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Globalisation from Below: Exploring the Economic Development Impacts of Private Chinese SME Investment in Accra, Ghana

Thesis submitted for the degree of Doctor of Philosophy

January 2015

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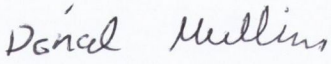
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Summary

Relations with China are increasingly a key driver of economic development on the African continent. For example, in 2012 China was Africa's largest trading partner with imports of $85.38 billion and exports of $113.1 billion (IMF data, January 2014). Furthermore, Chinese banks are financing numerous infrastructural projects across different African states through concessional loans. Chinese foreign direct investment (FDI) is also growing in the African continent, with a mixture of public and private ventures firms investing US$2.52 billion in African states in 2012, while the accumulated Chinese FDI stock in Africa stood at US$21.23 billion in 2012 (Deborah Brautigam blog September 2013).

Chinese investments in Africa are diverse in nature and are not confined to the operations of state-owned companies. Indeed, many small, medium and large sized private Chinese enterprises are also to be found operating in Africa. This group of investors are playing an increasing role in Chinese FDI growth in Africa, with Gu (2011; 30) noting that more than 88% of Chinese firms in Africa belong to this group of investors. Furthermore, Sanfilippo (2010; 601) notes that these firms predominately operate in the manufacturing and retail trade industries of African economies, thus, distinguishing these investors from larger Chinese investors, whose investments are more concentrated in infrastructure development and/or commodity extraction. However, the role of Chinese SME's in African economic development and poverty reduction has been barely touched on in the research literature. This thesis focuses on the nature, activities and impacts of private Chinese small and medium sized enterprises: specifically investors in Accra, Ghana. In particular, it elucidates their developmental impacts using extensive primary and secondary data.

Using data obtained from the Ghana Investment Promotion Centre (GIPC), one can note that small scale Chinese investors have significantly increased their investment in recent years to become the most prominent overseas investment source in terms of frequency in the West African state. This is an important observation and highlights that Ghana is a recipient of 'globalisation from below' in the form of these investments. In order to understand the impacts of these firms on economic development in Ghana, a new theoretical framework is developed, based on analytical induction. While firms display different characteristics, there are distinct sector patterns which emerge from the data, with most trading firms exhibiting extractive impacts and most manufacturing firms' additive elements. The thesis proposes, through policy interventions, how to shift these dynamics towards more economically transformative outcomes.

In addressing the economic development impact of investment, an empirical approach is used in this research. More specifically qualitative methods, consisting of interviews and surveys with key informants, were employed to understand the exact operational details of the Accra based private Chinese investors. The analysis of this data is broken into three complementary parts. The first of these relates to the impacts of Chinese investment as perceived from a Ghanaian viewpoint using 3 differing sources; the media, Ghanaian traders and the local "experts". This is done in order to provide context for the study and to examine perceptions of developmental impact, which are important in informing effective policy responses. The focus of the research then shifts to the Chinese investors in trading and manufacturing in Accra who took part in this research, in order to establish the economic development impact of these private Chinese investors on Ghana's economy. Finally, as noted above, once this has been established, current day Ghanaian government foreign direct investment policy is

assessed and recommendations suggested that promote more transformative aspects of foreign investments.

Acknowledgements

A piece of research does not come into existence without a lot of help and this thesis is no exception.

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The realisation of this PhD thesis hinged greatly on the successful implementation of the field research conducted in Accra. In this regard, special praise is reserved for my research assistants. For their diligence, perseverance and hard work I am indebted to Yaw Boafo, Godwin Odikro, Cynthia Nai and Victor Owusu. I wish them all the best in their future endeavours. I'm grateful to the Staff of the department of Geography in the University of Ghana, Legon for allowing me access to their facilities and making me feel welcome during my stay in Accra. In this regard, I'm particularly thankful to Dr. Martin Oteng-Ababio. I'm also grateful to Francis Owusu and Richard Grant for providing me with contacts on the

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Dedication

For Tony & Carmel

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List of Acronyms

ACET	African Centre for Economic Transformation
CBD	Central Business District
CPP	Convention Peoples' Party
ECOWAS	Economic Community of West African States
ERP	Economic Recovery Programme
FDI	Foreign Direct Investment
GCC	Global Commodity Chain
GCFA	Ghana-China Friendship Association
GDP	Gross Domestic Product
GFZB	Ghana Free Zones Board
GIPC	Ghana Investment Promotion Company
GPN	Global Production Network
GUTA	Ghana Union of Traders Association
GVC	Global Value Chain
HHI	Hyundai Heavy Industries
ICT	Information Communication Technology
IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
LDC	Least Developed Countries
MNC	Multinational Corporations
MOQ	Minimum Order Quantities

NGO	Non-Government Organisation
PNDC	Provisional National Defence Council
RMB	Renminbi
SEZ	Special Economic Zones
SME	Small & Medium Enterprises
SSA	Sub-Saharan Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation

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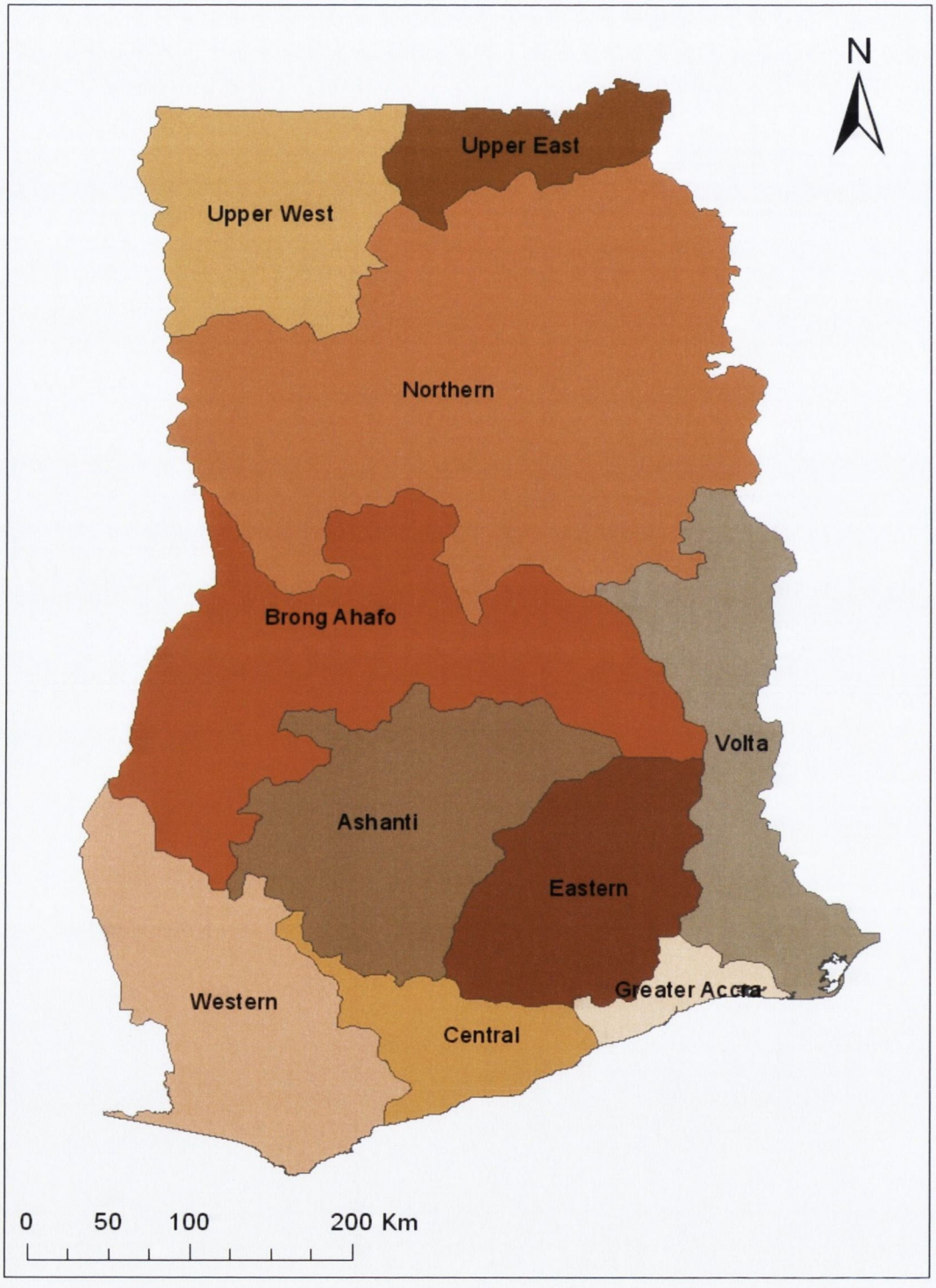
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Map of Ghana

Map 1: *Regions of Ghana*



Chapter 1 Introduction to Research

1.1 Research Context

In the recent past, many African countries have enhanced their trade and inward investment relationship with other countries worldwide; for example India, Brazil, and most notably China (Broadman, 2007). In the case of China, this increased engagement with Africa is partly a consequence of central government policy. For example, in 2006 the Chinese government released an official African policy White Paper. A key aspect of the paper was the Chinese promise to substantially increase the level of collaboration between the two regions. The timing of the release was also fitting, as 2006 was the year that China became Africa's third largest trading partner, having seen trade relations between China and the African continent gradually, and then more dramatically, increase over the previous two decades (IMF data, January 2014). By 2012 China had become Africa's largest trading partner, with imports of $85.38 billion and exports totalling $113.1 billion (IMF data, January 2014). To date, trade flows have been largely reflective of economic complementarities between the two regions, as China pursues greater access to Africa's natural resources to sustain its domestic growth and African states having an increasing demand for Chinese manufactured goods and machinery (Taylor, 2009).

Foreign direct investment (FDI) is an important component in understanding the scale China's economic engagement in Africa. In her blog "China in Africa: The Real Story",

Deborah Brautigam notes, using data from the Chinese Ministry of Commerce, that Chinese firms invested US$2.52 billion in African states in 2012. The author also notes (again using data obtain from the Chinese Ministry of Commerce) that accumulated Chinese FDI stock in Africa stood at US$21.23 billion in 2012.

It is important to note, that Chinese FDI in Africa is a broad classification and that numerous firms of different size are investing into many different African states and in different industries. For example, much media attention and academic research is focused on the activities and operations of Chinese state-owned and semi-state companies, but Chinese FDI is not confined to these investors. Indeed, many small, medium and large sized private Chinese enterprises are also present in Africa. In fact, this group of investors are playing an increasing role on the African continent, with Gu (2011; 30) noting that more than 88% of Chinese firms in Africa belong to this group. Further to this, Sanfilippo (2010; 601) notes that these firms predominately operate in the manufacturing and retail trade industries of African economies, thus, distinguishing these investors from larger Chinese investors, whose investments are more concentrated in infrastructure development or commodity extraction.

In common with many other African states, Ghana has also witnessed increased relations with China in recent times. While the People's Republic of China has had diplomatic relations with the Republic of Ghana since July 1960 (Embassy of People's Republic of China, Accra; February 2012), from an economic perspective bilateral relations have become increasingly more significant since the turn of the millennium. The economic relationship between the two nations is best described by considering two commonly observed indicators, trade statistics and FDI.

In relation to trade, Ghana saw its exports to China increase from $31.15 million in 2003 to $584.36 million in 2012 (IMF data, June 2013). From an imports perspective, an argument can be made that Ghanaian consumers have benefited from growing trade relations between the nations as importers have brought in affordable Chinese goods (ISSER report, 2008). Indeed, Chinese imports in Ghana are increasing, as the nation imported $5,268.45 million worth of these in 2012, up from $354.19 million in 2003 (IMF data, June 2013). The high level of Chinese imports is however presenting a key challenge from a Ghanaian perspective in relation to trade relations between the states, with imports from China heavily contributing to trade deficits run by the Ghanaian economy in recent years. For example, in 2010 trade relations with China accounted for 38.11% of Ghana's balance of trade deficit (IMF data, June 2013), which must be financed by loans or other forms of capital inflows.

With regards to FDI, Chinese investors are also playing an increasingly significant role in the economy of Ghana, as Chinese businesses committed to backing 574 different investment ventures in the country between September 1994 and March 2012 according to data from the Ghana Investment Promotion Centre (GIPC) (June, 2012). Thus, these Chinese investors committed to support more investment projects in Ghana than investors from any other nation in the world over this period. By probing the data in more detail, one can note that these investors mainly consist of small scale private firms. This is an important observation and highlights that Ghana is a recipient of 'globalisation from below', where international interactions between businesses and organisations is fuelled by small and medium enterprises rather than by larger transnational firms. To date, no research has been conducted looking at how these small scale private firms interact with the wider Ghanaian economy and what

impact these firms are having on Ghanaian industry. This thesis fills this existing gap in the literature.

1.2 Research question

However, this research is not the first to look at any aspect Sino-Ghanaian relations. For example, outside of the research that tends to focus on official statistics (see ISSER Report, 2008; or ACET Report, 2009), there has been research conducted into more specific aspects of Sino-Ghanaian relations. This includes studies of the Bui Dam project being constructed by the Chinese firm Sinohydro and part financed by Chinese sources. For example, the finer details of the financing arrangements and the environmental impacts of the project have been of particular interest (Tan-Mullins & Mohan, 2012; Hensengerth, 2011; Hensengerth, 2012). Also of interest has been the importation of Chinese goods into Ghana, to identify how it has impacted on the indigenous textiles industry and reconfigured borders and sovereignty in Ghana (Axelsson, 2012), and to what extent Chinese traders are responsible for bringing Chinese goods into the country (Marfaing & Thiel, 2011). Other works on Chinese traders have looked at their interactions with local traders (Liu, 2010) and labour relations with Ghanaian employees in Chinese run shops (Giese & Thiel, 2012). The working conditions for Ghanaian workers in general Chinese firms have also been examined (Baah et al, 2009; Akorsu & Cooke, 2009). Other work in this area includes an evaluation of the employment generated by Chinese FDI into Ghana (Tang & Gyasi, 2012), how Chinese investors differ from Nigerian investors (Kohnert, 2010) and how the discovery of oil has/will impact on Chinese aid to Ghana (Mohan, 2010). However, none of this existing research considers how

relations between the two states have impacted specifically on Ghanaian economic development, which is the focus of this thesis.

This thesis fills the gap that exists in relation to economic development impacts arising from Sino-Ghanaian interactions, by providing an account of the impacts of private Chinese investment in Ghana. As has already been stated, these Chinese firms mainly consist of small scale firms that are not linked to larger multinationals headquartered in China. It will be argued that this form of FDI is an example of 'globalisation from below', where the global operations and linkages of these foreign investors are not fully captured by the existing literature on global production networks (GPNs), global value chains (GVCs) and global commodity chains (GCCs). Indeed, while much of the existing literature on FDI is focused on the operations of larger multinationals and how their operations impact on host economies (see the discussion on production or value chains in chapter 2), one must also be cognisant of the ability of smaller firms to influence host economies.

In consideration of these questions, a number of sub-question are addressed in this research, these are as follows:

- Are the firms promoting greater production efficiency in the manufacturing of Ghanaian goods?
- Are the firms investing in new industries not previously present in Ghana?
- Are the firms positively impacting on the Ghanaian industrial exports?

- To what degree do the firms engage with local industry?
- Are technology transfers present?
- Do the firms actively employ and train local workers?
- Are the Chinese traders importing goods not previously available in Ghana?
- And are they creating or promoting markets for Ghanaian goods in China?

Conversely, one must be cognisant that the reverse may be happening. In this case, the presence of the private Chinese inventors in Accra would be reinforcing resource dependency and promoting Ghanaian deindustrialisation. Therefore, the follow sub-questions are considered in this thesis:

- Are the trading firms' actively importing goods that are replacing locally manufactured goods?
- Are the Chinese manufacturing firms engaged in industries that were present in Ghana, with their sales focused on the Ghanaian market?
- If so, to what degree are these firms displacing local industry?
- Are the firms overly reliant on foreign labour?
- Are the firms repatriating profits back to China rather than reinvesting in the Ghanaian economy?

Based on findings from the research, and developing these analytically, the thesis determines whether private Chinese FDI in Accra is extractive, additive or transformative in its impacts and what the geography of these impacts are. The framework, which stems from the analysis of fieldwork data and is described in more detail in chapter 5 of the thesis, allows for the research findings to be categorised so that the questions outlined in this section are fully addressed. The framework offers a new way of examining how FDI can influence a host nation's economic development. While one must be wary to assume that FDI is homogeneous across different host states and different investors, this new model or framework, can have application in other locations and the findings from this thesis may be applicable to FDI under similar conditions, namely FDI by small scale Chinese investors in other African states.

1.3 Research Approach

In trying to ascertain the economic developmental impacts of FDI, it is a valid approach for one to use either quantitative or qualitative methods or a combination of the two. A purely quantitative piece of work could, for example, consider how movements in FDI flows correlate with particular measures of a host nation's economic and/or social environment. For instance, Hansen and Rand (2005) and Feridun and Sissoko (2011) achieve this by looking at the correlation between FDI flows to GDP figures. While, Gohou and Soumare's (2012) work looks at the impact of FDI by considering the correlation between FDI inflows and movement of countries in the United Nations Development Program's Human Development Index. When considering the implication of FDI movements on headline figures, as in these examples, a quantitative approach to research is justified. However, if one wants to consider

the impact of a particular type of investment from a particular group then a qualitative approach has merit. In many cases, this type of industry specific data is not always available and it is incumbent on the researcher to engage with industry to obtain information that adequately allows for research questions to be addressed.

Thus, engaging with industry using a qualitative approach allows a researcher to connect with a wide range of respondents and to elaborate on issues of significance that emerged during the course of a research process. Often firms are reluctant to reveal precise data about what are perceived to be commercially sensitive topics. However, a face-to-face interview technique helps to build trust and (partially) overcome this problem. This research was implemented through the use of surveys, interviews and observations, described in more detail in chapter 4. During the surveys, quantitative data were also collected in the surveys and this information is analysed through the use of descriptive statistics. In this thesis, this information is used to support the identification, interpretation and confirmation of data and observational fieldwork findings.

A key consideration when collating data for this thesis was the need for rigour and validity. This was to ensure that the findings from the field were sufficient to allow the research questions, outlined above, to be comprehensively and transparently answered. In order to ensure rigour, it was important from the outset that the appropriate people were interviewed in sufficient numbers, and to preserve the validity of the study, it was important to identify the approach to the research that would provide a true account of the entire process from the identification of the research question through to the analysis of the findings. Further to this, the research findings are also triangulated with observations from the literature review and

information gathered from other external data sources. Such an approach, allows for the research findings to be verified, and also placed in a wider context.

The fieldwork conducted for this PhD thesis was centred in the capital city Accra, particularly in the Makola market region and Tema industrial zone, owing to the high concentration of Chinese firms in these two locations. Due to time and logistical constraints, as further discussed in Chapter 4, two separate field trips of six months duration in total, took place. An initial trip to Ghana on a different project had planted the seeds of the research idea and more importantly evoked an interest into Sino-Ghanaian relations. This led over time and through engagement with the literature to the formulation of the current research question, outlined above. This research takes the format of an empirical investigation, where 65 Accra based Chinese firms were surveyed and interviews took place with 20 Ghanaian traders, 32 Accra based Chinese firms and 10 'local experts' (mainly academics and government officials) on the nature and development impacts of private Chinese FDI in Ghana. The fieldwork component of the research is elaborated on in chapter 4 of this thesis, which outlines the methodological choices that underpin this research and allow for the research questions to be answered.

As mentioned earlier, the research is presented in three distinctive sections, as described in table 1.2 below. The first of these relates to Chinese investment as perceived from a Ghanaian viewpoint using 3 differing sources; the media, Ghanaian traders and the local "experts". This part of the research outlines perceptions of Sino-Ghanaian investment amongst these groups, and provides a context for how Chinese FDI is perceived to either positively or negatively impact on Ghana's economic development. This was undertaken not

only to provide context but to see if perceptions matched with the actuality of investment impacts. This has important implications for policy formulation and its political economy, as will be discussed later. The focus of the research then moves to the views of the Accra based Chinese investors in trading (section 2) and manufacturing (section 3) that took part in this research. These sections of the analysis, allow for insights to be obtained on the business structures of the firms. Further to this, the degree to which these firms 'embed' themselves in the wider Ghanaian business environment is established, thus allowing for the exact economic developmental impacts of these investments to be discovered. As noted, the findings are linked to the literature review and to information gathered from external data sources, thus placing the findings in a wider context. The three sections are analysed through the three key types of development impacts; the extractive, additive and transformative, which form the basis for policy recommendations made in the latter chapters of this thesis.

The three section of the research analysis are briefly introduced below.

Table 1.1: Analysis Format

Section 1 - The Ghanaian Position	Section 2 - Chinese Traders in Accra	section 3 - Chinese Manufacturers in Accra
• Analysis of media reports • Interviews with Ghanaian traders • Interviews with local "experts"	• Surveys of Chinese trading firms in Accra • Interviews with Chinese trading firms in Accra	• Surveys of Chinese manufacturing firms in Accra • Interviews with Chinese manufacturing firms in Accra

Section 1: The Ghanaian position

The analysis shows the benefits and challenges of Chinese investment in Ghana. These viewpoints are obtained to gain an understanding as to how Chinese investors are perceived to be helping or, indeed, hindering local Ghanaian industry from a Ghanaian perspective. Such views were also sought, as public perceptions towards a group of investors can greatly influence the formation of government policy that regulates the activities of these investors. In this regard, firstly, a number of media reports were analysed, in an informal manner, prior to conducting the fieldwork in Accra and were used to guide interview questions conducted on the ground. A second, more formal, analysis of online media sources was conducted after the fieldwork was complete that allows for data analysis to be placed in a wider context. The inclusion of this formal analysis of the research also allowed for the important role of media reports in formulating fieldwork questions to be captured in the data analysis. This thesis does not set a precedent in Sino-African literature in using media sources to provide data, for example Strange *et al* (2013) use AidData, a database of thousands of media reports on Chinese-backed projects in Africa from 2000 to 2011, to provide an overview of Chinese development finance in Africa. The authors (Strange *et al*, 2013; 19) note that while 'media-based data collection is an admittedly imperfect method for filling major data gaps', 'the utility of media based data collection increases when complemented by other methods of data collection, such as on-site fieldwork and correspondence with various project stakeholders' (Strange *et al*, 2013; 19). Such an approach is used in the research, where the media reports supplement data obtained from on the ground fieldwork. The rationale for including media sources in the collection of data for this research is further expanded on in the methodology chapter of this thesis, chapter 4.

As will be outlined in chapter 5, the analysis of the media reports highlights extreme negative Ghanaian sentiment towards Chinese traders operating in Ghana and demonstrates fear on the part of indigenous traders that Chinese goods are becoming more prominent in Ghanaian marketplaces. To gain a better understanding of these fears and to better appreciate how widespread these views are held in Ghanaian markets, interviews with local Ghanaian traders were conducted to get their views specifically on how the presence of Chinese traders in Makola market, the market in Ghana in which Chinese traders are most prevalent, and the importation of Chinese goods into Ghana is affecting, firstly their own business operations and secondly the overall Ghanaian economy. Further to this, the negative perception of foreign trading investors highlighted in the analysis of the media reports, as described in chapter 5, also dovetails recent change to the GIPC investment laws (2013), potentially indicating that these changes were partly, at least, influenced by local Ghanaian traders views. Thus, underlining why is was important to obtain the views of this group of Ghanaian business people in this research.

Interviews with 'local experts' were obtained to gather broader information on the economic developmental impacts arising from different forms of Chinese FDI in Ghana. For example, their opinions were sought on both public and private investment and whether Chinese government backed projects were perceived to be more beneficial to Ghana's economy than private Chinese ventures, in their view. This is relevant to the research because of the larger scale investment associated with Government-backed Chinese investment compared to private investments, as outlined in GIPC investment data (June 2012). The interviews with the 'local experts' also gave an opportunity to these respondents to voice how they see Ghana benefiting from Chinese investment, both currently and how the state might better benefit from investments in the future. Expanding on this, the 'local experts' were asked about the

role of Ghanaian authorities in targeting FDI. From an economic development perspective, opinions were sought on current FDI regulation and whether it was encouraging Chinese investment into more transformative sectors of the Ghanaian economy and what policy changes, if any, they would implement to improve the situation.

Section 2: Private Chinese Trading Firms

Some argue, from a economic developmental perspective, that the presence of Chinese traders in African markets negatively impacts on local traders, through taking a share of local customers away from the indigenous firms and harming domestic manufacturing through the importation of cheap Chinese goods (See the views of the Ghanaian Union of Traders Association (GUTA) outlined in chapter 5). Others, take a more positive view on Chinese traders, with arguments made that African customers gain from lower priced Chinese goods (for example see Kaplinsky & McCormick, 2010; 11), or that greater competition may force local manufacturers to become more efficient in the production of goods and services (see Broadman, 2007; 205, or Brautigam, 2009; 214). This research, examines the activities of a group of trading firms in Accra, which are representative of the overall population of trading investors in Ghana, and explores the economic development impact of their presence in the city. The Chinese traders were primarily of interest because of the high number of investors in this sector, the possibility that these investors have the capacity to diversify their interests into other sectors of the Ghanaian economy and the fact that the presence of these traders in the markets of Accra could also negatively impact on domestic operators.

This section of the analysis examines the business models adopted by these firms in order to establish the sustainability for their investments and their impacts on the local market. For example, some issues that are explored include; the firms' sources for their labour and inputs, target sales markets of the firms and the diversification plans of the firms from their initial investment in trading operations.

Section 3: Private Chinese manufacturing firms

The economic development impacts of manufacturing firms were primarily examined in this thesis due to the high number of investors in this sector and because of the historical importance of manufacturing to economic development as a result of value addition, linkage and multiplier effects and technological dynamism (for example see Wang, 2009; Liu & Wu, 2009; Liu, 2008). Also of interest, was the idea that these firms could substantially and positively influence, as described in chapter 2 of this thesis, the industrial capacity and scope of the sector as a whole and sub sectors of Ghanaian industry. As demonstrated by examples in chapter 2, manufacturing FDI can bring about such change through increased competition in indigenous markets and better linkages to global markets and/or production networks (see Liu, 2008; Coe *et al,* 2004*)*.

This section of the analysis also examines the business structures of these firms in order to establish the sustainability of these investments and the level of engagement the firms have the indigenous Ghanaian business environment. Areas of particular interest include; the ownership structure of the firms involved, the main sources of their raw materials, the

markets that are utilised by these companies and the labour dynamics of the companies involved. In light of the research questions, specific focus is placed on the impact of these firms on the Ghanaian economy, their labour and input sources, their linkages with other manufacturing firms both local and international, the rationale for locating in Ghana and whether they supply customers outside Ghana. Exporting is an important aspect of economic transformation because it allows income to be captured from overseas, thereby overcoming the limitations of the domestic market. FDI can also evince a degree of competitiveness in domestic markets that encourages domestic industry to increase its export (Nguyen and Sun, 2012), potentially allowing for import replacement and future industrial upgrading (Coe *et al,* 2004).

1.4 Thesis structure

This thesis conforms to the traditional model of research reporting. In this chapter, the context for the research is outlined and the research question and sub-questions are presented. The relationship between the existing literature and the specific context of Chinese investment in Ghana is introduced. A rationale is presented for the study and a model for the research itself and the analysis of the research data is outlined. The main research participants (both those interviewed and surveyed) are also introduced.

In chapter 2, a detailed literature review is provided giving consideration to a number of key theories that feature prominently in the research, from its conception through to its findings. Firstly, these theories were important in formulating the research question in the context of

Chinese FDI flows in Africa and Ghana. Secondly, the literature considered in this thesis, advances the debate on the impact of FDI on a host nation's economy. Finally, the literature review allows for this piece of research to be situated within the existent body of knowledge on the impact of FDI and provides context for the reader. Foremost amongst these are, cluster theory, FDI embeddedness, GPN or GCC models, the informal economy, labour theory and import substitution and export promotion policies adopted by East Asian economies. These theories are explored within the context of current neoliberal globalisation, which notes that the movement of goods and services across international borders is more commonplace as global barriers to trade and investment are eased or removed. As will be outlined later in the thesis, many such policies have been adopted by Ghanaian authorities.

Chapter 3 presents the more specific study of Sino-African relations, with a particular emphasis placed on the role of Chinese FDI across Africa and on more general Chinese relations with Ghana. To provide context for the current round of private Chinese investment in Ghana, a section of the chapter is devoted to the post-independence economic performance of the country. As this research is concerned with the economic development impacts of FDI, the focus of this section is placed on the historical role of FDI in Ghana's economic development, thus providing greater clarity for the reader to understand the importance of FDI to Ghana's economy.

In Chapter 4 of the thesis, the research analysis adopted in this thesis is outlined in detail. The sections of the analysis are presented and the research process is outlined. This includes a detailed description of the fieldwork period, the research tools that were used and the application of these tools within the research setting. Also included in this chapter, is an

outline of how the data was collected and analysed during the fieldwork period. The chapter concludes with a detailed discussion on the methodological framework adopted in this PhD research.

The following three chapters of the PhD thesis, chapters 5, 6 and 7, are devoted to the research findings arising from the study. Consideration is given in chapter 5 to the viewpoints towards Chinese investment from a Ghanaian perspective. It will be shown in the chapter that opinions on the impacts of Chinese FDI in Ghana vary; with some parties questioning the supposedly positive nature of some aspects of Chinese investment. It is also observed that these opinions dovetail recent GIPC investment laws (2013), highlighting how perceptions towards foreign investment can influence policy formation. Throughout the chapter, these Ghanaian views of Chinese investment are explored in light of their economic developmental impact.

Focusing on section 2 of the analysis described above, chapter 6 looks at the Chinese trading firms in Accra and explores the economic development impact of these firms. Similarly Chapter 7, concerned with section 3 of the analysis, is focussed on the economic development impacts on evidence from private Chinese manufacturers located in Accra. Comparisons are made between the perceptions outlined in section 1 of the analysis with the research findings explored in sections 2 and 3 of the analysis. In all three chapters the findings that emerged from the analysis are examined using the 3 categories of FDI economic development, namely the extractive, additive and transformative, to provide a link between the research findings and the research questions, introduced in this chapter. The relationship between the research findings and the literature introduced in chapters 2 and 3 is also widely discussed. Possible

applications of the findings across a wider canvas are explored. Finally, recommendations are also made as to how best Ghanaian authorities can encourage the transformative sections of private Chinese FDI in the state and discourage extractive sections of FDI.

Chapter 2 Globalisation, the Global Production Process and Foreign Direct Investment: Implications for African Industrial development

2.1 Introduction

In this chapter, a review of literature relevant to this research is conducted. The purpose of the review is to provide the wider literary context within which the research is located and to situate the research question within this wider literature. The review of the literature impacted on the formulation of the research question and suggested a number of pathways for the current research to follow. By its nature, a literature review has the possibility of not just providing clarity around the actual research question but can also highlighting gaps in the research to-date. The literature presented here, looks at the global phenomenon that is FDI, its impact on African industrialisation and finally how this fits with the research questions and research analysis.

In assessing the literature there were a few key considerations. Firstly, The literature should be reviewed and presented in a clear and concise manner. This is achieved by familiarising the reader with the existing FDI theory and complementary theory that explains how FDI might impact on a nation's economic development. This process helps to identify the limitations of the existing literature and identify the specific gap this piece of research aims to fill. Secondly, consideration is given to how the explored phenomena have the capacity to

impact on the industrialisation process in a developing African nation, such as Ghana. The review of literature is an iterative and fluid process, so that during the course of the research it is important that the researcher remains alert to new literature in the field. This has been adhered to in as far as possible, to ensure the review presented here offers an up-to-date account.

In this thesis, FDI and related theories explored in this literature review are considered under the assumption that investments, such as the Chinese investments examined in sections 2 and 3 of the research analysis, are conducted under largely neoliberal or free market conditions. This position is derived from the adoption of Ghanaian authorities of many neoliberal policies. Thus, by considering the impacts of FDI under neoliberal parameters, allows for the literature to be better linked back to the investments under consideration in this thesis and ensures that research findings are placed in the wider context in which the investments are made.

In the first instance, to provide greater clarity about this point, consider the following definition of a free market economy. Bernanke and Frank (2004; 60) note that 'a free market economy is an environment in which all the markets within an economy are largely unregulated by any party, except to regulate against force or fraud, other than by the active players within a given market'. To provide a historical context to this view, an early notable supporter of free market theory was Friedrich Hayek (1899-1992), who believed that markets were influenced by human actions (Wapshott, 2011). Hayek believed that, in general, governments should not interfere with this "natural" order allowing markets to correct themselves in difficult periods; for example, Hayek viewed economic busts as a necessary

evil that allowed economies to readjust themselves (Wapshott, 2011). The free market model assumes no barriers to entry to new market participants and the prices of goods and services are determined in a free price system set by supply and demand (Bernanke and Frank, 2004; 60). It is important to note that not all commentators are supportive of the adaptation of free market principles. As such, both positive and negative aspects of adopting these principles are addressed in this chapter. In both cases, these aspects are observed under the context of FDI into an African state that adheres, at least partially, to free market principles and are assessed on their potential to impact on that African nation's economic development.

Expanding on this, a number of key areas of literature are explored in this chapter. Consideration is firstly given to investment theory to put into context why firms engage in FDI. Cluster theory (see Porter [1990] or Schmitz [1995]), which notes that the location of a firm within a cluster of firms operating in the same and/or complementary industries can help to generate greater knowledge creation and/or stimulate new innovative processes of production, is also explored. Of key concern in this literature review, is how FDI within a nation can influence cluster development.

A section of the chapter is also devoted to understanding the theory of production chains; firstly, the evolution of the theory will be examined and secondly, consideration is given to the governance structures of production chain management. Again this is linked back to FDI theory and the role FDI can play in bringing about economic or industrial development, through investments that are conducted within a production chain. Consideration is also given to the potentially negative aspects of FDI under neoliberal condition on the economies of the recipient nations, with particular focus placed on African nations. The final section of the

chapter is devoted to the role FDI played in the industrialisation process which was experienced in East Asian countries, where economic growth was created by partial acceptance of increased outside investment and global trade, with a degree of protectionism for domestic firms through the policy of import substitution.

As described, this chapter outlines the key theories that underpin this research. In the subsequent chapter, the performance of the African continent at attracting FDI will be explored and the role of Chinese FDI in boosting the continent's economic performance will be examined. The economic performance of the Ghanaian state post-independence will be outlined, with emphasis placed on the role of FDI in generating economic growth within the nation. Finally, a broad based overview of Sino-Ghanaian economic relations is introduced, that provides a context within which the more industry specific observations derived from this research are to be placed.

2.2 Foreign Direct Investment Theory

As this research is concerned with the economic development impacts of a group of foreign investors on a host nation's economy, it is important to consider why it is advantageous for a firm to engage in FDI. It was Stephen Hymer (1960) who first proposed that a MNC is an institution of production, rather than a company solely trying to gain from international exchange. Hymer wondered how a foreign company could successfully compete against local firms in an unfamiliar market, considering the significant local advantage to be gained from market knowledge by indigenous firms. He concluded that for a MNC: '1. it is sometimes

profitable to control enterprises (business operations) in more than one country in order to remove competition between them and 2. Some firms have advantages in a particular activity, and they may find it profitable to exploit these advantages by establishing foreign operations' (Hymer, 1960: 33). These advantages would include access to raw materials, economies of scale, intellectual property, reduced transport costs etc. and as such, MNCs 'are typically large firms operating in imperfect markets, such as a monopoly or more likely under oligopoly conditions' (Hymer, 1970: 441).

There have been numerous advancements to FDI theory since Hymer's ground-breaking work. For example, extensions to Hymer's work include Vernon (1966), who proposed the theory of product life cycle. According to Vernon there are five stages in a product's life cycle: introduction, growth, maturity, saturation and decline. The location of production will depend on the stage of the cycle. Early in a product's life-cycle all the factors of production and labour associated with that product will come from the region in which the product was invented, usually the home region of the firm producing the good. After the product matures (has been in production for a sustained period) and becomes more widely available in world markets, production gradually moves away from the point of origin, due to lower labour costs abroad, as it may be optimal for manufacturers to relocate production. A product may become an item that is imported by its original country of invention during the saturation point of the cycle before the product begins to decline and become less popular. Further extensions to Hymer's work include the works of Caves (1971) and Buckley and Carson (1976). One significant advantage a firm brings to a foreign market is the possession of better knowledge (in the production of a particular good). Caves (1971) notes 'the successful firm producing a differentiated product controls knowledge about servicing the market that can be transferred

to other national markets for this product at little or no cost' (in Kogut and Zander, 1993; 628).

Buckley and Carson (1976) offer an extension to this by proposing the theory of internalisation, where a firm overcomes market imperfections for the sale of knowledge by engaging in FDI in overseas markets rather than licensing arrangements. Assuming no patent protection, knowledge is a public good and can be transferred at low or zero cost. The theory states that FDI will better ensure that a good produced overseas is of a required quality, if there exists a steady supply of raw materials and that internal firm production knowledge is protected against duplication by host country manufacturers, thus making the production of goods less easily replicated.

A further development of the theory of internalisation is the eclectic paradigm, also known as the OLI-Model produced by Dunning (1980, 1988). Dunning (1980; 15) notes three main advantages a MNC may have over a competing firm in a foreign location; these include ownerships advantages (O), Locational advantages (L) and internalisation advantages (I), briefly described below.

- *O - A firm must possess specific knowledge, such as human capital (managers), patents, production technology, brand reputation etc., which competitors in the foreign market do not have. As noted above, this knowledge can be replicated in different countries without losing its value, and can be easily transferred within the firm at a low cost.*

- *L – These are location specific advantages such as producing a good close to final consumers, lower transport costs, access to cheaper factor inputs, reduced trade barriers (tariff jumping) etc.*

- *I - This is Internalisation as discussed above where a firm does not transfer specific capital outside the firm, thus revealing key production information or knowledge, but instead invests into foreign markets in order to protect their intellectual property.*

The eclectic paradigm, suggests that if a firm possesses an advantage in O, L and I then it is more beneficial for a firm to exploit these advantages from a location outside its home country and thus more FDI will be undertaken. Where firms possess substantial O and I advantages but the L advantages favour the home country production, then the firm will invest in domestic production and foreign markets will be supplied by exports. When a firm possess O advantages but not L and doesn't engage in I then the firm will enter foreign markets through the process of a licensing agreement.

A final extension proposed by Dunning (1988, 1994; 30) explains the different objectives of FDI, as follows:

- *Resource seeking FDI - To seek and secure natural resources and factor production inputs (both capital and labour).*

- *Market seeking FDI - To identify and exploit new markets for the firms` finished products.*

- *Efficiency seeking - The practice of production specialisation whereby firms seek to benefit from differences in product and factor prices around the world and thus reduce cost of production and diversify risk.*

- *Strategic asset seeking FDI - the purchase of existing firms and/or assets in order to protect O (ownership) advantage or advance a firm's global competitive position by acquisition of key established local firms, brands or acquisition of market knowledge.*

This section of the literature review has outlined why it is advantageous for some firms to engage in FDI. Several aspects of the theories discussed are relevant to the investment motives of the Chinese investors in Ghana and will be referred back to in the presentation of the analysis of research data in Chapters 5, 6, 7 and 8 of this thesis. As noted in the introduction of this chapter, an underlying assumption in this thesis is that the private Chinese investments examined in sections 2 and 3 of the research analysis, are conducted under largely neoliberal or free market conditions.

Thus, it was important that the key theories of neoliberalism are considered, as these are also widely referred to in latter chapters of this thesis. More particularly, it is important to understand how FDI is conducted under these conditions and how, in an African context, FDI under neoliberal conditions can create negative or positive economic development impacts from a host nation's perspective. These theories will be explored in the next two sections of this chapter.

2.3 FDI under neoliberal conditions

Harvey (2005) and Wade (2010) provide two definitions for neoliberalism: Harvey (2005; 2) defines it as 'a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade,' while Wade (2010: 142-143) notes that 'the globalisation consensus states that national economies with more liberalisation of trade and finance, higher market integration across borders, easier hostile takeovers of corporations, and a narrower economic role of the state, experience higher economic growth, less poverty, higher social mobility and less inequality than those with less'. Under such conditions, FDI plays an important role in generating economic growth through job creation, encouraging greater production efficiencies through increased competition and structured investment. As noted above, numerous commentators are critical of the adoption by states of neoliberal policies, Wade and Harvey, cited above, would fall into this category. While their views will be considered at a later point in this chapter, at this juncture, it is important to understand how the firms and society are perceived to benefit from states adopting these policies.

To link this information back to the research question, it is important to understand the perceived benefit for firms that engage in FDI under neoliberal conditions. Developed by Porter (1990), the term competitive advantage describes the facility to perform at a higher level than others in the same industry or market, due to varying inputs, labour and resources. Firms engage in FDI with the aim of improving their competitive advantage. Consideration is given in the model to the fact that resources held by a firm and the business strategy adopted

by the firm will have a deep impact on a firm's ability to produce a competitive advantage within an industry. Under neoliberal conditions, firms are not only in competition with local producers in local markets but in numerous markets against many different producers scattered across the globe. Pro-neoliberal commentators argue that increased competition leads to improved production efficiencies and encourages firm specialisation that drives economic growth. Under this assumption, FDI is encouraged as it promotes firms to grow based on their competitive advantage. According to Porter (1985; 11-15), a competitive advantage can be developed by a firm through any of the following ways:

- *Cost leadership - a firm sets out to become the lowest cost producer in its industry through increased productivity and decreasing cost of production, including both fixed and variable costs.*
- *Differentiation - a firm seeks to develop a distinction between itself and other firms in its industry along some dimensions that are appreciated by buyers.*
- *Focus - a firm sets out to be best in a segment or group of segments within its industry (This links in with the theory of value chains and value creation which will be looked at in more detail in a later section).*

What remains unclear is how cities, states and regions, that represent society, gain from the adoption of policies that promote this process on a global scale. A pro-neoliberal commentator would argue that individual cities, nations or regions can interact with firms by acting as facilitators in the creation of a competitive advantage in the hope of swaying the investment decisions of MNCs and encouraging increased inward FDI. This is to achieved by

creating environments in which a firm can increase its output to cost ratio, through supplying a skilled and adaptable workforce, offering attractive commercial rates (reducing fixed costs by offering low tax rates, water charges, competitive commercial property rates etc.), reducing transportation costs through advanced infrastructure (potentially funded through both public and private measures) and low custom charges, creating a regional development fund which can offer investment to particular targeted industries and a regional service centre responsible for promoting and coordinating cooperation between firms within the industry. An example of the successful implementation of these policies would be the East Asian case, described by Wade (2004) in section 2.7 of this chapter. It will be argued that the East Asian nations adopted these policies in the hope to bring about more transformative elements of FDI, over additive or extractive, from an economic development point of view. Through state facilitation, firm differentiation can be encouraged through the creation of industry specific intellectual knowledge within that state. For example, a state can facilitate the construction of such specific knowledge and expertise by; introducing targeted education schemes (encouraging students to study certain college courses, investing in industry specific research or encouraging labour force retraining) or through targeted immigration policies (offering incentives for industry experts and a trained labour force to relocate).

A complication to adopting these polices of attracting investment from MNCs comes about as different states adopt similar investment strategies leading to fierce competition. Under neoliberal conditions, MNCs have the capacity to dictate the flow of large amounts of overseas foreign investment and heavily influence labour flows around the globe through the ability to relocate business operations in different locations, with limited barriers to entry or exit across jurisdictions. Indeed, numerous MNCs relocate their business operations to reduce production costs, improve production efficiencies or to increase their global market share.

This has led to greater competition between regions or cities around the world, as discussed in the next section of this chapter. This is not without its problems, with Peck and Tickell (2002; 393) offering the view that as 'signature cultural events, prestige corporate investments, public resources, and good jobs are in such short supply, cities are induced to jump on the bandwagon of urban entrepreneurialism'. States are reinforcing the power of big businesses, which use the threat of geographic mobility to ensure favourable deals from specific states, thus creating competition between individual countries. According to the authors (2002; 394), the growth of neoliberal policy has implications for the inequality within cities (or states) and has led to promotion of a 'growth first; model, where social welfare concerns are sometimes only addressed after growth, jobs and investment have been secured. This is true for both developed and developing world cities and indeed, for entire states'. These policies coupled with cross-state competition lead to a 'neoliberal lock-in of public sector austerity and growth-chasing economic development' (Peck and Tickell 2002: 394). This opinion is shared by Harvey (2012; 29), who argues, referencing neoliberal urban policy, that the "trickle-down" growth policy of neoliberal ideology does not bring benefit to all in society.

Given the varying views on neoliberal policies, it is important to consider the economic development impact of such policies in an African context, particularly the impact of FDI. Firstly, by considering what industries have benefited from FDI? And what industries have been negatively impacted from greater FDI? Also of interest, is to understand how these gains, if present, are distributed across African societies? Has the adoption of neoliberal polices has brought about socially equal economic growth? Or, have some sectors of society benefited more from greater globalised polices?

