Country	Number of Registered Projects	Country	Value of Projects (million USD)
China	65	Britain	4,676.12
India	49	China	152.19
Lebanon	45	India	23.76
Nigeria	17	Lebanon	14.53
Britain	16	Canada	6.62
USA	9	Italy	6.59
Korea	8	Nigeria	6.01
Netherlands	7	Netherlands	4.76
Italy	5	Korea	4.39
Canada	5	–	–
Total	294	Total	4,894.97

Source: GIPC (2008).

In 2009, China, with 34 projects, topped the list of countries with the highest number of projects registered in the first three quarters of the year (Table 5). South Africa, with USD 116.92 million of investment, topped the list of countries with the largest value of investments registered in the same period. Table 4 shows the sectoral composition of investments across different sectors of the economy, while Table 5 shows the top investors in Ghana.

[8] http://china.aiddata.org/projects/2034. Accessed: 9 October 2014.

Table 2. Foreign Direct Investment in Ghana (2009–13)

Year	Number of Projects	Estimated Value (billion USD)	FDI Component (billion USD)	Expected Employment (thousands)
2009	199	0.39	0.35	20
2010	385	1.28	1.11	120
2011	514	7.68	6.82	47
2012	399	5.63	4.90	25
2013	417	4.26	3.94	89
Total	1914	19.24	17.12	301

Source: author's own calculations based on GIPC (2009–13).

Table 3. Chinese Investment by Number of Registered Projects and Value (2009–13)

Year	Number of Registered Chinese Projects	Value of Investment in Ghana (million USD)
2009	34	–
2010	67	69.35
2011	25	25.21
2012	40	–
2013	53	165
Total	219	259.56

Source: author's own calculations based GIPC (2009–13).

Table 4. Sectoral Composition of New Projects

Sector	Newly Registered Projects	Estimated Value (USD)	% of Estimated Value
Agriculture	2	99.08	37.07
Building Cost	4	48.81	18.26
Liaison	1	0.12	0.04
Export Trade	2	1.10	0.41
General Trading	16	12.61	4.72
Manufacturing	16	3.95	1.48
Services	31	45.97	17.20
Tourism	9	55.61	20.81
Total	81	267.25	100

Source: GIPC (2009, III quarter, p. 1).

Furthermore, in 2010 China topped the list with the highest number of registered projects (67) and also with the largest value of investments registered during the last quarter of 2010[9]. In 2011, China once again topped the list of countries with the highest number of registered projects (25) with a value of USD 25.21 million (Table 3).

Table 5. Top Ten Investor Countries (1 January to 30 September 2009)

No.	Country	Registered Projects	Country	Value of Projects (USD)
1	China	34	South Africa	116.92
2	India	26	Nigeria	79.27
3	Lebanon	19	British Virgin Island	53.32
4	Nigeria	18	Britain	48.05
5	Britain	8	China	13.78
6	USA	8	India	8.45
7	Italy	6	Portugal	8.14
8	South Africa	6	Lebanon	6.42
9	Germany	5	USA	6.34
10	Australia	4	Mauritius	5.81

Source: GIPC (2009, III quarter, p. 3).

Table 6. Top Ten Investor Countries by Number of Registered Projects (2010)

Country	Number of Registered Projects
British Virgin Island	6
South Africa	7
Netherlands	8
Mauritius	8
USA	13
Britain	24
Lebanon	30
Nigeria	36
India	48
China	67

Source: GIPC (2010, IV quarter, p. 2).

[9] The analysis is based on GIPC (2010). For more details, see GIPC (2009 and 2013).

In 2013, China ranked second among the top ten investor countries in Ghana, a position it had maintained in the years prior to the 2008 global recession[10]. Furthermore, China remained in the top ten investment countries in Ghana from 2008 to 2013[11]. Tables 7 and 8 and the Figures below show the top investor countries and the value of their investments.

Table 7. Top Ten Investor Countries by Estimated Value of Registered Projects (2010)

Country	Value of Registered Projects (USD)
Latvia	24.49
India	29.03
Israel	32.04
South Africa & Britain	36.00
Britain	61.38
Belgium & South Africa	86.35
China	95.84
Trinidad and Tobago	168.67
Nigeria	216.04
Bermuda	300.00

Source: GIPC (2010, IV quarter, p. 2).