2.4 FDI in Africa under free market conditions: Potential problems

Neoliberals argue that the adoption of strong government fiscal stability, floating exchange rates and trade liberalisation in much of the developing world will lead to improved living standards. For example, in an African context US economist William Easterly argues that there is too much interference by indigenous government and overseas agents in African economic affairs, arguing that African states need to better embrace Hayek's free market ideas (Easterly, 2006; 35). They also argue that developed countries have gained from increasing trade liberalisation and increasing global FDI, as this has coincided with an increase in GDP for much of the developed world, even factoring in the recent financial crisis (see Antonio, 2013). Not all agree with this assessment, for example Dicken (2007) is critical of globalisation, and posits the view that it has led to greater uncertainty for workers around the globe. He argues that with freer operations' mobility and greater economic importance, large firms can now move manufacturing and logistics operations from one country to another with relative ease. Thus, raising questions as to how beneficial the adoption neoliberal policies are for wider society, beyond the needs of MNCs. Under these conditions, even older industrialised nations struggle to remain cost competitive, particularly in manufacturing sectors, resulting in difficulties with preserving existing jobs or creating new jobs for their active population. This leads to a potential increase in social inequality that may put increasing pressure on their welfare states. For example, as of August 2013, unemployment rates in Spain were over 25% (FT.com, August 2013). Further to this, the problem of creating jobs is not isolated to the developed world. In the developing world, too

few jobs are being created to absorb rapidly expanding populations (Lebaron and Ayers, 2013).

The example of high unemployment rates in developed world nations outlines that the adoption of neoliberal policies does not guarantee a well performing economic state. What about the case of FDI? Is this always the case that a host nation gains when FDI is conducted under free market conditions? More particularly, in an African context, what forms of FDI are typically attracted to the continent? And what impact has this FDI had on industrial growth in SSA?

In the first instance consider how nations, regions or cities attract FDI. Consider a theoretical state that is operating under the free market model with no barriers to entry or exit to any part of the market and no state intervention. The key to a city or nation's ability to attract investment is derived via the theory of economic rent. This theory arises from scarcity. This means having something – a resource, a capability, or knowledge – which others do not possess (Kaplinsky 2005). Two differing types of economic rent are presented by Kaplinsky;

'Endogenous rent – this is a category of rent which reflects the ability of firms to generate and appropriate rents by constructing or taking advantage of barriers to entry. Some of these are generated by individual firms – new technological processes and products, new forms of organisation, productive skills, design and marketing. Firms protect these advantages through particular knowledge or through barriers to entry such as trademarks, patents or copyrights' (Kaplinsky 2005: 65).

'Exogenous rent - rent determined outside the corporate sector with an example being scarce natural resources. Other examples include policy rents, often reflected in trade policy privileges for suppliers of key manufacturing inputs and for industries engaging in significant exports, and infrastructural rents; this would include effective educational systems, transport infrastructure and efficient property rights. Exogenous rents play a role for countries as they seek to attract investment in the global market. Governments also need to offer incentives to indigenous firms and MNCs to develop endogenous rents within their region' (Kaplinsky 2005: 72).

Unfortunately for African states, they tend to lag behind the developed world in developing economic rents with the exception of fixed resource rents. For example, the continent has failed to significantly increase its share of manufactured global exports as many African states lack the industrial capacity and supportive structures (such as political stability, infrastructure, skilled labour force) to entice significant numbers of MNCs in non-natural resource sectors (such as in manufacturing or service providers) to set up operations there and/or support the growth of indigenous firms so that they become more competitive in both domestic and export markets (see Page, 2012). While African states are competitive in the absolute cost of labour, due to this lack of industrial capacity and supportive structures, much of this advantage is negated and may only translate into attracting investment into low-skill manufacturing (Gelb *et al,* 2013). The competition within the developing world for this type of investment is fierce and may culminate into a 'race to the bottom' (Rosen, 2005; 261) between emerging nations. Some regions have proved to be more successful at this than others; with Kaplinsky (2005) and Wade (2010) noting that much of the perceived economic

gains from globalisation can be attributed to the growth of Chinese and Indian economies. However, increased globalisation has been less successful in other regions of the world, in particular Sub-Saharan Africa (SSA), where inequality and poverty levels have remained high. For example, in 2010 69.9% of SSA's population lived on less than US$2 a day (World Bank data, August 2013).

More generally, attracting FDI is an area where African states have underperformed. For example, developing economies' in Africa (as defined by United Nations Conference on Trade and Development (UNCTAD)) share of global FDI stock stood at only at 2.8% in 2011 (UNCTAD data, June 2013). Further to this, the manufacturing sector of African economies is particularly underperforming, with an UNCTAD press release (July 2013) noting 'Africa accounts for only 1 per cent of global manufacturing. And manufacturing represents about 10 per cent of African GDP, compared to 35 per cent for East Asia and the Pacific and 16 per cent for Latin America and the Caribbean'. The data outlines how the increase of neoliberal policies around the globe doesn't ensure that FDI reaches all corners of the earth. The particularly poor performance of African manufacturing shows how neoliberalsim promotes uneven growth, where some industries perform well while others regress. An advocate of neoliberal thinking would argue that this highlights the importance for developing African states to, if financially feasible (Africa included), increase investment in capital programmes, such as transport or ICT (information communication technology), and the public services, like education or healthcare to increase the standard of labour inputs available in the region (Gylfason, 2000; Dixon *et al*, 2002). Further to this, under the neoliberal model significant overhaul of property rights and the reduction of red tape would also significantly improve the competitiveness of developing cities or regions versus the rest of the world. By addressing

these issues, an advocate of neoliberalism would argue that viable industries within a state would flourish as barriers to production are reduced.

However, the adoption of such policies may not be possible across all African states and besides, the adoption of the policies alone doesn't necessarily guarantee that all sectors of an economy or society will benefit. For example, when investigating the impact of pro-business policy reforms in Rwanda, Veit (2011) observed that local business people felt that the reforms had only a limited positive impact on their businesses, despite the fact that the reforms resulted in Rwanda moving up the World Bank's ease of doing business ranking from 150 in 2008 to 58 in 2011. This example highlights that while the ease of doing business may be increasing within a state, this does not necessarily translate into improved business performances, greater economic growth or improved production efficiencies to all industries in a state or all sector of society. Nor do policy reforms necessarily support existing industry within a state.

Expanding on this, one must consider if policy improvements alone would be enough for a nation to attract higher value-added industries. What impact would the adaptation of neoliberal polices have on existing indigenous industries? For example, many African countries have experienced globalisation through planned structural adjustment programmes attached to the receipt of loans from the World Bank or the International Monetary Fund (IMF) (for example Ghana, as discussed in the next chapter). Structural adjustment includes devaluation of the local currency, removal of barriers to trade or tariffs, austerity measures to produce more balanced central budgets, public sector reform, controlled inflation rates and the encouragement of private investment (Stein, 1992: 85-86). Many commentators question

the success structural reform has had in encouraging industrial development in Africa, as external competition is introduced to markets in which the indigenous industry lack production efficiency to ably compete against imports or foreign investors. For example, consider the views of Lall (2005: 74), who notes;

'Africa needs to do more than open up to international markets and improve the investment climate. Liberalisation can spur efficiency by introducing competition, but where capabilities are too weak to cope with such competition, liberalisation can simply lead to the destruction of capacity and the dispersal of existing capabilities. In these conditions, local firms will not set up new facilities in areas where they will face full international competition; nor will foreign investors enter. This is precisely the experience of much of Africa. A vigorous supply response can arise only if governments help new capabilities to develop within the industrial sector. In the absence of such policies, the investment response of the private sector (local and foreign) is bound to be hesitant and inadequate'.

Further to this, Mengisteab and Logan (1995; 292) also call for a greater input by the state in the developing world than most pure free marketers would agree with. They note (1995; 292) 'the market's trickle-down process by itself is also insufficient to redistribute resources in a manner that would alleviate poverty, transform the large subsistence sector, and promote an environment-friendly system of production'. These points highlight that if African states are to create the economic rents needed to attract higher value manufacturing FDI and use the gains to reduce inequality, then structural reforms alone will not suffice. To increase the possibility of generating industrial development these improvements have to be made in tandem with improvements in physical infrastructure and investment in up-skilling the labour

force. Otherwise, the situation will persist that FDI is overly dependent on natural resource extraction, discussed further in the next chapter. As referenced in the research question considered in this thesis, the high volume of Chinese SMEs investing into SSA offers hope that such a position does not have to persist permanently. However, the positive impact the presence of these firms has had on African industrial growth has not been fully established and will differ from state to state. Further to this, FDI alone cannot bring about improved industrial processes and would be better placed if the investments took place under the stewardship of individual African governments, which encourage and support the development of new and existing production capabilities.

2.5 Regional development theory under neoliberal conditions

This literature review so far has considered the integration of numerous marketplaces around the globe, as more states partially, if not fully, adopt free market principles. As discussed, this causes different nations, regions and cities to constantly engage in competition to capture parts of this global marketplace, through facilitating the creation of economic rents. However, can an individual nation, region or city improve their share various global markets through a more structured process? Or must all cities, states and regions engage in a 'race to the bottom' in order to capture productive investment?

To address these questions, regional development theory is now introduced to highlight how cities, states or regions can use production specialisation to encourage economic growth under neoliberal conditions. Storper (1997) argues that taking a view of production from the

perspective of a particular region is a key facet to promoting industry that is competitive and dynamic on the global scale. Regional administrations and global firms need to cooperate with one another to create key global hubs of research and production for particular industries. Regional administrations can help facilitate the creation of these hubs by promoting economic specialisation of indigenous firms within a particular industry and by offering incentives (tax breaks, industry specific infrastructure or education programmes) to outside firms from this industry to setup within the region, as discussed already in the previous sections. Expanding on this, Scott (1996; 401-402) describes the developed world as a 'patchwork of polarised regional economic motors, each consisting of a central metropolitan area and surrounding hinterland occupied by ancillary communities, prosperous agricultural zones, local services and the like'. The argument that Scott is making is that much of the prosperity of the developed world is derived from its focus on stronger regional development and global interaction between regions. For a region, this can lead to the creation of an essential economic hub, which is the central economic driver within the region, albeit vitally supported by complementary services. For example, on the importance of economic specialisation, Scott (1996; 403) notes 'successful city states like Hong Kong and Singapore provide ample evidence, moreover, that regional economic specialisation together with export-oriented development can, with the right combination of opportunity and good policy judgement, be a formula for extremely rapid growth in the modern global economy'. Finally Scott (1996: 409) notes, 'The locational bedrock of this system coincides with a series of interdependent agglomerations of capital and labour spread out in an archipelago around the world'. This means the creation of regionalised hubs, which are heavily defined by economic specialisation of production and development of particular industries.

The creation of regionalised economic hubs via specialisation is indeed a more structured way for regions to engage with globalisation compared with a 'race to the bottom' to reduce production costs. However, applying such a theory is also not without drawbacks. For example, one must consider if the adoption of the regionalised approach of economic specialisation allow for all regions and nations to grow at the same time? Is this a zero-sum game? Scott and Storper (1995; 523-524) doubt it and argue, 'regional development must be embedded in broader institutional contexts to deal with the problem of regional 'left-behinds''. Even in advanced states with thriving market economies, certain regions will remain underdeveloped, perhaps due to geographic or demographic reasons, and it is up to individual states to come up with a set of policies that minimises the extent to which these regions do get left behind. For example, theguardian.com (October, 2011) noted that in the ten years up to 2010, 580,000 people migrated from Southern Italy to the Northern part of the country due to higher unemployment and lower incomes compared to the national average. The balancing act here is that if resources are spread too much across a state or region, the central hub of regional growth may lose its competitiveness in the global market place. On the other hand if the state fails to sufficiently support the regional 'left-behinds' it faces the prospect of mass inequality and subsequently the potential of mass migration towards the central economic hub. Getting the balance right here depends on the society within a nation and whether it is willing to forgo some of the competitive gains associated with the formation of a central economic hub to reduce regional inequalities. Although if a state fully adopts neoliberal principles, then such a decision would be beyond the control of authorities and left up to the 'market' to decide.

Linking regional development theory back to this thesis, the focus of this chapter is to illustrate how FDI can contribute to economic growth within a nation. The situation described

above outlines the need for caution when interpreting the impact of FDI on a nation's economy. Headline figures such as gross domestic product (GDP) or export performance might give a misleading view of how FDI positively influences an economy. While growth in these figures could suggest a positive impact, they do not take account of whether FDI is fostering cross-regional growth? How FDI has impacted on inequality within a nation? Or whether growth in one sector of an economy is coming at the expense of another? For example, a correlation analysis could show that increased FDI from China has coincided with growth to the Ghanaian economy, in GDP terms. However, what accounts for the GDP growth? And what role have the Chinese investors actually played? In the previous chapter, the question was posed to understanding the degree to which the Chinese investors are positively influencing Ghanaian industry? And whether their investments are promoting economic diversification away from over dependency on natural resource? To date, these questions have not been reasonably answered. Further to this, as will be discussed in the next chapter, Chinese investments are predominately centred on certain locations within Ghana and focused on only a few industries. So while, there may be evidence to support claims that Chinese investment is supporting economic specialisation and the creation of an economic hub, one must also consider if the Chinese investors are reinforcing regional inequalities. Whether such a trade off is an acceptable position is ultimately up to Ghanaian society, but does certainly warrant greater investigation.

Further to the impact of FDI on a host nations industrial productivety or output, another important aspect to consider is the implications of FDI on the indigneious labour force. As cited earlier in this chapter, one of Dicken's (2007) perceived failings of greater globalisation is that it has led to greater uncertainty for workers around the globe Indeed, labour forces

across the world, much like FDI flows, are not homogenious and the compostion of workers will differ depending on the location. Nevertheless, there are common observable trends in the situation of working people throughout the globe and the general experience of labour in the modern era of globalisation is considered in the next section of this chapter.

2.6 Impact of FDI and Neoliberalism on global Labour flows

It has been argued that under neoliberal conditions, MNCs can now move manufacturing and logistics operations from one country to another with relative ease. This has implications on workers in states that adopt neoliberal policies, as greater production mobility for these firms coexist with decreased job security for workers. However, does the adoption of neoliberal policies have to bring about reduced certainty about labour security? Can government authorities draft legislation that increases job security under free market conditions?

In addressing these issues, firstly, in an African context, it is important to consider the specific make-up of the labour forces within states. International Labour Organisation statistics from 2000 show that 72% of non-agricultural labour in SSA were employed in the informal economy (Yusuff, 2011 ;625). It was Keith Hart (1973) who first coined the term informal economy in his study of low-income unskilled migrants from Northern Ghana in Accra. The informal economy refers to the part of the labour force that engage in economic activites not captured by the 'formal economy' (legally sanctioned economic activity) within a state. As Hart (1973; 68) notes, 'The distinction between formal and informal income

opportunities is based essentially on that between wage-earning and self-employment. The key variable is the degree of rationalisation of work - that is to say, whether or not labour is recruited on a permanent and regular basis for fixed rewards. Most enterprises run with some measure of bureaucracy are amenable to enumeration by surveys, and - as such - constitute the 'modern sector' of the urban economy. The remainder - that is, those who escape enumeration - are variously classified as 'the low-productivity urban sector', 'the reserve army of underemployed and unemployed', 'the urban traditional sector', and so on'.

To further ilustrate the importance of the informal economy to African society, consider the following example, by citing urban day labourers in South Africa, Blaauw *et al* (2013;2) note that 'the persistent high levels of unemployment and the severity of absolute poverty in South Africa have been well documented. As a result many people are forced into the informal economy, where they engage a variety of survivalist activities'. This an important observation in this thesis, as it will be shown in the results chapters 5, 6 and 7, that the majority of private employment generated in Accra today is in the informal economy. Therfore, when considering the impact of private Chinese FDI, one must be aware how these investors interact with this form of employment.

More broadly, in the modern era of globalisation consideration must be given to impact of FDI flows on all types labour. Indeed, in the context of globalisation, many narratives on labour offer an uncomplimentary picture, both globally and in the case of Africa. Of interest here is what impact greater global capital mobility has on local labour sources? Are local trade union disempowered in supporting local job security? Padmanabhan (2012; 972) notes

that as capital seeks greater efficiency, adjustments tend to be made on labour supply, such increased use of casual labour or greater number of firms outsourcing labour contract, in an effort to increase a firms competitive advantage. Herod and Aguiar (2006; 4) support this view of greater outsourcing and note that the 'exteriorisation of economic relationships that were previously internal to the structures of companies'. Further examples of exteriorisation can be found in health care arrangements, education and training provided to staff or employee housing. Some (Cam 2002; Gray 1998) have also argued that greater globalisation has lead to a notable reduction of government regulations with regard to labour protections. Cam (2002) notes that this process has made it more difficult for workers to unionise and points out that the assault on collectivism arising from fewer labour laws mirrors the preference of suppressed unions in the private sector. While Gray (1998) offers the view that lower levels of unionisation negatively impacts the capacity for organised workers to influence political parties and thus, political policies.

What the above literature informs us is that workers are viewed to be on the fringes of the globalisation debate (Collins, 2003), of secondary concern to the other factor of production input, capital. As MNCs increase their operations around the globe, they are motivated by increasing profits, reducing production costs, improving production efficiency, increasing global market shares etc. The needs and wants of workers are only considered in how they can facilitate these motivations. In essence, globalisation is seen to be something that happens to workers, rather than labour being an actor or willing participant in the globalisation story. Although personally disputing the point, Herod (2001; 131) notes that in mainstream globalisation literature, the global economy is seen as 'capital's creation', 'the logical

outcome of the expansionary nature, and the new economic and political reality to which labour must respond'.

Given this perspective, what can government authorities do to increase job security under free market conditions? An argument can be made that the most appropriate strategy of workers to engage in globalisation is to make their local environment more attractive to international investment (See Kanter 1995 or Bryan and Farrell, 1996). This is a prudent policy for local, regional or national governments and labour groups to adopt. However, it is not be a fully desirable solution and in nations that lack economic rents, may lead to a 'race to the bottom' as different states compete to attract investment. Further to this, one must also note that the experience of labour in the modern era of globalisation is diverse and policies that offer the best solution to workers will differ dependent on location and particularities of FDI. A more encouraging position would be for MNCs to become embedded in the locations they invest in, with high value added activities being carried out in all locations in which a MNC is active. Such a scenario might not be desirable, under neoliberal conditions, for a MNC as it might impact on the profit levels a firm can generate. Regardless, such a fact should not discourage local or national governments from formulating policies that encourage MNC to embed their operations in their location, even at the expense of other locations, as such an outcome offers greatest security to labour sources within that nation.

The issue of FDI embeddedness is addressed in the next section of this chapter. The question of how local labour is impacted by greater globalisation policies is also returned to later in this chapter, when GPN literature is introduced. Further to this, with regard to the private

Chinese firms in Accra, the way in which the firms interact with and influence Ghanaian workers will be considered in the results chapters of this thesis.

2.7 FDI Embeddedness and Cluster Theory

Previously in this chapter it has been outlined how economic specialisation can help regions to better compete in global markets under neoliberal conditions. However, what impact does regional specialisation have at the micro level? Do individual firms gain from this process? In his 1990 book, 'The Competitive Advantage of Nations', Michael Porter noted that improving competitiveness is increasingly essential to a country's or firm's prosperity due to falling barriers to trade and increased global investment. The author noted that one way in which firms can generate a competitive advantage is to operate within an industrial or business cluster. According to Porter (2000; 253), 'clusters are geographic concentrations of interconnected companies, specialized suppliers and service providers, firms in related industries, and associated institutions (e.g. universities, standards agencies, and trade associations) that compete but also cooperate'. Talented people are drawn to clusters. Companies operating within a cluster are mutually dependent, thus, a good performance by one company can boost the success of the overall cluster itself and hence, may indeed boost the performance of other companies within the cluster. Competitive pressure within a cluster drives innovation and the existence of trained labour and complementary services allows companies located within a cluster to operate at a lower cost than isolated companies. Further to this, a high concentration of complementary products and services combined with a talented labour source within a cluster may stimulate spill over growth of other industries creating a new cluster altogether (Porter 1998; 77-90). Examples of developed business

clusters would include the Italian footwear districts (Becattini in Schmitz 1995) or the California Wine Cluster (Porter 1998; 78-79).

In many ways, the supposed competitive advantages of economic clusters dovetail Granovetter's views on economic activity and embeddedness. Expanding on this, the term embeddedness is attributed to the work of Karl Polanyi (1968) and refers to economic activity that is immersed in wider social relations and thus, cannot be a split as an independent sphere from society as a whole. In his 1985 paper, Granovetter addresses a failing, in his view, of economic theory that under-socialises human behaviour. He believes that a true view of economic activity is more accurately "embedded" within social relationships. Granovetter strikes a balance between this view and the views of sociologists that argue embeddedness was widespread in pre-market societies but has been reduced over time. He argues that the state of embeddedness of economic behaviour is not different in modern and pre-modern societies. As Granovetter (1985; 482-483) notes, 'my own view diverges from both schools of thought. I assert that the level of embeddedness of economic behaviour is lower in non-market societies than is claimed by substantivists and development theorists, and it has changed less with "modernization" than they believe; but I argue also that this level has always been and continues to be more substantial than is allowed for by formalists and economists'.

So how do these views support Porter's stance on economic clusters? One of the perceived strengths of economic clusters is that value is not only derived from competition between firms but also collaboration (Porter, 2000; 15). This is an example of Granovtter's "embeddedness" in action, as the success of cross-firm collaboration is dependent on the

social relationships and social networks developed within an economic cluster. This link best illustrated by considering Granovetter (1985; 490) views on trust and malfeasance. According to "embeddedness" theory, the networks of social relations between individuals and firms depress malfeasance. Individuals and firms channel their decisions based on past relations and will only continue to interact with individuals or firms they trust. Applying this view to cluster development indicates that successful social networks are built on trust that is developed and strengthened over time. However, one should note that Granovetter (1985; 491) also argues that in social networks, the occurrence of trust can both obstruct and encourage malfeasance, which exhibits that social networks do not necessarily act as a disincentive for dishonest behaviour. Indeed, as trustworthiness increases between interested parties, the more vulnerable individual become to malfeasance. This issue of social "embeddedness" will be returned to later in the thesis when considering relationships the Accra based Chinese firms have with their customers, suppliers, Ghanaian authorities etc. To what degree are the Chinese firms embedded in Ghanaian society? Are they partaking in cluster formation? And, if so, what role do the Chinese firms play in the cluster?

Linking cluster theory back to this thesis, to what degree are economic clusters present in the African continent? And, are there locational factors that a researcher should be aware of? McCormick (1998; 11-42, 1999; 1538-1544) uses examples from different business clusters on the continent to argue that enterprise clusters in Africa are at three diverse stages of development and each in turn offers something different to the industrialisation process. The first Cluster group, as described by McCormick, lays the groundwork for industrialisation, as this is the first sign of firms within the same industry locating within close proximity to each other. Locating within these clusters offers firms improved market access, mainly due to access to traders, who provide access to small towns and villages throughout the relevant

African country. There are very little signs of joint action between firms in these clusters, with no technological sharing or multilateral linkage and only weak bilateral linkages. Associations mainly focus on supply-side constraints and improving working conditions.

McCormick (1998, 1999) describes the second group as industrialising clusters. These clusters show much clearer signs of emerging collective efficiency (collective efficiency being defined as the competitive advantage derived by firms from the use of local factors of production that are external to the firms themselves (external economies) and joint action). Similar to the first cluster group, firm sizes in these clusters tend to be small. Firms in these clusters engage in greater product specialisation, which leads to higher bilateral production linkage and greater production efficiency. The final cluster group McCormick (1998, 1999) refers to is complex industrial clusters. These clusters comprise of large, medium and small firms and differ from the previous clusters as they aim for wider markets, including both domestic and foreign locations. Bilateral, multilateral, vertical and horizontal linkages are all present in these clusters. Joint action between firms on production and issues affecting the cluster, allow firms to strongly compete in more saturated foreign markets. This is further elaborated on in chapters 5 to 8 of this thesis to better identify what cluster formations are present in Ghana? And, more pertinently, the degree to which the private Chinese investors engage with these clusters?

So can FDI into a region, city or state increase the prospects for cluster formation? If so, what characteristics need to be understood when analysing cluster development in an African state? According to Porter, domestic markets within developing economies tend to be characterised by little localised aggressive competition or rivalry. Most competition, if

present at all, comes from imports (Porter 2000; 20), which may displace local production without local producers benefitting from the increased competition. However, many developing African countries do not have sufficient market size to benefit from such competitive driven efficiencies, as will be observed in Chapters 6 and 7. Porter (2000; 20) argues that 'moving to an advanced economy requires that vigorous local rivalry develop and rivalry must shift from low wages to low cost, and this requires upgrading the efficiency of manufacturing and service delivery'. Hence, it is productivity, and not necessarily exports performance or natural resources, which define the prosperity of a nation. Governments must support the development of productivity by providing the economy with high quality inputs, such as an educated workforce, decent infrastructure, strong governance and a supportive tax regime (Porter 2000; 27).

As already discussed, the key principles of competitive advantage theory note that the main drivers of a firm's competitiveness is its ability to foster new innovative ideas, improve productivity and keep abreast of the changing dimensions of the industry in which it operates. In all of these cases a firm will be better off operating in a location in which similar firms are also in operation, have a supportive government and have easy access to supportive industries and key production inputs, rather than a firm operating in isolation (the key principles of cluster theory). The theory being that increased competition fosters a greater productive environment and forces firms to engage in more productive activities and become more cost competitive. From an African perspective, this means increased competition in domestic markets, but where is this increased competition going to come from? One option, as described by Porter (2000), is that industrial efficiency in a small developing nation can be improved by increasing competition in the sale of goods and services with neighbouring nations. The case of Ghanaian exports to neighbouring West African states is explored later

in this thesis. Further to this, both Broadman (2007; 20) and Brautigam (2009) argue that the competition will first come from foreign sources (with the authors referring to the increasing trade and investment activity with China and India), both in the shape of imports and foreign investment with a view to engaging with the domestic market. Expanding on this, Langdon and Jenkins (1996; 19) note how foreign entry into the Kenyan soap and footwear manufacturing industries forced domestic producers to improve production techniques in order to stay in business. Despite this example, consideration must be given to how applicable this scenario is across the whole African continent, with a genuine fear that increased competition from foreign sources will lead to a displacement of local producers.

Indeed, one needs to note that industrial clusters driven by local small and medium enterprises (SMEs), the largest employers in the developing world, differ from clusters driven by a large international firm. Policy makers need to recognise this fact and do more to assist in the development of innovation and new production methods within these clusters. Industrial development policy should be about enhancing existing African industry. Attracting outside investment can support this process but it must be given the right incentives from local authorities to do so. Murphy (2007) echoes this point, and observed, when looking at the Mwanza furniture cluster in Tanzania, that there was too much emphasis placed on attracting foreign investment by policy makers. Municipal planners and policy makers had overlooked or ignored the potential of and challenges facing small-scale manufacturing firms. This is an example of a groundwork cluster, stage one according to McCormick's (1998) phases of cluster formation in Africa, where 'collective efficiency is associated with sharing tools, labour pooling and ready access to inputs and not a site for high-end innovation' (Murphy 2007; 1773). The author elaborates, 'secure property rights are essential if furniture makers and other small manufacturers are to invest capital in their

production systems and establish more stable and innovative relationships to suppliers, customers and competitors' (Murphy 2007; 1773). This is important if they are to compete with cheaper foreign imports. Since economic liberalisation, the local market has seen increased competition from these sources and consumer choices may be shifting away from traditional manufacturers, as highlighted in the next chapter by considering Ghana's balance of trade position. Investment in local manufacturing clusters is of paramount importance if local firms are going to create production efficiencies which will enable them to compete with more advanced foreign producers both in domestic and overseas markets. In light of this, authorities need to attract FDI that complements or supports the growth of smaller African industries rather than FDI that displaces these firms.

Therefore, regional authorities play an important role in supporting the development of clusters? As Schmitz (1995) notes, the main characteristics of the industrial clusters are; geographical proximity, sector specialisation, predominance of SMEs, close inter-firm collaborations, inter-firm competition based on innovation, a socio-cultural identity which facilitates trust, active self-help organisations, and supportive regional and municipal governments. This gives rise to a new model of local/regional industrial policy where both government and non-government institutions have a vested interest in supporting the growth of the industrial cluster and thus, the concerns of the entrepreneur were extended from the private to the public sector (Brusco in Humphrey & Schmitz 2002; 1019). Therefore, 'rapid diffusion of knowledge within a cluster is brought about not solely by industrial atmosphere but is fostered by policy networks of public and private actors' (Scott in Humphrey & Schmitz 2002; 1019). This issue of cooperation between government and non-government institutions with a view to encouraging industrial and/or economic growth is not confined to

cluster theory and a later section of this chapter will outline policies and practices adopted by East Asian authorities to encourage economic growth.

In an African context, consider an example from Nigeria, where the importance of local government cooperation to cluster and industrial development is further illustrated. Meagher (2007; 499) describes how three different Nigerian clusters have traditionally displayed 'a rich tapestry of production and training networks operating across ethnic and religious divides'. However, Meagher noted that all three of the Nigerian clusters were underperforming due to the pressures of liberalisation, globalization and state neglect. This has lead to 'collective inefficiencies' and a drop in production standards. Meagher (2007) is mostly concerned with the role state neglect has played in this process and notes that economic 'ungovernance' of African clusters is not a creation of cultural failures but of political failures that did not sufficiently support, through complementary policies, infrastructure and other means, these clusters and thus, left them uncompetitive in domestic markets against imported products. This is unfortunate when one considers, the 'more successful third world clusters, in which the state plays an extensive role in the provision of infrastructure, business services, technical upgrading and export assistance, as well as facilitating conflict resolution in times of crisis' (Meagher, 2007; 499-500). The success of clusters in developing countries is heavily dependent on state support, as small firm cooperative unions are unable to provide the infrastructural and technical support needed for clusters to really prosper. This is further elaborated on in chapters 5 to 8 of this thesis to better identify what forms of FDI are supporting indigenous cluster development and whether current Ghanaian government policies are promoting/hindering cluster development.

2.8 Theory of Global Commodity chains, Value Chains and Production Networks

Porters cluster theory demonstrated how firms can increase productive growth and engagement in more innovative product development via locating beside and cooperating with firms in the same or complimentary industries. It has also been discussed in this chapter, how under neoliberal conditions world markets become more integrated and firms can have a truly global presence regardless of their geographic location (through exporting goods and FDI). The research into the production process and how it has also evolved to become a global practice is now examined. The evolution of the theory is presented in this section of the chapter, from the perspectives of the GCC, global value chain (GVC) and through to the development of the GPN models. Upon establishment, production theory will be explored in the proceeding section with regard to FDI under neoliberal conditions.

Firstly, consider the theory of GCC. Dicken *et al* (2001; 98) state that 'a GCC consists of sets of inter-organizational networks clustered around one commodity or product, linking households, enterprises and states to one another within the world-economy'. The different dimensions of the GCC model include: (1) the international aspect of production which accounts for the interaction between state and private enterprises or the macro and micro economies, (2) the power of lead firms in coordinating interactions along the chain and the governance structure of the chain in general, (3) the geographical distribution of the chain which can be localised or dispersed, (4) an input-output structure of production, labour, services and resources linked together by a common industry, (5) coordination within the chain which plays a key part in producing a competitive advantage within an industry or

market and (6) firms which are constantly trying to improve the organisational structure of the chain to enhance greater efficiencies (Dicken *et al* 2001; 98-99 & Gereffi 1999; 3). Gereffi (1999; 43) argues for the existence of two key government structures in GCC; producer driven chains and buyer driven chains.

In producer driven chains, the lead firm manufacturer holds decisive power within the chain. This power is derived from the existence of technology rents (arising from access to key products or production methods), organisational rents (superior forms of internal organisation), human resource rents (access to better skills than competitors), financial rents (access to greater capital) and resource rents (access to scarce natural resources) which are subject to continuous improvements (Liu, 2012; 18). In buyer driven chains, retailers, traders and branded marketers derive power through trade policy rents, where value is created by scarcity, and brand name rents. Value is created through reputation or consumer tastes, because innovation lies more in product design and marketing rather than in manufacturing (Gereffi, 1999; 43). In these chains it is somewhat easier for lead firms to outsource production to independent suppliers than in producer driven chains.

Dicken *et al* (2001) are critical of the mainstream interpretations of the GCC model as they feel that too much emphasis is placed on the governance structure of the model and the role of state policy has largely been ignored. While it is true to say that under conditions of globalisation the state's influence has diminished, one must not forget the potential implications state policy may have on the overall structure of a chain. Hughes and Reimer (2004; 3) take a disparaging view of the GCC model for its completely linear analysis of cross-firm cooperation. Better global standards in business processes and information

technology in design, manufacturing and supply-chain coordination have enabled increased outsourcing in producer-driven chains, making it more common for firms to forge production processes which are less internalised and more dependent on linkages between buyers and suppliers. An example would be the automotive industry, where the economic geography of the industry is played out differently in different divisions of the value chain. However, it is the main automakers that drive these locational patterns, as the lead firms carry significant influence over the entire chain of manufacturing due to its substantial buying power (Sturgeon *et al*, 2008; 318). A further criticism of the model is that it does not address the possibility that chain management can become heavily influenced by the locations in which they operate. A better model would need to take into account the potential for vertical and diagonal cooperation across firms operating within a production process.

Building on the GCC model, let's now consider the theory of GVC. The value chain model describes the activities that firms and workers input into bringing a product from its conception to the final consumer. This includes activities such as design, production, marketing, distribution and support to the final consumer. In the GVC model, Gereffi *et al* (2005; 86-87) note five distinct different forms of value chain governance. Firstly, market linkages with repeated transactions where the cost of switching to new partners is low for both the supplier and the buyer. A market where suppliers produce products to a customer's specifications is known as modular value chain. However, suppliers use generic machinery that limits transaction-specific investment and transactions are easily codified making the cost of switching to new partners low. These forms of chain governance are characterised by arm's length market relations as buyers and suppliers do not develop close relationships (Humphrey & Schmitz, 2002; 1023). In relational value chains, complex interactions between buyers and sellers are common. Also suppliers' capabilities are high and not easily codified

or replicated. This develops a mutual dependence between buyers and sellers, which can be regulated by developing trust and reputation, similar to the embeddedness argument described earlier in this chapter. Captive value chains are characterised by a high degree of control and monitoring by the lead firm. 'This level of control can arise not only from the lead firm's role in defining the product, but also from the buyer's perceived risk of losses from the suppliers' performance failures. In other words, there are some doubts about the competence of the supply chain' (Humphrey & Schmitz, 2002; 1023). The power relationship in captive networks forces suppliers to link to their customer in ways that are specific to a particular customer, leading to thick, personalised linkages and high switching costs. Hierarchical governance is characterised by vertical integration and tends to be a one firm operation. Governance tends to flow from managers to subordinates or from headquarters to subsidiaries as the lead firm takes direct ownership of some main operations in the chain (Humphrey & Schmitz, 2002).

A further enhancement to the production chain model is the GPN system. 'In a production network, whose 'purpose' is to create value through the transformation of material and non-material inputs into demanded goods and services, there is inevitably an element of linearity or verticality in the structure of its nodes and links' (Coe *et al*, 2008; 274), much like the chain analysis. However, the production network model allows for production processes that are more complex than this. Coe *et al* (2002; 445) argue that 'the GPN model is capable of grasping the global, regional and local economic and social dimensions of the process involved in many forms of economic globalization'. The authors also note that 'a major weakness of the chain approach is its conceptualisation of production and distribution processes as being essentially vertical and linear. In fact, such processes are better conceptualized as being highly complex network structures in which there are intricate links

– horizontal, diagonal, as well as vertical – forming multi-dimensional, multi-layered lattices of economic activity' (Coe *et al*, 2002; 442). Therefore to fully understand how a firm can contribute to the GPN one needs to look at net-chain analysis.

Expanding on this, 'consider a set of networks comprising of horizontal ties between firms within a particular industry or group, which are consecutively arranged based on vertical ties between firms in different layers, Net-chain analysis explicitly differentiates between horizontal and vertical ties, mapping how agents in each layer are related to each other and to agents in other layers' (Coe *et al*, 2008; 275). In essence the model describes a GPN to be a network of firms, inclusive of clusters, MNCs and isolated firms, located around the world that are all connected through the production of a good or service. Therefore, the action of one firm within the network has implications for a variety of different players within the network and not just the firms above and below it on the chain. Hence, one can ascertain characteristics of the running of a network by examining even small firms that play only a small role in network production. As Murphy and Schindler (2009; 21) note 'by examining the process of value creation and efficiency improvements of smaller firms, one can develop an understanding of GPNs and the challenges facing policy makers in developing countries as they strive to develop more profitable, equitable and sustainable engagements with global markets'.

One must also be cognisant to the fact that GPNs exist to produce a service or good that delivers value to an end user or consumer. Therefore, when analysing the added-value of a firm or region within a production network, this must be considered from the perspective of the end user or consumer. In value networks it is argued that that added-value depends on all

firms and regions within a network forming positive working relationships to maximise consumer satisfaction. As Peppard and Rylander (2006; 131-132) note 'adopting a network approach, organisations focus not on the company or the industry, but the value-creating system itself, within which different economic actors – supplier, partners, allies, and customers – work together to co-produce value'. Fjeldstad and Stabell (1998; 414) interpret the value network model differently and argue 'firms create value by facilitating a network relationship between their customers using a mediating technology'. Regardless of how the value network model is to be interpreted, the model is pertinent to the activities of the private Chinese firms in Accra. In the case of the Chinese traders, these firms act as facilitators between Chinese suppliers and Ghanaian customers, where buyers and sellers of the goods act independently from each other, echoing Fjeldstad and Stabell's (1998) interpretation of value networks. Similarly, the Chinese manufacturing firms engage with both suppliers and customers. The strength of the relations between these partners will infer the degree to which these firms are embedded in the Ghanaian economy.

While the theory, outlined above, gives a good overview of how production chains work, it does not inform one how FDI impacts on the structures production chains, or if FDI allows regions to better interact with production chains. This will be covered in the next section of this chapter.

2.9 Characteristics of FDI conducted under GPN conditions

In considering the creation of value, the principal aim of a firm or a region operating within a GPN is to optimise their own creation of value, principally economic, through engaging in higher value added activities but also social values (higher working standards, better terms of employment etc.), while operating within the constraints of the GPN. If a firm or region is to grow within a value chain, it needs to concentrate its efforts on process upgrading, product upgrading and functional upgrading (Humphrey & Schmitz, 2002). Barrientos *et al* (2010; 6) note the following different forms of economic upgrading; (1) Changing production methods and focusing on making them more efficient, although this may impact on the economic benefits to the region as a whole as increased capital reduces the need for skilled labour, (2) producing more advanced products requiring higher skilled labour but not necessarily greater labour inputs, (3) firms could engage in functional upgrading by diversifying activities and moving into other layers of the network or chain, such as from production to transport and marketing, and (4) regions can encourage firms to move into different chains or channels of production where the firms skill sets are applicable.

So how can FDI within a GPN lead to transformative economic development for a region or nation. Humphrey and Schmitz (2002) cite the example of Taiwanese computer manufacturers who began to take over functions such as development and design, thus partaking in higher value added activities within the network. This upgrading led to a change in chain governance, evolving from a quasi-hierarchy (one-to-one) model to a network or market based relationship (one-to-many). However, this upgrading was aided by the protectionist policies adopted by the Taiwanese government, something which may not be

available to all progressive firms (firms which are actively seeking to partake in higher value added activities) in the developing world, which may have to adhere to "free" market policies as prescribed in the terms of structural adjustment agreements.

Of course, the ability of a firm or region to maximise value creation is heavily influenced by the power structure of the network it is operating in and the ability of local governments, institutions, non-government organisations (NGOs), trade unions or business groups to influence the global power structure to the benefit of the region or local partners. It is not unreasonable to expect these localised players to garner some influence within an overall network once the network chooses to locate there, as Coe *et al* (2002; 452) note 'GPNs do not merely locate in particular places. They become embedded there in the sense that they absorb, and in some cases become constrained, by the economic activities and social dynamics that already exist in these places'. This point is generally true when a region holds a particular resource which is a key input in a given GPN. However, when this is not the case, the degree to which a GPN can be influenced by the economic activities of a particular region will depend, firstly, on the governance structure of the network itself. For example, in buyer driven or hierarchical networks, lead firms will not hesitate to change location when the conditions for increasing profitability are threatened and this is especially true where a region is in competition with other regions around the world for its linkage within a GPN. Secondly, the degree to which a GPN will be influenced, in terms of value and creative input, by a particular location in which it is operating will be heavily dependent on the actions taken by the government in that region. Coe *et al* (2004; 469) note 'regional development ultimately will depend on the ability of this coupling (between a region and a GPN) to stimulate processes of value creation, enhancement and capture'. In order to maximise the returns obtained from the presence of a GPN inside the region, all potential gains created by localised

economic rents must be captured to the benefit of both the region and the lead firm within a GPN. 'The fact that a region is 'plugged' into a GPN does not automatically guarantee its positive development outcome because local actors in this region may be creating value that does not maximise the region's economic potential' (Coe *et al* 2004; 474). Regional governments and business groups can play a role in ensuring this is not the case, as Coe *et al* note (2004; 474) 'the process of fitting regional assets with strategic needs of GPNs requires the presence of institutional structures that simultaneously promote regional advantages and enhance the region's articulation into GPNs'. For FDI under GPN conditions to bring about transformative development, local firms within the host nation need to up-scale to higher value added activities within the network, thus becoming embedded (or more important production components) in a GPN. Given this, local authorities need to consider what forms of FDI they want to target. What industries best compliment existing labour supply, infrastructure and natural resources within the host nation? FDI alone will not bring about transformative change. Local authorities need to target industries that will be complimented by the existing, or realistically potential, economic rents within a host nation. This will allow local industries a better chance of moving up the value chain to partake in higher value added activities and thus, increase the likelihood of positive economic development impact arising from FDI. As already discussed, such a policy would have greater probability of success if it was adopted in conjunction with factor endowment improvements.

Further to this, as Kaplinsky and Morris (2008; 306-307) note, 'in order for a developing country to overcome the demand constraint for its exports and expand their capabilities; they need to situate their key industries within the GVC that dominate these sectors'. This offers these industries greater coverage in global markets and greater export security. From an African industrial development perspective there are two ways to interact with GPNs/GCCs;

by attracting MNCs to set up operations and become host countries to the chain/network or by up-skilling domestic producers to the point that their competitiveness on global markets improves. However, is it possible for all nations to achieve this goal at the same time? Regardless, by adopting neoliberal policies, authorities within a state need to be aware that they are acting in competition with other states and, as such, need to develop policies that, in the first instance at least, best deliver for their own nation.

One of the benefits to cities, states or regions, of becoming embedded in a GPN is the availability of a relatively secure export market associated with chain or network production. This security is greater the more a city, state or region embed themselves in the chain or network, via engaging in higher value activities or key input activities not easily replicated in another location, within the network, although this is highly dependent on maintaining a competitive advantage over rival firms or industries in a different location. An example of this benefit from becoming embedded within a production network, in an African context, can be seen in studies of the East African Nile perch fishing business (Kiggundu in McCormick and Banji; 2007).

One negative of promoting FDI lead cluster development within a state, is the fear that industrial clusters or industries driven by MNCs will lead to very little new innovative practices being developed, as Irawati notes (2010; 7) 'whereas in developed economies, local clusters often play an important role in new knowledge creation and developing market opportunities, this may be more complicated in developing economies'. This is due to the fact that many MNCs operate as 'satellites' to home based operations and have little interaction with the local economies. The degree to which a MNC is willing to embed itself with the

local economy depends on the investment motives of the MNC itself and the institutional thickness of the local economy. Fan Lim (2010; 9) describes institutional thickness as 'an extensive institutional presence, from government bodies to banks and educational establishments'. In the case of embedded FDI investors, one would expect to see a high degree of interaction between these agents and MNCs. Highlighting an accepted shared interest between these agents for stability and growth of the region which the MNC is investing in.

Finally, authorities in FDI recipient cities or states need to consider the governance structure of a chain/network, in the case of MNC led chains/networks; this tends on the whole to be hierarchical in nature. In hierarchical chains domestic authorities struggle to play a significant role in the governance of a global chain or network and hence local interest groups, such as trade unions, tend to have difficulty gaining influence on the decisions made by the lead players in the value chain, in most cases large MNCs. Humphrey & Schmitz (2002; 1023) argue that 'through increasingly dense and complex webs of subcontracting, MNCs can play off workers in one place against those in another, but ultimately always come up against resistance from labour agencies hindering production processes and efforts to extract meaningful output from capital'. Labour and capital are bound to each other and contribute in tandem to the production network, with both Cumbers *et al* (2008) and Rainnie *et al* (2011) arguing that global GPNs can be equally described as interlinked systems of labour as they are networks of firms. However, in-spite of the importance of labour inputs to successful running of a network, under free market conditions the security of labour in a geographic location within a network is dependent on the added-value a labour source brings to the network and the degree to which the tasks undertaken at a location can be replicated more cost efficiently in another location. As Cumbers *et al* (2008; 372-373) note 'the geographical

effects of capitalist production are always uneven, meaning that at different times, different places and groups of workers are privileged over others in the search for profit'. As trade unions act mainly in the interests of their members, there are times when their interests intersect with MNCs. However, ultimately this position is likely to change when the conditions for increasing profitability, improving production efficiency, expanding sales etc, are threatened, resulting in conflict as MNCs look to cut costs at the current location or even relocate operations altogether.

In this section it has been argued that FDI under GPN conditions can have a transformative effect on a nation's industries. This transformative development is achieved by firms in that nation up-scaling to higher value added activities within the network, thus becoming embedded in a GPN. In a Ghanaian context, the adoption of neoliberal policies from 1983 onward has meant that attracting FDI is an important developmental policy objective. This research identifies whether private Chinese FDI presented in these studies and their presence in Ghana are best explained by GPN theory and seeks to explore how beneficial this investment is to Ghana from a developmental perspective by observing the extractive, additive and transformative characteristics of these investments.

2.10 Globalisation from below; FDI not captured by production models

The theory described above outlines how FDI into host nation industries can positively impact industrial growth through linkages within a GPN or GCC and indigenous industries partaking in higher value activities. However, this theory mainly considers the activities of

MNCs and does not fully represent globalisation theory. A better way to think about this process is to classify this type of FDI under the heading 'globalisation from above'. Another form of FDI can then be classified as 'globalisation from below', which represents how people at grassroots level around the world link up to formulate their own process of globalisation. As Falk (1997; 19) notes, this process describes the 'linking of knowledge and political action in hundreds of civic initiatives. It is this latter aggregate of phenomena that is described here under the rubric of 'globalisation-from-below''. In the case of Africa, Mohan and Zack-Williams (2002) highlighted how the spread of the African Diaspora around the global can impact on economic development in African states through this process. As the authors (2002; 233) note 'the activities of the African Diaspora contributes to development in both formal and informal ways. A diasporic analysis brings new actors to the fore and challenges our accepted notions about political territory and cultural belonging. As such, diasporas represent a form of 'globalisation from below' in which 'small' players, as opposed to mega-corporations, make use of the opportunities offered by globalisation. In many senses this is a form of resistance in that the subaltern groups creatively explore and exploit the interstices of a global economy'.

Such observations also hold true for Chinese communities based in Africa as well. Therefore, the distinction between globalisation from above and below is particularly pertinent to this piece of research. Indeed, the activities of smaller firms in contributing to Sino-African economic relations have already been acknowledged in academic literature. For example, Mohan and Kale (2007) note that it is important for research in Sino-African relations to take account for the 'everyday' linkages and 'globalisation from below' that represent the actions of the Chinese Diaspora. They argue (2007; 2) that 'ethnic business communities are certainly not new to Africa, but the scale and dynamism of the Chinese communities are

likely to shape economic, social and political relations on the continent for decades to come'. The impact of foreign communities in shaping Sino-African economic relations is not confined to the African based Chinese Diaspora. A significant group of African investors are also present in Chinese cities and are credited for influencing trade relations between China and African states. For example, consider the case of African traders in Guangzhou whose ability to embed themselves in the business environment of the city allowed for them to be involved the shipment of Chinese goods into African markets. As Li *et al* (2013, 714) note, 'the emergence of this transnational urban enclave has been a result of a number of push and pull forces operating as part of the process of 'globalization from below'. Equally important has been the willingness of local Chinese businesses to accommodate the migrants in exchange for commercial opportunities with African countries. It is remarkable that, until recently, the Chinese state at the local level was not directly involved in the emergence of Xiaobei as a transnational space for the African migrants, leaving these migrants, the local people, and market forces to shape the spatial and socioeconomic patterns of the urban ethnic enclave in Xiaobei, where tiny ethnic shops selling leather goods, fake name-brand products, bright African clothing and electronic goods cramp the stores'.

Returning to this research thesis, it will be shown in the results chapters that the private Chinese firms based in Accra are primarily SMEs and not MNCs. As such, the activities of these firms might not be described by GCC or GPN literature. However, the examples above show that even if this is the case, this does not diminish the capacity for these firms to impact on the economic development within a host nation or to influence the shape of Sino-Ghanaian economic relations. In relation to this literature review, to date, the impact of FDI has been discussed under the assumption of neoliberal or free market conditions. Under such constraints, the options available to local authorities to shape investment to better suit the

needs of their societies are somewhat limited. In reality, there are options available to host nation governments that have been adopted by South East Asian nations, these are discussed below.

2.11 East Asia: Lessons for Africa in Relation to Foreign Investment

Up to this point, this literature review has considered the impact of FDI conducted under neoliberal conditions. As such, the role of governments has been viewed primarily as facilitating the ambitions of industry and MNCs that look to increase their share of global markets. However, central governments can play a more strategic role in the managements of their economies and industry within their geographical boundaries. Therefore, this review now examines examples from East Asian economies to show how government's policies can be shaped to use FDI to generate economic growth. In light of the research questions outlined in the previous chapter, the applicability of these policies in an African context is also discussed. Wade (2010, 2004) accepts that, under neoliberal conditions, the economic growth policy options available to governments in the developing world are constrained by worldwide consumer tastes, which are outside the control of domestic governments, and by any given domestic firm's ability to obtain a competitive advantage within different industrial sectors. However, Wade feels these governments should not fear taking a leading role in the creation of new industries inside their respective states. International forces such as the World Bank or the IMF advocate the adoption of the free market model, where there is limited economic intervention or regulation imposed by the state. As noted above, under this model it is argued that economies grow primarily because goods and factors of production can move more freely between states, thus economies focus growth in industries in which they hold a

competitive advantage against the rest of the world. Wade (2010; 297) refers to the governed market theory and the model that 'interprets East Asian success as the result of a higher level and different composition of investment than in less successful countries'. The difference in investment is due to government actions to constrain and accelerate the competitive processes. D'Aveni (2012; 29) refers to this as managed capitalism. Both Wade (2010, 2004) and Amsden (1989; 155/268) note that in newly industrialising countries competitive advantage is driven primarily by firm diversification, secondly by spin-off and only rarely by specialisation, thus defying the laws of comparative advantage and the free market model.

FDI can, as discussed below, play an active role in this process. As such, in chapter 5 through 8 of this thesis, reference will be made to degree to which private Chinese investors are supporting firm diversification in Ghana. Also of interest is the role government, and the policies they promote, is playing in facilitating this process. Firstly, however, to better understand the policies adopted by East Asian economies, 5 key policies adopted by the East Asian economies as observed by Wade's (2004; 345-358) are discussed. Wade argues that adopting these 5 key economic policy prescriptions will help other newly industrialising countries to experience economic growth.

1. *Use national policies to promote industrial investment within the national boundaries, and to channel more investment into industries whose growth is important for the economy's future growth.*

2. *Use protection to help create an internationally competitive set of industries.*

3. *If the wider strategy calls for heavy reliance on trade, give high priority to export promotion.*

4. *Welcome multinational companies, but direct them towards exports.*

5. *Establish a 'pilot agency' or 'economic general staff' within the central bureaucracy whose policy heartland is in the industrial and trade profile of the economy and its future growth path.*

Wade (2010, 2004) cites the example of the Posco steel operation in Korea, where the company has been able to forge a competitive advantage over competition in the steel market with the help of government support, in the form of a US$3.6 billion investment (Amsden, 1989; 269). This success is all the greater when one considers that the firm and the government were advised by the World Bank and private steel companies that it would be impossible for Posco to compete in global steel markets. Amsden (1989) uses the example of the ship building industry to show government support for new priority industries, in particular the Hyundai Heavy Industries (HHI) a subsidiary of the Korean Chaebol, the Hyundai Group. Amsden (1989; 275-76) notes that the Korean government 'first battled the Bretton Woods institutions to establish a large-scale shipyard, secondly raised international funding for HHI, thirdly provided extensive subsidies for infrastructure, fourth, provided financial guarantees to help HHI secure its first order and fifth, provided continuous support beyond start-up'. All these efforts proved integral to HHI establishing itself as a competitive shipbuilder on the world stage.

As well as focusing on developing domestic industries aimed at the export markets, Wade suggests that governments should also offer to support local firms trying to compete against foreign imports. He notes that in the Eastern Asian example, 'firms were given a range of incentives to replace imports but were not insulated from international competitive pressures. Industrial policy officials monitored the price and quality of domestic replacements against international comparators, and judged the assistance in relation to the trajectory gap', the amount by which domestic producers trailed market leaders in terms of product quality or cost of production. 'Firms understood that assistance was conditional on them either reducing the price-quality gap or showing good export performance' (Wade 2010: 156). The central idea expressed here is that trade protection and state assistance is removed as domestic firms improve their production efficiency and become more competitive on international markets. Thus, when unregulated FDI does occur it will happen at a time when domestic production is competitive enough to encourage domestic firms to engage with GPNs at a higher value added point of production, promoting the more transformative elements of GPN linkages and limiting the extractive nature of FDI.

Wade (2004: 362) notes that if 'heavy reliance is to be placed on trade, the government must recognise that successful exporting of manufactured goods to richer countries, is not just a matter of getting the exchange rate right and keeping labour cheap'. Marketing and good quality products play an important role in exporting to the developed world. The government can play a key role as a facilitator of export promotion, by making information about export markets and domestic producers easily available and free to obtain. Domestic exporters will struggle to remain cost competitive unless they have access to imported inputs at world prices. Therefore a relaxation of protectionism would be advisable for the key export focused firms and industries. An export subsidy scheme (or tax rebate as existed in Taiwan and South

Korea) may also be needed to ensure that firms focus on increasing exports rather than the relatively uncompetitive domestic market, which may be overheated due to protectionism resulting in domestic inputs (consider labour) becoming overly expensive, thereby hurting the cost competitiveness of firms in external markets. Therefore it is important to note 'at any one time export promotion and import substitution can and should coexist, reflecting the different development stages of different industries' (Wade, 2004; 363).

The creation of joint ventures within foreign multinational firms can greatly assist the up-skilling of domestic producers. Amsden (1989; 239) notes the important role played by foreign technical assistance in the growth of the Korean Chaebol. Newly industrialising countries would struggle to obtain a competitive advantage in knowledge-based manufacturing or service sectors without the input of multinationals, as these are the principal source of information on innovative production techniques. Governments should look to limit the access multinational firms have to domestic markets thereby protecting the domestic producers from increased competition before they can do so at competitive world prices. Encouraging multinationals to export will generate foreign exchange but also ensures that multinationals adopt internationally competitive practices, which can serve as a benchmark for local firms. Multinationals should also be encouraged to use local inputs where possible.

Finally, Wade (2004) highlights the relevance of a centralised 'pilot agency' to promote the industrial and trade profile of the country. Having only one compact and flexible agency can allow this agency to focus investment and promotion into what it sees as the growth industries, thereby acting in the national interest. This contrasts with the 'many agencies' model, where each industry has its own agency with the set goal of promoting that particular

industry and maximising investment into that industry. This leads to the situation of agencies competing against one another; this may have a negative effect on the growth potential of the overall economy itself as investment may be too widely spread among industries to have any real positive impact on industrial growth. The Ministry of International Trade and industry (Japan), Electronic Research and Service Organisation (Taiwan) and the Korea Institute for Industrial Economics and Trade (Korea) are examples of this kind of agency.

Linking Wade's observations back to this thesis, could similar policies be successfully implemented to help stimulate industrial growth in an African state? Firstly, let's consider the views of Lall (2005: 83) who notes;

'countries like the Republic of Korea and Taiwan Province of China built competitive industrial bases largely with local enterprises, Africa lacks both the skill and capability base and the political economy to implement the highly interventionist strategies they adopted. More-over, times have changed. When these East Asian countries built up industrial capabilities, technological change was not as rapid as it is today, economic distance was larger and GPNs had not developed. In the industrial setting of today, their type of strategies would be far more difficult to implement'.

Further to this, despite recent improvements, the levels of infrastructural development and education standards in Africa still lag behind those experienced in East Asia prior to the period of significant economic growth (Pack, 1993; 2, Nafziger, 1995; 61). Technical competence in production methods can be overcome by the use of foreign technical

assistance but in order to obtain any long-term benefit a high degree of knowledge sharing must occur with the aim of up-skilling the local labour force.

One key lesson which can be taken from the East Asian model is that cooperation between state and industry can be both beneficial for the industries concerned and also best serve the national interests of the state. Free marketers will argue against this point but government intervention, in the form of protectionist policies to support indigenous firms, can give a domestic business time to improve production and marketing techniques and this can help a business achieve the aim of becoming more cost competitive against imports in the domestic market (to the degree that protectionist policies would be reduced and removed over time) and also in the overseas export markets. Therefore, one can deduce from the East Asian examples how a mixture of protectionism leading to the introduction of free market trade policies can help domestic industries grow, in both the domestic and overseas marketplace, in newly industrialising countries. Without the protectionist element in government policy, these East Asian industries may not have been able to derive a competitive advantage over global competitors. With the model being heavily reliant on government intervention it is questionable if such policies could be adapted in the African states that adopt neoliberal policies, without major policies changes being made. Also one can argue that single African markets are too small for indigenous African firms alone to generate the economies of scale needed to become price competitive in export markets as per the East Asian model, a view supported by Porter (2000). However, a counter argument can be made that Taiwan managed, with a relatively small population, to improve production efficiency, economic growth and exports by strategically increasing factor endowments and FDI into the state. Either way, an argument can be made that even within a neoliberal space strategies can be put in place by

governments in developing countries, such as Ghana, that allows for authorities to influence how their industries develop.

In Ghana, where neoliberal policies are to the forefront, attracting FDI is an important component of the nation's development strategy. As demonstrated in this research thesis, Chinese investments are not always exclusively transformative in their nature. In Chapters 5, 6 and 7 it is outlined how the state adopts barriers or incentives towards different types of FDI to promote more transformative aspects of FDI. These investment regulations imposed by the Ghanaian state outline the willingness of policy makers in the nation to adapt the neoliberal model to promote greater transformative FDI. The question remains have the Ghanaian authorities targeted the right policies? Are these policies working in bringing about the transformative developmental change to Ghana's economy? And what changes can be made to better improve the transformative nature of FDI in Ghana? These questions will be returned to throughout the rest of this research.

2.12 Concluding Remarks

This chapter has reviewed a wide range of research on the production processes of goods and services and how they have become a worldwide enterprise. Particular emphasis was placed on the underlying theories behind this process, from fundamental investment theory through to the complex GPN model, and examples were presented to ascertain the implications this process may be having on African industrial development. Finally, consideration was given to the experiences of East Asian economies and what lessons could be taken from their

experiences and applied in Africa. The theories explored in this literature review are considered under the assumption that investments are conducted under largely neoliberal or free market conditions. This assumption is derived by the actions of Ghanaian authorities who adopt many neoliberal policies, as will be discussed in greater detail in the next chapter. Thus, the assumption allows for this literature review to be better linked back to the investments under consideration in this thesis, namely private Chinese investment in Accra.

Under free market conditions, firms and/or nations produce goods and trade on the basis of their competitive advantage. Nations or regions can facilitate the creation of a competitive advantage by creating environments in which a firm can increase its output to cost ratio. They do this in the hope of attracting greater investment from MNCs and to support the creation and/or growth of indigenous firms, with the view to making them more competitive in international markets. Based on Dunning's (1994) four part incentive model, an MNC will only invest in a state or a region on the basis that it can offer one or more of these incentives.

By discussing Porter's cluster theory, it was shown how firms can benefit from cross-firm cooperation within an industry or location. Porter argues that increased competition fosters a greater productive environment and forces firms to engage in more productive activities and become more cost competitive. From an African perspective this means increased competition in domestic markets from foreign sources. However, one must consider the genuine fear that increased competition from foreign sources may lead to a displacement of local producers. Close linkages between public and private actors are needed if a region or business cluster is to meet its full output potential, increase efficient practices and ultimately capture maximum economic growth.

It was argued that key to the growth of an indigenous firm within the developing world is its ability to partake in higher value added activities within a GVC or GPN. In the case of Africa, this is hampered by the lack of competitive advantage firms in the developing world can garner against comparable firms in the rest of the world. African states need to do more to ensure that GPNs become more embedded in the local economy and do not act as merely 'satellites' to their home regions. In the case of a developing African state, to better ensure that this is the case more needs to be done to attract the right kind of FDI, as investment security for a developing African state or firm can only be found if they can offer something distinctive to the network.

It has been argued that the adoption of neoliberal policies may have negative implications for indigenous industry within a developing nation as greater external competition may lead to the displacement of local industry. Further to this, free market principles can lead to economies that are overly dependent on natural resources to attract FDI as in the case of many African states. Outside of natural resources, many developing nations are reliant on their low cost of labour to attract FDI. Competition for this type of FDI is fierce and may culminate into a 'race to the bottom' between developing nations. Enhancements to economic rents within individual African states are needed for these nations to be better positioned to gain from wider, non-resource based, FDI under neoliberal conditions, although it might not be possible for all states to upgrade simultaneously.

The East Asian examples show how a mixture of structured FDI can help indigenous industries grow, in both the domestic and overseas markets, in newly industrialising countries. This was largely achieved by adaptation of the import substitution model. Question marks remain whether African states can build competitive industries largely with local enterprises. For African states or firms, the import substitution model adopted in Asia may not allow indigenous firms to develop significant economies of scale to be competitive in export markets; due to the smaller size of individual African markets (exceptions to this may include Nigeria or South Africa). The levels of infrastructural development and education standards in Africa still lag behind those experienced in East Asia prior to the period of significant economic growth. By improving factors endowments, African states would be better placed to successfully implement the policies adopted in East Asia.

The studies conducted for this literature review proved highly instrumental in both the development of the research question, in articulating the aims and objectives of the research and in clarifying key issues in particular around how FDI can make a positive economic impact and its implications for development in Africa but specifically in Ghana. The next chapter moves the focus to FDI in Africa and the specific study of Sino-African economic relations in order to set the context for the research itself within Ghana.

Chapter 3 China in Africa: Modes of Engagement and an Introduction to Sino-Ghanaian Relations

3.1 Introduction

In the previous chapter it was outlined how, under neoliberal conditions, the production of goods and services can be a truly global process. Such production processes, can have various different implications for economic development across different regions of the world and in this chapter these implications will be explored with emphasis placed on Sino-African relations, in particular the role of Chinese FDI on the Ghanaian economy. The capacity for global production processes has been supported by improvements in transportation, communications technology and a global reduction of barriers to trade between countries that, in turn, has facilitated an increasing rate of foreign investment flows around the globe. For example, investment flows reached $1.15 trillion in 2009, up from $54 billion in 1980 and prior to the current financial crisis, stood at $2.1 trillion in 2007 (see UNCTAD website, January 2011), as MNCs have increasingly looked beyond their home shores in the production of goods and services, in an effort to reduce costs, increase production efficiencies and garner a greater global market share.

In the case of Africa, the continent's share of world exports has been increasing in recent times to 2.7% in 2012, up from 2% in 2004 (IMF data, February 2014). However, African nations have struggled to attract a significant share of global FDI. For example, in 2005 SSA

received only 1.8% of global foreign investment (Broadman, 2007; 60 – 70), although this statistic has improved more recently, with developing economies' in Africa (as defined by UNCTAD) share of global FDI stock standing at 2.8% in 2011 (UNCTAD data, June 2013). However, despite the improved figures, one can argue African nations are still underperforming in this regard when compared with Africa's share of global population, as Africa accounted for 14.8% of the world's population in 2010 (United Nations (UN) data, June 2013).

Traditionally, many of Africa's economic problems are perceived to be due to poor government policies. For example, Killick (1995: 245) notes that these weak policies included inappropriate exchange rates in the 1970s, high taxes on exports, heavy protection for small domestic markets that lacked competition and an over-reliance on the state for enterprise and employment. However, Killick expands further on this to note that the World Bank took a misplaced view in stating that Africa's problems were predominantly due to poor governance and excessive state involvement. It is now widely accepted that Africa's economic problems were and are broader than that and not isolated to problems of the state. Problems include the reality that African businesses suffer as labour productivity rates remain low versus the rest of the world (see Page, 2011; 10). This may be due in part to poor management, lack of skills' specialisation, poor machine-worker ratios, poor standard of basic infrastructure (roads, electricity supply etc.), as well as a deficiency of skilled labour (see Pack, 1993: 11). In addition, it is widely accepted that African education rates are lower than the developed and much of the developing worlds. For example, according to World Bank statistics (February 2011), in 2006 adult literacy rates in SSA stood at 62.6% compared to a world average of 83.4%.

Further to this, traditionally African states are also overly dependent on one or two exports to generate economic growth (Rodney 1972: 234). Much of these exports have tended to be in natural resources such as oil, copper and gold. For example, Angola has 2.6% of the world's oil and gas, but these resources account for 99% of the nation's export revenue (theguardian.com, September 2012). These goods, by their nature, are subject to supply and demand shocks and price fluctuations due to a variety of reasons, for example financial speculation or demand spikes (bmelv.de, March 2013). For this reason, African economies would be more stable and secure if they diversified their exports and were less reliant on natural resources.

Historically, the manufacturing and services sectors of African economies were held back by an inadequate physical infrastructure (Riddell, 1990: 50), although improvements have been made in this regard in more recent times. For example, as will be highlighted in this chapter, China's growing influence on the continent has positively impacted on Africa's infrastructural capacity. Further to this, as described below, Chinese firms of varying sizes are investing in the African continent ranging from small scale trading ventures to larger investments in African state infrastructure projects or the extraction of natural resources (Economist.com, March 2013). However, as the research questions outlined in chapter one note, it is unclear the degree to which Chinese investors are positively influencing African industry? And whether their investments are promoting economic diversification away from over dependency on natural resource? The case of private Chinese SMEs is explored in this thesis.

Prior to addressing these issues, it is important to gain an understanding of the scale and diversity of Chinese engagement through the African continent. Therefore, the broader impacts of increased Sino-African relations on African economies and industrial development are examined in this chapter. From this somewhat broad base, the focus will switch to Sino-Ghanaian economic relations, which will be analysed under the headings of the three vectors of engagement; aid, trade and FDI (as defined by Kaplinsky *et al,* 2007). However, to provide context to Sino-Ghanaian relations and to understand the climate in which Chinese investments are taking place, the political and economic landscape of Ghanaian society is discussed, both historically and to the current day. Of particular interest is the rationale behind the adoption of neoliberal policies by the Ghanaian authorities and the role of FDI in economic development within the state. Therefore, the middle section of the chapter is devoted to reviewing the economic performance of the Ghanaian economy since independence. This is explored under the following headings; national governments 1957 – 1983, accepting globalisation 1983 – onwards, and foreign investment in Ghana. The chapter concludes with an introduction to Sino-Ghanaian economic relations and incorporates the academic literature available on the topic to date.

3.2 China's Economic Engagement in Africa

As highlighted in chapter 1, 2006 was officially dubbed the 'year of Africa' in Chinese diplomacy. The title stems from the release of an official African policy White Paper by the Chinese government during that year. The timing of the release was fitting as 2006 was also the year that China became Africa's third largest trading partner, having seen trade relations between the two regions gradually rise over the previous two decades and increasingly so

since 1996, see graph 3.1 below. In that year the then Chinese President Jiang Zemin toured six African countries and offered an optimistic vision of future relations, by recognising that 'Africa is a market with great potential' (Alden *et al*, 2008; 6). To date, trade flows have been largely reflective of economic complementarities between the two regions, as China pursues greater access to Africa's natural resources to sustain its domestic growth, with Africa having an increasing demand for Chinese manufactured goods and machinery (Taylor, 2009).

However, Sino-African relations did not start with President Zemin's visit in 1996. Indeed, Chinese relations with Africa stretch as far back as the Ming Dynasty (1386 – 1644), with some reports even suggesting that trade ties date back as far as the Song dynasty (960 – 1279) (Raine, 2009; 15), to diplomatic missions seeking 'trade and recognition on behalf of the Chinese emperor, as opposed to conquest or occupation' (Alden *et al*, 2008; 3). Further to this, Alden (2007) notes that present day Sino-African relations were born when China agreed official ties with Egypt in 1953. China's initial incentive to enter Africa was not based solely on resource needs or the search for new markets but rather that Beijing sought to use its relations with Africa to enhance its position within world bodies such the UN, etc. and to gain international political support around its position on Taiwan (Rupp, 2008). Prior to 1996, China also showed its support for nationalist movements in Africa by providing assistance to independence campaigns (Taylor, 2009; 13). In return, African leaders defended Beijing when the State was faced with international condemnation, for example, following the turmoil of Tiananmen Square in 1989 (Rupp in Rotberg, 2008; 68, Tull, 2006; 460). Indeed, this event proved to be a turning point in Sino-African relations, as faced with international isolation, China reinvented its political interest in Africa and embarked on proactive diplomacy on the continent in order to garner political support in face of western world criticism (Alden *et al*, 2008; 72).

Expanding on Chinese engagement in a foreign territory, key to most Chinese activities in Africa is the upholding of the principle of non-interference in domestic affairs and the promotion of self-governing societies (Taylor, 2009; 14). The policy of non-interference by the Chinese state in foreign affairs stems from 1954 when China formulated its first set of principles which most foreign policy must adhere to. The 'five Principles of Coexistence' call for mutual respect for sovereignty, non-aggression, non-interference, equality and mutual benefit and peaceful coexistence (Raine, 2009; 17). The argument being that Chinese agencies concentrate on supporting economic development, rather trying to interfere in internal affairs of foreign territories.

While the scale and rising importance of Chinese engagement on the African continent cannot be debated, to date opinions on China's growing involvement and influence on the African continent has generated diverse and differing views. Some (see Taylor, 2009; 177, or Brautigam, 2009) have argued that China is providing much needed support to a continent lacking infrastructure, capital, technical training and financial assistance. Others (see Alden, 2007, or Kaplinsky, 2009) are worried that a growing dependence on China may force Africa into a neo-colonial relationship with the Asian driver, where SSA nations are overly reliant on the commodity sectors of their economies to generate exports or corporate taxes.

The escalation of China-Africa relations presents political and social difficulties for both regions. Whereas China faces international censure over its relations with many of Africa's contested regimes, some African states have increasingly experienced domestic political

unrest as a result of a perceived 'Asian invasion' – one example being the Zambian cooper belt (Carmody and Taylor, 2010).

Whilst the economic consequences of the bourgeoning relations may have benefits for both regions, the political impacts may prove to be damaging for some African states (Tull, 2006; 460). For example, some Western critics charge that China has pursued mercantilist policies in the region for pure economic benefit without concern for human or environmental impacts (see Huang, 2008) and for 'pariah' regimes, China is now a strategic partner and a vital supplier of development assistance and foreign investment. Nowhere is this more evident than in Angola and Sudan, where Chinese MNC's play an active role in the booming petroleum and gas industries (Alden and Davies, 2006, Taylor, 2007, Lee & Shalmon, 2008; 109). Using IMF direction of trade statistics (June, 2013), one can note that Angola and Sudan account for 33.7% of China's imports from Africa in 2012, much of which is accounted for by purchase of oil. The social impacts of Sino-African engagements are being felt throughout the continent; grievances range from discontent over wages and working conditions (Raine, 2009; 109) to fears of mass Chinese migration (Alden, 2007, Broadman, 2007; 23). While it is important to take note of the political and social discourse around Sino-African relations, detailed investigations into these issues is beyond the scope of this research.

Instead, China's role in Africa will now be examined via the three main vectors of economic engagement; aid, trade and FDI (as defined by Kaplinsky *et al*, 2007). In relation to this thesis, the interest in broader Chinese FDI into Africa is to situate this research in the wider Sino-African literature and further to this observations from other African states may be

applicable to Ghana and this research. Similarly, Chinese aid in Africa will be introduced, with the main focus on aid that impacts on African economic and/or industrial development, for example Chinese funded infrastructure projects. The broad structures of Sino-African two-way trade are also explored. This is observed to ascertain what impact increased trade relations with China is having on the structures of African economies and indigenous African industry. The role of Chinese FDI into Africa in influencing trade relations is also considered.

Aid & Developmental Cooperation

Aid has also been an important tool at China's disposal as it seeks to strengthen political ties with African states. Originally aid was directed at the new liberation movements and politically motivated in furthering the communist style of government (Taylor, 2009). Aid was also used to gain support from African leaders for Beijing's quest to isolate Taiwan (Kaplinsky *et al*, 2007; 32; Alden, 2007). As China came to recognise the great economic and political gains that can be generated from working with Africa, Chinese aid has taken on a different role and since the mid-1990s it has been carefully targeted to complement China's commercial activities in Africa (Kaplinsky *et al*, 2007).

Kaplinsky *et al* (2007) note the following different Chinese aid/developmental assistance categories in Africa; tariff exemption on certain goods entering China, training programmes, technical assistance, debt-relief and financial assistance. Africa has become a recipient of a significant proportion of Chinese state aid. For example, by 2006 Africa commanded the largest percentage of China's development assistance, 44 per cent or US$1.8 billion (Alden,

2007; 22) and by 2008 the Chinese state had signed bilateral aid accords with 48 of Africa's 54 countries and loan agreements on favourable terms with 22 (Raine, 2009, 27). This is a trend that looks set to continue at least in the medium term, as in 2012 the Chinese President Hu Juntao, promised $20 billion in new loans for infrastructure and manufacturing to Africa, pledging to expand the affiliation between Africa and its largest trading partner (Bloomberg report, July 2012).

In general, most Chinese aid agreements in Africa comply with the 'five Principles of Peaceful Coexistence' (Raine, 2009; 17). Though, on occasion, China has broken with its own precedent of non-interference and participated in UN sanctioned operations on the continent. For example, Chinese troops have been involved in peacekeeping mission in SSA. These have included a large force in Liberia and smaller detachments to UN missions in the Democratic Republic of Congo and Sudan (Alden, 2007; 26). With reference to the number of soldiers operating in Africa, 'estimates range from approximately 1,200 soldiers, including PKO forces, to more than 5,000' (Mohan *et al*, 2012; 253). The benefit for China in participating in such missions is that they go some way toward enhancing the State's reputation as a responsible international player.

China's aid relations with Africa also extend to helping African industries obtain better access to the Chinese market. For example, China has removed tariffs from 440 goods imported from the least developed nations (Nissanke & Soderberg, 2011; 30), 25 of which are located in SSA (Fijalkowski, 2010; 230). Indeed, Nissanke and Soderberg (2011; 30), note that China now imports numerous agricultural products from Africa. However, one should not assume that tariff free agreements will definitely translate into a greater spread of African

products being sold in China. As will be discussed, African exports to China still mainly consist of commodities. Further to this, one should also note that Chinese manufactured goods are still sold in large quantities throughout Africa. Depending on one's viewpoint this may be interpreted as a good thing for African industry, as greater competition in domestic markets encourages greater production efficiency and thus greater competitiveness in global markets. Alternatively, one could view the importation of Chinese goods to African markets as destroying African industries that lack the production capabilities to compete with the imported goods. This issue will be discussed in more detail in this chapter when discussing Sino-African trade relations and will be explored in a Ghanaian context later in this thesis.

A further example of Chinese aid programmes in Africa, is the involvement of Chinese partners in providing technical assistance and training programs. For example, Chinese partners have set up agricultural technology demonstration centres throughout the African continent (Brautigam, 2009; 237). Further examples of Chinese training programmes in Africa would include; the offering of scholarships to African students to train in Chinese universities, establishing African Confucius Institutes, organising national volunteer projects and African cultural visitors programmes for Chinese citizens (Haifang, 2010; 59-61). Chinese partners also engage in school building projects in African states, with Nordveit (2010) demonstrating how school building projects were only one part of Chinese aid targeted at improving education in Cameroon, along with the running of a Confucius Centre, offering of university scholarships and more specialised education programmes. These examples demonstrate that Chinese authorities are committed to improving education rates in SSA, even if only on a small scale. In relation to this thesis, in proceeding chapters the efforts of the private Chinese firms operating in Accra to improve the education and/or skill levels of their employees will be outlined.

The main forms of Chinese developmental assistance to African states focuses on offering support to the governments of recipient nations through debt reduction or preferential loan agreements (Tull, 2006, 467). Alves (2013; 202) notes that Chinese debt relief to African states was small in comparison to other debtors and was below US$3 Billion in years from 2000 to 2009. Alves (2013; 220) also recognises that, despite the fact that most Chinese loans have been with resource rich African states (such as Nigeria, Angola, Sudan) that don't have debt sustainability issues, the African Development Bank worries that the high level of loans to African states from Chinese sources will leave many with unsustainable debt going forward.

A further complaint about Chinese aid is that, unlike Western donors that place conditions on aid agreements, such as good governance and transparency, Chinese donors, for example the China-Africa Development Fund, adopt an approach of non-interference (Mohan *et al,* 2010*)*. Despite this, it is wrong to assume that Chinese donors do not put stipulations on assistance offered. For example Brautigam (2009; 173) notes, that most aid offered by China comes in the form of low interest loans and is secured for particular projects.

Others have noted that Chinese developmental assistance programmes are carefully targeted to complement China's commercial activities (for example Kaplinsky *et al*, 2007). There is evidence to support this claim, as Chinese companies are increasingly being utilised for the majority of construction projects on the continent (Brautigam, 2008, 199, 114), for example the reconstruction of infrastructure in post-war Angola, an important oil supplier to the

Chinese state (Ferreira, 2008, 299). Also some investments are strategically placed to gain the sympathies of African state leaders and enable China to gain political influence in acquiring more attractive business in other sectors, such as tenders for oil or mining concessions (Tull, 2008, 121). However, one must consider if these facts make these donations less beneficial to overall African development? Firstly, as Brautigam (2009) notes, loan agreements are made with many African states and not just the resource rich ones, offering evidence that Chinese economic interests in Africa extend beyond resource rich nations. Secondly, the virtue of mutual benefit and reciprocation may allow for stronger ties to be formed between donor and recipient. This may allow for more productive relationships to be formed in 'South-South' aid partnerships when compared to Western donors. As Mawdsley (2012; 264) notes;

'China and India, for example, couch their development cooperation in terms of the benefits it brings to themselves as well as their 'recipients' – drawing attention not just to what they give, but what they get in return. Senegal, Zambia, Ghana and others are not just the objects of charity or humanitarian compassion, but places that can redeem their honour and status by providing resources, investment opportunities and markets for China and India in return. This foregrounding of mutual benefits establishes the receiver's ability to reciprocate, and therefore the status this affords. Gift theory suggests that the social bond this creates and maintains is not the inferiority that is naturalised over time by the endless cycles of (supposedly) unreciprocated aid, but that of equals'.

Investment in infrastructural projects, funded by Chinese sourced loans, has formed an important component in Sino-African relations in recent years (Fijałkowski, 2001; 230). For example, in July 2013 Chinese banks agreed to lend US$1.1 billion at discounted rates to the

Nigerian government to fund infrastructural projects (smartplanet.com, July 2013). Based on guidelines developed by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) (Bruatigam, 2011), this form of development assistance can be considered aid, as the Chinese sourced loan were secured at a preferential interest rate. An early example of this type of project was the TAZARA railway that linked Zambia and Tanzania in the 1970s employing 20,000 Chinese labourers to build it (Raine, 2009; 56) and 'as of the end of 2009, China had 'provided' (almost certainly, committed) approximately US$10.8 billion in concessional loans to 46 foreign countries, supporting 325 projects, of which 142 had been completed' (Brautigam, 2009; 205). Chinese firms have been used in the construction of public buildings such as ministry office blocks, cultural centres, schools, hospitals and clinics, as well as roads and bridges, funded by Chinese concessional loans (Brautigam, 2008, 199). An example of this is the US$2 billion Angola received to upgrade its transport network destroyed by civil war (Ferreira, 2008). Although, while accepting the positive impact of China's infrastructural development in Africa on citizens of recipient states, through improved transport links, more secure electricity supply etc., Alves (2013; 220) notes that issues around poor labour standards, low use of local labour, environmental damage etc., are undermining this good work. A further complaint about Chinese infrastructural investment in Africa is that it does not facilitate greater regional integration. As Schiere (2001; 13) notes, 'China's infrastructure investments could be more supportive of African integration. China typically works on a bilateral basis in support of national infrastructure plans that may not adequately take into account potential benefits from regional cooperation'.

However, despite these complaints, one must note that Chinese commitment to improving African infrastructure shows no sign of decreasing anytime soon. For example, 'In the last

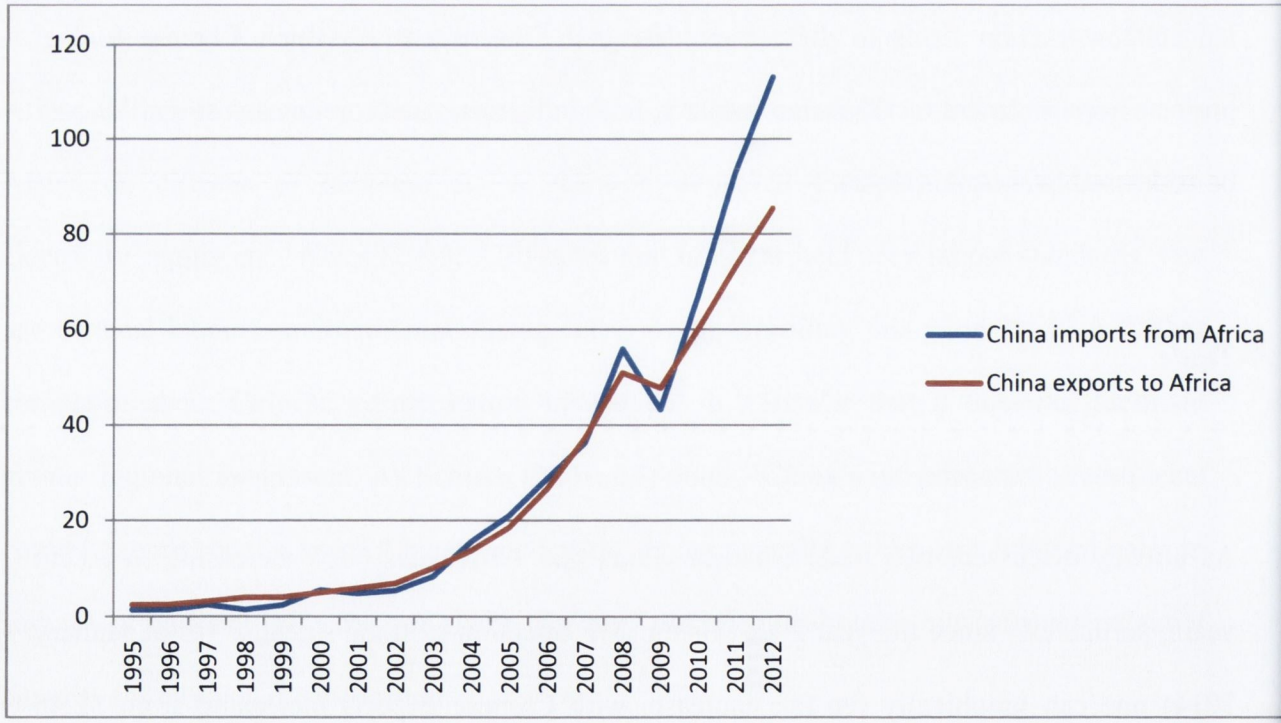
summit of the Forum on China-Africa Cooperation in Beijing, July 2012, Hu Jintao pledged $20 billion in loans for infrastructure and manufacturing over the next three years, demonstrating that China is attuned to African economic needs. Despite clear signals of greater assertiveness in China's foreign policy with the arrival of the new President Xi Jinping, his March 2013 tour to Africa demonstrated that the commitment to Africa remains intact. During his visits to South Africa, Tanzania and the Republic of Congo new infrastructure loans were pledged, indicating that this will remain a critical dimension of the relationship' (Alves, 2013; 222). This commitment to infrastructure is an important element of Chinese aid relations in Africa, as it offers the opportunity for states to provide better services to support indigenous industries. It is important that loans received from Chinese sources are used correctly to fund projects that positively impact on the African industrialisation process. The onus here is on African leaders and not the Chinese lenders/construction firms to deliver on this goal. The extent to which Chinese funded projects have impacted on Ghanaian industry, both indigenous and foreign investor alike, will be addressed later in this thesis.

Trade

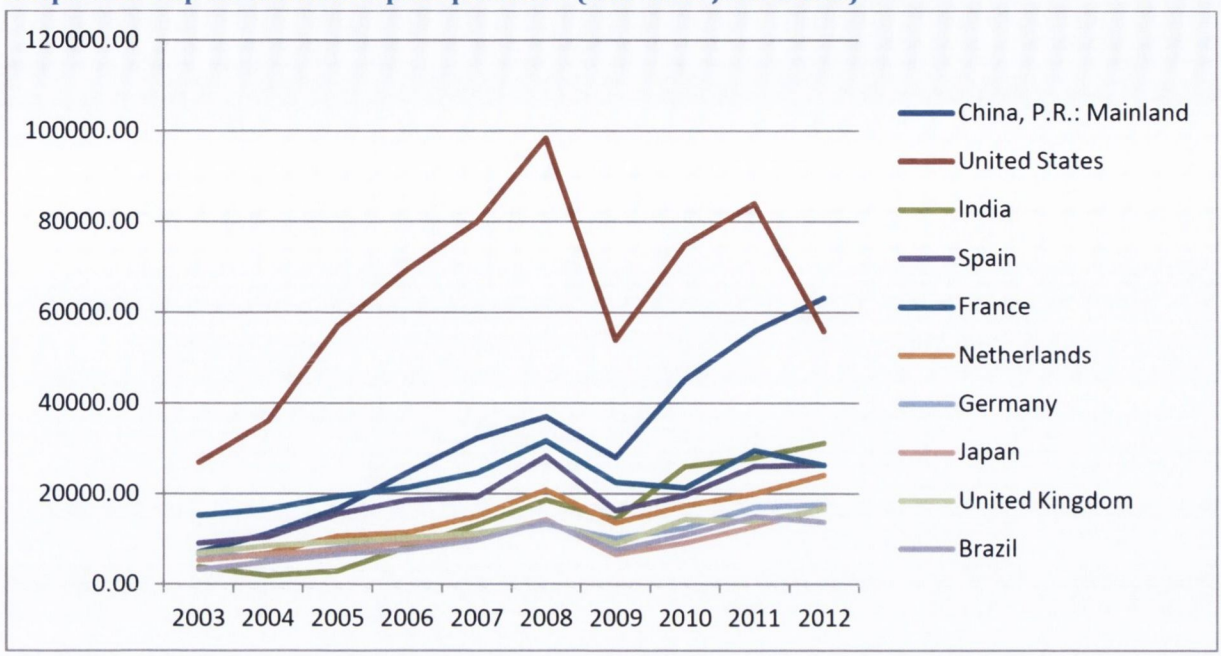
As already discussed, two trade between China and Africa has been increasing in recent years, particularly since the year 2000. Using IMF direction of trade statistics (as of January 2014) one can graphically see this increase, with Chinese exports increasing from $2.46 billion in 1995 to $85.38 billion in 2012 and similarly that Chinese imports of African goods increasing from $1.42 billion to $113.1 billion in the same period (see graph 3.1 below). Particularly striking are Graphs 3.2 and 3.3, noting the growth of trade relations between

Mainland China and the African continent versus the other main African trade partners, although it is noted that the US was still the biggest destination for African exports prior to 2012. Whilst relations with China are of growing importance to African economies, in the context of China's overall trade relations around the world, trade with Africa accounts for only a small percentage of the State's global trading activity. In 2012 trade with Africa accounted for just 3.6% of Mainland China's global exports and 5.8% of imports (IMF data, January 2014). However the size, range and swiftness of China's move into the African economy, coupled with the political, social and economic implications for the African continent merits particular consideration.