Table 8. Top Ten Investor Countries (2011)

Country	Number of Registered Projects
Korea	11
British Virgin Island	11
South Africa	13
Netherlands	15
USA	20
Britain	29
Nigeria	36
Lebanon	39
India	77
China	79

Source: GIPC (2011, IV quarter, p. 4).

[10] Ibid.

[11] Ibid.

Korea topped the list of countries with the largest value of investments registered during the last quarter of 2011. Furthermore, with 40 projects, China once again topped the list of countries with the highest number of registered projects during the first three quarters of 2012. Lebanon, however, topped the list of countries with the largest FDI value, amounting to USD 1.48 billion. In 2012, the manufacturing sector attracted the highest number of projects, with a value of USD 399.97 million invested among 11 different projects (GIPC, III quarter, 2012). This illustrates China's growing interest in the extraction of raw materials. In this respect, Lebanon topped the list of investors in the period under review.

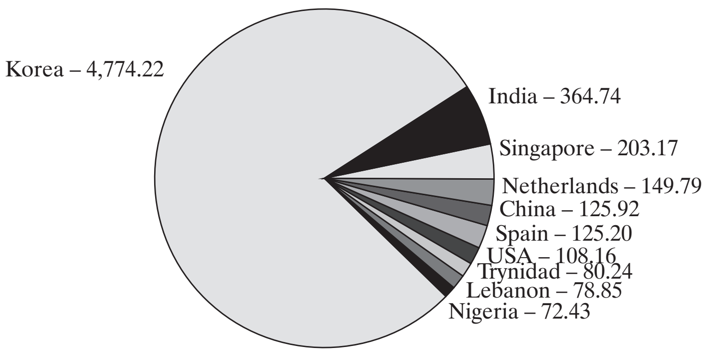

Fig. 2. Top Ten Investor Countries by Estimated Value of Registered Projects (2011)

Source: GIPC (2011, IV quarter, p. 4).

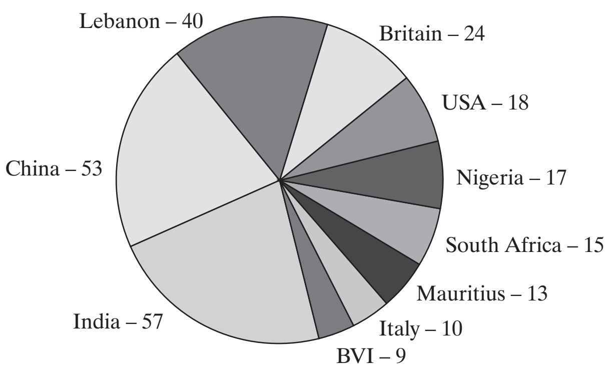

Fig. 3. Top Ten Investor Countries by Number of Registered Projects (2013)

Source: GIPC (2013, IV quarter, p. 3).

In 2013, the total number of projects registered was 417, with a total estimated value of USD 4,262.33 million and a total initial capital transfer amounting to USD 88.37 million. Of these registered investments, 107 were joint ventures between Ghanaian and foreign partners and the remaining 310 were wholly-owned foreign enterprises with an estimated value of USD 1,876.20 million. In these figures, China's share comprised 57 projects valued at USD 165 million. China has entered the top ten investor countries since establishing trade and economic relations with Ghana, as shown in Table 9 depicting top investor countries by estimated value.

Table 9. Top Ten Investor Countries by Estimated Value of Registered Projects (2013)

Country	Value of Registered Projects (USD)
USA	1,214
Britain	620
Egypt	521
Mauritius	341
Brazil	206
Canada	181
China	165
BVI	146
Netherlands & Kenya	130
Norway	91

Source: GIPC (2011, IV quarter, p. 3).

Table 10. China's Investment as a Percentage of Total Investment in Ghana (2001–2006)

Year	Investment by China (million USD)	Total Investment (million USD)	China's Share as a Percentage of Total Investment
2001	6.93	97.31	7.12
2002	3.13	65.13	4.8
2003	2.17	118.28	1.84
2004	3.09	186.28	1.66
2005	17.87	201.95	8.85
2006	15.20	236.78	0.64

Source: based on the author's own calculations.