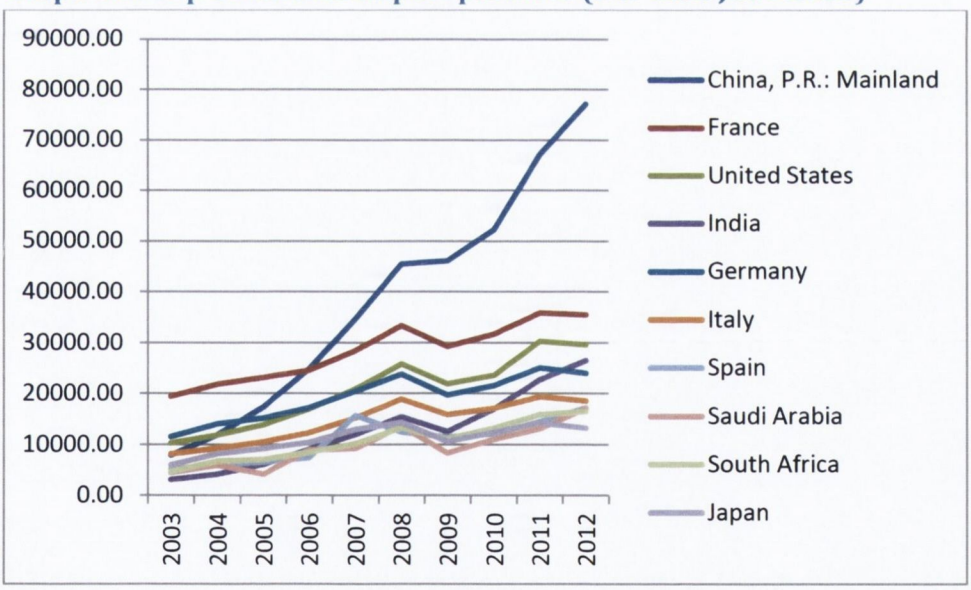
Graph 3.1: African trade relations with Mainland China - US dollar millions (IMF data June 2013)



Graph 3.2: Top 10 African export partners (IMF data June 2013)



Graph 3.3: Top 10 African import partners (IMF data June 2013)



The large volume of Sino-African trade and its year on year growth has major implications for Africa's political economy. Of particular importance is the composition of this two-way trade phenomenon. As noted in the introduction of this thesis, trade flows are largely

reflective of economic complementarities between the two regions; China pursues Africa's natural resources to sustain its domestic growth, while Africa has an increasing demand for Chinese manufactured goods and machinery (Taylor, 2009; 19). As of 2010, the Chinese economy had grown by an average of 9.87% per year since 1978 (Freemantle and Stevens, 2010; 1) and despite a recent slowdown, Chinese GDP still grew by 7.7% in 2013 (Reuters.com, January 2014). In order to keep this astonishing growth going the Chinese government recognises the importance of securing energy supplies from foreign markets. Securing these energy and other supplies has become a more pressing issue as the Chinese economy has shifted towards energy intensive industries and has seen increases in domestic automobile usage (Pollack, 2008, 5). The increasing demand for energy is highlighted when one considers that the International Energy Agency predicts that the Chinese State's demand for oil alone will increase from the 6.5 million barrels per day in 2008 to 14.2 million barrels per day by 2025 (Taylor, 2009, 39). Given the dominance of American and European companies in the Middle Eastern oil producing regions, Africa is a prime destination for Chinese oil investment. 'Of China's approximately 4.8 million barrels per day of imported crude accounted for in 2010, more than 2.2 million barrels, or 47%, came from the Middle East. China's second-largest source of crude imports for that year was Africa, from which it imported 1.5 million barrels per day, or 30%. China now receives an estimated one-third of its oil imports from Africa, which holds just 9 to 10% of the world's oil reserves' (Alessi & Hanson, 2012; 2). A major worry stemming from this is that China's increasing presence on the continent serves to expand Africa's export dependency on natural resource commodities. An over reliance on commodities to generate exports leaves an economy vulnerable to commodity price shocks and the African economies would be better to have a wider basket of exports to generate income.

Using data obtained from the South African Foreign Policy Institute (August 2013) one can note that just 10 goods accounted for 90% of Chinese imports of African goods in 2012. Top of the list of imports was crude oil accounting for 48% of the overall total. Other major goods included; iron ore, copper, coal and diamonds (see table 3.2). The data highlights the importance of natural resources in Africa's exports to China. Conversely when one looks at the goods China exported to Africa, the list is more diverse. Forty five goods accounted for 50% of overall exports and 260 goods accounted for 90% of overall exports. The top 5 Chinese exports to Africa were; transport vessels, woven cotton products, electrical goods for telephone lines, footwear and rubber tyres (see table 3.1). Looking at how these trade relations were played out across different African states shows a differing trade relationship with China depending on the African nation. For example, China ran trade deficits of over $29 billion with oil rich Angola and South Africa in 2012. Imports from these two nations accounted for 69% of overall African exports to China (IMF data, January 2014). Conversely Chinese exports are more evenly spread amongst African states with China running a trade surplus with 38 of Africa's 53 nations (IMF data, January 2014). So while Chinese authorities can argue that they import more from the African continent than they export, this dynamic is not played out across all African states (see table 3.3).

Table 3.1: Top Chinese goods imported into Africa in 2012 per cumulative value

Chinese Good	Value – Millions United States Dollar	Cumulative % of all Chinese Goods Imported
Transport Vessels	2,657.58	3%
Woven Cotton Fabrics	2,393.29	6%
Electric Apparatus For Line Telephony	2,334.90	9%

Footwear, Outer Sole & Upper Rubber	1,891.51	11%
Rubber Tires	1,798.06	13%
Furniture	1,720.10	15%
Women's Or Girls' Suits	1,636.49	17%
Woven Fabrics	1,408.63	19%
Motor Vehicles For Transport Of Goods	1,366.84	20%
Motorcycles	1,355.52	22%
Handbags & Wallets	1,285.99	23%
Self-Propelled Bulldozers	1,199.90	25%
Iron Or Steel	1,058.14	26%
Articles Of Plastics	1,050.25	27%
Seats	1,040.19	28%
Men's Or Boys' Suits	1,001.23	30%
Automatic Data Process Machines	962.33	31%
Air Conditioning Machines	897.25	32%
Lamps & Lighting Fittings	897.21	33%
Wigs	824.40	34%

Table 3.2: Top African goods exported to China in 2012 per cumulative value

African Good	Value – Millions United States Dollar	Cumulative % of all Chinese Goods Imported
Crude Oil And Bituminous Minerals	53,800.43	48%
Country Specific Special Provision	28,940.91	73%
Iron Ores	7,172.59	80%
Refined Copper	2,410.37	82%
Platinum Unwrought	2,182.84	84%
Unrefined Copper	2,103.48	85%

Coal	1,601.50	87%
Diamonds	1,593.34	88%
Cotton	1,236.16	89%
Wood	1,153.87	90%
Manganese Ores	1,001.39	91%
Ferroalloys	923.69	92%
Chromium Ores	916.27	93%
Copper Ores	673.76	93%
Petroleum Gases & Other Gaseous Hydrocarbons	664.01	94%
Oil Seeds & Oleaginous Fruits	502.93	95%
Niobium, Tantalum, Vanadium & Zirconium Ore	460.08	95%
Unmanufactured Tobacco	441.66	95%
Cobalt	427.69	96%
Copper Waste And Scrap	360.03	96%

Table 3.3: Chinese balance of trade postion with African states 2012; top 10 trade srpluses and deficits

Chinese trade surplus – value in US dollar	Chinese trade deficit – value in US dollar
Nigeria - $8BN	Angola - $29.4BN
Egypt - $6.9BN	South Africa - $29.3BN
Ghana - $4.1BN	Congo, Republic of - $4BN
Togo - $3.3BN	Libya - $3.9BN
Liberia - $3.3BN	Congo, Democratic Republic of - $2.7BN
Algeria - $3.1BN	Zambia - $1.9BN
Kenya - $2.7BN	Equatorial Guinea - $1.5BN
Morocco - $2.6BN	Mauritania - $1BN
Benin - $2.2BN	Sierra Leone - $257M
Tanzania - $1.7BN	Gabon - $191M

While much attention has focussed on China's "thirst" for oil and mineral extraction when depicting Sino-Africa trade relations (for example Mohan, 2012), analysis has shown that Chinese business interests expand beyond more than just natural resources (Broadman, 2008; 87). China's rapidly growing economy has a demand not only for extractive exports such as oil or copper, but for non-traditional commodities such as light manufactured goods, processed merchandise, household consumer wares and food products (Broadman, 2008; 96). As China breaks through the US$3,000 GDP per capita mark the marginal propensity to consume of Chinese citizens is expected to rise significantly. As described above, Africa's least developed countries (LDC's) enjoy zero-tariff access to the Chinese market for 454 goods (Freemantle and Stevens, 2010; 4), given this one could make a strong argument that African industry is potentially well placed to supply the Chinese market. Though, as described in table 3.1 above, significant growth of African non-commodity exports to China have failed to materialise.

By virtue of its low cost labour in absolute terms, African firms have the potential to export these non-traditional goods and services desired by China at a competitive rate (Broadman, 2008; 96). However, low levels of productivity hamper African manufacturing and 'firm level studies of productivity in Africa highlight infrastructure deficiencies as a significant barrier to greater competitiveness' (Page, 2011; 10). It is also noted that 'in most African countries, manufacturing firms sell all, or most, of their output domestically' (Clarke, 2012; 3). These factors do impact on Sino-African trade relations. As Eisenman (2012; 810) notes, 'Chinese trade patterns with the African continent is influenced by the comparative advantage of Chinese labour and capital intensive production over African industry'. If non-commodity African goods are to become popular with Chinese consumers, African governments, businesses and wider stakeholders must work together to implement productivity enhancing

reforms that will make African firms more competitive on the international markets. FDI can support this process, as when filtered into the right industries, FDI can generate a competitive environment to support the development of the industrialisation process in African economies.

By focussing on current-day non-resource trade, one would note that Sino-African trade is generally composed of Chinese exporters who are penetrating African markets with cheap household products (Taylor, 2009; 19). The proliferation of Chinese merchandise across the continent is perhaps the most visible indication of the increased economic engagement between the two regions. Though is this necessarily a bad thing from an African perspective? For low income African communities and other African consumers the availability of these low cost manufactured goods could be viewed as a positive development (Marfaing & Thiel, 2013), as they can now access desirable consumer goods which had previously been unattainable for financial reasons. Further to this, as already noted, Brautigam (2009) argues that increased competition in domestic markets can make indigenous African industries more efficient in their production methods and thus more competitive in global markets. Indeed, Munemo (2013; 115) supports this view by stating that the importation of Chinese capital goods are 'an important technology transfer channel that enhances economic growth in SSA'.

From a negative perspective one can argue that cheap Chinese commodities contribute to the decline of overall African industrial production as consumers substitute domestic goods for cheaper imports. Although, as Alden (2007) notes, due to traditionally low productivity rates these imports cannot be blamed as the sole cause of non-commodity based industrial stagnation on the continent. China's ability to enter the domestic markets of African

economies has been assisted by the 'opening up' of domestic markets to outside investors or traders, as many African governments have accepted the free market regime of the IMF (Harvey, 2005). A further problem is that manufactured African goods face greater competition in export markets from Chinese substitutes (Kaplinsky, 2009, 12). These indirect affects have forced some SSA economies to focus their resources on the more profitable commodity sector rather than the manufacturing sector and thus, greatly harming the progression of non-commodity based industries, and subsequently the development process (Kaplinsky, 2009, 12). Kaplinsky *et al* (2012) argue that by encouraging firms that are involved in resource extraction to outsource non-core processes to local firms, by sourcing more goods and services locally and adding more value before export, then economic diversification can be enhanced. The authors (2012; 208) observed that, by considering a variety of case studies throughout Africa, such linkages to local industry are described, at best, as sub-optimal and note that local bureaucrats and politicians should be doing more to foster these linkages.

Overall, China's demand for natural resources has been of benefit to some African states, for example Angola or South Africa. In contrast to this positive impact, exportation or economic benefit one can argue that increased importation of Chinese manufactured goods may have contributed to the erosion of some of Africa's manufacturing industries. For example, competition with indigenous industries caused some closures of local producers and resulting job losses, particularly in the clothing and textiles industries and this in turn resulted in reduced export levels in third country markets (Mohan, 2012; 9), although this was also brought about by the ending of the Multi Fibre Arrangement which permitted Chinese products greater access to developed world markets (Brambilla *et al,* 2010). The worry is that Sino-African relations may be forcing some African economies to accept a neo-colonial

division of capital and labour, with the larger industries in the nation, mainly in the extractive sectors, defined by high capital inputs and low labour inputs. The challenge for African governments is to develop domestic industry and address the issues affecting manufacturing productivity on the continent? The argument for continuing with free market conditions, adopted by many African countries, is that it should lead to greater competition in domestic markets which will in turn force domestic manufactures to become more cost competitive, in both domestic and export markets. However, there are worries that instead of adapting to the new market conditions many African businesses are regressing and even closing under the strain of import competition (Igohobor, 2013).

In theory, increased regulation could offer African industries the protection and time needed to grow and move up the industrial ladder to become global players. For example, consider the East Asian case, outlined in the previous chapter, where industrial enhancements were made with the support of import substitution policies. In practice, the lack of dynamic competition within markets would allow for wasteful practices to develop and significant growth globally would be unlikely. An alternative to increased regulation is to attract greater inward investment into African economies. As noted above, investment, when filtered into the right industries helps to generate the competitive environment needed in domestic markets to support the development of the industrialisation process in African economies. Further to this, Davies *et al* (2014) argue that a rebalancing of the Chinese economy away from low-cost manufacturing to domestic consumption may potentially lead to a new wave of private Chinese low-cost manufacturers investing in Africa, although the continent would face stiff competition from other regions of the world for this 'go out' Chinese investments, for example South East Asia. Such a wave of investment may have the capacity to ignite industrial development on the African continent and also greatly alter the trade patterns of

African states with China, with goods manufactured in Africa making up a higher proportion of African exports to China than is currently the case. For example, Lin (2012) argues that if the continent attracts only a small fraction of the off-shoring of high labour intensive low-cost manufacturing Chinese industries, it could double the African wide workforce in low-cost manufacturing. The extent to which the Accra based Chinese manufacturing firms are indeed by-products of off-shoring of mature low-cost Chinese industry will be explored later in this thesis. As will the degree to which these firms are supplying the Chinese market.

Investment

Chinese policies on FDI have evolved over time and in the late 1990's the central government began encouraging outward FDI and launched the 'going global' strategy. For example, Chinese outward investment flows have grown from less than US$100 million per annum in the 1980's to US$12 billion in 2005 (UNCTAD, 2007). In 2005 China's total FDI stock in Africa stood at US$1.6 Billion, accounting for only 3% of total Chinese FDI in that year (UNCTAD, 2007). Although this figures was not insignificant as Africa only accounted for 1.7% of total global FDI flows in that year (Broadman, 2007). The striking observation of Sino-African FDI flows, similar to trade relations between the regions, is the remarkable rate of growth in recent years.

It has been noted that Chinese investment is qualitatively different to other sources of FDI. For example, when compared to Western or Japanese investors, more Chinese firms investing in SSA are state-owned enterprises and hence tend to work on longer time horizons than

(Kaplinsky *et al*, 2007; 26). Having access to low cost capital, they operate with longer term objectives, and investments are often linked to national strategic goals, particularly those which are focused on long term access to raw materials (Broadman, 2007). It should be noted that Chinese investments in Africa are not confined to the operations of state-owned companies. Many small, medium and large sized private Chinese enterprises are also to be found operating in Africa, as demonstrated by this research thesis.

In many cases, China's presence in SSA appears to be driven by the search for raw materials and there has been a noticeable increase in investment by Chinese firms in the energy and resource sectors (Kaplinsky *et al*, 2007; 27). Not surprisingly as of 2008, between 50-80 per cent of Chinese FDI, in monetary terms, in Africa was to be found in resource rich countries (Alden *et al*, 2008). Natural resource investment is a central feature of Chinese foreign engagement, with the State's 'Africa Policy' encouraging and supporting 'competent Chinese enterprises to cooperate with African nations to develop and exploit rationally their natural resources' (Naidu & Davies, 2006; 73). An example of Chinese investment in oil extraction would include the Chinese National Petroleum Corporation's involvement in Sudan, where it has a 40 per cent share in the Greater Nile Petroleum Operating Company, or Sinopec and Sinangol's engagement in the Angolan oil industry (Lee and Shalmon, 2008; 125) via a joint venture agreement with the Angolan government. For example, in 2006, Sinopec and Sinangol were so keen to secure exploration rights for 3 oil fields in Angola, they outbid Exxon Mobil and BP by 20 times, highlighting the importance of oil security to Chinese officials. An analyst at Wood MacKenzie in Scotland claimed these bids were the highest ever offered for exploration acreage anywhere in the world (Lee and Shalmon, 2008; 120). A further example of China's demand for resources can be seen in the copper mines of Zambia. Chinese sources, the world's largest consumer of copper, has invested heavily in the copper

industry to the extent that Zambia is now the third largest recipient of Chinese investment in Africa and 19th in the world (Carmody and Taylor, 2010; 505; UNCTAD report, 2007).

As already noted, an important aspect of Chinese aid programmes in Africa focuses on investments in infrastructural projects. African politicians have benefited from these arrangements through the receipt of new parliament buildings, Presidential palaces and sports stadia, while the African people have also benefited from this new relationship in the form of new roads, hospitals, schools and better transport infrastructure. In many cases these Chinese funded aid programmes overlap with Chinese investors, as the vast majority of these projects are carried out by Chinese construction firms and funded by loans backed by Chinese banks (Alden, 2007; 23). The growing participation of Chinese firms on the continent also reflects their competitiveness when compared to other foreign investors. This cost advantage is derived from lower margins, employment of low paid local and Chinese workers and access to cheaper capital and finance (Alden, 2007; 42). When bidding for infrastructural projects, the Chinese firms are not hampered by the policy of promoting 'good governance', like Western competitors. As the head of Nigeria's Investment Promotion Commissions notes (Alden, 2007; 103), 'the US will talk to you about governance, about efficiency, about security about the environment. The Chinese just ask: how do we procure this licence?'

Chinese firms are also involved in agricultural investments in Africa; with some reports accusing them of a 'land grab' on the continent to provide food for the Chinese market. Bruatigam and Zhang (2013; 1680) dispute this and note, of the 2,372 Chinese firms operating in Africa in 2013, only 86 were involved in agriculture. Further to this, the authors (2013; 1690) note, with reference to Chinese agricultural firms in Africa, 'in almost all cases

the crops of interest are either for commercial import substitution (rice, wheat, maize, vegetables) or industrial inputs and biofuel exports (sisal, sugar, oil palm). The evidence suggests that Chinese agricultural investment in Africa will increase, but that African land is unlikely to become the offshore guarantee for China's food security'.

Chinese investments into Africa are diverse in nature and in many cases are run by Chinese national who relocate to the African continent. It is hard to work out precisely the number of Chinese nationals living on the African continent but one estimate (theGuardian.com report, February 2011) places it as high as one million people, varying from workers employed by state owned Chinese enterprises and privately owned Chinese businesses to small scale trading investors. Indeed, small scale entrepreneurial and private investors are playing an increasing role in Chinese FDI growth in Africa. Gu (2011; 30) notes that more than 88% of the Chinese firms that have invested in Africa are private firms and Sanfilippo (2010; 601) argues that a high number of these firms are small in size and operate in the manufacturing and retail trade industries of African economies. In trying to ascertain the motivations behind the private Chinese investors ventures in Africa, Gu (2011; 15) argues that the firms are mainly engaging in 'efficiency-seeking and, even more, market-seeking' investments. Song (2011; 124) supports this view and notes; '(i) the investments are mainly local market-seeking; (ii) they are almost all SMEs with strong entrepreneurship advantages, and with few other ownership advantages; and (iii) they are not the leading firms in their respective domestic Chinese industries'. Song (2011) also notes that the close linkages these firms have with domestic China's industrial base and markets is an advantage for these overseas Chinese firms over indigenous African firms. The linkage between the Accra based private Chinese firms and mainland China will be addressed later in this thesis, as will the investment motivations of these firms.

Focusing specifically on the Chinese retail traders operating in Africa, why have this group of investors decided to locate their businesses in Africa? McNamee *et al* (2012) have looked at this question by conducting interviews with Chinese trading firms in 5 different African states. They note that the traders made their own way to Africa and were entirely unconnected from the wider Chinese policies on the African continent. According to the research, 'Africa is the bottom-rung destination for China's migrants. The continent draws the poorest and least educated of the Chinese Diaspora. Nearly all are in Africa because they could not make a living in the pressure-cooker that has become China's job market' (McNamee *et al*, 2012; 4). The research also highlights that the traders are motivated by financial gains, with the traders in Africa making about three times what they might theoretically earn in China. Willemse (2014) also argues that the Chinese trading firms in Johannesburg face difficult trading environments in Africa. 'Despite this, respondents (Chinese traders) remain innovative entrepreneurs who use their economic resourcefulness and 'guanxi' (Chinese business networks) networks to adapt quickly to local conditions, maintaining a competitive edge over local entrepreneurs. Respondents will stock anything that will sell, thus allowing them to keep their incomes fairly high under relatively difficult circumstances' (Willemse, 2014; 121). The rise of SMEs has annoyed many African's, as they often undercut the local traders by selling low cost Chinese goods, driving many African firms out of business (Alden, 2007; 4). Although the African based Chinese traders are not solely responsible for providing Chinese goods to African customers. For example, Lyons *et al* (2013; 96) note 'the African traders in Guangzhou who supply low-end manufactured products from the Chinese manufacturing clusters of Guangdong through the export hub of Guangzhou to the ports and airports of East and West Africa and from there across the continent, directly linking Africa's largely informal retail distribution system to

manufacturers in Guangdong'. Regardless of who is responsible, the growth in demand of for Chinese products by low income African consumers and the channels in which the goods make their way to continent are examples of 'globalisation from below' (Han 2013), where cross-state linkages are defined by the actions of SMEs and the demand of local consumers rather than the will MNCs looking to improve production efficiencies or increase their share global sales. This highlights how the actions of smaller firms does impact on global trade trends and can influence economic development within a nation. As noted, the case of Ghana is examined in this thesis.

In relation to Chinese manufacturing firms in Africa, Elu and Price (2010) note that increased trade openness has not brought about technology transfers to indigenous African firms to date. However, this analysis was conducted by looking at general trends; therefore one would be better advised to consider the potential impact of African based Chinese manufacturing firms on specific African industries going forward. This is an important consideration, as small scale private Chinese manufacturing investors' share of overall Sino-African investment may increase with the opening of Chinese special economic zones (SEZs) in Africa. In 2006, the Chinese government announced that it would support the establishment of 50 SEZ's in the developing world. Six of these zones are to be located in SSA; in Zambia, Mauritius, Ethiopia and two in Nigeria (Brautigam & Xiaoyang, 2011; 31). The establishment of these zones might encourage private Chinese manufacturing companies to invest in Africa to avail of cheap labour, with the aim of exporting back to China particularly as the Chinese government is keen to export mature Chinese industries to foreign destinations (Brautigam, 2009; 89), although overall the scale of such investments would be too small, at least initially, to significantly alter the Sino-African trade relations. However, African industry could prosper from such a movement, as Gu (2011; 32) notes 'as Chinese enterprises

relocate to Africa, they should provide opportunities for local enterprises to access the Chinese value chains and, through these conduits, gain enhanced value-added access to global value chains in the global economy'. Shen (2013; 32) backs this view by noting 'the rising role of private Chinese investment appears to offer a great opportunity to African host countries, especially those which aspire to transform their traditionally resourced-based economies into more industrialised societies'. Although one should not assume that all Chinese manufacturing firms that relocate to Africa do so with a view to export goods back to China or to create linkages with local industry. Indeed, existing private Chinese ventures in Africa have mainly been market-seeking investments (Song, 2011), as noted above. The degree to which the Accra based Chinese manufacturing firms focus sales on the Chinese and local Ghanaian market will be discussed later in this thesis.

Economic factors relating to Sino-African relations through the three main vectors of economic engagement; aid, trade and FDI (as defined by Kaplinsky *et al*, 2006) have now been explored. It is important to note that China's relations with African states is not homogenous across all nations and from this broad base, the chapter, and subsequently further chapters, will become more focused specifically on Sino-Ghanaian economic relations and this specific research thesis. To set the context for this, the next section of the chapter will introduce the political economy of Ghana since independence with particular focus on the factors influencing FDI flows.

3.3 Post Independence Ghana: Economic Performance

This section of the chapter is devoted to reviewing the economic performance of the Ghanaian economy since its independence from the British Empire in 1957. Factors influencing FDI flows are of particular interest, to demonstrate how FDI flows into Ghana have been shaped by the broader macroeconomic climate. The evolution of Ghana's economic management is outlined from being driven by socialist ideals to accepting neoliberal polices. These issues provide the context to which Chinese investments; both public and private, in Ghana have increased. The analysis is carried out under the following headings:

- National Governments: 1957 – 1983;
- Accepting globalisation: 1983 – onwards;
- Foreign investment in Ghana since 1983.

National Governments: 1957 - 1983

This period in Ghanaian history is characterised by both political and economic instability. When Ghana obtained its independence from the British Empire in 1957, it was the world's principal producer of cocoa and had a per capita income that placed it amongst the wealthier nations of SSA (Fosu & Aryeetey, 2008; 48). The new government at the time led by Nkrumah's Convention Peoples' Party (CPP) planned to run a socialist state defined by two

commitments. Firstly its manifesto was committed to a range of social welfare benefits and promised free or subsidised education for all citizens up to the age of 16, free healthcare and improved housing conditions (Hutchfull, 2002; 9). The second commitment saw the government devise a seven year development plan designed to develop the economy based on import-substitution industrialisation. Desirable as these policies were, the CPP failed to recognise the fiscal constraints that faced the newly independent Ghana. Nkrumah's 'big push' development plan was to be predominantly funded by state finances (Hutchfull, 2002; 9), however government capital was largely dependent on the global price of cocoa which started to drop in the early 1960's (Rimmer, 1992; 75). Nkrumah's government also underestimated the cost involved in funding public service (Anin, 2003; 22) and decided to increase government borrowings to fund its expansion programme. A combination of currency overvaluation (Rimmer, 1992) and other aspects of poor economic management resulted in a poor balance of payments' position and an increasing reliance on external debt, resulting in a poor credit rating. Per capita GDP also failed to grow under Nkrumah's leadership and between 1964 and 1966, recorded zero or negative growth. Inflation also increased from 1 percent in 1957 to 23 percent in 1965 (Fosu & Aryeetey, 2008; 49). All of this contributed to a fall in living standards for much of Ghanaian society and formed the background to the fall of the Nkrumah government in a military coup.

This coup was led by the 'National Liberation Council' and they overthrew Nkrumah's government in early 1966 and in turn handed over power to the civilian elected Progress Party led by Dr Busia in 1969. These organisations opposed Nkrumah's socialist ideology and backed by the IMF, introduced various monetary reforms that included the devaluation of the Ghanaian currency, liberalisation of the external sector and a reduction in domestic investment by the government (Fosu & Aryeetey, 2008; 49). Under Nkrumah and Busia's

leadership, GDP grew by an average of 3.3 percent, the balance of trade position improved with a surplus recorded in 1968 and 1969. The year-on-year general government budget position was also improved and a small surplus was recorded in 1970, while inflation fell to a more manageable 3 percent (Rimmer, 1992; 110-119). However, these macroeconomic stabilisation achievements under Busia's leadership came at a high cost to the Ghanaian society. Due to the devaluation of the cedi, inflation began to increase again in the early 1970's and this greatly increased the cost of living in Ghana in real terms (Fosu & Aryeetey, 2008; 50). Unemployment in 1970 was estimated to be 25%. The 1971 budget included measures, such as a 7% national development levy, which impacted on wages in the civil service, the Progress Party's main support group (Hutchful, 2002; 10–11). These factors combined would provide the conditions for another coup in January 1972 which ended the Busia government.

The period between 1972 and 1983 was one of sustained deterioration in the economy under five different governments. While the policies of these governments differed, all encouraged actions which placed emphasis on import substitution supported by restrictive foreign exchange management and price controls. All of the different governments during this period encouraged the state to play a prominent role in the production process and placed restrictions on imports (Fosu & Aryeetey, 2008; 50). Between 1971 and 1982 GDP declined by 12 percent at constant market rates, while the population increased 32 percent over the same period (Rimmer, 1992; 142). Industrial output reduced by 4.2 percent per year and agricultural output by 0.2 percent over the same period. Cocoa exports, Ghana's main exporting product, fell from 382,000 metric tonnes in 1974 to 159,000 metric tonnes in 1983. Production of starchy staples also fell, from 7,988,000 metric tonnes in 1974 to 3,657,000 metric tonnes in 1983 (Fosu & Aryeetey, 2008; 50). These decreases were partly explained

by a severe drought in 1983 but the main contributory factor was a mass migration from rural areas driven by low farm gate food prices. Also local producers (in all sector of the Ghanaian economy) were hampered by a lack of capacity to import production inputs (Fosu & Aryeetey, 2008; 50). Despite running a budget surplus in 1972 and 1973, due to an increase in the price of gold and cocoa (Hutchful, 2002; 11), from a macroeconomic viewpoint the governments of this period were largely unsuccessful. As noted above, GDP per capita dropped over the period and due to a loss of monetary control, inflation increased to 116.5 percent in 1981 (Fosu & Aryeetey, 2008; 50). The government continued with the policy of overvaluing the cedi and only once, in 1978, did they devalue the currency (from GHC1.15 to GHC2.78 to USD1), despite a hundred-fold increase in domestic prices (Hutchful, 2002; 13). This overvaluation continued to put pressure on exports, which fared poorly over the period and declined in real terms (Rimmer, 1992; 144-145). This is shown in the current account deficit rising from $2.7 million in 1975 to $294 million in 1983 (Fosu & Aryeetey, 2008; 51). In order to balance this deficit, official foreign reserves were greatly depleted and external debt increased significantly. Inflation ran at 70% for the year 1981, as a result the trade union movement noted that most Ghanaian workers earning were depleted in real terms to the point that they could not afford to eat. This culminated in a rash of strikes with the government responding by announcing that all striking public sector workers were to be dismissed (Globalsecurity.org, 2011). These conditions, allowed for Flt. Lt. Jerry John Rawlings to stage a coup in December 1981 and establish the Provisional National Defence Council (PNDC).

Early PNDC policies were focused on reducing privatisation and on increasing state control of essential services (Huq, 1989; 17). However, a combination of severe drought, frequent bush fires, a flight of capital, a mass expulsion of over one million Ghanaians from Nigeria,

and a continued poor economic performance nearly led to the end of PNDC rule (Rimmer, 1992; 178-179). Faced with no alternative, Rawlings turned to the World Bank and the IMF for help.

Accepting Globalisation: 1983 to the Present day

When analysing the economic and investment policy decisions of current day Ghanaian leaders, one must always be mindful of the economic and political instability of the newly formed Ghanaian state up to 1983. While not all observers would agree with the stability programmes implemented in African states by the World Bank or the IMF (as discussed in the previous chapter), from a Ghanaian perspective one can argue that the implementation of the programmes has coincided with increased political stability. For example, Ghana regularly holds democratic elections, most recently in 2012, in which the results are widely accepted by both the public and participating political parties. While the case in favour of adapting neoliberal polices may be supported by increased political stability, from an economic management perspective, the argument in favour is less clear, as will be demonstrated below.

Under adjustment policies of the World Bank and the IMF, the Ghanaian state has embraced the principles of neoliberalism more than most African states. For example, the Heritage index of economic freedom notes that Ghana is the world's 66th most "free" nation in the world and 5th in Africa (heritage.org, February 2014). Historically, the adjustment policy of Ghana was divided into three phases. The first of these was implemented in the budget in

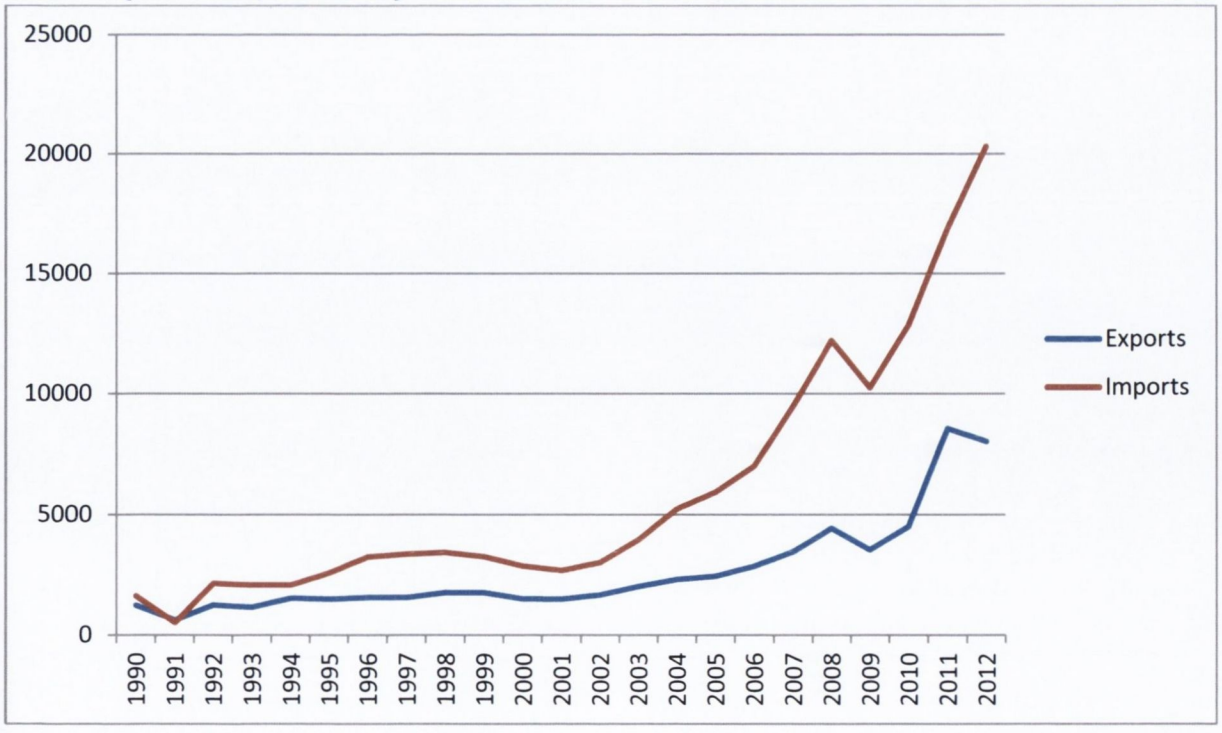
April 1983, designed to last three years and which involved the adoption of a stabilisation programme or economic recovery programme (ERP) supported by the World Bank and the IMF. This budget included a significant devaluation of the cedi and increases in the price of basic foodstuffs and marked a turning point in Ghanaian economic policy. Under ERP various sectors of the economy were liberalised, including the exchange-rate, fiscal, monetary and trade policies (Hutchful, 2002; 56). Growth rates moved beyond the fluctuations of previous years and stabilised at around 5% of GDP per year between 1983 and 1987. Output of major goods such as cocoa, timber and general minerals all increased. Inflation rates fell from the highs of the early 1980's to more reasonable levels (Fosu & Aryeetey, 2008; 51).

Spanning the years 1987 to 1990, ERP II was designed to introduce a number of structural and institutional reforms including the establishment of the Ghana stock exchange in 1990. The reduction of inflation was a key component of ERP II, as was the stated aim to run balance of payments surpluses. ERP III announced in 1993 aimed to accelerate growth by further reducing inflation, encouraging greater investment and raising the tax take (Huchtful, 2002; 57). As outlined below, FDI figures did greatly increase after the implementation of this programme but inflation rates increased (Fosu & Aryeetey, 2008; 52), due to the adoption of floating exchange rates decreasing real living standards for Ghanaian citizens.

As part of the ERP program, Ghana liberalised its monetary exchange system. Traditionally there had been a difference between the inter-bank rate (official exchange rate) and the average Forex rate (market exchange rate), with the inter-bank being the lower of the two. Over time these rates converged and the parallel premium disappeared (Fosu & Aryeetey, 2008; 54). The adoption of floating exchange rates is usually a key component of IMF backed

assistance programmes and often results in the devaluation of the local currency (Killick, 2004; 22, Herbst, 2013; 12). In theory, currency devaluation will improve the price competitiveness of a country's exports and may help to attract outside investment, although this would depend on how reliant the country's industries are on imported inputs (devaluation would increase the cost of imports and may cancel out the improved foreign exchange gains). In Ghana's case, the cedi devaluation was aimed at supporting one of the primary objectives of the ERP; the need for Ghana to improve its balance of payments position. It was planned that increased exports and FDI would assist in the achievement of this goal (Huchtful, 2002; 56-57). While available data shows that exports have grown since liberalisation, this growth has failed to match the growth in imports, as shown by Graph 3.4. This has resulted in an increasing deficit on Ghana's balance of trade.

Graph 3.4: Ghanaian exports to and imports from the Rest of the World - US dollar millions (IMF data June 2013)



Government deficits have remained a problem in liberalized Ghana. For instance, from Table 3.4, one can see that Ghana failed to run a budget surplus between 2000 and 2009. Policies adopted to bridge the budgetary gap included increasing foreign debt, money creation and the flotation of government bonds. M2, the money in circulation in an economy plus money on deposit, as a proportion of GDP increased by 16% in 1991 to 31% in 2002 (Fosu & Aryeetey, 2008; 52). The policy of printing money can have a very inflationary impact (Pinto, 1989; 322), while the flotation of government bonds, particularly with domestic debt services, tends to raise interest rates and increase domestic debt (Christensen, 2004; 5). This happened in Ghana, as domestic government debt became an important source of finance. This policy poses a serious threat to all subsequent budgets, as greater budgetary allocations will be needed to make interest payments on this domestic debt. For example, in 1996, interest payments on domestic debt rose to 435 billion cedi from 233 billion cedi in 1995 in real terms, an 87% increase (Fosu & Aryeetey, 2008; 53). A further recurrent shock to government budgets is the political cycle; this has seen incumbent governments who have offered generous budgets in election years to increase their chances of winning re-election regardless of the budgetary capacity to do so. During the election year of 2012 the government ran a budget deficit of 12% of GDP (IMF press release, April 2013) brought about partly due to an agreed increase in public sector wages by 18% (IMF press release, May 2012). In April 2013 the IMF (press release) noted 'The wage bill in 2012 rose by 47 percent, with much of the factors explaining the increase not yet quantified'.

Table 3.4: Ghana's annual budget deficit 2001 – 2009 (as % of GDP) (World Bank data, February 2012)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cash surplus/deficit (% of GDP)	- 7	-5	-4	-1	-1	-4	-5	-6	-6

Using a recent IMF documents allows one to highlight the impact of the political cycle on Ghana's economic management. The article IV report on Ghana (June 2011) notes that GDP growth rebounded strongly after a temporary slowdown in 2009 and grew at 8% percent in 2012 (IMF press release, April 2013). In the report (2011) the government is also complemented for controlling inflation (9 percent to mid 2010) and for providing a narrow band for which the currency is traded within. The report noted that the government was making progress on controlling its budget deficit and was on course to reduce this to 2 percent of GDP by 2014, under the understanding that initial oil revenues were to be saved and that the incumbent government resist the urge to offer generous packages to interest groups during the election year (2012). Following the election, these forecasts were subsequently revised with the IMF believing the government of Ghana will be running a budget deficit of 10% of GDP in 2013 (IMF press release, April 2013).

Foreign Investment in Ghana since 1983

Outside of impacting on the political management of the Ghanaian economy, the adoption of liberalisation policies opened up the Ghanaian market to outside investment and has led to an increase of firms setting up operations in the country post 1983. As Grant (2009, 28) notes

'over 90 percent of all foreign companies currently active in Ghana have been established since 1983'.

Traditionally, the United Kingdom was the main source of FDI into Ghana and some of the larger foreign firms in operation in the country have been present since colonial times. These include Cadbury's, Uniliver, British Petroleum and Barcley's Bank (Grant, 2009; 29). However in more recent times sources of foreign investment have become more widespread from around different parts of the globe. Table 3.5 uses data obtained from the GIPC and outlines the country of origin for investment projects in Ghana during the period from the start of 2000 to the end of 2010. The table indicates a high presence of Asian firms operating in Ghana, particularly firms from China, India and the Lebanon. However, if the data was ranked by the amount of capital initially invested, denoted in US dollars, then traditional investment partners would top the list, with the United Kingdom investing the most followed by the United States of America. One could argue that a benefit to Ghana of increasing investment from foreign businesses would be the creation of employment for local workers. Data of this sort is hard to compile but the GIPC estimates that the 517 registered projects in 2011 will directly generate 46,761 jobs in the local economy (GIPC report, December 2011). Further to this, in some cases investment will lead to further employment in existing firms who perform a supportive role to investment firms. However, the employment figures reported do not factor in the potential for jobs displacement, notably in the retail or trade industries where investors will be operating in competition with local firms.

Table 3.5: FDI in Ghana ranked by Country of Origin; 2000 – 2010 (GIPC data August 2011)

Rank	COUNTRY	NO. OF PROJS.	TOTAL FDI (US$M)
1	China	400	328.09
2	India	361	164.06
3	Lebanon	266	94.60
4	Britain	196	4,835.08
5	Nigeria	149	1,322.35
6	USA	118	2,322.27
7	Netherlands	72	61.45
8	Germany	67	13.22
9	France	57	31.78
10	Italy	54	80.74
11	South Korea	54	45.17
12	South Africa	45	142.48
13	Canada	31	28.20
14	Denmark	30	37.11
15	British Virgin Islands	27	92.98
16	Switzerland	24	21.19
17	Cote D'Ivoire	20	23.90
18	Belgium	19	3.58
19	Mauritius	19	63.56
20	Australia	18	4.39
21	Israel	17	44.56
22	Spain	17	16.26

23	UAE	15	2,064.18
24	Britian/India	14	14.56
25	Singapore	14	48.43
	Others	517	1,147.40
Total		**2621**	**13,051.56**

During the period in which the data was collected, foreign firms wishing to invest in a project based in Ghana could do so in two different ways: a wholly owned foreign firm with 100 percent of the equity provided by the foreign firm or a joint venture scheme with a local firm (GIPC brochure, 2011). In 2011, 327 firms entered the market as a wholly owned foreign company while 187 entered in a joint venture arrangement with a local firm (GIPC report, December 2011). An incentive to encourage investors to use local partners is provided by offering a different minimum initial investment level for joint venture versus wholly owned foreign entities. Under previous investment laws, a firm must invest at least US$10,000 in a joint venture agreement, while an investment of US$50,000 was required in a wholly owned foreign company venture (GIPC brochure, 2011). A GIPC official outlined that the organisation has in place barriers to entry into the retail sector in order to protect the livelihoods of Ghanaian works within the industry (interview, Accra, July 2011). A wholly owned foreign company that wished to engage in general trade activities had to provide an initial investment of $300,000 and were restricted from wholesaling activities within the main markets in Accra (Ghana Investment Promotion Centre Act, 1994), for example Makola or Kaneshie markets, although some question how strictly these guidelines are enforced (Axelsson, 2012). In 2013, the minimum initial investment required by a trading firm was increased to US$1,000,000 (Ghana Investment Promotion Centre Act, 2013). Similarly a firm

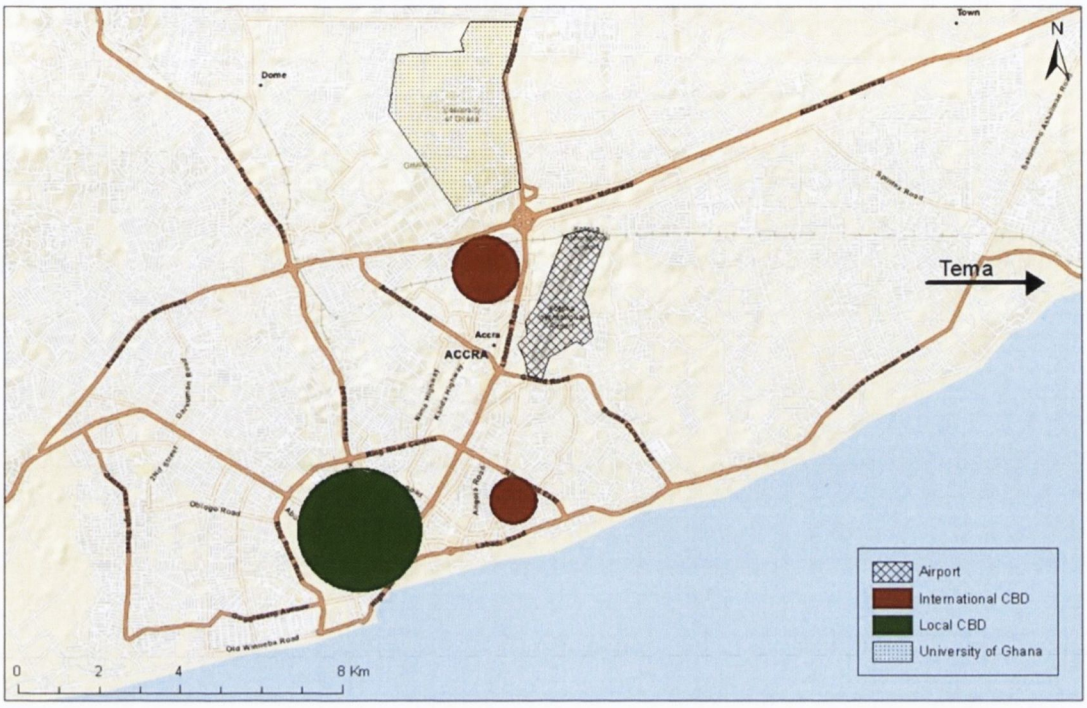
must now invest at least US$50,000 in a joint venture agreement, while an investment of US$200,000 is required in a wholly owned foreign company venture. It is noted that these changes were brought in after the interviews and surveys with the Accra based Chinese firms were conducted and as such these regulations did not apply to these firms when investing in Ghana. This research focuses on the private Chinese investors in the Greater Accra region, due to the high proportion of investments into the region compared to the rest of Ghana. Table 3.6 shows that 84.2% of all foreign investment projects between 2000 and 2010 were located in Greater Accra and shows that the region acts as a focal point for outside investment into the country.

Table 3.6: FDI in Ghana per region 2000 – 2010 (GIPC data August 2011)

REGION	NO. OF PROJ.	TOTAL FDI (US$M)
Ashanti Region	120	120.92
Brong-Ahafo	25	274.90
Central Region	57	87.88
Eastern Region	58	42.64
Greater Accra	2209	5,662.84
Northern Region	24	19.28
Upper East	5	3.31
Upper West	1	0.04
Volta Region	32	35.21
Western Region	90	6,804.54
Total	**2621**	**13,051.56**

Grant (2003) notes that the geography of corporate investment in Accra can be broken down into four different regions: the traditional central business district (CBD), Central Accra, new CBD and Tema (see Map 3.1). The national or traditional CBD is located by the coast near Usshers Town and the corporate make-up of the area comprises of larger domestic firms as well as older more established foreign firms (Grant, 2003; 72). The area is also home to most of the Ghanaian government ministries. The area known as Central Accra includes the areas of Adabraka, Tudu and Asylum Down as well as the main and largest market in the city – Makola market. The area is the main transport hub for bus journeys in the city. There is a large concentration of domestic firms within the area. Most of these firms are small in size and operate as general trading firms supplying goods to local consumers. There is also a presence of wholesale businesses in this district (Grant, 2002; 330). The newest commercial district in the city 'stretches from Osu along Cantonments Road to airport' (Grant, 2009; 31). This part of the city is home to large numbers of foreign companies mainly in finance and producer services, as well as domestic Ghanaian firms. Oxford Street (in Osu) and the streets adjoining it, act as a second city centre to cater for the needs of expatriates living and working in Accra. The final area of commerce in Greater Accra to consider is the commercial port of Tema and its surrounding area. The area, inclusive of Spintex Road, is home to most major manufacturing firms in Greater Accra (Grant, 2009) and is connected to the airport and Central Accra via a high speed motorway. Both foreign and domestic firms operate in the area. Tema is the main port of entry for goods entering Ghana and is also the location of the Tema oil refinery and an export processing zone. As will be outlined later in this thesis, a high proportion of Chinese trading firms are located in the Central Accra region of the city, while numerous Chinese manufacturing firms operate in the Tema industrial area of the city. For these reasons much of the data sampling for the research was conducted in these two parts of the city, this is described in more detail in the next chapter.

Map 3.1: Central Business districts of Accra



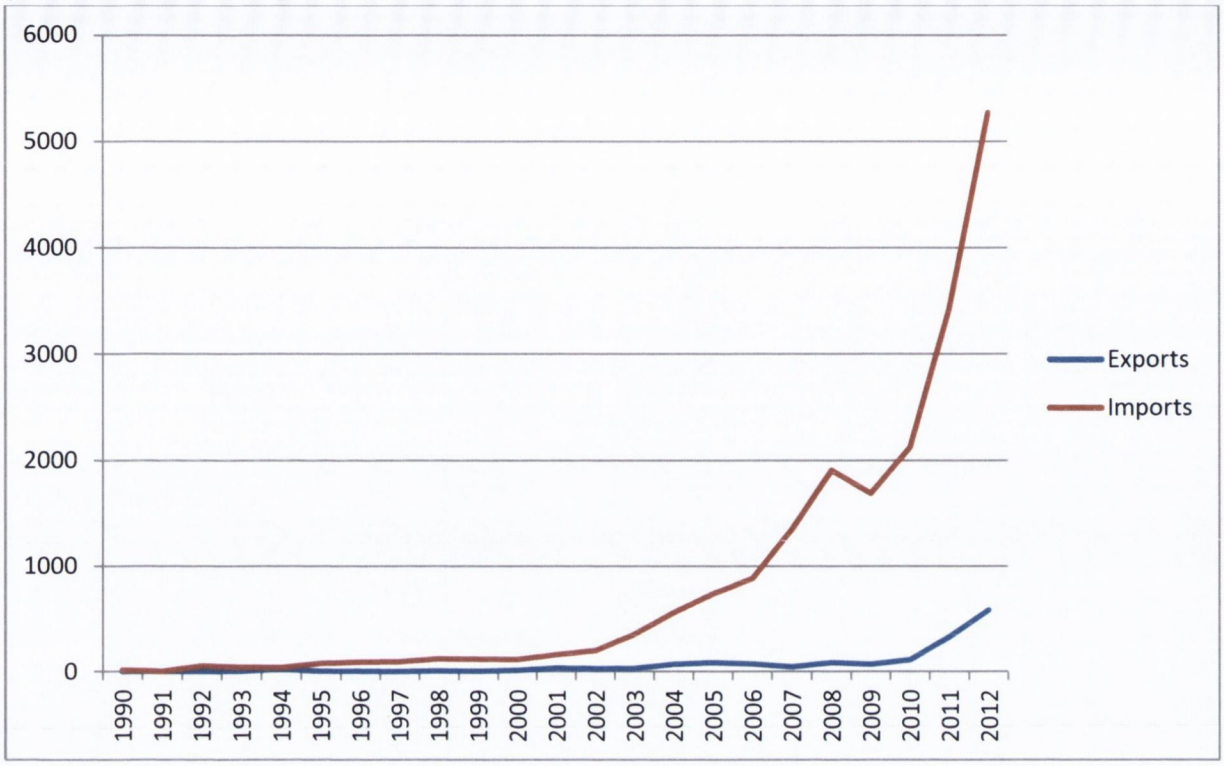
3.4 Chinese Investment in Ghana: a brief introduction

It is important to note that Chinese relations with African states are not homogenous across all nations. As such, it is important now to focus specifically on Sino-Ghanaian economic relations, before narrowing the focus of the thesis further, to the activities of private Chinese trading and manufacturing investors in Accra. Again, this is achieved by considering relations between the states via 3 different vectors of economic engagement; aid, trade and FDI (Kaplinsky *et al*, 2006).

As noted in the introduction, The People's Republic of China first established diplomatic relations with the Republic of Ghana in July 1960 (Embassy of People's Republic of China, Accra; February 2012). However, informal Chinese relations (non-political) with independent Ghana 'began on March 6, 1958, when a Chinese acrobatic troupe gave a performance in Accra to honour the first anniversary of Ghana's independence from British colonial rule' (Frontani & McCracken, 2012; 277).

While two-way trade between the states has been present since this time, it remained at a relatively low level until the year 2000, when Sino-Ghanaian trade relations began to significantly improve. As has already been stated in the introduction to this thesis, Ghanaian exported $584.36 million worth of goods and services to China in 2012 up from $31.15 million in 2003 (IMF data, June 2013). However, increased export performance has coincided with an even greater increase in imports of Chinese goods and service to Ghana, up from $354.19 million in 2003 to $5,268.45 million in 2012(IMF data, June 2013). From Graph 3.5, one can clearly see that imported Chinese goods account for a much higher proportion of the overall Sino-Ghanaian trade than Ghanaian exports, with the graph suggesting an upward trend in the deficit.

Graph 3.5: Ghanaian exports to and imports from Mainland China - US dollar millions (IMF data June 2013)



An argument can be made that Ghanaian consumers have benefited from growing trade relations between the nations as importers have brought in affordable Chinese goods to the markets of Ghana (ISSER report, 2008). Broadman (2007) supports this view and argues that greater access to Chinese goods has allowed African consumers purchase certain goods, such as electrical products, which were beyond the financial reach of these consumers in the past. However, there are negative aspects to trade relations from a Ghanaian perspective that need to be considered. Some industries have complained about the illegal smuggling of Chinese goods into Ghana. Expanding on this, in the textile industry, firms have complained that cheap imitation products are being illegally imported and are driving down their market share (Axelsson & Sylvanus, 2010; Axelsson, 2012). Although, some are of the opinion that increased FDI and political interaction between Ghana and China is not the driving force behind the increase and these imports are mainly driven by demand on the Ghanaian side. For

example, one report notes that in the main, Ghanaian traders and not Chinese traders are responsible for bringing Chinese goods into Makola Market (Marfaing & Thiel, 2011). Either way, the increasing trade deficit has implications for Ghana's economic planning, as in 2012 trade relations with China accounted for 36.9% of Ghana's overall balance of trade deficit (IMF data, June 2013). The role of the private Chinese manufacturing and trading firms in driving this deficit will be addressed later in this thesis.

With regard to aid relations between the states, China provides both economic and technical assistance to the Ghanaian government. This support is mainly provided through the offering of preferential loans to the Ghanaian government (ACET report, 2009). These loans have been used by the Ghanaian government to fund infrastructural projects and have been partly secured through guaranteed revenues raised by Ghanaian natural resources. For example, the Bui Dam project was partly funded by a loan of US$270 million from the Chinese EXIM bank at a concessional interest rate over a 20 year period, with a 5 year grace period and US$292 million borrowed directly from China's Ministry of Commerce. The loans were secured through the guaranteed sale of 30,000 tons of Cocoa per year to China with the proceeds held in an escrow account as security for loan repayments (Hensengerth, 2011; 37-38; Hensengerth, 2012). Even further examples would include; a $66 million project to expand telecommunications infrastructure in Ghana or a US$30 million concessionary loan to lay fibre-optic cables with the work carried out the Chinese firm Huawei (Idun-Arkhurst, 2008). The Ghanaian government also recently agreed a loan of US$3 billion from the Chinese Development Bank secured through future oil revenues (newstimeafrica.com report, April 2012).

China has also provided technical assistance to the Ghanaian State through other means than monetary support. Coordinated through the Chinese Embassy based in Accra and private ventures, China provides technical assistance to Ghana in areas such as education, health care, agriculture plus many more. For example, 'the agricultural sector benefited from training offered by the Chinese government to fisheries officers and young graduates in agricultural technology' (Mohan *et al*, 2012; 81). Table 3.7 outlines some recent economic or technical project for which Ghana has received assistance from China.

Table 3.7: Overview of China's financial assistance to Ghana; 2000 – 2010 (source; Centre for Chinese Studies, 2007)

Year	Type	Amount
2001	Grant for economic development	USD3.6 million
2003	Grant for construction of Burma Hall Complex	USD1.2 million
2003	Interest free loan, construction on new road	USD28 million
2003	Military Grant	USD0.96 million
2003	Grant for restoration of national theatre	USD2 million
2003	Grant for construction of Barracks	USD3.9 million
2003	Debt cancellation	USD66 million
2005	Loan, telecommunications equipment	USD75 million
2006	Loan, telecommunications, education and medical buildings	USD66 million
2006	Donation for the treatment of Malaria	USD0.25 million
2006	Grant to foster Economic and technical cooperation	USD3.75 million
2006	Interest free loan	USD3.75 million
2006	Loan, construction of two football stadia	USD313.5 million
2006	Military Grant	USD1.25 million
2007	Loan for Buyer Credit Component of Bui Dam	USD292 million
2007	Refurbishment of Government buildings	
2007	Grant in Kind, training in China of Ghanaian officials	
2007	2nd loan agreement in communications (2 percent over 20	USD30 million

	years); contractor is ZTE	
2007	Agreement signed for construction of Ministry of Foreign Affairs	
2007	Agreement signed for economic and technical cooperation	
2007	Cancellation of debt	USD24 million

Finally, in reference to Chinese FDI in Ghana, using GIPC data one can note that private Chinese businesses backed 574 different investment ventures, both wholly owned Chinese and joint ventures, between September 1994 and March 2012 (GIPC data, June, 2012). These Chinese firms invested US$507 million in these projects. While this is a substantial figure, it is far less than the number invested by other traditional trade partners such as Britain or the USA. The low level of investment may suggest that the majority of Chinese firms investing in Ghana are SME's. This observation allows one to make modest inferences about the type of Chinese firms investing in Ghana and the rationale behind these investments. One would expect that a significant amount of the Chinese SME's in operation in Ghana are trading companies engaging in the movement of imported goods in Ghana or firms manufacturing goods for the Ghanaian or West African markets. Indeed, from Table 3.8 one can see that the majority of investment by Chinese firms in 2009 was focused in the manufacturing or general trading industries. The low level of financial investments made by the Chinese investors could indicate that individually these projects will or have had little impact on local Ghanaian industry or the wider Ghanaian economy. Though, as a collective, as has already been discussed in this thesis, smaller investors can impact on a host nation's economic development.

Table 3.8: Chinese investment in Ghana in 2009 per sector in millions US dollars (GIPC data August 2011)

No. of Projects	Total FDI	Agriculture	Construction	Export Trade
46	22.53	-	1.67	-
	General Trade	**Manufacturing**	**Services**	**Tourism**
	6.77	8.6	3.25	2.2

As highlighted earlier in the chapter, China runs trade deficits with resource rich African countries and surpluses with resource poor ones. While many elements of Sino-Ghanaian relations are similar to the relations China has with the whole of Africa, a key difference is in trade relations, where, unlike in many other resource rich African states, Ghana's natural resources have not been exported to China in significant quantities. In fact Sino-Ghanaian trade relations are largely dominated by the importation of Chinese products into Ghana. To counter this, more needs to be done on the Ghanaian side to increase the number of exports to China. Available trade figures, outlined in this section (IMF data, June 2013), show how the emergence of oil exports has made little impact to the trade deficit. Even if China begins to import more oil from Ghana in the short to medium term, given that new Gulf of Guinea reserves tend to deplete quickly, averaging 25 years (Mohan 2010), Oil will not provide the long-term solution to Ghana's trade deficit with China. Further to this, oil productions to date have not met Ghanaian authorities projected valuations, with a report from Foxnews.com (August 2013) noting 'When production began at the offshore Jubilee field in December 2010, it was expected to generate up to $1.0 billion in government revenue per year, but yielded just $444 million in 2011 and $541 million in 2012'. In the longer term Ghanaian leaders and business people should seek to increase the number of manufactured goods exported to China and the world as a whole, moving away from the dependence on natural resources. One way in which this might be achieved is through the attraction of substantial

export-oriented manufacturing FDI, and evidence to support claims that the private Chinese manufacturing firms are engaged in such activities will be explored in this thesis.

3.5 Conclusion

In this chapter, increased Chinese engagement in Africa was explored via the three main vectors of engagement, as defined by Kaplinsky *et al* (2007), aid, trade and investment. Through the provision of aid, in the form concessional loans, technical assistance, loan forgiveness etc, China is supporting Africa's resource development and helping to improve its infrastructure, as well as assisting industry through technical support and advice. It is not appropriate to interpret Sino-African trade and investment as either a solely positive or negative development, as this would imply a common experience by all nations on the continent. On one side, an argument can be made that the influx of Chinese products throughout the continent has unduly added increased competition in the African marketplaces and displaced indigenous industries, reducing African jobs and worsening the balance of trade positions of many African states. While, conversely one could also argue that increased competition has the capacity to force domestic firms to improve production techniques and become more cost competitive. Due to the non-homogenous nature of Chinese investments in Africa one cannot consider these arguments to be mutually exclusive, as one investment in an African nation might bring about positive benefits to the recipient nation, while a similar Chinese investment in a different African state may bring about a negative impact. For example, consider the different trade relations China has with resource rich and non resource rich African states. Or the impact of increased competition from Chinese imports to domestic producers, which had a positive impact on the productivity of Soap manufacturing in Kenya

as greater domestic competition drove improved production efficiencies (Brautigam, 2009), compared with the negative impact it is having on textile industry in Ghana (Mohan, 2012; Axelsson, 2012).

Chinese investments in Africa can have a positive impact on African industry. However, the onus for developing these impacts lies with African governments and the wider business societies. As Taylor (2009; 183) notes, 'it is up to Africans to organise, connect and ensure that their leaders enter into relationships with Beijing with open eyes for the sake of mutual benefit'. In reality, those with high hopes that Chinese engagement can benefit Africa, have to recognise that the current economic involvement between the regions must change for broader development to occur (Large in Manji and Marks, 2007; 166), with African states using relations to promote and grow other sectors of their economies other than just exporting natural resources. This is a feasible aspiration as Chinese investments into the continent are numerous and diverse. Both State and non-state operations and projects are present and can greatly differ from multi-million dollar oil investments to small scale trading shops. Chinese interest in Africa offers both opportunities and reasons to be careful. Ultimately, the nature and depth of China's engagement in African affairs, both by private and semi state enterprises, needs to be decided upon those whose future it will most affect, Africans.

It has been shown that the liberalisation of the Ghanaian marketplace has contributed to rise of FDI into the West African nation. In recent years, investment from Chinese sources has become an integral part of the phenomenon. It was also shown that a large trade deficit between the nations is heavily contributing to Ghana's overall current account deficit. Going forward actions need to be taken by the Ghanaian government and the wider business society

to increase the number of exports to China. In the short to medium term one would expect that China will be a final destination for some of Ghana's new found oil reserves and exports of resource goods will rise, but in the long term Ghanaian leaders and business people should seek to increase the number of manufactured goods exported to China and the world as a whole. By moving away from the dependence on natural resources to manufactured exports, Ghana can position itself to become a more balanced economy and, as such, less susceptible to commodity price shocks.

This chapter has offered a broad description of the economic realities of China's growing relationship with the African continent, while noting the diverse and complex nature of Sino-African relations. In the latter part of the chapter, Chinese involvement, both in relation to private investment and cross state cooperation, in the West African state of Ghana was introduced. Further to this, a segment of the chapter was devoted to the economic realities of post independent Ghana preceded. From this broad base, this doctoral thesis becomes more focused on the areas of Sino-Ghanaian relations that are more pertinent to the research questions outlined in chapter 1. Therefore in forthcoming chapters, the main research finding of the thesis will be presented. Prior to this presentation, the methodologies underpinning the thesis research are outlined in the next chapter.

Chapter 4 Methodology

4.1 Introduction

Research in economic geography can methodologically take the form of either the qualitative or quantitative approach, or a combination of the two. This research project employs a primarily qualitative approach to facilitate an understanding of the economic geography and the developmental impacts of Chinese investment in Ghana. Economic geography studies highlight geographical factors such as space, place and scale as being central to their analysis according to Coe *et al* (2007; 11). Sokol (2011; 26-27) describes the concept of space in terms of the physical distance and locational area and focuses on territoriality and form of a particular location, flows across space, such as trade flows between countries and the concept of uneven space as a feature of a capitalist system. Citing Coe *et al* (2007; 16-18), Sokol (2011; 27) refers to the concept of place that aims to 'capture the *specificity* or *uniqueness* of particular places that are carved out of space. Through the notion of place, geographers are able to explore the richness and complexity of particular places and economic process that are always embedded in environmental, social, cultural, institutional and political context'. In economic geography, researchers are interested in understanding how economic processes impact on specificity or uniqueness of particular places.

In reference to scale, Coe *et al* (2007; 18-20) determines spatial scale through using terms such as global, macro-regional, national, regional, local and lived place, such as the workplace and home. For the purposes of this research, the terms space refers specifically to

the investments flow from China to the Ghanaian city of Accra. While the term place, refers to the complex relationships that exist on a number levels between Chinese investors and the Ghanaian business environment, and wider society, encompassing environmental, social, cultural, institutional and political issues, as cited by Sokol (2011) above. Finally, the question of scale in this research moves from the local, i.e. lived spaces, to the global, macroeconomic issues.

Within the research process, there has been much debate on the benefits, drawbacks and limitations of varying methodological approach. The two key epistemological models have been viewed as distinct and mutually exclusive approaches or as described by Hay (2005; 15) a series of dualisms which are not compatible. An often noted assumption is that quantitative methods are value-free, objective, and of scientific merit, whereas qualitative methods are particular, subjective, and somehow 'inferior' to 'real' science (Hammersely, 1992). However, many question the substance of supposedly objective, value free research with Haraway (1991) noting that knowledge is always both spatially and temporally specific and grounded. Therefore the context of each piece of research is particular to that process and the notion that any one methodology can be value free is open to question. For example, even with purely quantitative research, the research process and what is reported is influenced by the choices of the researcher, who passes all aspects of the research through his/her particular lens. To state that quantitative methods are purely objective, unbiased reporting of the facts, and qualitative ones are subjective, based on one's interpretations of the facts, is inaccurate. 'Qualitative Researchers who define their own position in relation to their research might be more objective than their colleagues who point to the supposed objectivity of quantitative methods and fail to reveal the many subjective influences that shape both the research question and the explanations they put forward' (Hay, 2005; 16).

In the battle that has sometimes been dubbed the Paradigm Wars (Datta, 2004) it is at times easy to lose sight of the fact that the two key traditions, more commonly referred to as Positivist and Interpretivist, are methodologies or processes for uncovering the truth. As Wellington (1996; 7) reminds us, 'research can be messy, frustrating and unpredictable'. In reality, in attempting to source and report the truth of a particular piece of research there are potential pitfalls any researcher should be cautious of, regardless of the methodology adopted. For example, researchers using qualitative methods have to be mindful of representing personal subjectivity or respondent bias, while quantitative researchers must be wary of constructing a model that is based around spurious correlations with no real world application.

This specific research aligns itself with the political economy approach that sees individual actions as being framed by broader social, political and economic structures. The research seeks to convey, as clearly as is possible, the structures and practices that influence and impact on individual actions (be it by a person or firm). This echoes, to some extent, non-representational theory as defined by Nigel Thrift (1996, 1997, and 2000). Thrift talks about research that describes 'practices, mundane everyday practices that shape the conduct of human beings towards others and themselves in particular sites' (Thrift, 1997; 142). While Thrift's concept of non-representational theory has merit in the field of research, it has now become a broad research term that describes how research is witnessed and represents what is taking place. This research focuses on the practices of the Chinese traders and manufacturers in Accra and how they impact on the Ghanaian business environment and wider society.

Within the field of development studies, Garbarino and Holland (2009) working with the UK Department for International Development (DFID) through the Emerging Issues Research Service of the Governance and Social Development Resource Centre (GSDRC), examined research methods that are used when addressing emerging priority agendas of concern to the international development community. They cite the work of McGee (2003; 135) who refers to the importance of the principle of equity in this type of research, their summation being that contextual studies should not just be used as window dressing to confirm non–contextual surveys. They argue for a more rigorous role for qualitative research to observe and evaluate impacts. This approach has found recognition amongst development agencies where a qualitative approach allows for process and participation at all stages of the policy cycle. A qualitative approach according to Garbarino and Holland (2009; 5) 'can sharpen the focus on the policy process in which impact evaluations are embedded.'

In researching the economic impacts of Chinese investment in Ghana it is important to work within a methodological framework, which allows for the expression of a wide range of insights, opinions and ideas as voiced by the respondents. This method gives deeper insights into firm practices and their routines, in addition to their sometimes contingent nature. This is critical in order to understand the causality behind developmental impacts, which are substantiated through the collection of more quantitative "facts" as discussed earlier. The voices of these respondents give authenticity to the research and provide an insight into the actualities of Chinese investment in this particular field and within this particular location. Such a participatory research approach requires more contextual methods and elicits more qualitative and interpretive information. This demands an important additional commitment to respect local knowledge and facilitate local ownership and control of data generation (Chambers, 1994, 1997). This type of approach is intended to provide space for local people

to establish their own voice and to be in a position to challenge 'development from above' (Mukherjee, 1995, 27). In this research study, this local voice includes both Ghanaian and Chinese actors. In contrast to the individualised observation and discussions in much qualitative investigation, this research builds on the findings generated by each group, to in turn encourage reflection and reaction of the next group. At its most extractive, such a research approach simply uses a suite of participatory methods to improve outsiders' understanding of local context. This research goes further than that to promote the reflection and reactions of each group of actors to the views and opinions of others in the research process.

The justification for using a mainly qualitative approach can be summarised by the fact that is a contextual study of a specific locality, case and social setting, where the issues of economic impact can be explored in depth. While some of the research findings may be applicable to different related research studies in other localities, as noted earlier, this is not guaranteed due to the specificity or uniqueness of Chinese investments in Ghana. Thus, the degree to which research findings can be replicated in other localities would need to be considered in case by case bases. The initial goal of this research study is to explore some preliminary concepts. These concepts relate directly to the research literature outlined in previous chapters. It is then the function of the study to advance knowledge in this particular field of research and to generate new knowledge that adds to the existing theory. The work of Piore (2006) validates and supports the largely qualitative approach taken in this research study. In explaining his own approach to research he talks about it being 'less a reaction to theory in the strict sense and more a reaction to my surprise at hearing what the actors were telling me. And when I tried to identify the source of the expectations that led to that surprise, I found it to be the story about the world which economic theory seems to tell' (Piore, 2006; 20). The qualitative

study allowed for the exploration of practice and experience of both sides, Ghanaian and Chinese, based on their lived experience and facilitated direct dialogue to access individual experiences and practices through becoming an observer for a period of time.

In order to adequately address the main research question posed for this research, a variety of methods or tools were used throughout the research process. To fully understand the economic development impacts of the Chinese investors in this research it was necessary to uncover the operational details of the firms involved, their metrics of investment and the relationships they form with the Ghanaian business environment and wider society. The tools or methods chosen needed to elicit this information. The methods used included surveys, interviews and observation/field notes. It should be noted that a range of secondary statistical data and literature was used in order to locate the findings within a wider context, including Sino-African investment literature and data and Ghanaian economic data.

As noted, the methodological framework adopted for this research study does involve some minor quantitative elements, which are present in the analysis of the surveys. The use of qualitative and quantitative methodologies together can aid the researcher in the identification, interpretation and confirmation of data and observational fieldwork findings (Bryman, 2004; Cobin and Struass, 1998; 27-34). It should be stressed however, that these quantitative elements are a minor part of the overall research process and are used to support early data collection. As such, the research does not claim to fall into the mixed-methodology paradigm as described by Tashakkori and Teddlie (2003). Instead, the role of quantitative findings is defined, for the purposes of this research, to verify and/or elaborate on findings obtained from qualitative data.

The remainder of this chapter will look at the approaches used in this research. The research process is outlined and a detailed description of the field work period is included, along with a description of the research tools used and the application of these on the ground in Accra. An outline of how the analysis of the data collected during the field-work period is provided, before concluding the chapter with a reflection on the methodological framework adopted in this project.

4.2 Qualitative Inquiry

In selecting a suitable methodology to adequately address the research questions it was clear that a number of issues needed to be considered. These included:

- The role of the Self in the research process
- The representation of the many voices within the research process
- The selection of the most suitable methods to address the research question
- How to uncover the reality on the ground in Accra
- Whether there was a single methodology that could represent the many facets of the research process?

It was clear from the outset that the proposed research did contain many elements of what might be referred to as case study research. Gerring (2004; 342) defines a case study as an 'intensive study of a single unit for the purpose of understanding a larger class of (similar) units. Where [sic] a unit connotes a spatially bounded phenomenon – e.g. a nation-state, revolution, political party, election or person – observed in a single point in time over some delimited space of time'. It could be argued that in the case of this research, the single unit is represented by Chinese private companies' investment in Accra. The larger class can be defined in this instance as FDI from China into other African nations. An argument can be made for using a sample of insights (the case study) to make inferences about a defined overall population, where a sample would comprise of 'units' (observed cases) and a population would be a set of units which can be broken down into two different subsectors – studied cases and unstudied cases. Following this argument, in this particular instance this research could be used to provide an insight into the dynamics at play in Chinese investment in Africa as a whole. While more studies would be required to confirm or refute the trends identified in this particular study to make such an argument, one can note that this research does contribute to the understanding the impact of Chinese FDI in Africa.

In relation to the collection of data within a case study, a variety of different methods can be used including interviews, observations and surveys. Furthermore, these different techniques can be used together. As Eisenhardt and Graebner (2007; 25) note 'case studies are rich, empirical descriptions of particular instances of a phenomenon that are typically based on a variety of data sources'. In addition, archival and secondary literature research can also be used. For example, by analysing centralised statistics or available data on investment trends, case study findings can be positioned in a wider context (McKendrick, 1999; 42).

While the elements of the case study approach seemed suited to this research, there were some aspects of the research that did not fit completely within case study. In attempting to respond to the issues outlined above in relation to the research process, the work of Jennifer Mason (2002; 5) resonated with this particular research. The author (2005; 5) noted that qualitative research should be:

- *Grounded in a philosophical position, which is broadly interpretivist in the sense that it is concerned with how the social world is interpreted, understood, experienced, produced or constituted.*
- *Based on methods of data generation, which are both flexible and sensitive to the social context in which the data are produced.*
- *Based on methods of analysis, explanation and argument building, which involve understandings of complexity, detail and context and produce rich data. There is more emphasis on holistic forms of analysis and explanation.*

The methodology that is used throughout this research takes the form of a qualitative inquiry, that is mindful of the fieldwork based nature of the research and the role of the researcher as someone who engages with the situation, makes sense of it and aims to get at the meaning of the events described from those who experience them. Within the inquiry there is detailed attention to the particulars of the research and the goal is to provide a coherent research study with clear insights, through the use of a range of instruments that ensure validity and rigour.

4.3 Research Sections

The first task in designing this research study was to identify the Chinese firms that needed to be surveyed. These firms needed to be representative of overall private Chinese investment in Ghana. Ideally, the selected firms should typify all Chinese investors in Ghana, in relation to factors of investment, such as the investment of initial capital, the size of the firms and the industries in which the firms engage. If a level of variation in the nature of the work, the skill base of employees and the location of the firms within Ghana emerged, this would determine whether these firms needed to be analysed separately in order to capture development impacts that are particular to these types of investment.

Confidential data on Chinese investors in Ghana from 1994 to 2010 (inclusive), which notes the number of firms that registered with the organisation, was obtained from the GIPC, as represented by table 4.1 below. The data is divided into different categories depending on the type of investment the private Chinese firm engaged in. From the data, it is clear that private Chinese investment is mainly, though not exclusively, focused in manufacturing, trading, service and tourism industries. Further to this, the data also shows that over 90% of Chinese businesses that registered with the GIPC between 1994 and 2010 were located in Accra, the location for this research.

Table 4.1: Chinese firms registered with the GIPC 1994 - 2010

Sector	Number of firms registered	Located in Accra
Export	7	7
General Trading	132	127
Liaison services	8	8
Manufacturing	171	150
Service	78	70
Tourism	64	53
Total	**460**	**415**

The research focuses on manufacturing and trading activities, as these were the two most common forms of private Chinese investment according to the data. The tourism sector was discounted as a possible sector for investigation due to the multifaceted nature of this industry, ranging from hotels and restaurants to travel and transport companies thereby making it difficult, if not impossible, to construct a single study across this sector. Chinese firms registered as involved in the service sector were found to be diverse in the nature of their activities, with many of the firms engaging in manufacturing (at least part of), trading and tourism activities. Removing these firms from this classification greatly diminished the scale of investment in this sector. This would make it difficult to gauge their development impact due to the small number of firms remaining in the sector. Regardless, the trading and manufacturing elements of this category are captured in the study.

As previously outlined in Chapter 1, the research was conducted in Accra and comprised of three sections. In addition to the two sections focused on private Chinese manufacturers and traders, a further section looked at the Ghanaian reaction to broader Sino-Ghanaian investment and specifically sought the views of Ghanaian traders and 'local experts' on the specific type of investment under study here. While it may be considered an imbalance in the research not to have sought the views of the Ghanaian manufacturers, it should be noted that the research process was an emergent one and decisions were made in relation to the next steps in the research process, based on the on-going analysis of the emergent data. Also included, was a study of the media reports on Sino-Ghanaian issues, which acted as a backdrop to this section. The rationale for the inclusion of the media reports was to present the manifold views expressed by various media sources both within Ghana and beyond on Chinese investment in Ghana. The decision to seek out the views of the Ghanaian traders at this juncture was derived from the perceived conflict between the local and Chinese trading communities. This perception emerged from media and expert analysis at this stage of the research. In order to avoid what Strange *et al.* (2013; 5) refer to as 'big statements resting on flimsy foundations', the analysis of the media reports is primarily used to a provide context to the fieldwork. It was an important aspect of the research process because it provided a starting point for the research to seek out the veracity of popular media perceptions on such forms of investment and was of benefit in designing the research tools that were used in the firm-based components of the study. This is elaborated on in greater detail in section 4.6 of this chapter. Overall, this Ghanaian section of the study set the backdrop for the remainder of the work, supported the design and development of the surveys and interview questions, and provided a means of triangulating the research not just within the three groups that formed this initial part of the study, but also in the final analysis of the total research, both as it related to the literature and as a means of adding rigour and validity to the findings. Thrift

(2007: 2) talks about the idea of the 'geography of what happens' and how it happens. The inclusion of the Ghanaian section provides the context for the more detailed account of 'what happens' in relation to Chinese investment and its impact on Ghana.

The second part of the analysis looks specifically at the Chinese traders that operate in Accra. According to GIPC data, 132 Chinese firms set up in Ghana from 1994 to the end of 2010, operating as general traders. This is more than from any other nation, other than Ghana itself. The majority of these firms are based in Greater Accra. Potential explanations for this could be that they sought to avail of better infrastructure, to be near the largest international port in the country and to have easier access to the largest city, and market in Ghana. Greater Accra is also the second highest ranking region in Ghana in terms of population at 16.3% of the overall population, behind the Ashanti region at 19.4% (Population and housing census 2010, Ghana Statistical Service). It may also be due to the fact that they wish to be near other Chinese firms.

Eighty three million US dollars were invested by Chinese firms in Ghanaian trading activities from September 1994 to March 2012, according to GIPC figures (as of July 2012). This Chinese capital employs thousands of workers, both indigenous and Chinese, in the city of Accra, as detailed in chapter 6. Furthermore, from the experiences of this researcher and discussions on the ground, these are the most visible presence of Chinese investors in the city – as such, consideration must be given as to how this might influence Ghanaian perceptions towards these Chinese investors. This investment type has implications for the wider local economy, particularly in the case of local Ghanaian traders who argue that they are facing increased market competition, thereby reducing their profits and employment levels.

However, some also note the easier access to imported Chinese products. This is explored further in Chapter 6.

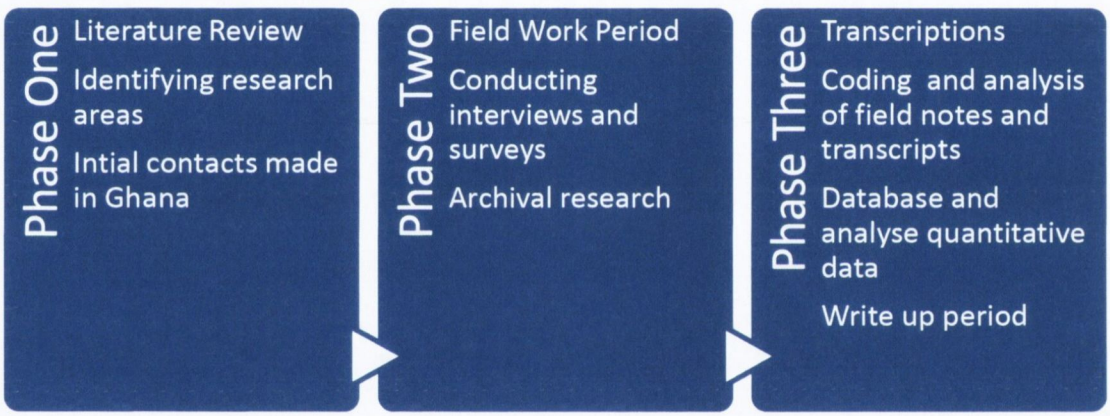
The final section of the study looks at the Chinese manufacturing firms operating in Accra. According to GIPC data, 169 Chinese manufacturing firms have set up in Ghana between 1994 and the end of 2010, which is more firms than from any other nation, apart from Ghana itself. As with Section 2, the majority of these firms are based in Greater Accra, perhaps to avail of better infrastructure and to have easy access to the customers based in the largest city in the country. Between September 1994 and March 2012, 188 Chinese manufacturing firms invested US$255 million when setting up their operations in Ghana, according to GIPC data (July 2012). While no official data is available, it can be assumed that in at least some instances more capital was invested in these companies once they were set up. This type of investment has implications for wider Ghanaian economic development and whether or not economic diversification is taking place. It raises questions around whether these Chinese firms support the growth of exports of manufactured goods out of Ghana and whether skills or technology transfers to local industry are in evidence. This section is explored further in Chapter 7.

4.4 Research Process

The research process was separated into three distinct phases, as outlined below. The first phase involved an in-depth examination of secondary literature, the selection of the particular sections of the study and the arrangements for the field work that was to be carried out in

phase two of the research period. Spent in Trinity College Dublin (TCD), this period afforded the time to fully engage with the available literature, enabling the development of the theoretical and methodological structure within which the research process would be completed. Preparation for the fieldwork period included attendance at the 'Adapting Methodologies for Developing Countries' postgraduate training course at TCD and making initial contacts with researchers based in the University of Legon, Ghana and other agencies in Accra.

Table 4.2: Research Processes



4.5 Field Work

The fieldwork was conducted over two periods, as represented by Phase Two in the above graphic (Table 4.2), with surveying of firms conducted in 2011 and more in-depth interviews carried out in 2012. The rationale for this approach was based on the length of time spent in Ghana during each of the field trips and the need to utilise the time in the best manner. The initial period of fieldwork lasted for four months, from June to October in 2011. Further

Ghana based fieldwork research was carried out for two months, in June and July of 2012. While a single trip of longer duration would have been the preferred option, this was not possible due to budget and logistical constraints which were outside the control of the researcher. While this strategy was implemented due to these constraints, the time between fieldwork periods was used to analyse survey data and this helped to provide greater clarity to the questions and themes pursued during the interview phases of the research.

In chapter 1, the research questions introduced consider the economic development impacts arising from Chinese FDI in Ghana. These research questions underpin the entire research process. Therefore when conducting fieldwork in Accra, Ghana, they influenced the choice of respondents and the questions asked during the fieldwork process. It meant that a wide range of respondents needed to be sourced in order to collect meaningful data from Chinese and Ghanaian business people based in Accra. The identification of different variables of investment of the Chinese businesses, such as initial investment, number of employees, training initiatives etc., as outlined in Appendix A, was also an important part of this process. With these considerations in mind, it was important that the fieldwork period of the research was both significant in terms of the length of time spent on the ground in Accra and that it included correspondence (in the form of interviews and surveys) with a large number of the Chinese business community within the city. The duration of the field work period was spent within easy access to the areas where the identified firms were located, with a substantial amount of time spent in the areas surrounding Makola market (Chinese traders) and the Tema industrial area (Chinese manufacturing firms), as outlined in Map 3.1.

4.6 Archives and Secondary Data

With the aim of complementing primary data, secondary literature and statistical data sources were searched for whilst in Ghana. 'Secondary sources involve the oral or written testimony of people not immediately present at the time of a given event. They are documents written or objects created by others that relate to a specific research question or area of research interest' (Berg, 2004; 237). It was hoped that 'The Ghana Statistical Office' would provide an interesting place to obtain data for this research. However, the quality and availability of information from this source was found to be inconsistent. In relation to the primary area of investigation, the topic of foreign investment and the role of foreign nationals in the Ghanaian economy, the source offered very little relevant information. However, the office did prove useful in providing information on wider aspects of the Ghanaian economy, for example employment statistics. The book shop in the University of Ghana, Legon proved to be a useful source of literature and enabled the sourcing of further information on Ghana's economic performance, both past and present. Through formal application, Government records from the Ministry of Trade were consulted in the hope of securing further information on national trade flows. This source of information was found to be unhelpful as more often than not documents requested were not available. Furthermore, the data that was received was deemed to be of a poor standard as it differed greatly with the data obtained from reputable international sources such as the UN or the IMF and gave no detail on Ghana's relations with China.

The GIPC proved to be the most useful source of information encountered during the fieldwork period of the research. Here, it was possible to obtain from the organisation a

detailed list of all registered foreign investment into Ghana from 1994 to 2010 inclusive. This list, secured prior to arriving in Ghana, proved to be an invaluable source of information, despite some of the difficulties discussed further below. The GIPC also was able to provide a general overview of investment flows into Ghana over the last ten years, broken down by investor country and domestic sector.

Finally, the internet also proved to be an important tool in the collection of secondary data and throughout the entire duration of the PhD research process a note was made of relevant articles from media websites relating to Chinese investment in Ghana. The Ncapture function, linked to the Nvivo 10 package, allowed for this data to be saved as a PDF document and for the data to be analysed. The articles collected assisted in the task of keeping abreast with the media and public perceptions of the research topic for the duration of the project. First consulted prior to conducting the fieldwork the issues raised in these articles helped to formulate survey questions and themes to be discussed in interviews. Print, radio and television media were also monitored for the duration of the Ghanaian based fieldwork period of the research project.

Appendix D provides a list of the source, title and date of the media sources used in this research process. In order to avoid possible bias, the sources include Ghanaian, African and international media outlets that are well recognised such as BBC, Bloomberg, Modern Ghana, GhanaWeb, Reuters Africa and AllAfrica. The media can shape public opinion, but can in turn be influenced and manipulated by different interest groups in society. Online media reports are important because of the news they report and how they choose to portray the issues. Such reputable sources, as those used in this research, are important in

determining the political agenda (what people in the government are thinking about) and in framing the issues and how the issues are being considered. In this instance the online media reports helped to frame the research context and provided a starting point to both the fieldwork and the analysis.

4.7 Survey Design and Sampling

McGuirk and O'Neill note, that questionnaires 'can help us to begin the explanation in that they are useful for identifying regularities and differences and highlighting incidents and trends' (in Hay, 2005; 215). Surveys were carried with both groups of investors considered in this study, namely Chinese trading and manufacturing investors. To allow for cross sector comparison, in the main, the same questions were put to both groups of investors, with only slight variations where appropriate. The surveys allowed for the eliciting of information on the two distinct groups through the use of the same research tool (Fink, 1995; 49). There were three primary reasons for including a survey/questionnaire with the target groups. Firstly, the questionnaire allows one to distinguish particular investment and/or business operational characteristics of the respondent firms and these are then examined in greater detail during the interview period of research (Brenner, 1985). An example from this research would be the sourcing of Ghanaian and/or Chinese labour. Secondly, the use of the multi-method approach can aid in the process of observing links between findings of different research components, with data and information obtained from the completed questionnaires potentially complementing and validating the information secured from the interview process, and vice versa. For example, in this research, the results of the surveys allowed for a more informed approach to the formulation of the interview questions. Finally, questionnaires allow one to

engage with a larger number of respondents than a study that is based solely on the interview process. This is due to the fact that interviews are a more time consuming method of research and in this particular research, were less appealing to busy Chinese business people.

The surveys for this research were delivered in a variety of ways due to the diverse nature of the survey group. While all surveys were personally delivered, a number of respondents completed them in the presence of the researcher, a number requested that the surveys be collected at a later date and a small number of surveys took the form of mini-interviews at the request of the respondents. This may have been due to constraints of time or language on the part of the respondent. Once a respondent agreed to complete the survey, it was the case that they fully answered all the questions, with very few exceptions.

The questionnaires were initially written in Ireland and while no formal survey trial run took place, because at this point the survey respondents had not been identified, slight alterations were made to some of the questions after the first few surveys were completed. The results of these initial surveys were included in the final analysis as the information obtained was deemed to be useful and valid. The survey was also reviewed by the research supervisor and research colleagues within the Department. These changes had no impact on the overall research design and only involved a change in the wording of some questions to make them clearer for the respondents (see appendix B).

It also became clear early in the research process that a Chinese version of the questionnaire would greatly enhance the number of firms that could be targeted and assist participants to

understand more clearly the questions being asked, greatly improving the quality of the responses of these participants. The questionnaire was four pages in total, consisting of 28 questions and contained a combination of qualitative, quantitative, open-ended and closed-ended questions. Care was taken in designing each question to ensure they were written in an open, yet clear, manner so as not to influence the respondent and to avoid the possibility that the phrasing of the question would determine what each answer would be (Major and Savin-Baden, 2010; 44).

The primary goals of the survey was to gather information on the development impacts of Chinese businesses and to better understand the business operations of the Accra based Chinese firms. More precisely, the surveys were designed to generate a range of information. The initial questions sought to ascertain details of the companies including; their exact name and location and the name and contact detail of the respondent. The next set of questions were more detailed and were included in order to build up a profile of the companies including the number of years they had been in existence, their initial capital outlay and the nature of the company, whether state or privately owned or joint ownership and the source of the initial capital in the latter cases. The next stage of the questionnaire focused on the three major inputs of each company and gave examples such as raw materials, components and equipment. It also sought information on the country and name of the company from which the inputs were sourced, the main product of each company and the market for these products. Details were sought on the size of the company, the number of employees both within Ghana and worldwide, the number of management positions in Ghana, the number of managers employed in Ghana, the number of non Ghanaian managers, the percentage growth or contraction of the Ghanaian workforce within the previous 3 years and the reasons for this. A question was also posed on staff training.