Before 2009, Chinese investors were not especially interested in Ghana's agricultural sector or in other infrastructural developments, but this trend has changed dramatically and interest in the general trade sector, including manufacturing, has also increased. "Ghana's general trade sector attracted 56% of Chinese investment in Ghana in 2000–08. The manufacturing sector attracted 26% of Chinese investment, plus the large USD 134 million investment in the Sunon Asogli Power (Ghana) Ltd project in 2007" (ACET 2009a). Before discussing Ghana's situation, let us look at the percentage share of Chinese investment in total investment between 2001 and 2006, presented in Table 10.

Although the percentage share of Chinese investment remained below 10% in the period under review, there has been significant improvement in the investment pattern since the 2008 global recession, with China investing more and seeking new markets for its exports. The increase in Chinese trade volume can be attributed to both bilateral and economic agreements it signed with various government in an effort to boost trade.

11. Discussion of Ghana's Situation

The effects and implications of Ghana-China trade are diverse. The employment of both skilled and unskilled labour has been a major positive factor when analysing the investment climate in Ghana. Training and technological transfers have been made available as well as spillovers in various sectors of the economy that employ experts. This has helped upgrade the country's human development index. On the other hand, it is clear that the quantity of commodities exported from Ghana to China is significantly lower than the percentage and volume of imports from China in terms of goods and services (ACET 2009a). Like other African countries such as South Africa and Nigeria, Ghana's manufacturing sector is missing out on the opportunities for trade with China. Because of increasing Chinese business and investment with majority shareholder control, the industrial sector is being challenged by the continuous and rising import of manufactured goods. The fierce competition this sector faces is both external and international and is due to the small size of the Ghanaian economy as well as the effects of globalisation, market liberalisation, and deregulation. The government must put policies and regulations in place to protect infant and growing industries in all sectors of the economy. Another area that has raised serious concerns is Ghana's textile industry. The sector faces unequal competition due to the heavily subsidised cheap Chinese textiles that are flooding the markets, making it difficult to sell quality products produced in Ghana. Policies towards certain sensitive areas of the economy must be maintained to enhance the development of local industries and protect national pride.

12. European Union Investment in Africa

Although the European Union trades with Africa, with the likes of Angola and Nigeria being massive recipients of investment, countries such as Ghana, Botswana, and Kenya are among the other countries the EU must try to invest in. There is an ongoing debate about the signing of a European Partnership Agreement (EPA)[12] between the EU and Sub-Saharan African countries, which has been met with much resistance and cynicism[13]. This agreement will only benefit the African countries if the EU sees them as developing partners rather than as extractive sectors. Gains will be made only if the EU behaves differently to the Western states that exploited the continent for decades. Strategic investment by some EU members is encouraged especially where there exist democratic principles, the rule of law, and a stable and conducive atmosphere for investment. Attempts by nations such as Poland and Turkey to invest in African countries are a step in the right direction and must be promoted and protected. In its quest to improve the transportation system, the government wants to build four aerodromes in the Volta, Upper East, Upper West, and Central regions, hence the need for partnership between Poland and Ghana. Poland is ready to share its transformational experiences with developing partners such as Ghana, and infrastructure and transport are two economic sectors that Poland could invest in and help Ghana develop.

As regards agriculture and food production, since Poland is the biggest food exporter in the European Union, bilateral co-operation between the Ministries of Trade and Industry, Transport, and Agriculture has been discussed and certain programmes are being considered. The Energy sector – in terms of power generation, transmission, and storage – is also an area where Poland has expressed a willingness to share some of its knowledge with Ghanaian institutions. These investments, development agendas, and cooperation were the result of a 51-member Polish delegation led by the

[12] http://en.wikipedia.org/wiki/Economic_Partnership_Agreements. Accessed: 4 November 2014.

[13] http://uk.reuters.com/article/2014/03/29/uk-africa-eu-trade-idUKBREA2S0DJ20140329. Accessed: 4 November 2014.

Polish Deputy Minister for Foreign Affairs, Ms Katarzyna Kacperczyk, to Ghana on 15 March 2014[14].