A number of more open–ended questions focussed on profit increases or losses within the previous 3 years, the reasons behind locating in Ghana and the economic advantages and disadvantages of being located in Ghana. The respondents were given an opportunity to comment on the level of support they received from their home government and the Ghanaian government respectively and to elaborate on how both of these might have better facilitated the company. The questions were set to gain an insight into the operational details of the firms, to gain an understanding of the level of engagement the firms have with the wider Ghanaian economy and to derive if the presence of these firms was positively or negatively impact on Ghana's economy. As such, it was important that the questions asked in the surveys allowed for information to be gathered that answered the research questions outlined in chapter 1.

Also of importance, was to ensure that a sufficient number of firms honestly completed the surveys so that research observations could be made with a high degree of certainty and that the firms selected represent the wider group of Chinese investors. Huberman and Miles (1994; 27) highlight the importance of bounding the collection of data. They note that qualitative research examines a single case, a phenomenon embedded in a single social setting, while also observing that sub-settings occur within these settings. Qualitative researchers usually work with small groups of people nested in their context and studied in-depth. Huberman and Miles (1994; 27) cite Kuzel (1992) and argue that qualitative samples tend to be purposive rather than random and are usually not pre-specified but evolve in fieldwork through the process of conceptually driven sequential sampling. While this approach was used in the later sections of the research primarily, with regard to the survey

data collection, convenience sampling was the approach that was adopted. Using the list of private Chinese firms that have invested in Ghana from 1994 to 2010 inclusive obtained from the GIPC, the first step in the survey process was to make contact with the Chinese manufacturing and trading businesses based in Greater Accra. Initial contact was made by phone calling all the firms on the list. This was an important step in the process as the information obtained from the GIPC only included the name of the firm, a small description of the firms' business operations and a contact phone number, but no information on the location of the firm within Accra.

In this process the first set-back of the fieldwork phase of the research was encountered; many of the phone numbers supplied by the GIPC did not work. The list of target firms was greatly reduced, although the locations of some of the firms were found using the Yellow Pages online resource in instances where the number supplied by the GIPC was incorrect. In relation to the Chinese firms that a physical address was obtained for, a strict procedure was followed when approaching any of the businesses to take part in the survey. A senior Ghanaian member of staff was always approached first to seek permission to speak with the owner. This was almost always granted. This opportunity was also used to ascertain the level of English of the Chinese owner. The hope was that business owners would agree to participate in the survey on the guarantee that they were granted anonymity. However, many of the Chinese business people in the target industries were initially quite reluctant to complete the questionnaires. Obtaining financial information was often very difficult, as many business people were concerned that if they revealed their financial situation, this information might be passed on to Ghanaian government sources. Although anonymity was guaranteed, in many cases this did little to persuade some business owners that the questions were for research purposes only and that the information would not be passed on to third

party sources. By outlining the intentions of the research and by providing college identification some of these apprehensions were overcome. This coupled with the difficulty in locating the Chinese firms forced a downward revision to initial estimates of survey participants. The majority of questionnaires were completed by Chinese business people in the presence of the researcher, so that clarification of question meaning could be provided when needed. Some questionnaires were filled out by Ghanaian managers, accountants or senior workers, who were empowered to fill out the questionnaire on behalf of the Chinese firm. In total 65 questionnaires were completed.

The questionnaires provided a source of statistical data, particularly concerning metrics of investment, such as employment numbers, levels of staff training, capital investment or time spent in business in Ghana. Also by conducting the survey prior to the interview process, it acted as a "gentle" introduction to the Chinese business community in Accra and provided an important guide in directing the questions during the interview process.

4.8 Fieldwork Interviews

In this research, interviews were carried out with a wide range of respondents to further explore themes and/or operational characteristics observed in the analysis of survey data. This was done with the aim of better eliciting how the operations of the Chinese investors impact on Ghana's economic development. As such, interview methodology was an important component of the field work period within this research project. Interviews, like other qualitative methods, examine and explore human relationships within specific settings.

As Gerson and Horowitz (in May, 2002; 201) note 'to unravel the complexities of large-scale social change, it is necessary to examine the intricacies of individual lives'. Interviews with respondents can help to shed light on underlying structures and themes which are often missed through other methods of research. Kitchin & Tate (2000; 215) note that 'rather than being a passive means of data collection, interviews are complex social interactions'. While conducting an interview, researchers must be able to develop a connection with the interview respondent, while maintaining an 'impartial' position on the matter being discussed (Oppenheim, 1992).

The interviewees were selected after the survey process had been completed. In the case of the Chinese manufacturing firms, the firms that had engaged more fully with the survey process and provided greater depth of responses were selected for further interview. In addition, a number of Tema based companies that were identified subsequent to the survey period of the research during Phase 2 of the fieldwork were also selected for interview, thus adopting a snowball approach to the interview process. While such an approach is valid in any interview research process, it becomes even more important when the researcher is in the process of acclimatising to the research context and is working within specific time constraints. A decision was taken to include these interviewees at this point as it allowed for a deeper exploration of the emergent themes from the survey aspect of the research process. In the case of the trading firms, the interviews were conducted exclusively with firms located in the Makola market area due the fact that the majority of Chinese owned trading firms are located there as confirmed by the chairman of the Ghana-China Friendship Association (GCFA) (interview with Mr Shan, Accra, June 2012). As in the case of the manufacturing firms, additional interviews were conducted with firms at this location that had not been identified during the process of surveying. The rationale behind the selection of the additional

interviewees was related to their location, their willingness to participate in the research process and the opportunity to add to the data. In terms of the impact on data analysis of the inclusion of additional research respondents, this is minimised by the identification of clearly defined research themes at the outset of the research, the use of the survey findings to identify the key themes that were explored in the interviews and the benefits that the additional interviewees brought to the research. It also ensures that the research is contextually driven and that there is an element of flexibility that allows for the local knowledge to be at the forefront of the research process.

Conducting research in an area that is not familiar to a researcher and where there are constraints of language and culture can be a difficult process, so the importance of the willingness of companies and individuals to participate in the research cannot be underestimated. The majority of interviews conducted with owners, managers and employees in Chinese owned businesses were semi-structured, focusing on key areas of interest as identified in the analysis of the surveys, while allowing the interviewee to be flexible in the way the issues were discussed (Flick, 2002; 80-85). Interviews lasted from approximately twenty minutes to just over an hour. In total 62 interviews were conducted with the following respondents: 10 interviews with 'local experts' to gain a broader understanding on how Chinese investment was impacting on the local and wider Ghanaian economy; 20 interviews with local Ghanaian traders to explore how their businesses have been impacted by the presence of Chinese traders based in Accra; 16 interviews with Chinese trading firms to better understand the business operations of these firms and to see how these operations differed from local firms and to assess their developmental impacts; and 16 interviews with Chinese manufacturing firms to understand their operational activities and to ascertain their levels of integration with the local business environment.

Interviews with Chinese business owners were conducted with the intention of building on the information already gathered during the survey stage of the research process; with more focus on their views on how their firms were impacting on the wider Ghanaian economy. 'Local expert' interviewees were selected based on their access to information, cognition of what was required of them and their motivation to become part of the research process (May, 1997; 116). Interviews were conducted with Ghanaian senior civil servants and prominent members of society to gain a greater understanding as to how Chinese investment fits in the wider Ghanaian economic context, looking at both macro and micro level Sino-Ghanaian dealings. This 'local expert' group included business owners, academics, government officials and NGO and civil society representatives. Getting access to this group of society was quite difficult. Requests were often ignored, appointments not honoured, and a lot of persistence was demanded to gain access. Interviews with government officials and local researchers tended to be quite formal and again a semi-structured approach was used in conducting the interviews, where the respondents were allowed a certain degree of flexibility in the way issues were discussed. All of these interviews were audio recorded and anonymity was not an issue with participants. As more contacts were made, access to other officials, business groups etc. became easier as participants recommended contacts within other relevant organisations. Table 5.6 contains a list of the 'local experts' that were interviewed and further background information.

As previously outlined, interviews were conducted with a group of Ghanaian traders to get a better insight into the perceived conflict between the local and Chinese trading communities. This perception emerged from media and expert analysis at this stage of the research and the

inclusion of these interviews allowed for the conflict between the two groups of Accra based traders to be placed in a wider context and not solely as described by the private Chinese trading investors.

Despite the fact that interviews conducted for this research were done so with the aim of eliciting objective information on the economic development impacts of investment, another factor that needed to be addressed at this point was the positionality of the interviewees. Pat Sikes (2004: 18) defines positionality as 'where the researcher is coming from in relation to their philosophical position and their fundamental assumptions concerning social reality, the nature of knowledge, human nature and agency.' This statement is also true of the interviewees. The positionality of the interviewees in any research process, in particular in relation to the contextual nature of qualitative research, the tensions that might exist within different communities and the possibility that the research could have negative outcomes for sections of the community were all considerations in the research process. It was made clear from the outset that the research would not impact negatively on either group and that the research process could be trusted. By engaging with as many voices as possible and ensuring that what might be perceived as contrasting voices were included, the question of bias was addressed. Data collection processes were ethical and consent was sought at all stages of the collection.

When negotiating the location for an interview, it was essential that the chosen location would make a respondent feel comfortable to discuss what were sometimes seen, by the respondents themselves, as confidential and delicate topics. Also as many business owners initially feared that the researcher might be working for the Ghanaian government to see if

the firms were properly registered or paying tax, it was important that the trust of interview respondents was gained. This was achieved by, in the first instance, seeking to conduct interviews with respondents that had previously taken part in the research survey. The additional interviewees were fully briefed on the research and their permission obtained to be part of the research process. It was clear during the research period that Chinese business owners were uncomfortable with audio recording, primarily due to the fear that the researcher was either a government official or might pass on information to a third party. While as many interviews as allowable were recorded, where this was not possible notes were taken during the interview with the permission of the interviewees. These notes were then written up as soon as possible after the interview to ensure that the immediacy of the response would support the accuracy of the actual interview process while it was still fresh in mind.

Chinese businesses were identified by the firms that were willing to partake in the survey process of the research, with a preference given to larger firms and/or those that engaged more openly in the survey process. Interviews were spread equally amongst the two different target industries. Once the research project was explained, most firms showed an ease and willingness to participate. However, despite the familiarity with the research some firms were reluctant to partake in the interview process. This reluctance was attributed to a fear of government inspections, particularly concerning visa issues, tax payments and registration problems, although there is no conclusive evidence to this effect.

In relation to willing participants, all of the interviews took place inside the Chinese business premises and in the main with the Chinese owners themselves (or a Chinese manager). Occasionally, interviews took place with Ghanaian workers; these interviews were always

with senior members of staff (floor manager, accountant, sales manager) and were done with the permission of the Chinese owners. Some Ghanaian respondents expressed an interest to be interviewed but were unable to comply as they were unable to gain permission from the Chinese owners to partake in the process. In all these cases the Ghanaian worker refused to be interviewed (or fill out the research questionnaire) without the permission of the owner. Their reluctance to comply with requests in these situations, was attributed to fear of reprisals from management and given the significant job insecurity among workers in Ghana, such hesitation was understandable. Appendix C provides a summary of interviews conducted for this doctoral research.

4.9 Language as a methods issue

The majority of this research was carried out through the medium of English. In Ghana there is a variety of local languages spoken, however English remains the official language of the country, a legacy of Ghana's colonial past, and the medium through which most education, politics and commerce is conducted (See Ghanweb.com). In relation to Chinese business people, from the experience of this research, they seemed to conduct their work mainly through Chinese, where possible, but when conversing with customers or employees varying degrees of spoken English and/or gestures were the primary form of communication. Of course as this was not their mother tongue, the level of English ability varied enormously between different Chinese respondents. In many cases there would only be one Chinese person in a firm that could speak English, and in many instances, not fluently. As such, the use of the English language became a big barrier to information gathering during the fieldwork period. In some cases (notably on only a few occasions) the use of English

alienated respondents to the extent that they refused to engage with either the research assistant or the researcher (see below). One way around this communication barrier is the use of translation services. The use of a translator by a researcher can have implications on the quality of data collected from recipients (Squires, 2009) and so demands the consideration of language as a methods issue. Two forms of translation services were used in this project.

Firstly, any Ghanaian researcher employed to assist with the data collection element of the project was fluent in a variety of local languages (Twi, Fante, Ewe and Ga). This was an important consideration as researchers must note that when selecting an assistant the quality of their translation skills will greatly impact on the overall research project (Squires, 2009). Following recommendations from Ghanaian and Canadian based researchers four different research assistants were employed during the fieldwork period in Ghana. While none of the four had any direct experience of translating for academic research purposes, all research assistants used had excellent language skills and were fluent speakers in at least two of Ghana's local languages, as well as English. This fact was of great benefit to the research process of the project. On occasion, the Chinese business owner would empower a trusted local Ghanaian employee, who like all Ghanaians was fluent in at least one local Ghanaian language, to deal with the research queries, usually citing a lack of English or time as the main reason for not dealing directly with the researcher themselves. On these occasions the assistant researcher would communicate to the respondent directly in the local language. They would then translate the answers back to the researcher after their initial discussion had ended. The benefit derived from this lay in the fact that the Ghanaian employee knew that their Chinese boss did not speak the local language in which the conversation was conducted. They felt more at ease and were able to discuss topics that they might have been more hesitant about if they thought their boss could understand what was being said. In general the

senior Ghanaian employees were very knowledgeable and had a clear understanding of business operations.

Another situation where the use of translation services benefited the research project was when dealing with Chinese business owners/workers that had an intermediate level or less understanding of the English language. Prior to departing for Ghana, the research survey was translated into Chinese as it was feared that it would be difficult to communicate with numerous Chinese investors in Ghana. The translated copy of the survey questions greatly enhanced the number of Chinese firms it was possible to engage with. In the main, it served as a prompt when conducting surveys sampling with Chinese people with an intermediate level of English. It also enabled a Chinese business person with a basic understanding of the English language to answer the survey questions, which was translated back into English upon returning to Dublin. It is important to note that 'it is not always possible to achieve neutral or an accurate translation. Since language is a carrier of culture, the words can reflect culturally specific meanings and concepts that may have no equivalent in another culture' (De Vaus in Alasuutari et al, 2008; 260). To minimise the potential for confusion the translation was carried out by a reliable colleague, and Chinese national fluent in both English and Chinese, in the Department of Geography in Trinity College Dublin.

4.10 Observation/Field notes

In addition to the above approaches, informal non-participant observations were used during the research process. Though often taken as assumed and undervalued in geographical

research (Kearns, 2005; 192), observation can be a valuable method in a research project and can allow one to identify social arrangements or business processes that could be explored further through other research methods. Observation can serve as a complementary method to other forms of research, such as interviews or surveys (Kearns, 2005).

The observation analysis applied during this research was conducted in an informal manner. However, field notes were taken throughout the duration of the field research. Upon reviewing these notes, both during the field work and analysis phase of the project, it became clear how beneficial observational data can be in providing insight to the research location and indeed, how much data of this kind was collected informally in this research. In Makola, for example, it was possible to observe the activity of Chinese wholesale shops. This gave an insight into the working operations of a business, the customers of the various Chinese shops, what products were on sale and the makeup of the staff. While small details such as these may not describe the developmental impacts of Chinese investment directly, they do help in understanding motivations behind business decisions and the developmental viewpoints of the Chinese investors. Physical aspects of the wider location, such as the structure of the market or visible comparisons between Chinese shops to non-Chinese, could also be noted. Though the use of photography would have elevated these observations, the somewhat sensitive nature of the research prevented this from being a viable strategy. Limited formal observation took place and amounted to some Chinese manufacturing firms demonstrating how the machinery they used operated. In this project observational analysis is used in only a complementary capacity and nowhere in the project is it used as a stand-alone method of analysis.

4.11 Interpretation and Analysis of Data

'Transformation of data into findings and inferences is the main object of data analysis' (Azeem and Salfi, 2012; 264)

As outlined previously, some minor elements of quantitative methods were utilised in this research thesis, though not to a sufficient degree to term this as a multi-methodological approach. Primarily, descriptive statistics (Fink, 1995; 16-19, McClave & Sinch, 2003) were used in this research, where secondary data sourced from Ghanaian governmental departments and international research agencies were used to identify factors influencing Ghana's economic performance. Data obtained from these sources was also used to show the growing number of Chinese firms in Ghana, highlighting the nature of the investment, emphasising monetary commitments of the investors and depicting the geographical concentrations of the investments. Descriptive statistics were also used to examine the quantifiable aspects of the completed surveys. The use of more complex forms of statistical analysis (such as regression analysis) were considered, however this course of action was deemed unsuitable. This was due to a lack of sufficient reliable data from external sources which could be analysed quantifiably. In this instance, unreliable data refers to the limited number of economic variables that are measured by research agencies in Ghana and the secretive nature of Chinese business people when discussing financial matters. Consideration was given to using statistical packages, such as SPSS, R or STATA to conduct quantitative analysis but due to the lack of quantifiable data and the lack of detailed statistical analysis in the research, the Excel software package was deemed sufficient to conduct this aspect of analysis.

Mostly, the research was conducted using primarily qualitative methods. By applying a formalised approach to the analysis, it makes it possible for a clear set of guidelines to be developed within which the data can be managed (Kitchin & Tate, 2000; 229). Dey (1993) describes the process of analysing qualitative data as consisting of interconnections between description, classification and identifying. In devising the formalised approach to analysing qualitative data to be applied to this research thesis, two different theoretical approaches to the process were considered; these were priori coding and grounded coding. Priori coding is where it is possible to start coding data with ideas gleaned from pre-existing ideas (Bazeley, 2009; 9), such as the findings of similar work conducted in one's research area. The grounded theory approach delineates how codes come from setting aside ones prior knowledge on a subject area and focuses on finding themes in the data without any prior preconceptions (Bonner et al, 2006; 26), though it can be argued that such an approach is not possible in reality. Nonetheless, grounded theory is used widely by certain groups of researchers, who are proponents of this type of approach. The benefits of the grounded approach stem from the idea that important research concepts evident in ones data would not be missed by misguided presuppositions. As Baxter (2012, 3) notes 'grounded theory is a systematic inductive approach to study of social life that attempts to generate, rather than verify, theory from data through the constant comparing of unfolding observations'. In this research, prior knowledge was obtained, firstly, from the literature review process and secondly, from insights obtained from readings of secondary sources such as online media reports. In as much as was possible, minor elements of grounded theory were used in the coding process of the data in this research. This was achieved by coding different sections of the data, described below, individually in the first instance. In each case, observations from one section of data did not serve as a guide to expected observations from another section of the data. This process

ensured that the analysis of data was grounded in rigour and thus, all trends in the data were observed. This rigour ensured that all possible economic development impact themes present in the data, however tentative, were observed in the coding process. Comparisons of the research themes from different sections of the data were conducted after this initial coding process had taken place.

With regard to indentifying the economic development impacts of investment, in the next chapter, table 5.1 identifies the elements of the development categories of FDI that form the theoretical framework, which underpins this whole research process. The 3 elements of this Framework, namely the extractive, additive and transformative, were arrived at after a detailed study of the literature in the field and in order to generate new theory in the field. In the analysis of the qualitative data collected for this research, the adoption of this framework played a central role, as it allowed for research findings to be placed in the context of the research questions outlined in chapter 1. Thus, the themes observed in the coding process were subsequently analysed in light of these developmental categories, ensuring that the research question posed in this thesis were adequately addressed. This theoretical framework is described in greater detail in the next chapter of this thesis.

Expanding on the formalised approach applied to analysing qualitative data in this research thesis, the first stage of the interpretation process was the transcription of the data collected. This involved in the first instance the coding of the data from the surveys and the media. The next stage involved transcribing all the recorded interviews in full. Where applicable, transcription codes are used to classify pauses, laughs, etc. from the interview respondent. After completion, the transcribed data was analysed and common research themes and ideas

relating to the data were noted. These were then further refined through the use of the research framework. This approach responds to Cresswell's (2007, 51) 'data analysis spiral', that is constantly moving rather than a stationery linear process. Thus, the emergent themes from the surveys informed the interview questions and impacted on the overall analysis of the observational data and secondary sources. There was an on-going process of data reduction and interpretation (Thorne, 2000) in analysing the data obtained for this thesis. A similar process occurred with the observational data and data obtained from secondary sources. There is no upper boundary to the amount of categories (referred to as nodes in Nvivo) that can be used in research, although caution needs to be taken to ensure that over categorisation does not take place to the point where important research themes are not identified or are underappreciated. This can happen when categories or nodes describing similar themes are created and data of similar content is assigned to different nodes. In this situation, a researcher might be better off creating broader themes and using sub-categories within each grouping to distinguish between minor differences within the data. Kitchin & Tate (2000; 243) note that categorisation should continue to take place to the point where 'the data within categories seem to sit naturally with one another and no further division is immediately obvious'. The method used in coding and analysing the data in this thesis followed Creswell's data analysis spiral process and is outlined below:

Table 4.3: Creswell's Data Analysis Spiral

Creswell's 6 Stages of Data Analysis Spiral	Application to Research Study
1. Data Collection	Interviews, surveys, fieldwork observation and collection of data from external sources.
2. Data Management	Transcribing of surveys and interviews. Data saved in Word documents. Transfer of data to

	Nvivo software package to assist in the coding process
3. Reading & Memos	Reading of transcribed data using the Nvivo software. Notes initially written by hand and later transferred to the Nvivo software. Transcribed data was read on multiple occasions to provide rigour to the analysis
4. Describing, classifying & Interpreting	Use of Nvivo software to support the coding of data. Identifying the major themes across the different data sources. Noting similarities and differences across the sources.
5. Representing & Visualising	Findings compared to existing literature and mapped against the theoretical framework. Similarities and differences noted. Inductive analysis of findings using the 3 elements of the theoretical framework written up. Use of maps, tables and figures to represent findings
6. Account	Final narrative of research findings using the theoretical framework and returning to the literature referred to in Chapters 2 and 3

Combinations of open and closed ended questions were used in the survey design. In relation to closed ended questions, it was relatively straightforward to code, as each respondent had a limited number of predefined answers to any question of this type included in the questionnaire. In these instances, the questions posed were asked to obtain information that would give insights to the economic development impacts of investment, based on prior knowledge. For open-ended questions a type of categorisation known as content analysis was used (Krippendorf, 1989). This type of analysis focuses on the text or communication and is a

research technique for making valid inferences from data to their context. In this research, such an approach to analysis was useful in categorising themes from not just the open–ended survey questions but also proved worthwhile in analysing the content of the media reports in relation to Chinese investment in Ghana. The content analysis approach also underpinned the analysis of the interview data within this research and ensured that all information in the data that helped to better understand the economic development impacts of Chinese investment was captured in the analysis.

In general categorisation was done using the coding method, where the data was reviewed for similar themes, ideas, and categories, labels or nodes applied to each of these, with passages of interviews, survey results, and observations etc. of similar interest grouped together under appropriate headings (Wong, 2008; 14). The Nvivo 10 computer package was used to support the categorisation or coding process of the research. The Nvivo package is far from new and Hoover and Koerber note (2011; 70) 'dates back to 1979, when a computer programmer began designing the software to aid his wife with a qualitative research project. Although the programmer was generally motivated by his wife's frustration with trying to manage numerous piles of paper documents, the single most important motivating event reportedly involved their two year old eating a piece of paper with a quotation written on it – data they never recovered'. Enhancing the ease of the coding process and reducing the likelihood of human error were the main rationales behind using a computer package to conduct the coding rather than coding the data by hand (Buchanan and Jones, 2010; 4). The advantage with the Nvivo 10 software is that when a label or node is applied to a passage in an interview or an observation, that piece of information is instantly grouped with other information previously labelled under the same heading. This greatly increases the efficiency with which one can complete the coding of data. It also allows for more accurate coding as opposed to coding

conducted by hand, ultimately freeing up more time to analyse the data to ensure that all the relevant themes present in the data are recognised and common traits observed.

When the coding of the data began, it was done so with the expectation that some themes would present themselves (priori knowledge), such as the impact of the literature on the design of the surveys and the subsequent impact of the emergent themes from these surveys on the interview questions, and with the hope that new ideas or themes would be discovered (grounded approach). Starting with prior knowledge the research data was reviewed to look for evidence to support these assumptions such as the impact of the literature and whether there was a correlation between the results of the surveys and the subsequent results of the interview data. On a more grounded level, the data was then reviewed for evidence of similar themes across different actors and also for new themes which had not been anticipated. These themes included the behaviour of different actors in similar situations, how the actors dealt with certain events, their views of a variety of topics, business activities, their strategies or regular practices, work settings, working relationships etc.

The data available to be coded, with the view of developing and exploring themes, was broken down into six different groupings; media reporting, survey results, interviews with Chinese traders, interviews with Chinese manufactures, interviews with Ghanaian traders and interviews with Accra based 'experts'. The six groups were coded and analysed separately in the first instance to ensure that it would not be influenced by the findings or nodes formulated in different groups. The results for each group were coded using the same process. The next stage of the analysis was to consider how the nodes created related to the theoretical framework, labelled extractive, additive and transformative. While there was an awareness of

the need to explore and examine the development impacts that were being sought throughout the research process, the emergent themes were identified as far as possible without any constraints or pre-determined expectations. It should be noted that given the nature of the prior knowledge and its impact on the data collection it was inevitable that this would impact to some degree on the initial coding and subsequent data analysis.

When coding the data, word frequency clouds (for example, see Figure 4.1 below) were initially produced to highlight the potential themes that might be present in each data groupings. While the output of these word clouds, mostly, seemed unrelated to the economic development impacts of investment, it did provide a useful starting point to the research analysis. Also, producing the word clouds set a template for the analysis of data that was grounded in rigour and thus, ensured that all possible economic development impact themes present in the data, however tentative, were observed. As Fielding *et al* (2012; 6) argue, word frequency clouds are useful as a guide to data analysis and help to ensure that all relevant information in the data is captured in the analysis.

Figure 4.1: Sample Nvivo word cloud – 'Local experts'



Further to this, Bazeley (2009; 10) notes, that repetition and constant comparisons play an important role when analysing data. In this analysis, repetition was used firstly by reviewing the data a number of times to ensure that all relevant themes were observed and nodes created. Secondly, the data was then reviewed with respect to each different node created such that all relevant information pertaining to each node was detected and grouped under that heading. It is possible for a passage or piece of information to be categorised under more than one node and this is the case in this research analysis. The final repetitive step in the coding process involved reviewing the data available in the other groupings with respect to each different node created. This important step allowed for themes to be easier analysed across the different groupings and for cross-sector relationships to be formed. Figures 4.2 and 4.3 below offer a visual representations as to how the use of Nvivo assisted in the coding

process. Figure 4.2 illustrates how information is stored under different nodes, while figure 4.3 shows how a quotation is added to an existing node.

Figure 4.2: Sample Nvivo print screen – 'local experts'

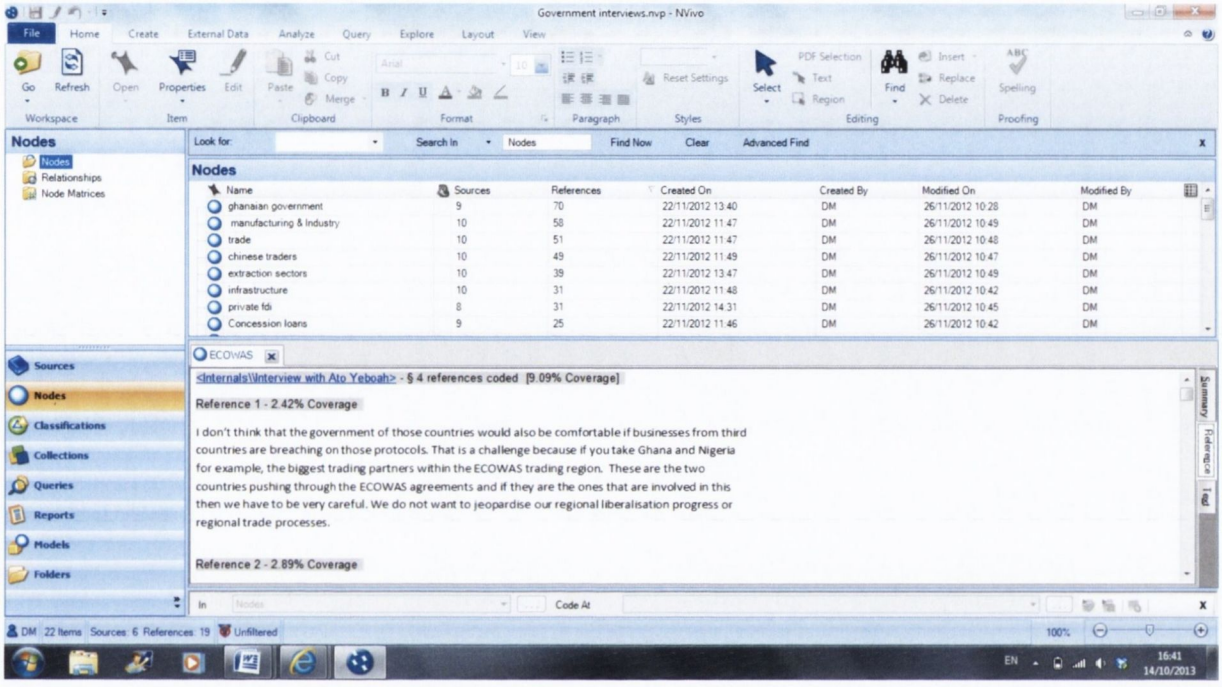
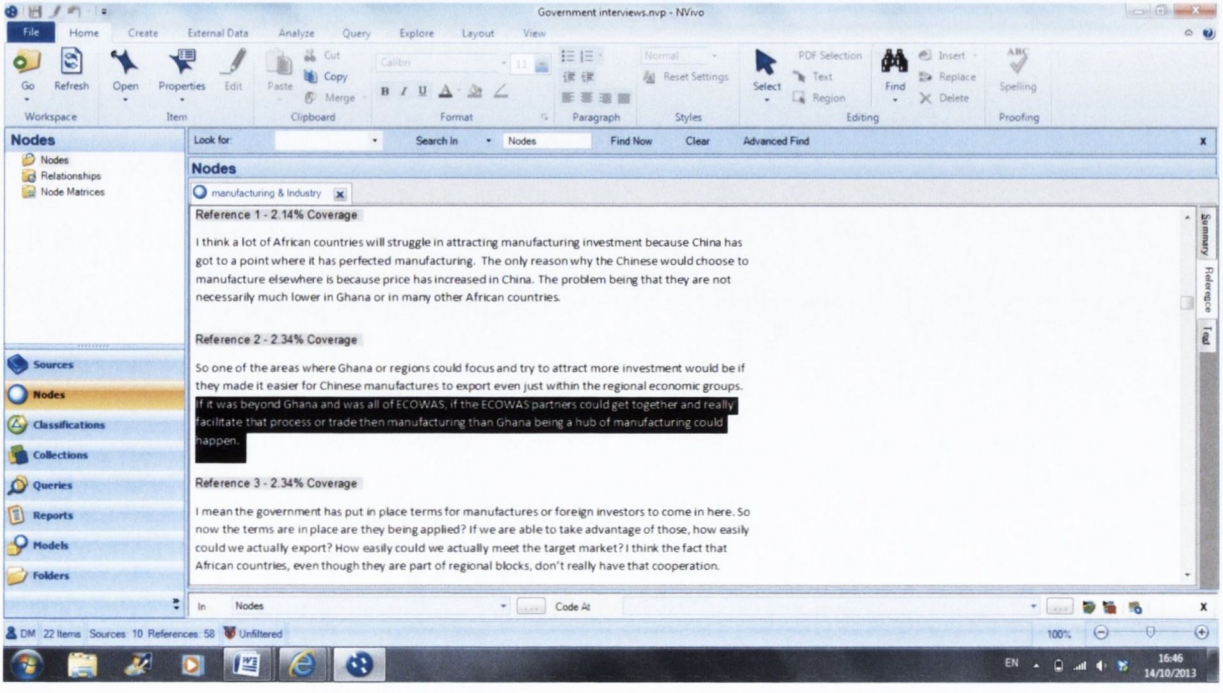


Figure 4.3: Sample Nvivo print screen – 'local experts'



A final note on the coding process undertaken in this qualitative research is that it can only aid in categorising research data and supporting the recognition of emerging themes in the data. While assisting in the justification of overall research findings, how the themes recognised in one's data from the coding process are to be interpreted and analysed and the relevance to be placed on each data observation is still the function of the researcher. Weitzman (in Denzin and Lincoln; 2000) echo's this point and cautions that using software can aid but not do the analysis and this remains the task of the researcher.

To assist the reader in visualising the fieldwork regions and to compliment the research findings, detailed maps of Accra outlining the main fieldwork locations of the research are provided at various points in the thesis. The software package GIS was used to produce these maps.

Triangulation was recognised throughout the research process as being an important element from the perspective of ensuring that the data and the findings were validated. Validation of qualitative research is important to ensure that the research is representative of the actual situation and that it is supported by a variety of evidences (Patton, 2002). Validation is not necessarily about consistency of evidence but where there are discrepancies in the evidence, it allows for a deeper investigation of why these discrepancies have emerged. A number of different methods of triangulation are used in this research. Primarily, secondary sources of information and the fieldwork observations of the researcher were utilised to provide evidence of triangulation that reinforce research findings. The linkage between the data

findings and the large literature review on Sino-Ghanaian investment form another aspect of triangulation.

4.12 Conclusion

For a researcher to conduct research in a different continent and to overcome the many constraints of language, cultural barriers and suspicions around the nature of the research, it is essential to conduct the research in an open and ethical fashion and to be aware of the many issues that can occur during the course of the research process. Field study by its nature is prolonged and demands an extensive time period within the research community. While communications technology can support the researcher in following up on issues that may arise after the field study, it cannot compensate for face-to-face engagement. Therefore in such research contexts, the need to ensure that the overall methodology and the methods used are carefully planned, designed and implemented becomes of even greater importance. When one has to factor in the cost and the need to employ research assistants and translators, then this adds even greater impetus to the research design process.

The research process, as outlined earlier was broken into three different phases. Phase one consisted of conducting the literature review, identifying potential respondents and making initial contacts in Ghana. The importance of this phase of the research cannot be over-estimated, as it was essential to ensure that all planning was completed to the highest standard prior to commencing the field study aspect of phase 2. This consisted of the fieldwork and data collection phase of the project and involved close engagement with the research

community in Accra. The selection of the research assistants at this stage of the research was a key factor in the research process. All attended the University of Ghana, Legon and their involvement ensured a relationship with this university and its research community. Finally, phase 3 involved the transcription of data, the coding process, analysis of collected data and the write up period. Its success was dependent on the two previous phases and led to the bringing together of the final research report that is presented here.

Of key concerns when conducting field research for this thesis were the ideas of rigour and validity to ensure that the findings of phase two of the research process enabled the researcher to answer the research questions outlined in phase one of the process; rigour representing the fact that the right people were interviewed in sufficient number and validity in the sense that the right questions were asked. As noted, the fieldwork was conducted over two periods with surveying of firms conducted in 2011 and more in-depth interviews carried out in 2012. Dividing the fieldwork process into two periods, while brought about by monetary and logistical constraints, did allow this researcher to garner a greater understanding of the issues arising from Sino-Ghanaian relations prior to conducting detailed interviews and ensured that the concepts of rigour and validity were considered during the collection of data by interview with the researcher.

Chapter 5 Chinese Foreign Direct investment in Ghana: Perceptions from a Ghanaian Viewpoint

5.1 Introduction

As established in chapter 1, this thesis focuses on private Chinese investors in Accra, Ghana. It has already been outlined that Chinese investors in Africa are not a cohesive group and differences are present depending on different factors of investment, such as location, size and scale of investment, industry focus, employee make-up of the firms etc. However, by looking at similar investors in one location, commentary can be drawn from overall trends observed and the research framework adopted in this thesis aids this process. This chapter presents the findings on how Chinese investment in Ghana is viewed by Ghanaian society. This relates specifically to the first element of the research design, which examines the economic developmental impacts of Chinese investment in Ghana through the three different components identified in Chapter 1, namely the views of the media, the Ghanaian traders in Accra and the group including Ghanaian academics, local researchers, government officials and specific interest groups, termed 'local experts'. Analysis of the research findings was, in the first instance, conducted to identify the benefits and challenges derived from this investment source to the country from these multiple viewpoints. Of paramount importance, was the degree to which the Chinese investors observed were, seen to be aiding Ghanaian industrialisation and 'diversifying dependency' (Taylor, 2014) away from natural resources to broader economic activities. Conversely, the 'Ghanaian position' may take an opposing view that the Chinese investors are promoting Ghanaian deindustrialisation and reinforcing

Ghana's economic reliance on natural resources. Once established, this 'Ghanaian position' will be compared to recent changes to Ghanaian inward FDI laws, to see the degree to which these changes dovetail Ghanaian perceptions of Chinese FDI. Sautman and Hairong (2009; 730) argue that sentiments towards Chinese investors in Africa is formulated by political discourse rather than social factors. However, this analysis highlights correlation and not causation. Thus, more country specific research would be needed to indicate whether political opinions were driving public sentiment, rather than the other way round. Either way, public sentiment can greatly influence the way in which investors engage with a host nation's economy and, in research, understanding public perceptions towards investors allows for a more complete understanding of the impact of these investors. Sautman and Hairong (2009; 230) note that such sentiments will be evident in local media coverage and in the views of society in general. Finally, by better understanding Ghanaian perceptions toward Chinese FDI, allows for conflicts to be observed which influenced the issued raised with the Chinese respondents. Contextually, this also allowed for research observations to be derived from both perspectives rather than an over reliance on one grouping.

This research is not the first to consider how Chinese investors are viewed from a host nation's perspective. For example, much literature on Chinese investment into African states notes how local actors' are positive towards investment from China (See Sautman and Yan, 2009; or Pew, 2007). There are exceptions to this positive stance, for example, Broadman (2007) talks about indigenous worries that Chinese immigration into Africa is too high and Harris (2006) notes Anti-Sinicism existed in South Africa as far back as the turn of the twentieth century. Further examples of these negative viewpoints can be found in Zamiba, where reports of a negative nature in relation to Chinese investment by indigenous groups are often reported (Hess & Aidoo, 2013). There, significant Chinese business presence in the

nation dates as far back as 1965 when China committed to financing the building of the TANZAM railway (Yu, 1971; 1104) and significantly in 1998 the state-owned Chinese firm China Nonferrous Mining Group entered the country's mining sector by purchasing the massive Chambishi copper mine. The operation, which had once played a major role in Zambia's vibrant economy in the 1960s and 70s, had, at that time, been inactive for 13 years (Li, 2010: 7; Hess & Aidoo, 2013; 7).

As will be shown in this chapter, negative perceptions towards Sino-African relations are also present in Ghana; with many sources questioning the benefits relations with China brings to their country. Hess and Aidoo (2013; 15) refer to anti-Chinese rhetoric in relation to the decline in Ghana's textiles industry and increased competition from Chinese investors. However, they also note (2013; 16) that, unlike Zambia, this anti-Chinese sentiment has not become a major political issue, suggesting that negative public perceptions of Chinese investment are unlikely to influence Ghanaian government policy formation. This view is tested in this research and the degree to which Ghanaian opinions of Chinese FDI dovetail recent changes to Ghanaian inward FDI laws is considered in this chapter.

While it was not possible to gain insights from all sections of Ghanaian society, due to obvious logistical constraints, opinions from two pertinent sources were obtained on the topic. Firstly online media reports on Sino-Ghanaian relations were analysed. These reports are widely accessible to Ghanaians and, as such, it could be argued that Ghanaians obtain much of their knowledge on issues relating to Chinese investment into the country from these sources. For example, in 2011 14% of Ghana's population had direct access to the internet (Ghana business news website, September 2012), though the number of citizens with access

to the internet is likely to be higher, with Burell (2012) noting high usage of internet cafes in Accra. Secondly, on the ground interviews with two key groups were also conducted. As noted in chapter 4, interviews were conducted with Ghanaian traders in Makola market that have regular dealings with Chinese investors. The views of local researchers were also sought as they have looked at the issues surrounding Chinese investment in greater detail than the average Ghanaian, again as outlined in chapter 4 of this thesis.

Prior to analysing this data, one must ensure that the research findings allow for the research question, posed in chapter 1 of this thesis, to be answered. In order to link observations obtained from analysis of fieldwork and secondary data, a new research framework is adopted in this thesis to ascertain if different forms of FDI are best described as being extractive, additive or transformative. This framework, described in more detail below, offers a new way of examining how FDI can influence a host nation's economic development. While one must be wary to assume that FDI is homogeneous across different host states and different investors, the model can be applied in other locations and the findings of this thesis may be applicable to FDI under similar conditions, namely FDI by small scale Chinese investors in other African states.

Finally, it should be noted that throughout the chapter, views obtained from the research respondents are challenged and/or verified by references to other data sources. The data from the three sources are presented separately in different sections of the chapter. The rationale behind this is to clearly present the findings of each group for the reader, while common cross-group observations are noted throughout the chapter. The final section of the chapter ties together the findings and how they relate to the broader research question of this thesis,

namely the developmental impacts of Chinese investment into Ghana. The negative, i.e. extractive aspects of such Chinese investment and the positive aspects, i.e. additive and transformative of such investment are discussed as voiced by these respondents. Comparisons are also made in this final section between Ghanaian viewpoints of Chinese FDI and recent changes to Ghanaian inward FDI laws. These views offer both a context and a starting point to sections 2 and 3 of the research study, which look in more detail at private Chinese investment in trading and manufacturing activities.

5.2 Extractive, Additive and Transformative Economic Development Impacts

As outlined in chapter 1, private Chinese companies are committed to numerous investment projects in Ghana. In this chapter of the thesis, it is identified how these investments differ from Chinese government backed projects and/or investments. The nature and scale of these companies, their concentration in the research location of Accra and the absence of research on this sector were all factors in the topic selection. The research focuses on private Chinese FDI in trading and manufacturing activities. As noted, these forms of FDI were selected for this research due to the high concentration of Chinese firms operating within these sectors, as observed in the GIPC data. In trying to ascertain the economic development impacts of these investments, a research framework needs to be formulated that allow a researcher to measure and categorise different factors of investment. In this research, a framework is adopted that allows one to determine whether investments are to be classified as being extractive, additive or transformative. While this is a new approach for describing the development impacts of FDI, the three components of the framework were constructed with reference to existing

academic research. In particular, the framework builds on the work of Carmody and Hampwaye (2010) who investigated the nature and impact of Asian businesses in Zambia, to ascertain whether their development impacts were inclusive or exclusive. As the authors (2010; 85) note their investigation 'seeks to interrogate whether the nature and scale of current Asian investment has economically transformative potential or merely represents a reinstantiation of a colonial-style economy'.

Analytically, extractive investment refers to FDI that has a detrimental impact on the host nation. One negative aspects of this form of FDI would include low returns from natural resources from a host nation's perspective, that are largely confined to (low) tax take and poor quality employment (Ankilo, 2004). These firms use limited locally sourced labour and often prefer to use foreign employees, particularly for skilled labour (Mlachila and Takebe, 2011; 16). The firms do not engage in skills or technology transfer to indigenous workers or firms (Morrissey, 2011) and there is also little engagement with local firms or suppliers as these firms prefer to use overseas suppliers (Amendolagine *et al,* 2013). The majority of the profits made by the foreign operations under this form of FDI are repatriated overseas. Some non-economic factors of extractive forms of FDI would include poor working conditions or harmful environmental practices (Kaplinsky and Messner, 2007; 202). This categorisation of FDI closely aligns with Samir Amin's work on dependency theory (for example see Amin, 1974) and would offer evidence to support his notion that resources are exported from "periphery" or poorer states to "core" or more developed wealthy states, to the benefit of the developed world at the expense of the developing world. As such, for a form of investment to be categorised as extractive in this research, would offer significant weight to arguments that greater China investment is supporting Ghanaian deindustrialisation and reinforcing Ghana's economic reliance on natural resource extraction and export.

Additive investment can bring some benefits to local economies, for example net job creation and increased taxes. Additive investment also refers to FDI that enhances to some degree existing industries within a host nation's economy, for example access to new product inputs (Broadman, 2007) or more efficient production techniques without technology transfers or increased exports (Brautigam, 2009). Unlike the case of exploitative investment, these firms use a mix of local and foreign employees, engage to some degree in skills/technology transfer, use local suppliers and reinvest some of the profit in improving their existing operations in Ghana.

Finally, transformative investment refers to FDI that transforms some aspect of a host nations industries or economy. For example, this would include the opening up of new export markets for indigenous industries (Gorg and Greenaway, 2004; 173), the creation of new industries within a host nation, the movement of existing industries to the production of higher value added goods within the host nation (Coe *et al*, 2002), clear evidence of large scale technology transfers to indigenious firms (Kokko *et al*, 1996), skills transfer to indigenous labour (Head and Ries, 2002) and local firm linkages (Jordaan, 2011). It could be argued that these developmental categories are not entirely mutually exclusive and that it is possible for an investment project to contain characteristics belonging to more than one category. However, as will be shown later, they contain a high degree of discrete characteristics to make it possible to analyse their impacts typologically. Table 5.1 outlines these developmental categories in greater detail.

Table 5.1: Development Categories of FDI

Extractive	Additive	Transformative
• Preference for using foreign employees • do not engage in skills or technology transfer • no engagement with local firms or suppliers • repatriated profits back to overseas operations • no impact on wider Ghanaian industry outside of the firms own operations • Displacement of local firms	• Mixed use of local and foreign employees • Limited engagement in skills or technology transfer • Limited engagement with local firms or suppliers • Some profits retained to support existing Ghanaian business • Improves existing Ghanaian industry through introduction of new production methods and increased competition	• Preference for using local employees • Strong engagement in skills or technology transfer • High use of local firms or suppliers • Profits retained to support and grow Ghanaian business and diversify into other sectors of the Ghanaian economy • Introduces Ghanaian industry to new export markets • The catalyst to Ghanaian industry engaging in higher value added production

As shown in table 5.1, in exploring the economic development impacts of investment it is necessary to research the source of inputs and the nature and extent of skilled labour that are used by the Chinese firms. This is in order to ascertain whether these are locally sourced or, if not, to identify the ratio between local and Chinese labour/inputs. An indication that the Chinese firms are using local inputs and skilled labour could suggest elements of transformative development, through supporting local suppliers via technology transfers (Blalock and Gertler; 2008) or engaging in skills transfers or development of the skills of local employees. However, one should not assume this to be always the case. For example, consider Vind's (2008) investigation of electronics industry in Vietnam, where MNCs were found to be using local employees but the firms only engaged in minimal staff training, thus

diminishing the benefits of skills transfer. Therefore in this thesis, the level of staff training conducted by investors will also be established rather than just noting that it is present.

As indicated in table 5.1 above, the degree to which the Chinese investors are operating in a complementary role to indigenous industry will be consider in this research analysis. This issue relates to the interaction between the Chinese firms and local indigenous firms. For example, one area of interest is to establish whether there is evidence that the Chinese firms develop greater connections with local firms the longer they stay in Ghana. Also as Blomstrom and Kokko (1998) note, 'local firms may be able to improve their productivity as a result of forward or backward linkages with multinational corporations (MNC) affiliates'. Therefore, evidence of greater interaction between the Chinese and local firms may suggest that technology transfer to indigenous firms is either present or is something that may occur as linkages between firms strengthen. Further to this, one could argue that investors that are more heavily engaged in the local business environment are more likely to engage in technology transfer than firms with little interaction with indigenous companies. However, a note of caution is advised here and one should not assume that technology transfers are present just because linkages exist. Indeed, Gorg and Greenaway (2004) note spill-over benefits to local industry from FDI are not guaranteed and any linkage between local industries and foreign investment firms would need to be investigated to establish that spill-over benefits are present. Another issue to consider is, if technology transfers are present, are the manufacturing techniques of the foreign firms actually that different to those already employed by the indigenous firms? If not, what impact are these transfers having? For example, in the case of the manufacturing firms are technology transfers really positively impacting on indigenous manufacturing efficiency?

Another area of interest examined in this research is whether the Chinese firms are part of a GPN (discussed in detail in chapter 2) or not. Of interest here is the extent to which the Ghanaian based Chinese firms are linked back to mainland China. As outlined in chapter 2, from an economic development perspective a firm that is engaged in FDI through this channel is likely to export the goods it produces (Barrientos *et al,* 2010). In addition, linkages within an established GPN offer the opportunity for local industry to upgrade or diversify their manufacturing techniques to the point that they engage in higher value activities (Barrientos *et al,* 2010). In this research, evidence that the Ghana based Chinese firms are currently, or have future plans to do so, engaging in higher value activities and the degree to which they export their produce, are explored.

In relation to the exports of the Chinese firms, the extent to which the Chinese firms supply customers, domestically, in other West African nations and other regions of the world is considered in this research. The emphasis here is on the importance, if any, on the domestic Ghanaian marketplace to the Chinese firms' business operations. Further to this, do the firms export to nations in West Africa? Or even other regions of the world? And what impact have these investors had overall Ghanaian export trends? Are these Chinese firms opening up new markets and encouraging other Ghana based firms to increase their exports into new markets? This is of interest, as evidence of a greater reliance on export markets rather than the indigenous Ghanaian market may indicate transformative developmental impact, as these firms may be positively contributing to Ghana's trade balance position. A focus on export markets may also reduce the possibility that an investment was replacing an indigenous firm, provided that the Chinese investments were made into industries that were already present in Ghana prior to their investment.

Expending on this point, establishing the extent to which the Chinese investors are supplying local customers and acting in competition with local manufacturers is an important aspect of this research. For example, if the local Ghanaian market is an important market for a Chinese manufacturing firm, a transformative impact might be the competitive displacement of local firms, forcing Ghanaian firms in that industry to become more cost efficient in the production of goods and thus more competitive in export markets (see Brautigam, 2009). For this to be the case, then one would expect to see a correlation between manufacturing investment and increased exports. A reliance on the Ghanaian market might also suggest an extractive developmental impact, as one could view the Chinese manufacturing firms as replacing indigenous firms. In this case one would expect to see: no correlation between manufacturing investment and increased exports, the Chinese firms producing goods that were already manufactured in Ghana, limited net job creation due to the displacement of local firms and no impact on Ghana's balance of trade position. One can argue that this form of investment can bring about additive developmental change and for this to be the case one would expect to see a limited degree of the following: skills/technology transfers, use of local labour, retention and reinvestment of profits into Ghanaian operations and use of local suppliers.

In this research, a new framework is adopted that allows one to determine whether investments are to be classified as being extractive, additive or transformative. In this section, this research framework has been established, with important issues summarised in table 5.1, and the frameworks link back to wider academic research outlined. Further to this, the interpretations of different important channels of investments are discussed to indicate how they are linked back to the research framework. This important step in formulating the

research framework allows for different factors of investment to be measured and categorised. As such, the data obtained from the fieldwork component of this research can now be analysed to ascertain the economic development impacts of Chinese investments in Accra, the key research question outlined at the start of this thesis. This analysis begins in the next section of this chapter.

5.3 Media Reporting of Sino-Ghanaian Relations

As noted previously in this thesis, media reports were the first source analysed when trying to understand Sino-Ghanaian relations and information obtained from media sources partially provided the basis for the interview questions that were conducted with Chinese investors, local Ghanaian traders and the interviews that were held with local academics, government officials and researchers. The use of media reports within this component of the research was deemed to be important from a number of perspectives. Firstly, as already outlined, it provided an entry point, or context, in determining the key topics on Sino-Ghanaian relations that were arising, in particular around Chinese investment. As noted in the introduction to this chapter, public sentiment can greatly influence the way in which investors engage with a host nation's economy, with Sautman and Hairong (2009; 230) noting that such sentiments will be evident in local media coverage. The study of the media reports ensured that relevant issues arising from Chinese FDI in Ghana were explored within the fieldwork aspect of this research. Secondly, it provided a cross reference with the emerging findings from the 'local experts' and the Ghanaian traders. As noted in chapter 4, the analysis of the media reports is primarily used in this research to a provide context to analysis of interview and survey

fieldwork data. Such an approach was adopted to avoid what Strange *et al.* (2013; 5) refer to as 'big statements resting on flimsy foundations', as previously noted.

The formal analysis of online media sources was conducted after the fieldwork was complete and allows for data analysis of survey and interviews to be placed in a wider context. As discussed in chapter 1, Strange *et al*, (2013; 19) note that 'the utility of media based data collection increases when complemented by other methods of data collection, such as on-site fieldwork and correspondence with various project stakeholders'. Such an approach is used in this research, as the online media reports helped to frame the research context and provide a starting point to the analysis. Observations drawn from the media, act as a guide for further investigation and the issues raised by the media are addressed in greater detail in the presentation of the analysis of fieldwork surveys and interviews. In all sixty six online media reports on Sino-Ghanaian relations were collected (see Appendix D for more detail). The media reports varied in their source but with few exceptions, such as BBC Africa and Bloomberg, were sourced from Ghanaian media outlets, with the earliest article dating from 2008 and the latest from 2012. The media reports were collected to gather a general overview on how Sino-Ghanaian relations are reported by media outlets in Ghana. The inclusion of non-Ghanaian media sources was deemed relevant, as these sources are widely available in Ghana and did mirror the topics within the local media. While it can be argued that these viewpoints are non-Ghanaian, they are available to people in Ghana and as such may impact on their opinions of Sino-Ghanaian relations. Of particular importance, is to observe the aspects of Sino-Ghanaian relations that are reported in a negative manner and those that present a positive report on relations. This facilitates the analysis of how the development impacts are viewed from the outset of the research. Analysis of the articles highlighted a number of key topics that were in evidence across the range of articles and indicate what was

emerging from the media outlet around the time the fieldwork took place. These are presented in Table 5.2, on the next page of this thesis.

While the focus of this thesis is on the activities of private Chinese investors in Accra, the reporting of Sino-Ghanaian issues is broader than the actions of these investors. By considering the broader picture, the importance of the private investors to overall Sino-Ghanaian relations can be better placed. One broader issue reported by the media were articles referring to the interactions of Ghanaian government agencies with Chinese sources. These articles were factually based rather than opinion pieces, outlining the views of a particular journalist, columnist, or 'local expert'. A sample of topics reported include; a story about cooperation between the two football associations of the two nations, the use of Chinese companies in government contracts, and the reporting of bilateral trade missions between the nations.

One aspect of Ghanaian government dealings with Chinese sources was more widely reported than other issues; loans from Chinese source issued or to be agreed with the Ghanaian government. Most of the articles on this topic merely stated facts relating to the loan arrangements rather than stating a preference in favour or against the loans. The more positive news items note the investment into infrastructure, while some negative comments are made about how the Ghanaian government is leveraging too much on future oil revenues. These points and the impact the loans may be having, both positive and negative, are considered further in the analysis of the interviews with 'local experts'.

Table 5.2: Sino-Ghanaian Issues refered to in 8 or more articles

Theme	No. Source
Investment in Ghanaian infrastructure by Chinese sources	26
Stories relating to the activites of Chinese nationals living in Ghana	22
Loans from Chinese source issued or to be agreed with the Ghanaian government	18
Chinese investor's involvement in the gold mining sector	14
Ghanaian government relations with Chinese state bodies	10
Activities of the Chinese traders in Ghana	9
Complaints about Chinese products for sale in Ghana	8
Factual reports of private Chinese FDI	8
Cooperation from Ghanaian sources in the increase of trade and investment from China	8
Involvement of Chinese firms in the Ghanaian Oil and Gas industries	8

There is definitely a positive media stance in regard to reporting on one topic, Chinese investment in Ghanaian infrastructure. This aspect of Sino-Ghanaian relations received the greatest media coverage and the articles are mainly complimentary on Chinese involvement in the construction and financing of many infrastructure projects around Ghana. The themes of the reports include; the spending of Chinese backed government loans on infrastructure, the competitive pricing strategy of the Chinese construction firms, outlines of the various projects built or financed by Chinese sources from the Bui dam to construction of schools. One negative report questions the quality of Chinese built structures or roads. Again, this issue of Chinese investment in infrastructure is returned to later in this chapter, when considering the views of 'local experts' and the degree to which Chinese led infrastructural developments are supporting improvements in the competitiveness of Ghanaian industry.

Some of the media reports also looked at Chinese activities in Ghana's oil and gas industries. The main theme observed in these reports related to the involvement of Chinese firms in the drilling for oil and gas off the Ghanaian coast. According to the reports, Chinese firms are reported to be heavily involved in the building of infrastructure relating to oil and gas production. Reference is also made to the Ghanaian government obtaining loans against future oil revenues.

Staying with the theme of Chinese investments in the extraction of Ghana's natural resources, much media attention focused on Chinese involvement in the gold mining industry. The main difference observed from the reports from oil and gas investments, is that the Chinese investors mainly consist of smaller private investors. Also unlike the oil and gas investments, where reports outlined facts and metrics of the investments, the media reports of the activities

of the private Chinese firms in the gold mining industry is decisively negative in tone. Indeed, the majority of the stories depict the Chinese investors in a bad light claiming their activities are illegal. According to the reports, there are too many Chinese engaging in illegal mining activities, Chinese investors are taking over the land from locals, and environmental damage is being caused by the actions of illegal Chinese miners. Media reports also point to conflict between miners and both the authorities and local residents. Examples of this conflict include; the deportation of 38 Chinese miners for undertaking activities without state permission, the death of a 16 year old boy during a security crackdown against Chinese miners, and reports of Chinese miners openly firing a gun at protesting local Ghanaians. The protests were linked to local anger at Chinese miners for taking employment from them and causing environmental damage. These reports offer an interesting observation, as it outlines a major area of conflict between foreign investors and local communities and to date, only limited research has been conducted (see Yang Jiao, China in Africa: The Real Story blog, June 2013). While this form of investment differs from the private Chinese investments considered in this thesis, the issue demonstrates that not all forms of FDI impact positively on host nation industry and/or society. Further to this, the negative perceptions of this group of Chinese investors may, going forward, impact on how the wider overall Chinese investments are perceived by Ghanaians. This topic will be returned to at a later point in this chapter, in the analysis of the views of the 'local experts'.

In further reference to the activities of the private Chinese FDI in Ghana, a number of reports were factually based and merely relayed information about the investments of the private Chinese firms and the projects they were investing into in Ghana. According to the reports, investments varied from Chinese wholesale traders to investments in the airline industry. Greater analysis of the activities, cost or benefits derived from private Chinese investments in

manufacturing is not provided by the media reports but this topic will also be addressed in the analysis of the interviews with 'local experts', with further analysis in chapters 7 and 8.

Unlike manufacturing, the activities of the private Chinese traders/wholesalers in Accra were addressed by the media. The reports mainly focus on the GUTA efforts to remove the Chinese traders from the main markets in Accra. Extensions to this issue include; the (perceived) lack of enforcement of the investment laws by the Ghanaian government and complaints that Chinese traders are driving the Ghanaian traders out of business.

Further media reports of Chinese involvement in the Ghanaian trading industry revolve around the sale of Chinese products in Ghanaian markets. These articles are mainly negative in sentiment towards the numerous Chinese products available for purchase in Ghana. Complaints range from there being too many Chinese products in the market, the quality of the products being substandard and Chinese producers replicating Ghanaian products and undercutting Ghanaian manufactures in the local markets. A good example of the last complaint would be in the textile industry. Although, the blame for the increase of Chinese goods in Ghanaian markets is not solely reported to be the fault of Chinese traders, with some articles noting that Chinese entrepreneurs can only succeed in Ghana with the support of members of the Ghanaian society. Examples include; the purchase of Chinese counterfeit goods, for example textiles made in China to mirror traditional Ghanaian garments, by Ghanaian traders rather than indigenous goods or Ghanaians hawkers/customers purchasing goods from Chinese traders based in Accra rather than using Ghanaian traders.

Finally, some media reports revolved around the activities of Chinese individuals based in Ghana. The focuses here is on social issues and how the Chinese investors engage with indigenous communities, further highlighting how the relationship between the two nations are not solely defined by government level dealings solely. Examples of the issues dealt with, that do not pertain to Chinese gold miners or traders, include; worries about an increase in organised crime involving Chinese migrants, the high number of Chinese citizens living in the country, worries about Chinese nationals evading visa laws or reports of Chinese nationals involved in human trafficking for the sex trade.

From the perspective of the research questions posed, the media reports highlight a number of issues. With regard to the chosen Chinese private enterprises examined in this research, it is noted that within the media reports, private Chinese investors in manufacturing are not portrayed negatively, while those involved in trading had received a more negative press. A common complaint with regard to private Chinese trading investors is the view that they do not comply with Ghanaian investment laws. For example, consider the article that appeared on the 'Ghanaweb' website in April 2013. In the article the author, Joseph Oswald Ali, states; 'I wish to affirm that receiving loans, grants and technical aid from China is no exchange for our sovereignty. It is time for our leaders to bite the bullet and enforce our laws to the letter'. Further to this, the author uses the piece to outline the many shortcomings, from a Ghanaian perspective, of private Chinese investors, inclusive of investment in mining activities, flooding the market with cheap Chinese goods and engaging in trading activities against Ghanaian trade law. According to the author, the fact that Ghana is in receipt of assistance from China at a macro level does not excuse the harmful actions of Chinese investors at the micro level. As such, the views of this article represent much of the wider media reporting of Sino-Ghanaian relations.

Further to this, the media reports analysed, suggest a divide in Ghanaian sentiment around public and private Chinese investment. The positive reports on Chinese investments are more concentrated at a government level, with media sources praising Chinese backed infrastructure projects or loans to the Ghanaian government. Media complaints about Chinese investment were centred more on micro level investment, particularly investment in the gold mining industry, an oversupply of Chinese goods in Ghanaian markets and Chinese investors involved in wholesale trading activities. Given that the activities of the Chinese trading community, one of the forms of private Chinese investors considered in this thesis, is reported in such negative light by media reports and that the complaints are a testimony of indigenous traders, a decision was made to give a voice to this group of Ghanaian traders. The purpose of this approach was to ascertain if the negative views towards the Chinese trading community are widespread and to elicit specifically how the Chinese traders were negatively impacting on their businesses. Attempts were also made to interview a leading trade unionist to support the views of the Ghanaian traders but despite many approaches and cancelled meetings this interview never took place. This analysis is presented below.

5.4 Views of Ghanaian traders

From a development perspective, the analysis of the media reports highlighted negative Ghanaian sentiment towards Chinese traders operating in Ghana and the fact that Chinese goods were becoming more prominent in Ghanaian marketplaces. It was deemed important to ascertain, from the perspective of the Ghanaian traders themselves', how the Chinese

investors are negatively impacting on the business performance of the indigenous trader? Are the Chinese trading firms displacing local traders? Promoting Chinese products in local Ghanaian markets and, thus, promoting Ghanaian deindustrialisation? Were these investors solely responsible for this consumer movement towards Chinese goods? Ultimately, does this negative sentiment, if reinforced by the views of the Ghanaian traders, indicate that the Chinese investors in trading activities are engaged in extractive FDI?

Interviews with Ghanaian traders were carried out to better understand their concerns and to better appreciate the development impacts the presence of Chinese trading firms have on indigenous traders. Also of concern, was the fact that Chinese goods are popular with Ghanaian consumers, so the interviews sought to ascertain the reasons for this and what role indigenous (and Chinese) traders play in bringing the Chinese goods into Ghana? As outlined in Chapter 4, the interviews were conducted in Makola market, the largest market in Accra, with 20 Ghanaian traders (all of whom stocked Chinese goods in their stores at the time the interviews were conducted) in June 2012. The adjoining Zongo Lane (looked at in more detail in Chapter 6) is also the location of numerous Chinese wholesale shops, suggesting the firms interviewed may have a greater understanding of the operations of the Chinese firms and how they impact on indigenous firms than indigenous traders in another location in Ghana.

A further rationale for conducting interviews with traders in this location specifically, was the observed reporting in the media on the campaign spearheaded by GUTA to remove the Chinese traders from Makola market (for example The Chronicle report from June 2012). Central to the GUTA argument, as reported, is the protection of the livelihoods of the

numerous Ghanaian citizens that earn a living through trading activities. The importance of this form of employment was also echoed in conversation with an employee of the GIPC (June 2011). Data obtained from the Ghana Statistical Service (see table 5.3 below) highlights the magnitude of informal employment in Ghana. Further to this, Osei-Boateng and Ampratwum (2011) estimate that 13% of these informal workers engage in service/sales activities in Ghana, although, the authors also note that in urban areas, such as Accra, a significantly higher percentage would be likely to be recorded.

Table 5.3: Offical Ghanaian employment figures 2010

Location	All employment	Government	Private Sector – Formal	Private Sector – Informal
All Regions – Ghana	9,872,655	641,633	708,043	8,364,649
Accra	1,797,236	146,367	317,044	1,309,504

Source: Ghanaian Statistical Service

A further concern raised by the media reports is that Chinese manufactured imports are replacing Ghanaian manufactured goods and promoting deindustrialisation in Ghana. An example of this is in the textile industry, with Axelsson (2012) noting that the fall in sales of domestically produced Ghanaian textile goods due to the competitive pressure from imported Chinese products, a view supported by the media articles. Reports also note that Chinese goods are becoming increasingly popular in Ghanaian markets (for example the Modern Ghana report from September 2012). So what characteristics make Chinese manufactured

goods popular in Ghanaian markets? And to what extent are these imports, at least in some cases, damaging domestic suppliers?

According to the Ghanaian traders that were interviewed, Chinese goods sold in Makola market mainly have two distinct characteristics when compared with goods sourced outside China. Firstly, they tend to be cheaper than similar alternative goods and, secondly, they tend to be of poorer quality. Given this observation, it is unlikely that the popularity of these goods is derived from being of poorer quality and one could assume that the lower price of the Chinese goods compared to alternatives is more pertinent.

Table 5.4: Distinctive Properites of Chinese goods stocked by Ghanaian traders interviewd

Theme	No. Traders
Chinese products are cheaper than goods sourced elsewhere	15
Chinese products are of a poorer quality than goods sourced elsewhere	9

Reiterating this view that the popularity of Chinese products is driven by cost, five interviewees specifically noted the limited spending power of many in Ghanaian society and noted for them that price is the most important factor influencing their consumer choice. Consider the example of two indigenous trading firms selling imported and domestic food goods; in both cases mostly tinned food (interviews with Ghanaian traders, Accra, June

2012). Both traders questioned the quality of the Chinese products they stocked versus domestic food products or products imported from other destinations. However, both also recognised that the Chinese products were amongst the most popular with customers and both were of the opinion that this popularity stemmed from the lower price attached to the Chinese product, noting that Ghanaian consumers heavily favour lower priced goods due to the low level of purchasing power of the average Ghanaian consumer, according to the interviewees.

'The price of the Chinese product is cheaper and customers like this. As long as the price is cheap we can sell the goods but if the price is to increase too much then the quality of the good must improve or people will not buy the good' (Interview with Ghanaian trader, number 10, Accra, June 2012).

'The customers here do not have much income so the price is the most important thing; this is why they like Chinese products' (Interview with Ghanaian trader, number 3, Accra, June 2012).

This view is backed up by a media article noting that high inflation rates are driving up the cost of living in Accra. The article also notes that inequality is rising in the city with the standard of living of civil servants and unskilled migrant labourers from rural Ghana decreasing (AllAfrica.com, June 2012). Supporting this viewpoint, Eugenie Maiga, an economist at the African Centre for Economic Transformation (ACET) notes that 'the economic boom, especially in Accra, is obvious, but inequalities are widening as all the prices have gone up' (irinnews.com; June 2012). These opinions provide further evidence

that the consumer habits of many Accra natives is indeed driven by price over any other product characteristic.

Given the propensity for price to drive consumer demands, some media reports have highlighted that the traders in Makola sell a high proportion of imported goods in their shops (for example see the Modern Ghana report, September 2012) and one report outlines that the average Ghanaian consumer prefers imported goods over domestically produced goods (Quartey & Abor, 2011), due to the lower price level. The opinions expressed by the Ghanaian traders interviewed for this research support this view. Therefore recent depreciation of the value of the cedi (Ghanaian currency), versus foreign currencies was reported to be a major trading hindrance for 13 of the 20 traders interviewed. The Cedi devaluation has been brought about due to high demand for imports to support Ghana's new oil industry (if-foundation.org, July 2012) and growing demand for imported consumer goods (Bloomberg reports, March 2013). In particular, the respondents were mainly worried at the rate in which the cedi has devalued versus the US dollar (see graph 5.1 below), as all respondents reported that Chinese imports were purchased using the currency.

Graph 5.1: 1 Cedi to US Dollar exchange rates: January 2011 to May 2013 (rates are taken on the first day of each month)



Source: www.XE.com

Despite this devaluation, the interview respondents noted that the Chinese goods still remained cheaper than locally sourced goods or goods from countries other than China, even when the same goods could be sourced, which in many instances was not the case. As a result, the depreciation has forced some traders to increase the price of many Chinese goods reducing the quantity of goods the traders are able to sell. Other traders incurred the increased costs of importation thus reducing their profit margins. This was a major issue for the Ghanaian traders and 13 of the interview respondents complained about a significant impact on their profits, despite a still high demand for such goods. Consider the view expressed below;

'The exchange rate is bad for all retailers in the market. This is the same for all (imported) goods regardless of the origins of the products' (Interview with Ghanaian trader, number 7, Accra, June 2012).

As Ghanaian trader number 7 notes, the price of all imported goods has risen and is not isolated to Chinese goods. One trader (interview with Ghanaian trader, number 2, Accra, June 2012) felt that the price of goods from China has increased by a slightly higher rate and noted in particular that the gap between the price of goods from India and China has increased to the point that they are nearly the same price now. This is of interest as over US$827 million worth of Indian goods were imported into Ghana in 2012 (IMF data, January 2014), ranking 6th in Ghana's import partners. The Ghanaian trader (number 2, Accra, June 2012) offered the opinion that Indian goods could replace Chinese goods if the price of Chinese goods continued to rise at a faster rate. However, despite this observation, for most of the traders interviewed, they felt that the Chinese products offer the best value in terms of price and were confident that this will remain the case going forward. For this reason, there is optimism that Chinese goods will continue to be popular with Ghanaian customers versus indigenous products or goods from other nations going forward. However, what impact will this have on Ghanaian industry?

As highlighted in chapter 3 of this thesis, China is exporting an ever increasing number of goods to Ghana and one can note from graph 5.2 that the exchange rate movement has had little or no impact on the demand for these Chinese goods. Indeed, using data obtained for the South African Foreign Policy Initiative (August 2013) shows that Chinese consumer goods are an important, though not exclusive, aspect of Chinese imports into Ghana in 2012 (see

table 5.5). While it is hard to draw concrete conclusions from this data, it could imply that the increase in costs brought about from the cedi devaluation has been incurred by the traders themselves and not impacted on the demand for the Chinese goods by Ghanaian consumers. Regardless, the data does support the view that Chinese manufactured goods are still popular in Ghana. The data also offers supportive evidence, particularly when one considers that Ghanaian exports to China are primarily made up of raw materials (discussed in greater detail below), that increased trade relations with China is promoting Ghanaian deindustrialisation and reinforcing Ghana's economic reliance on natural resources. Although, overview data such as this cannot tell the whole story and does not help us establish the role of the Chinese investors in supporting this deindustrialisation process in Ghana.

Graph 5.2: Ghanaian trade relations with Mainland China million US dollars (IMF data June 2013)

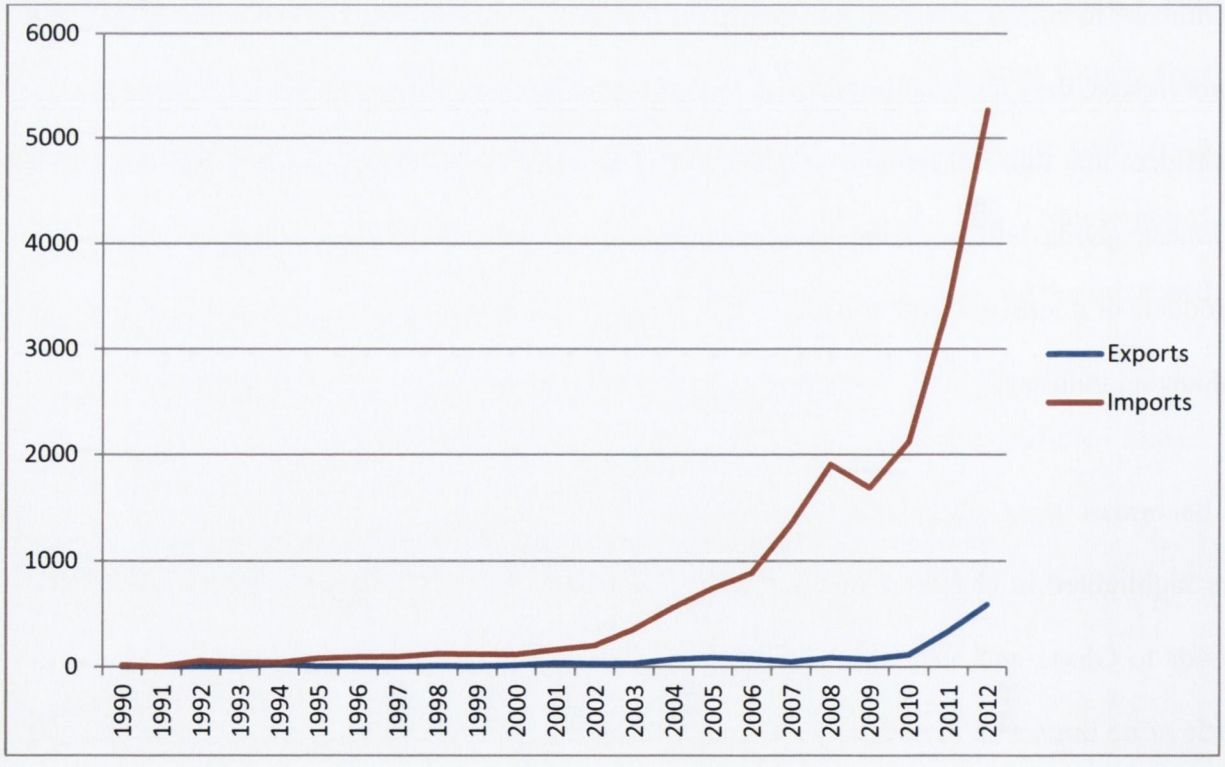


Table 5.5: Top Chinese goods imported into Ghana in 2012

Chinese Good	Value – Millions United States Dollar	Cumulative % of all Chinese Goods Imported
Self-Propelled Bulldozers	242.00	5.05%
Articles Of Plastics	197.00	9.16%
Furniture	153.00	12.36%
Lamps & Lighting Fittings	119.00	14.84%
Footwear, Outer Sole & Upper Rubber	112.00	17.18%
Travel Goods & Handbags	112.00	19.52%
Insecticides, Rodenticides & Fungicides	111.00	21.84%
Seats	104.00	24.01%
Electric Apparatus For Line Telephony	97.00	26.03%
Glassware	95.00	28.02%
Woven Cotton Fabrics	83.00	29.75%
Tomatoes (Prepared Or Preserved)	82.00	31.46%
Wigs	78.00	33.09%
Sanitary goods	73.00	34.61%
Apparatus & Models for Demonstrational Use	71.00	36.10%
Women's Or Girls' Suits	71.00	37.58%
Rubber Tires	68.00	39.00%
Footwear (other)	67.00	40.40%

Portable Lamps that Function By Own Energy Source	63.00	41.71%
Insulated Wire & Cable	58.00	42.92%

Given how the change in the price of the Cedi has impacted on the profits of the Ghanaian firms, the traders interviewed were asked to comment on the possibilities of Chinese investors continuing to invest in trading activities in Accra. Eleven of the Ghanaian traders interviewed noted that they felt the number of Chinese traders operating in Makola market is continuing to increase. This issue will be dealt with in greater detail in the next chapter that gives a voice to the Chinese traders.

As noted already, there are some that perceive that Chinese traders operating in Ghana have been negatively affecting indigenous traders and a campaign spearheaded by GUTA exists to remove Chinese traders from Makola market (The Chronicle report June 2012). Of the 20 Ghanaian traders interviewed for this research, 10 agreed with GUTA's stance that the Chinese traders, inclusive of wholesale operations, should be removed from the market. These traders argue that the Chinese traders are undercutting their prices and selling goods at wholesale prices directly to the average customers thus negatively affecting their businesses (see below) and breaking GIPC investment laws that all foreign firms located in Makola market must not engage in retail activities directly with customers (Ghana Investment Promotion Centre Act, 1994). However, as will be noted in the next chapter, the Chinese traders interviewed argued that they no longer engaged in cost price selling directly to the customer due to greater enforcement of the GIPC investment laws by government officials. It is clear that the concept of cost price selling would not impact on the margins of profit

available to the Chinese traders but in turn could increase sales figures and raise awareness of Chinese products for the Ghanaian consumer.

Despite the reservations expressed, it should be noted that the Ghanaian traders interviewed were not entirely against Chinese firms operating in Ghana. Ten of the firms felt that the Chinese traders had no impact on their business, saying that they sell different goods or were only engaging in wholesale activities. Also, six of the firms interviewed purchases goods from Chinese traders based in Accra, debunking the idea that the Chinese traders only act in competition with local traders. This suggests that there is a significant proportion of the Makola market that does fully not agree with the stance of GUTA. In addition, all the traders interviewed agreed that it was acceptable, as far as they were concerned, for Chinese firms to invest in other sectors of the economy, such as manufacturing (see the views of two Ghanaian traders below). Offering evidence that negative sentiments towards Chinese investors in this industry are not present.

'The number of Chinese traders in the market continues increasing and now they are struggling and competing with the Ghanaian traders in the market. The government must put a stop on the Chinese traders and curtail them from doing business here. We think they come to manufacturing but they end up in trading industry. This is not fair on Ghanaian traders as they are taking the business away from us. We cannot compete on price with the Chinese traders' (Interview with Ghanaian trader, number 11, Accra, June 2012).

'We want the government to send them away; it is only ok if they come to do manufacturing' (Interview with Ghanaian trader, number 12, Accra, June 2012).

The view that Ghanaian traders also brought Chinese goods into Ghana and the Chinese traders themselves are not solely responsible was raised in discussions with the Ghanaian traders. Of the 20 trading firms interviewed, only 8 stated that they purchased their goods directly from a China-based source themselves. The rest preferred to use a combination of Ghanaian/third country agents or purchase through Chinese wholesalers based in Ghana. Marfaing and Thiel (2011) argue that the majority of Ghanaian traders do not use the Chinese wholesalers to bring in Chinese goods into the country, using other channels. However, six of the firms interviewed in this study used the Chinese wholesalers to purchase goods. This accounts for 30% of the sample interviewed, highlighting the service provided by the Chinese wholesale firms is being used. In relation to using Ghanaian agents, one option is the use of African traders based in China that arrange for Chinese goods to be sent to Ghana from their base in China, as Yangs' (2011) example of African traders in Guangzhou demonstrates (see also Bodomo, 2010). These observations highlight that route of Chinese goods into the markets of Accra is varied, allowing numerous options for local traders.

A potential rationale for the use of agents/Chinese wholesalers is the cost related to buying goods direct from China. This point may be more relevant in the current day given the weakness of the cedi versus the US dollar, the main currency used to import goods into China according to Ghanaian traders interviewed, as highlighted by one trader interviewed (see below).

'The cost of trips to China is getting very expensive and once you have paid for the cost of flights; there is very little profit to be made unless you are buying lots of goods. We do not have the money to buy lots of boxes of products. In future I might depend more on the agents to bring goods from China' (Interview with Ghanaian trader, number 14, Accra, June 2012).

Table 5.6: Source of Chinese goods sold by the Ghanaian traders interviewd

Source of Chinese goods	No. Traders
Importing of Chinese goods using a Third Party import agent	8
Purchase of goods directly from a Chinese based source	8
Buy from the Chinese based in Accra	6

An alternative to making expensive trips to China is for firms to purchase goods online. Internet sites, such as alibaba.com, may allow the traders to buy directly from the suppliers at a low price. However, this aspect of trading was not mentioned by those interviewed for this research. These traders are small and the concept of minimum order quantities (MOQ) plus the additional shipping costs incurred could make this process difficult for the small trader due to the lack of capital and the numbers of customers required for such orders. The local firms lack sufficient economies of scale, where the price per unit purchased decreases due to bulk buying, and may make it more profitable to buy from local agents/wholesalers.

These interviews, complimented by insights gained from secondary data, have highlighted a few important points for one trying to ascertain the economic development impacts of Chinese investment in trading activities in Ghana. Firstly, the popularity of Chinese goods in Ghana is derived from the low price of the products compared to domestic goods and goods that can be sourced in other parts of the world, even factoring in recent rising prices (due partly to the cedi depreciation against the US Dollar). This popularity is driven by the low level of income of the average Ghanaian citizen, hence consumer demand is primarily driven by price and the interview respondents are confident that Chinese goods will remain the cheapest available to consumers going forward. In many ways, this observation is not all that surprising and supports much of the available existing Sino-African literature. For instance, the popularity of Chinese goods is not isolated to Ghana and examples of this popularity with indigenous consumers can be found throughout the African continent (Broadman, 2007). Further to this, while Ghanaian authorities continue to adopt neoliberal policies that open up the Ghanaian market to competition from abroad, Chinese goods will remain popular with consumers.

From a development perspective, an argument can be made that continued competition from Chinese goods may have a positive effect on indigenous producers, as Brautigam (2009) argues increased competition in domestic markets may force domestic manufacturers to become more cost effective in the production of goods. However, evidence on the ground, as seen in these interviews, and supported by media observations and secondary data, show that the non-resource based indigenous Ghanaian industries may not share the positive views of Brautigam. Instead, there is a sense that greater trade engagement with China is promoting

Ghanaian deindustrialisation and reinforcing Ghana's economic reliance on natural resources, a view that can be backed up by the makeup of Sino-Ghanaian 2012 trade data. Axelsson's (2012) work on the displacement of the Ghanaian textile industry offers further support to this standpoint.

The importance of the informal trading sector to generate employment in urban Ghana was also established in this section, via the support of secondary data. Indeed, GUTA argued that by removing the Chinese traders from Makola market, policymakers can offer greater protection of the livelihoods of the numerous Ghanaian citizens that earn a living through trading activities. A stance shared by the Ghanaian government and since these interviews took place in 2012, the minimum initial investment required by a trading firm has been increased to US$1,000,000 (Ghana Investment Promotion Centre Act, 2013).

However, some observations that can be established from the interviews responses raise questions as to how effective these policy changes will be. Firstly, the interview respondents did not offer clear evidence of their employment and livelihood was actually being displaced by Chinese investors. Indeed, 50% of the respondents viewed these Chinese businesses as facilitators to their own operations and were happy for these businesses to continue to be present in Accra. Secondly, it is not clear how increasing the initial investment required by foreign wholesaling firms entering Ghana will result in fewer Chinese goods making it to Ghanaian markets? And/or support the growth of Ghanaian industry? As Marfaing and Thiel (2011) pointed out the movement of Chinese goods into Ghana would happen with or without a Chinese presence in Ghanaian markets. Other routes into the Ghanaian marketplace exist, as can be noted from the interview respondents, with only six of the firms interviewed

purchased their Chinese goods from Accra based Chinese firms, with the rest sourcing Chinese goods by other means. These points indicate that under free market conditions, the supply of Chinese consumer goods in the markets of Accra are unlikely to decrease going forward.

To summarise, these interviews, coupled with secondary data, have shown increased trade relations with China, have supported the displacement of local Ghanaian industry and encouraged greater Ghanaian economic dependency on natural resources. One can also say with some certainty that the Chinese trading investors do support this process. However, the importance of these Chinese firms to the overall trend has not been established. Further to this, other factors about the Chinese firms have not been explored, such as the employment, skills training, profit repatriation, diversification etc. Without addressing these issues it is difficult for one to make concrete claims about the extractive nature of these firms. Therefore, these issues will be explored in the next chapter of this thesis.

5.4 Local Research Interpretations of Chinese Investment

In order to establish how China's presence in Africa is perceived by the Africans themselves, an important group to conduct interviews with is scholars and practitioners, as demonstrated by Wang and Elliot (2014). For this research, interviews were carried out with 10 different researchers based in Accra in June 2012, to gauge their opinions on Sino-Ghanaian economic relations. The interviewees varied from academics to senior government officials (see table 5.7 below). Predominately, the interviews focussed on gathering further views on the

developmental impacts, from a specific Ghanaian perspective, of private Chinese investments in Ghana. Other aspects of Sino-Ghanaian relations were discussed as well, such as, Chinese products being sold in Ghanaian markets or Chinese involvement in the gold mining sector of the Ghanaian economy. This allowed for further exploration of the differing sentiment towards Sino-Ghanaian government relations and investments by some private Chinese investors. Allowing discussions to deviate to broader Sino-Ghanaian themes was important, the interviewees' own research is not limited to the activities of private Chinese firms in these fields and discussions with them did bring up other topics that, although seemingly unrelated at first, did prove pertinent to this research.

Table 5.7: List of 'local expert' interview participants

Name	Position held
Mr Atubrah	Senior Researcher Danquah Institute
Kofi Addo	Researcher in Ministry of Trade
Ato Yeboah	Researcher in Ministry of Trade
Buddy Buruku	Researcher African Centre for Economic Transformation (ACET)
Franklin Cudjoe	Head of the IMANI Center for Policy and Education
Kofi Sekyi-Ama Antiri	Head of Research GIPC
Mr Sham	Director GCFA

Patience Acholor	Deputy head of GFZB
Dr Peter Quartey	Lecturer in University of Ghana, Legon and Researcher in the *Institute of Statistical, Social and Economic Research (ISSER)*
Stephen Oteng	Researcher Ghana Chamber of Commerce and industry

From a developmental perspective, there was general agreement between the interviewees that loans received by the Ghanaian government from Chinese sources were to be welcomed; the consensus being that most of the money received would be, or has been, used for projects enhancing the nation's infrastructure. For example, in relation to the $3 billion loan agreement with a Chinese Development bank in 2012, the deputy head of the GFZB noted during the interview that the organisation was due to receive some of these monies to help finance the building of an industrial zone by the organisation in Sekondi (interview, Accra, June 2012). Another infrastructural project to consider is the construction of the Bui dam, which was financed by loans previously received from a Chinese source (Hensengerth, 2011; 37). In general, the interviewees had few concerns relating to conditions attached to government loan agreements with Chinese sources, such as the use of Chinese contractors and materials for infrastructural projects, although one respondent felt that this diminished the developmental impact of the investments, as outlined below. The Head of Research at the GIPC felt these conditions were irrelevant, as Ghanaian contractors would be unlikely to win government contracts, as their tender prices are rarely competitive against Chinese firms, an area he feels needs to be addressed before complaints can be made about the use of Chinese firms (interview, Accra, June 2012). Another interviewee, a researcher in the Ministry of

Trade, felt that more transparency was needed in allocating the funds received and that the Ghanaian government was not always best placed to make decisions on maximising the developmental impacts of the loans received (interview, Accra, June 2012). The views on the concessional loans Ghana receives from Chinese sources can vary (with some negative aspects noted, as observed below), but in the main, the consensus was that the loans bring more benefits than problems from a Ghanaian economic developmental point of view.

'We understand that 60% [sic] credit line is going to go back into the Chinese economy because of the terms of the contract. Eventually, most of these monies is going back into the Chinese economy and that is not very good for investment' (Interview with Ato Yeboah, Accra, June 2012).

'They have helped in the areas of road construction and buildings but mostly within 3 to 5 years they begin to deteriorate, back to square zero. The standard of their work is of an inferior nature to that of contractors from other nations' (Interview with Mr. Atubrah, Accra, June 2012).

While the concept of infrastructural development is not a key focus of this research, it can be argued that such investment, which has tangible and observed results for the people of Accra and Ghana, does support a more positive view of Chinese investment and is perceived to be a positive development impact. Consider the view of an ACET researcher;

'Essentially it is going to be focused on areas that need a lot of investment, such as infrastructure, agriculture or agri-business. So there is need in those areas and traditionally there has not been that much capital available for Africa or Ghana from an external partner. I mean nobody else is giving Ghana $3bn in concessional loans, it's just not happening especially for infrastructure. I do think that if you can find the capital addressing the biggest gap holding back the country, which in my view is infrastructure, then you will have a lot of follow on benefits and then that's fine. It's just really I think the Ghanaian government needs to do a lot of work to make sure they allocate the funding to the right projects because even though a lot of the projects are pre-identified, there is a lot of room to see what comes up later. This creates an opportunity for funds to be put towards pet projects or not be fully optimized. I do think as much as it is focused on infrastructure, I think it's a very good thing' (Interview with Buddy Buruku, Accra, June 2012).

Another aspect of Sino-Ghanaian relations that emerged as a contentious element of private Chinese investors in Ghana, according to media reports, was investments in gold mining. This was an aspect of Chinese investments that the 'local experts' were keen to discuss. Indeed, all of the interviewees felt that this is an area of Chinese investment that will continue to grow at least in the medium term. It could be argued that this element of private Chinese investment presents a negative perception of Chinese investment in Ghana. The interest of the interviewees centred on a few key elements of this form of Chinese investment. Firstly, the number of Chinese involved in this type of investment has increased to quite a substantial number, as outlined by the director of CGFA below. Another interviewee, Peter Quartey (June 2012), also noted that many of the investors are only relatively new to the mining sector. Dr Quartey also notes that the Chinese are investing vast amounts of money buying

mining equipment (interview, June 2012), suggesting a degree of longevity to the investments.

'Look if you travel along the western corridor, the number of Chinese moving to that area is amazing and the technology they are putting into mining and those that are actually involved in the mining process. It's amazing. Its money, they make money. They make a lot of money. I mean the local people if you see the amount of money they make from illegal mining, they use very basic technology and they make money. So for the Chinese, when they realise that there is this avenue, where they can make money. Government is not reinforcing the law. Unless the government is very proactive in the way they enforce the law, otherwise we will see more of them moving into mining. In fact, some of them are even moving from trading and going into mining. It's a lot of money and it is more profitable' (Interview with Peter Quartey, Accra, June 2012).