13. Concluding Remarks

The agenda of China and other Asian countries, including some members of the (BRICS) nations, to exert dominance and control over Africa's global trade and commerce has become a major point of interest in recent studies and in other research fields. China enjoys a monopoly in certain areas of world trade. If we look at the pattern of FDI inflows to countries such as Angola, Zambia, Botswana, Nigeria, and Ghana, it is clear that China has a strong influence over their trade and economic affairs as a result of being a major financial donor and financier of development projects. This has become a source of concern for the African countries themselves and for Western nations, including the US, UK, European countries and other developing partners with a similar interest in African business and commerce. Chinese investment in strategic areas such as consumables, agriculture, banking and finance, logistics, and hardware keeps growing, but it may also slow the growth and development of local industries. The major effects of such growth and investment will largely depend on host countries such as Ghana and Angola having the capacity to take advantage of the spillover opportunities from these investments.

Statistical data from both national and international institutions reveals a steadily growing volume of investment over past decades. In recent times, Chinese investment has been dramatic in countries such as Ghana, Angola, South Africa, and Zambia. These investments are mostly in the areas of trade, banking, and finance, and there is clear evidence of disadvantages arising to African economies, especially in the manufacturing sector, where huge profits are made and then repatriated back to China. As regards trade issues linked to export and import, a similar trend can be observed. African and other developing economies depend heavily on imports from China, which are expensive and a drain on national budgets. Chinese exports to Africa are continually on the rise, flooding local markets and forcing local business to close.

To conclude: China has a long-standing mutual relationship with many African countries in terms of diplomacy and bilateral trade and investment. However, in recent years, fierce competition for global dominance and influence across a spectrum of issues has prompted China to significantly

[14] http://allafrica.com/stories/201404151242.html. Accessed: 4 November 2014.

increase its aid, grants, and technological assistance to African countries, although China's share of total FDI inflows to Africa is smaller than that of the United States and Europe and other developing partners. Furthermore, extensive trade and investment in the extractive sectors of the aforementioned African economies has put China on the verge of global dominance in world trade and business affairs and has made it a major force to be reckoned with. Ghana must continue to encourage and support local industries to compete globally by formulating good policies that protect vital sectors of the economy – not just the agricultural sector, which includes textiles, but also manufacturing and service industries.

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Abstract

Chińskie inwestycje w Ghanie

W ostatnim okresie, zwłaszcza w ostatnich dwóch dekadach, Afryka odnotowała wzrost gospodarczy i uzyskała wpływy zarówno z bezpośrednich, jak i pośrednich form inwestycji zagranicznych. Dzieje się tak w związku z postępującą globalizacją i redystrybucją lub alokacją kapitału wymuszoną chęcią konkurowania przedsiębiorstw na skalę globalną. Wiele krajów, zwłaszcza państw Afryki Subsaharyjskiej, postrzega ten trend i metodę działania jako ważny punkt na drodze rozwoju kraju i jako nieodłączną część swojego długoterminowego planu rozwoju, odkąd Chiny stały się dla większości tych państw partnerem rozwoju. W niniejszej pracy, by przeanalizować model chińskich inwestycji, posłużono się teorią ścieżki rozwoju inwestycji (*the investment development path* – IDP) wprowadzoną przez J.H. Dunninga w 1981 r. Celem niniejszej pracy jest przeanalizowanie modelu chińskich inwestycji w Ghanie po 2008 r. oraz ich skuteczności. By zbadać możliwy pozytywny wpływ i perspektywy rozwoju bezpośrednich inwestycji zagranicznych w krajach Afryki Subsaharyjskiej, autor uwzględnił istotną rolę inwestycji azjatyckich, a w szczególności Chińskiej Republiki Ludowej i jej strategicznej dominacji w sprawach inwestycji na kontynencie afrykańskim. W ostatniej części aktykułu przedstawiona została specyfika chińskich inwestycji w Ghanie. Na zakończenie autor sugeruje pewne rozwiązania na przyszłość w sferze inwestycji zagranicznych w tym kraju.

Słowa kluczowe: Ghana, Chiny, BIZ, efekty spillover.