'I would say in the whole of Ghana there maybe 60 to 70 thousand Chinese. A lot of these would be located outside of Accra. I hear the mining sector has about 20,000 Chinese. All of this started in the last two years only. Some of them are doing illegal mining but mainly the laws are not very clear. A Ghanaian might get a concession on the land and he can ask the Chinese to come in and invest. The only thing is that they are not doing it in a popular manner and are spoiling the environment. There will definitely be problems in the mining localities around these issues' (Interview with Mr Shan, Accra, June 2012).

It is not really that surprising that Chinese investors are interested in gold mining activities in Ghana. This is due to the fact that Ghana is Africa's second largest gold producer and the 8th largest in the world, as of 2011 (goldinvestingnews.com, October 2012). The high price of gold in recent years also makes the Chinese move into gold mining less surprising. An ounce of gold was valued at around $380 in November 2003 reaching $1,895 in September 2011 and while the price has fallen in recent times, values remain high (www.goldmoney.com, September 2013).

Dr Quartey argued that Ghanaian laws were being broken by the Chinese firms that invested in the mining industry. Indeed, the media reports highlight numerous conflicts with local communities arising from the practices of these investors. Other interviewees, also were concerned over the legality of Chinese investors' involvement in the sector with some insistent that the government is permitting this activity without ensuring that the Chinese firms are entitled to engage in these activities. Further concerns exist around the environmental damage that is being caused by Chinese investors in this industry. Also from a economic development perspective, where 'galamsey' (small scale illegal mining carried out by some Ghanaian citizens) is an important form of income for much of the local economy (Teschner, 2012), there are worries that the small scale local miners can't compete with the Chinese investors, as Yang Jiao (see post on the China in Africa: The Real Story blog, June 2013) notes 'Chinese miners usually pool capital together from family savings and bank loans or even usury in China to form a small company with an initial capital input of about US$500,000' far exceeding the amounts invested by most Ghanaian miners. Worries about potential conflict with local communities were also discussed in the interviews and, indeed, numerous incidents (for example the death of a Chinese boy as reported by Modern Ghana report, 2012) have taken place since the interviews were conducted. Detailed investigation

into the role of Chinese investors in Ghana's gold mining industry is beyond the scope of this research. However, the issue merits a mention due to how the negative perceptions of Chinese investment in the gold mining industry may in the longer term impact on how the wider overall views of Sino-Chinese relations are perceived. Further to this, the issue may become a key element to Sino-Ghanaian economic and political relations in the years ahead and going forward more attention needs to be focused on the activities, and subsequent conflicts, of these mining investors both by academia and Ghanaian policymakers.

In relation to private Chinese investment in manufacturing and trading, the interviews provided some interesting and diverse opinions relating to these topics. The 'local experts' offered a mixed view on the impact of the Chinese trading firms, noting that while their presence in the markets of Accra was good for customers, they heavily doubted that increased competition in indigenous markets would lead to an improvement in the production efficiency of Ghanaian manufactured goods. The reason cited for this was that Ghana lacked a sufficient industrial base to be competitive against Chinese imports. The idea of strengthening Ghanaian industry was the primary reason given for supporting Chinese manufacturing investors. However, most interviewees questioned if the scale of Chinese manufacturing investment in Ghana was sufficiently large to make a lasting positive impact on industrial growth.

An example that demonstrates this view, and an issue that the interviewees were keen to discuss, was the two way trade between the nations. The main concern discussed was the large trade deficit on the Ghanaian side, as in their view, the country was overly reliant on Chinese goods. The majority of the interviewees took with a degree of scepticism the

suggestion that the recent devaluation of the cedi would help boost Ghanaian exports into China. While accepting the underlying economic theory behind the argument, most felt that Ghanaian industry was too underdeveloped to export manufactured goods into China, regardless of the exchange rate, while also expressing the opinion that Chinese goods will remain competitive in the indigenous market. For example, consider the view of Ato Yeboah:

'The main point for me in all of these issues is the need to build our industrial base. For me, Ghana cannot really compete internationally until we have strong industry' (Interview with Ato Yeboah , Accra, June 2012).

Indeed, consider table 5.8 that shows the top Ghanaian exports to China in 2012. The table mostly consists of raw materials and natural resources rather than manufactured goods, supporting the views of Ato Yeboah and other 'local experts'.

Table 5.8: Top Ghanaian goods exported to China in 2012 per cumulative value

Ghanaian Good	Value – Millions United States Dollar	Cumulative % of all Ghanaian Goods Exported
Crude Oil	335.00	52.10%
Iron Ore	177.00	79.63%
Wood	60.00	88.96%
Cocoa Beans	31.00	93.78%
Cocoa Paste	6.00	94.71%

Copper Waste And Scrap	6.00	95.65%
Wood (Sawn Or Chipped),	6.00	96.58%
Plants, Perfume, Insecticides Etc	4.00	97.20%
Cocoa Powder	3.00	97.67%
Cotton	3.00	98.13%
Veneer Sheets	3.00	98.60%
Cocoa Shells, Husks, Skins And Other Cocoa Waste	2.00	98.91%
Natural Rubber	1.00	99.07%
Lead (Unwrought)	1.00	99.22%
Fish	1.00	99.38%
Aluminium Waste And Scrap	1.00	99.53%
Edible goods	Less than 1.00	99.53%
Lead Ores And Concentrates	Less than 1.00	99.53%
Plastic Waste	Less than 1.00	99.53%
Oil Seeds & Oleaginous Fruits	Less than 1.00	99.53%

The views of the 'local experts' on the activities of the Accra based private Chinese firms will be examined in greater detail in the next two chapters, which are more focused on sections two and three of the research study. Outside of these views, some other aspect of investment, that seemed unrelated at first, presented themselves in the discussions with the '

local experts' and may give indications about the economic development impact of the Accra based private Chinese firms.

One such element of the Sino-Ghanaian economic relations that was raised in the interviews was the issue of varying exchange rates. Many interviewees offered the view that the revaluation of the cedi (see table 5.2) might help to encourage Chinese investors to source more goods locally, rather than importing them from China, although it must be noted that to date no data exists to support this claim. One respondent, Kofi Sekyi (see below), offered another potential outcome, and noted the advantage of the foreign investor that use their own currency and bring their own goods and equipment into Ghana. The cost of setting up operations in Ghana will decrease in real terms for this investor, as the price of land and labour etc. will be cheaper in their own currency. However, this interviewee also noted that the established Chinese investor already located in Ghana, who is forced to use the cedi as the currency of exchange, is at a disadvantage in terms of importing from China, a situation that may be unavoidable for sourcing certain manufacturing inputs that are not available in Ghana. This issue of exchange rate movements highlights how foreign investments can be influenced by external factors beyond the control of the firms themselves. Indeed, exchange rate volatility was not only raised by the 'local expert' but also in the interviews with Ghanaian traders. Further to this, as will be highlighted in the next two proceeding chapters, the issue was the most pertinent external factor to the operations of the Ghanaian firms, as noted by respondents within the firms. Accordingly, this issue will be returned to again at a later point in this thesis.

'For local (Chinese) investors who have to import equipment and raw materials it will have serious effect. For foreign investors who are generally taking loans in their countries and bring the equipment from there. If anything the value of the equipment will be much higher here. So I would say it is an advantage to the foreign investor but for the domestic investor that has to change cedis into foreign currency, they will be at a loss' (Interview with Kofi Sekyi, Accra, June 2012).

Another interesting theme that was observed in analysing the interviews was the idea that some foreign firms setting up operations in Ghana may use favourable investment conditions to produce goods not only for the Ghanaian market, but for the greater Economic Community of West African States (ECOWAS) region. It is also noted that the GFZB gives tax breaks to foreign manufacturing firms setting up in Ghana provided that they export at least 70% of the goods they produce (Interview with Patience Acholor, Accra, June 2012). Although firms operating under GFZB conditions are not entitled to export to other ECOWAS nations duty free and if this market is a key component of their business they might be better off operating outside of the GFZB. Indeed, the deputy head of the Board noted that only 6 Chinese firms were registered with the organisation, with 2 of these yet to begin operations. She felt this was a very low number compared with other major investor nations (see below). This might suggest that the focus of Chinese firms who manufacture in Ghana is primarily on the local indigenous market and/or the wider West African market. A further point for consideration is that while a firm might be exporting beyond the West African market, Ghana may account for a greater than 30% share of the firm's sales, thus, the firms don't fall within the remit of the GFZB guidelines. While it is difficult to isolate the real reasons for the low uptake of registration with the Board, it does appear feasible that it is more lucrative for the Chinese

firms to pay taxes in Ghana and avoid payment of import/export duties on West African sales.

'I think it is very important for us. When getting companies to come to Ghana we don't only talk about Ghana because our population is not that big and so we talk about West Africa which is a bigger market. The only other issue with that, when you are in the free zones you cannot export to West Africa duty free. The ECOWAS trade liberalization scheme allows companies located within any West African country to send products out without the payment of duty. Even though free zone companies are located in Ghana they are considered as offshore companies. Technically they are not Ghanaian, so they cannot enjoy those kinds of incentives' (Interview with Patience Acholor, Accra, June 2012).

Porter (2000) notes, that industrial efficiency in a small developing nation can be improved by increasing competition in the sale of goods and services with neighbouring nations, as described in chapter 2. So how important is the ECOWAS market for Ghanaian firms? Using data obtained from the IMF (September 2013) one can see that, in 2012 15.24% of total Ghanaian imports came from ECOWAS states, while only 5.64% of Ghana's exports were to ECOWAS nations. These figures might suggest that access to the wider West African market is not as important to investors as many of the interviewees outlined or hoped. The importance of the wider West African market to Chinese firms is returned to in chapters 6 and 7 of this thesis. From a development perspective, if the wider West African market was important to Chinese investors, this could indicate elements of transformative developmental change through improving Ghana's current account position and also by fostering greater competition across the West African region.

Table 5.9: Ghanaian trade relations with the ECOWAS region (IMF data September 2013)

YEAR	ECOWAS exports	ECOWAS % of total exports	ECOWAS imports	ECOWAS % of total imports
2003	$ 139,467,067	6.94%	$ 821,926,796	16.97%
2004	$ 151,228,183	6.56%	$ 1,003,742,078	15.07%
2005	$ 165,816,719	6.83%	$ 1,182,823,128	14.02%
2006	$ 212,905,120	7.47%	$ 1,427,556,315	14.91%
2007	$ 289,157,900	8.39%	$ 1,642,684,902	17.60%
2008	$ 356,966,414	8.08%	$ 2,435,985,692	14.65%
2009	$ 320,823,951	9.11%	$ 2,027,338,656	15.82%
2010	$ 349,838,907	7.78%	$ 2,650,830,244	13.20%
2011	$ 390,728,029	4.56%	$ 2,552,268,584	15.31%
2012	$ 445,630,658	5.64%	$ 2,923,194,345	15.24%

The idea of Chinese trading firms exporting to other West African countries was put to the Chairman of the GCFA. He stated that the Chinese traders would not engage in such exporting because of the double taxation involved. However, Axelsson (2012; 91) notes that in order to avoid taxation, Chinese textiles are often purchased from Togo but moved goods across the border illegally, to avoid paying duty (Lome port in Togo is a free port and, as such, Chinese textiles can be imported into Togo without the payment of duties). This example shows that the movement of imported Chinese goods across West Africa can be done illegally to avoid duties. The interviewee also noted that, from a taxation position, it was possible for Chinese firms to export Ghanaian manufactured goods without incurring any

duties on West African sales. However, in his opinion, it was unlikely to be the case (interview, June 2012).

'It is definitely an advantage. The traders don't send goods into other African countries as they would be paying duty to bring goods in and then paying the duty again to enter another country. Some manufacturing companies do it alright. My company we export to Abidjan. We produce calcium carbonate and we do export, but not very much. We mainly produce for the local market. I think for most Chinese firms it is like this' (Interview with Mr Shan, Accra, June 2012).

The function of the interviews with the local researchers and government officials was to further examine the findings around the perceptions of Chinese investment in Ghana. While the interviews did raise some new issues that did not feature in the interviews with the traders, they did elaborate in some detail on the key findings that emerged from the media analysis. Overall, the analysis of the interviews has highlighted the mixed interpretations of Chinese investment in Ghana by this group. The interviews reported a positive response to Chinese investments that are more concentrated at a government level, highlighting Chinese backed infrastructure projects or loans to the Ghanaian government. The interviewees were not put off by conditions attached to the loans, such as use of Chinese material, and see the main developmental challenge as ensuring the Ghanaian government use the money to proceed with the right projects. Concerns were raised in relation to the negative balance of trade Ghana currently is running with China, although there was an acceptance that this was brought about through production inefficiencies and uncompetitive nature of industry in Ghana, rather than some wrong doing on the Chinese side. Further to this, the idea that the

high reliance of Chinese contractors and use of Chinese materials in Chinese financed infrastructural projects was contributing to the trade deficit was not raised by any of the respondents. Either way, most interviewees argued that a reduction to Ghana's trade deficit with China was of paramount importance to Ghana's economic development. The benefits of Chinese investors in the gold mining industry were considered to be uncertain and some interviewees questioned the legality of Chinese involvement in this sector. There was also concern expressed in relation to reports that this investment type caused environmental damage. The interview findings also suggested that it might be advantageous for the Chinese investors, in both manufacturing and trading, to look beyond the borders of Ghana into neighbouring West African nations, although some of the interviewees were doubtful that this type of trade existed. This is a theme that will be returned to in the next two chapters of this thesis.

5.5 Concluding Remarks

The literature has shown that negative viewpoints towards Sino-African relations are not isolated to Zambia; with many sources in Ghana questioning the benefits those relations with China brings to their country. For example, Hess and Aidoo (2013; 15) refer to anti-Chinese rhetoric in relation to the decline in Ghana's textiles industry and increased competition from Chinese investors. In this chapter, through the use of analysis of on the ground interviews and media reports, the main issues arising from Sino-Ghanaian relations, from a Ghanaian perspective, were highlighted and assessed with consideration to their economic development impact.

Firstly, Sino-Ghanaian media reports were observed, with the topics raised in these reports being used to formulate the questions that were posed to the Ghanaian traders. In this research, the analysis of media reports serves to underpin the views of the wider Ghanaian society on the Sino-Ghanaian issues, inclusive of the actions of Chinese investors in Ghana. On the ground interviews with two relevant groups were also considered in this chapter. Interviews were conducted with Ghanaian traders in Makola market that have regular dealings with Chinese investors, to seek out the local voice and the views of local researchers were also sought, as they have looked at the issues surrounding Chinese investment in greater detail and could provide an informed voice from a different perspective.

The media reports analysed, suggests a divide in Ghanaian sentiment to relations with China between public and private cooperation. Mainly, the reports offered a positive response to Chinese investments that are more concentrated at a government level, with media sources praising Chinese backed infrastructure projects or loans to the Ghanaian government. Media complaints about Chinese investment were centred more on micro level investment, particularly investment in the gold mining industry, an oversupply of Chinese goods in Ghanaian markets and the involvement of Chinese investors in trading activities in the markets of Accra. Interestingly, private Chinese investors in manufacturing were not portrayed in the same negative light.

The interviews with the Ghanaian traders highlighted two important ideas. Firstly, that the price of Chinese products in Makola is still extremely competitive compared to alternative

goods, despite recent rising prices (due partly to exchange rate fluctuations) and, hence, remain extremely popular with Ghanaian consumers. Secondly, Ghanaian traders showed a mixed response, both positive and negative, to the presence of Chinese traders in Makola market. From a positive perspective of Chinese investment into trading activities, it can be noted that not all indigenous traders in Makola feel threatened by the presence of Chinese firms in the market and some viewed Chinese firms as facilitators in their own businesses, helping them to secure imports at lower prices than they can themselves source. From a negative viewpoint, one can note that some indigenous firms view Chinese firms primarily as a source of competition for customers, derived mainly from complaints that the Chinese traders were selling products directly to customers at wholesale prices.

Further to this, It was noted that arguments for removing the Chinese traders from operating in Accra are based on the claim that they are taking customers away from local traders. If this is not the case, and the Chinese traders are merely facilitating the movement of Chinese goods into the markets, which Marfaing and Thiel (2011) argues would happen anyway, then one could argue that the presence of these Chinese traders is having limited economic developmental impact in Ghana other than assisting Ghanaian customers to access to cheaper priced goods. Given this, it is argued that recent change to inward Ghanaian investment laws, whereby foreign firms now have to invest at least US$50,000 in a joint non-trading venture agreement, US$200,000 for wholly owned non-trading investment and US$1,000,000 for trading investments, will have little impact on supporting local industry. Thus, raising questions about the positive impact of these changes on Ghanaian economic development?

The analysis of the interviews with local experts further emphasised the mixed interpretations of Chinese investment in Ghana, as already highlighted. While the overall response to Chinese investments was positive, these are mostly concentrated at a government level and the main developmental challenge was identified as to how the Ghanaian government would use the investment. In relation to micro level investments, the issue of Chinese involvement in the gold mining industry was raised by the respondents, with fears that the negative sentiment towards this group of investors may, in the longer term, impact on how the wider overall views of Sino-Chinese relations are perceived. The respondents openly discussed concerns about the legality of the involvement of Chinese investors in the industry and also spoke about the problems that this involvement might pose at an environmental level and the impact on small scale local miners. Similarly, the negative balance of trade Ghana currently is running with China has the potential for further problems into the future, while accepting that that this negative balance emerged through production inefficiencies and the uncompetitive nature and/or absence of industry in Ghana rather than some wrong doing on the Chinese side. The interview findings also suggested that it might be advantageous from a Ghanaian economic development perspective for the Chinese investors, in both manufacturing and trading, to look beyond the borders of Ghana into neighbouring West African nations. This way the investments are more likely to positively contribute to Ghana's balance of trade position and less likely to displace local workers than Ghanaian market focused investments. Further to this, IMF data (September 2013) shows the limited extent of cross border trade between Ghana and other West African states, with Porter (2000) noting that the competitive pressures brought about by increased trade can force domestic manufacturers in developing nations to engage in higher productive activities and reduce production costs through greater efficiencies. The Chinese manufacturing firms can play an

important role in this process and evidence of wider West African sales by these firms is explored in a later chapter of this thesis.

Now that the Ghanaian position on Sino-Chinese investment has been analysed and presented from the 3 viewpoints outlined above, the research work moves onto the next stage. The focus switches to Chinese investment in trading and manufacturing in Accra by private SMEs. A detailed analysis of these two industries, where investments by Chinese sources are more characterised by micro level private firms than macro level government backed projects, provides greater clarity in understanding whether some of the less favourable aspects of private Chinese investment are indeed extractive in their nature, or whether more favourable aspects of investment are present bringing about transformative developmental change.

Chapter 6 Extractive, Additive or Transformative? - The Economic Development Impact of Private Chinese Traders in Accra

6.1 Introduction

The previous chapter focussed on the economic development impact of Chinese investment from a Ghanaian perspective. While two sets of viewpoints, namely the media and the academic/professional perspective, incorporated the wider issues relating to overall Sino-Ghanaian relations, the more focussed interviews with the local Accra traders in Makola market identified the realities for the local Ghanaian traders and the possible positive and negative impacts arising from the presence of Chinese trading investors in Accra. The next two chapters shift the focus from the local Ghanaian viewpoints to looking at two particular industries, encompassing the views and opinions of the Chinese investor themselves. The remaining elements of the research include the analysis of 65 surveys and 32 subsequent interviews with Chinese traders and manufacturers in Accra. The choice of private Chinese trading and manufacturing companies for this stage of the research has already been discussed in Chapters 1 and 4.

Jung Park (2009) and Shen (2013) differentiate between public and private types of Chinese investment in Africa. The authors note that public investment is more centred on the fields of construction and resource extraction, with private investment focussing on manufacturing and

services. As noted, from a developmental perspective, some argue that the presence of Chinese traders in African markets negatively impacts on local traders, through the displacement of customers from local traders and hurt domestic manufacturing, through the importation of cheap Chinese goods (Axelsson, 2012; Shin, 2011; 18). Findings in the previous chapter support this claim with sources in Ghana noting a negative perception towards Chinese traders operating in Accra for these reasons. However, in contrast to this, the argument has also been made that African customers gain from lower priced Chinese goods and that greater competition can force local manufactures to become more efficient in the production of their goods (Broadman, 2007; Brautigam, 2009). The economic development impacts of Chinese traders in Accra are further explored in this chapter.

As noted, between January 1994 and the end of 2010, 132 Chinese firms set up in Ghana operating as general traders, according to GIPC data, a higher number of firms than from any other foreign nation. The GIPC data identifies that the majority of the Chinese trading firms are located in Greater Accra and this list of firms was used in this research to make initial contact with these Chinese traders. From this initial engagement with the Chinese trading community, it was observed that a high number of the firms registered with the GIPC were no longer contactable. In addition, some other firms that were working in Makola Market and agreed to take part in the research were not listed on the GIPC data. These firms did not disclose a trading name or did not display a name outside or within their premises. This observation might suggest that some firms were unregistered with the GIPC, while the whereabouts of those others who were registered, but were no longer contactable was unclear. The details of these companies are not included in this final report for reasons of confidentiality.

Highlighted in chapter 4 of this thesis, surveys were conducted with these Chinese traders in 2011 and more in depth interviews were conducted with a number of these traders in 2012. In most cases, firms that had completed the survey in 2011 were interviewed a year later (see appendix C for full list). The interview process was determined by a number of factors, namely the availability of the respondent during the 2nd phase of the fieldwork, the detail of response to the survey and whether they indicated a willingness to participate in the interview stage. Surveys were mainly conducted with Chinese traders in Makola market, as this is the area with the greatest concentration and they correspond with the interviews conducted with Ghanaian traders as highlighted in the previous chapter. A small number of surveys were conducted with firms located outside the market to gain a better understanding of the day to day operational details of Chinese traders across the city.

The interviews from 2012 were conducted solely with Chinese traders in Makola market. The surveys were conducted during the first field trip in 2011 and the interviews occurred in the period of the second field trip of 2012 as outlined in Chapter 4. The data from the interviews and surveys is presented thematically. The motivation behind this approach stems from the fact that the survey data from 2011 was analysed prior to the interviews in 2012. The key themes emerging from this analysis formed the basis of the interview questions in 2012, thereby ensuring an opportunity to elaborate on these themes and question them in greater depth.

This stage of the research begins by describing Makola market and outlining why it is an important location for both indigenous and Chinese trading firms. The factors that attract Chinese traders to set up in Accra are also explored. They were also asked about their potential for bringing economic benefit to the wider Ghanaian economy? With a number of the findings that were deduced during the previous stages of this research are further explored. It will be shown that the Accra based Chinese firms mainly consist of privately owned small scale firms that have limited interaction with firms in mainland China, primarily in sourcing Chinese goods to sell in Ghana.

By undertaking an in-depth look at the trading firms in Accra, there was an opportunity, to explore, first-hand, the development impacts arising from their presence in city. A further area of exploration was the concept that the firms' might branch out into other sectors of the economy and the intentions of the trading firms in relation to this issue is considered. Another aspect that arose in the previous chapter, related to the exportation of Chinese goods from a Ghanaian base into other West African states. This is further examined in this chapter from the views of the Chinese traders. A further contentious issue that arose in the previous chapter, related to the GUTA campaign to remove Chinese traders from the Ghanaian markets. Again this issue was explored with the Chinese traders and the findings are presented below. Throughout the chapter, research findings are considered under the lens of the new framework introduced in the previous chapter, enabling the analysis to be linked back to the research question. Finally, the chapter concludes with an overview of current Ghanaian government FDI policy, with recommendations made to encourage greater 'transformative' aspects of foreign investments, in light of the observations of the doctoral work.

6.2 Chinese Traders and Makola Market

An important observation in this research is the cluster of Chinese firms located on the outskirts of Makola market in Accra. This observation was first noted through the process of informally analysing media article, which reported conflict between Chinese and indigenous firms in the market. The importance of this location to Chinese trading firms further emerged during the fieldwork phase of the research, in noting the highly visible presence of Chinese investors operating in this part of the city. As stated, all of the interviews and the majority of the surveys conducted with Chinese trading investors were with firms located in Makola market. Therefore, it is important at this juncture to gain a better appreciation of the day to day workings of the market.

Makola market is located in the centre of Accra and is the largest trading area in the city. The area is often described as the CBD for local indigenous firms, while the areas of Osu and the airport residential area are more common locations for foreign firms to locate in Accra (Grant 2009, Grant and Nijman, 2002), see Map 3.1. The market consists of a combination of shops, stalls and street traders and a wide variety of goods are available for purchase in the market. Chinese traders' presence in the market has increased since the early 2000's (as noted from data obtained for this thesis) and are now found alongside more established African, Indian and Lebanese traders (Grant 2009), although distinctions exist between Chinese traders and indigenous trading firms in relation to the business activities of Chinese firms and the location of the Chinese firms. According to Ghanaian investment laws, foreign firms are

forbidden to operate as general trading firms within the market itself, although Chinese shops located outside the Makola market area are allowed to trade as normal (confirmed in interview with GIPC official, Accra, June 2011). According to one GIPC official, the rationale behind this is to protect the incomes of Ghanaian traders (interview, July 2011). Mindful of these rules, most of the Chinese firms are located in or around the China House complex or along Zongo Lane, on the outskirts of the market (see map 6.1 below), while the core of the market is for indigenous firms.

Confusion exists as to the exact boundaries of the market; with the GUTA being of the opinion that the Chinese firms are operating within the boundaries of Makola market (as confirmed by the analysis of the media reports), a judgment not entirely shared by all of the Chinese trading firms or the director of the GCFA, who was interviewed as part of the previous phase of the research (see below). A further distinction of these Chinese firms, according to the Chinese traders themselves, is that they engage in wholesaling activities only, arguing that GIPC investment laws are not being broken as no retailing activities take place, although some firms noted that they used to engage in retail trading in the past (as described below).

'Here we do both retail and wholesale. We will stop retail at the end of this month. This is due to government pressure. I think this is unfair but it is important that we follow the rules of the government' (Interview with Chinese trader No. 8. July 2012).

Map 6.1: Chinese traders in operation around Makola market



There is a disagreement in how the laws are to be interpreted on this issue, as many Ghanaian traders and the union representing them, GUTA, argue that Chinese firms should not be engaging in any sort of trading activities in or around Makola market (SpyGhana report, November 2012). I view not shared by the Director of the GCFA, who notes;

'The 22 areas (zones in Accra that foreign firms might be excluded from operating in) can cover the whole of Accra so this issue has to be made clear by the ministry. What exactly are the boundaries? We don't want the idea that we move somewhere and then they tell us this is part of Labadi or Osu market. They haven't defined where the boundaries are. That is why we felt the government is a bit unfair' (interview with Mr Shan, Director of GCFA. Accra, June 2012).

Referring specifically to Makola Market, Mr Shan states;

'Most of the market, say Makola which everybody knows, take the Cow Lane area there was nothing there before the Chinese arrived, and there was no market. Now there is a wholesale market and all the Chinese shoe shops are there but it was not like that before. Now the government is saying that it is also part of the market. We can go anywhere and establish our market, they can send us anywhere in Accra but the location now is convenient' (interview with Mr Shan, Accra, June 2012).

As a location, Makola Market is significant for the local Ghanaian traders that operate there. The size and reputation of the market itself generates footfall and numbers are further enhanced by the nearby location of the Central Accra bus station, one of the main transfer hubs for travel within Accra itself and other regions of Ghana (see Map 3.1). Indeed, the co-location of markets beside major transport hubs is a common theme for the city with significant markets also found adjacent to other major transport hubs, such as the Circle and Kaneshie bus stations (Yeboah & Appiah-Yeboah, 2009). Of further interest is the fact that numerous Ghanaians rely on informal trading for their income, particularly in urban areas (Yeboah & Appiah-Yeboah, 2009), as outlined in the previous chapter. This is one of the key reasons behind GIPCs decision to refuse to allow foreign investors to engage in retail trading in the major markets of Accra (interview with GIPC official, July, 2011). As noted in the previous chapter, the indigenous traders that were interviewed, displayed a certain degree of resentment towards Chinese traders as with potential access to cheaper imports due to

economies of scale, Chinese shops may be able to undercut them in the market. It is the opinion of many Ghanaian traders that Chinese investors must never be allowed to do retail trading in the market. For example consider the following opinion;

'This takes away from the trade of Ghanaian retailers and I think they should be stopped. Retailing is the main source of employment for untrained Ghanaians and it needs to be protected' (interview with Ghanaian trader, number 16, June 2012).

This resentment underpins GUTA's campaign to remove the Chinese traders from the market altogether, as described in the previous chapter. The implications of this campaign will be looked at from the Chinese traders' perspective in a later section of this chapter.

6.3 Chinese traders – Their reasons for investing in Accra

Before this issue is considered, a first step in understand how foreign investors impact on the economic development of a host nations, is to better understand the motivations behind an investors decision to enter a new market. Are the investors purely motivated by economic factors? In such cases the longevity of these investments might be dependent on the continuation of favourable external factors and questioning the long term commitment of these investors to Ghana. Alternatively, other influences might have motivated the investors, such as political or social factors. If present, these influences could offer evidence of a willingness amongst these investors to embed themselves in the wider host nation economy,

an issue that would then be needed to be further explored. This section presents the rationale given by the Chinese traders for investing in Accra. It includes survey findings from 2011 and interview results from 2012. The initial focus of the surveys was to ascertain why these small-scale private Chinese investors were attracted to trading operations in Accra and what motivated them to re-locate their lives to another continent. In order to answer this, the surveys conducted between June and September 2011 with Chinese traders contained the following questions;

- *Why did the firms decide to set up operations in Ghana?*
- *What are the economic advantages of locating a firm in Ghana?*

In relation to why the firms initially decided to set up operations in the markets in Accra, there was a degree of resistance from the respondents to offer an opinion. Despite this, the survey results did highlight a number of sociological and economic motivations. From a sociological perspective, five firms noted that they followed family members or close friends out to Ghana. Others stated that they worked in larger Chinese firms in Accra before setting up their trading firm, while only one firm stated that they were advised by an agent to set up in Ghana. Some of the traders noted that when they were considering to invest in Africa, they were encouraged by two factors about Ghana in particular, citing, that it was easier to operate their business in a growing economy and that the political stability of the nation offered their investments reasonable security. According to the respondents, these factors were advantages Ghana had as an investment destination over other African locations.

Table 6.1: Why did the firms decide to set up operations in Ghana? – Trading firms (Survey data 2011)

Motivation	No. Traders
Did not offer a motivation	12
Encouraged by Ghana's economic growth	11
Had family links in Ghana prior to investing	5
Stated that they worked for a Chinese company in Ghana before setting up their own business	5
Encouraged by the favourable political climate in Ghana	4
Advised by a Chinese agent to invest in Ghana	1

When asked to identify specific economic advantages of investing in Ghana, some themes can be observed from the data. Firstly, the traders noted the low cost of running a business in Ghana, which is mainly a result of low labour costs. Ten firms surveyed (2011) noted this point. Also some of the Chinese traders were, as of September 2011, encouraged by the improving economic conditions of the Ghanaian economy, 8 firms surveyed (2011) noted this point. Many of the firms, 16 in total, cited the stable political environment as a key economic advantage of locating in Ghana, with 14 coupling this with personal safety factors. Only two of the respondent felt that Ghana offered their business no economic advantage.

Table 6.2: What are the economic advantages of locating a firm in Ghana? - Trading firms (Survey data 2011)

Economic Advantage	No. Traders
Political stability	16
Personal safety	14
Low labour costs	10
Improving economic conditions	8
Relatively easy to import goods into Ghana	5
No advantage	2

While high levels of personal safety allow for investors to live without fear of personal attack, this is not always the position stated by Chinese investors into African states nor has it seemed to discourage private Chinese investors from less stable African nations. For example, Holslag (2011; 4) notes the continued investment of Chinese investors after five African coups; in the Central African Republic (2003), in Mauritania (2008), in Guinea (2008), in Madagascar (2009), and in Niger (2010) and notes that, 'China has been driven by economic interests and, even after being confronted with these five cases of political instability, has decided to adhere to its policy of separating business from politics.' However, this research would appear to offer a different view from the perspective of the Chinese traders in Accra, where the higher level of personal safety was an important factor in convincing some of the investors surveyed to locate in the city. In addition, the political stability of the Ghanaian government makes smaller investors feel more secure in their investment (according to 16 of the Chinese firms surveyed). This highlights that the investors

are not just motivated by economic factors and other influences will impact on the scale and longevity of these investments going forward. Further to this, one cannot discount that the investors are, or willing to be, embedded in the wider host nation economy, an issue returned to throughout this analysis.

Further to ascertaining why the firms chose to set up operations in Ghana itself, another area of interest is why the firms decided to concentrate on trading activities and not manufacturing their goods in Ghana itself? This theme was asked as a direct survey question in 2011 and explored during the interviews with the Chinese traders in July 2012.

Table 6.3: Main reasons given for investing in trading activites and not manufacturing – Trading firms (Survey daa 2011)

Reason	No. Traders
Cheaper to import than manufacture and hence more profitable	18
Importing goods that can't be source locally	16
Strong links back in China makes it easier to import than manufacture	11
Ghana is a difficult enviornment in which to manufacture goods	5

Four pertinent issues were raised by the answers given to this question; firstly the price of the Chinese goods is far cheaper than goods that can be sourced locally and therefore more profitable for the investor, 18 firms survey in 2011 noted this point. As pointed out in the previous chapter the limited spending power of the average local consumer dictates the importance of a good's price to a retailer. Consider the response offered by Survey respondent number 5:

Goods come from the southern region of China. Price of goods is increasing but is still cheaper than local manufacturers. Owner has business contacts in China (Survey respondent, number 5, 2011).

Secondly, the goods cannot be sourced locally by the Chinese traders; these are goods that are not manufactured in Ghana due to a lack of suitable resources or local expertise, 16 of the firms' surveyed in 2011 noted this point in relation to at least some of the stock they sold. The firms would also face the same manufacturing difficulties in producing these goods as local firms and, as noted above, prefer to import as it is more profitable. Consider the response offered by survey respondent number 1;

Cannot get the products the owner wants in Ghana. Decides what he wants to sell in Ghana and contacts partners in China who arrange for the goods to be sources in China and shipped to Ghana (survey respondent, number 1, 2011).

The final two points will be dealt with in greater detail later in this chapter and relate to the links the Chinese traders have with manufactures and/or agents back in China and the difficulty firms face in manufacturing goods in Ghana itself. When the topic was returned to in the interviews conducted in July 2012, the same issues were raised by the Chinese traders. From an economic development perspective, these issues indicate reluctance on the part of the traders to diversify into other industries. As will be discussed later in this chapter and in subsequent chapters, an over focus on trading activities leaves trading firms vulnerable to external shocks beyond their control.

One further point was raised by some of the interview participants in relation to manufacturing goods in Ghana itself. Five of the interviewees noted that they lacked the expertise or resources to manufacture the goods in Ghana themselves regardless of other factors (see example below). As such, these investors can only operate in certain sectors of the economy, such as trading, as they are doing, or in some form of low skill service suppliers. As Shin (2011) notes, many of the Chinese investors and workers in trading activities that wind up in various African states are from low income and low educational backgrounds. This might explain the attractiveness of the trading industry for some investors over other forms of investment. Again this may indicate reluctance on the part of the traders to diversify into other industries.

'We import from only China, customers appreciate the products we sell to them. They like the price of the product compared to goods coming from Europe. These products can't be sourced in Ghana and I think it would be too expensive to manufacture them here. The

company is not looking to manufacture as we do not have the expertise to do so. We only want to retail in Ghana' (interview with Chinese trader, number 6, July, 2012).

This was further elaborated by another interviewee.

'Doing manufacturing in Ghana is hard and is something I do not have experience of. It is something I would like to do but I think it is too expensive for a small business to do and for the moment there is more money to be made from importing goods into Ghana' (interview with Chinese trader, number 15, July 2012).

These points raise questions around the long-term nature of these investments, as the traders are overly reliant on one form of revenue generation without the capability to diversify their business interests to account for a downturn in their primary industry. Indeed, this can be seen by looking at the year of inception of the firms surveyed in 2011. Only 2 of the firms had been in operation prior to 2000 while 18 of the firms began trading from 2007 on. As will be shown in the next chapter, many investors in manufacturing have been operating in Ghana for a longer time period.

Table 6.4: Year of comensment of firm in Ghana - Trading firms (Survey data 2011)

Period	No. Traders
Since 2007	18
2000 – 2007	17
No information given	2

This section of the research provides a clear understanding of the scale and motivation behind Chinese investment in the trading sector of the Ghanaian economy from the voices of the Chinese traders themselves. Through on the ground observations, confirmed in discussions with 'local experts' (interviews in June 2012), the preference of many Chinese traders for locating in central Accra near the Makola market was noted, as discussed above. Research focus now turns to the operational details of the Chinese trading firms and to the response of the these firms to GUTA's campaign to remove foreign investors from Makola market.

6.4 Operational details of the Chinese Traders

The operational details of the firms under review in this section of the research analysis can offer some insight into the development impacts arising from trading investments. These details also offer an indication to the degree to which these foreign investors are embedded in the local business environment. Have the firms formed social and dependent contracts with local customers and business? Or do these firms operate at a distance concentrating on external non-Ghanaian markets? Aspects of Chinese trading operations in Accra to be

considered include; the goods sold by the Chinese traders, the business links these firms have back to Mainland China, employment demographics of the firms, the niche market that the Chinese respondents identified and the profitability of the firms in Ghana. A further aspect to consider is the customer base of these firms and to establish the importance of both the Ghanaian and wider West African markets to the activities of these Accra based Chinese trading firms.

Consider, in the first instance, what goods the Chinese firms stock in their stores. Given the difficulty in tracking down GIPC registered firms in Accra, as outlined in Chapter 4, an exact list of all goods would be nearly impossible to compile. Furthermore, this list would not even consider goods stocked in stores which are not registered with the GIPC, as noted at the outset of this chapter. During the fieldwork period from June to September 2011 a list of goods available in the 37 Chinese trading shops that participated in the survey was compiled (Table 6.5). As noted, this list is not inclusive of all the goods available in the Chinese shops but gives a good indication. The list shows a range of predominantly cheap manufactured goods, which appear to prove popular with Ghanaian consumers as demonstrated in this and the previous chapter.

Table 6.5: Goods sold by Chinese traders (Survey data 2011)

Rank	Good	No. Stores
1	Shoes	14
2	Clothing & fashion accessories	6
3	Electrical goods	3
3	Food types	3
3	Fishing equipment	3
6	Underwear	2
6	Furniture	2
6	Doors	2
6	Curtains	2
6	Kitchen appliances	2
11	Fake flowers	1
11	Chinese medicine	1
11	Travel Bags	1
11	Domestic cleaning goods	1

From an economic development perspective, the relevance of this table relates back to the identification of the top 20 Chinese goods imported into Ghana in 2012, as noted in Table 5.4. The table above is representative of the top 20 Chinese imports shown in Table 5.4, such

as footwear, clothing, electronic goods, travel goods, etc. A comparison of the two tables shows a correlation between the manufactured goods on both lists. While the sample size of the survey conducted was relatively small, the correlation does suggest that the Chinese firms are playing a role in promoting Ghana's negative balance of trade position with China, even if the imports of the Accra based Chinese traders account for only a small proportion of this deficit. Further to this, the trading firms are importing numerous products that are manufactured in Ghana such as, clothing good, furniture, fishing nets, food types, curtains and doors. This observation offers evidence that some Chinese trading firms are actively promoting Chinese manufactured alternatives to domestically produced goods and thus, are contributing to some degree to the displacement of Ghanaian industry.

Such a statement can be made with a high degree of certainty as, in all bar a few cases, these goods are exclusively sourced from China. In the previous chapter, the popularity of the Chinese goods, mainly driven by a cheaper price, was noted and it is not surprising therefore to see the Chinese firms stocking Chinese made goods. Some Chinese firms use existing links back in China, for example family members or a reliable business contact, to arrange for the goods to be shipped to Ghana. Twelve of the firms interviewed in 2012 and 17 of the firms surveyed in 2011 noted that they imported goods via this method.

On the other hand some firms reported importing Chinese made goods into Ghana from Dubai, citing a quicker delivery time as the main motivation for using Dubai based agents. This is an important alternative as it shortens the time it takes to import goods into Ghana from the time of order. This example highlights that Chinese traders based in Ghana do not

rely solely on imports from China and will source the quickest and most accessible market to bring goods into Ghana. Consider the example below;

'We deal in slippers here. We sell only at wholesale prices. We buy from the China/Dubai. One problem is that the Chinese producers delay in their productions as they wait for orders before doing the production. But in Dubai they always have stock available to pick up very fast as you order. These are also Chinese products that are bought through agents based in Dubai' (interview with Chinese trader, number 9, July, 2012).

Returning to the links the firms have back to Mainland China, the majority of the interviewees' stressed that their businesses were enhanced by this direct link to China, be the link through family or business contacts. These respondents viewed this as a key advantage for the Chinese traders over the local traders in sourcing goods from China. As noted, 12 of the firms interviewed in 2012 cited this process for importing Chinese goods, as evidenced by two respondents below;

'Our Director is based in China ...we also have very good contacts in China and it would be difficult for a Ghanaian to make these contacts' (interview with Chinese trader, number 1, July, 2012).

'Our boss lives in China and he arranges all our imports are from China' (interview with Chinese trader, number 11, July, 2012).

For these links to be considered an advantage, then the contention must be that it would take indigenous Ghanaian traders a long time to build up contacts in China, that they would face a language barrier in the process of building up reliable relationships with suppliers in China or that the Ghanaian firms would also lack a presence on the ground in China. However, the counter argument has already been made in this thesis to such claims, for example indigenous Ghanaian trading firms could overcome this advantage by using African traders already based in China (See Yangs' (2011) example of African traders in Guangzhou). Also, many of the Ghanaian traders interviewed as part of this research also cited that they regularly made trip to China to source their produce. So the argument made by 12 Chinese firms interviewed in 2012 that access to local contacts in China and knowledge of Chinese gives them an advantage is questionable. However, their presence in Accra and greater Ghana does suggest that they are a viable competition for the local importer and they have found a niche particular to these firms that facilitate certain local traders. This may, in part, be explained by the limited number of Ghanaian firms who have the required capital to generate economies of scale to import large quantities of goods from China (Agyapong, 2010), thereby creating a space for these Chinese traders. Further to this, the 30% of local trading respondents that stated they sourced Chinese goods from the Accra based Chinese traders, primarily did so out of convenience. They argued that it meant they did not have to make expense trips to China or they did not have to wait while goods were shipped to Accra, but instead could just source the goods within a few days from within the Makola. Finally, they had built up a good working relationship with the Chinese firms and trusted they would supply the good the firms want. However, with all local respondents price was the main factor in deciding who to purchase goods off. If for some reason the Chinese firms were unable to supply goods at acceptable rates than these firms would not hesitate to purchase

their goods off other supplier, namely the group of importers that supply the other 70% of local firm interview respondents. This indicate that while the Chinese firms have founded viable businesses through supplying demanded goods and generating trustworthy relationships with local businesses, a viable alternative could be utilised in the event that the firms were removed from the market.

Data collected for this research highlights that the Chinese trading firms are small in size. For example, of the firms surveyed in 2011, one firm employed 477 workers and another 42, the other 35 firms all employed less than 18 workers. Despite this, these firms have become an important and visable employer in the ciry as collectively they employ thousands of workers. The make-up of the firms indicated that the majority of employees were Ghanaian, while the locus of control still resided with Chinese management. As evidenced in Table 6.1, the surveys show that 24 firms hired Chinese managers only while one firm had Ghanaian only managers and a further 8 firms had a mixture of Chinese and Ghanaian management. See table 6.6 below, for employment details of the Chinese trading firms surveyed in 2011. In terms of further training, 10 firms offered no training at all and 27 firms offered only basic on the job training. Thus, from a development perspective the concept of transfer of skills and enhanced prospects for the Ghanaian employees is very limited. This may be as a consequence of the type of firm involved in the research and may give an indication of limited development opportunity arising from this type of investment to the wider Ghanaian economy.

Table 6.6: Employment details of the Chinese trading firms (Survey data 2011)

	Ghanaian	Chinese	Total
Employees	746	114	860
Managerial Roles	11	75	86

Another consideration in this research, is the make-up of the customer base of the Accra based Chinese trading firms. In the previous chapter, the idea of Chinese firms exporting to other West African countries was raised and it was noted by the Chairman of the GCFA, that he was sure that Chinese traders would not engage in exporting due to double taxation reasons (interview, June, 2012). Results from the survey (2011) and interviews (2012) showed that 19 and 9 firms respectively engaged in sales with non-Ghanaian based West African customers. However, this data does not contradict the chairman of the GCFA's statement, as in all cases the customer travelled to Accra to conclude the purchase and arranged for all cross border transport themselves. According to the interviewees, the demand for the Chinese goods comes from the purchaser in another West African country and is not driven by the Ghanaian based firms actively seeking new customers beyond Ghana. In a way, this is an example of the social embeddedness described by Granovetter (1985), as outlined in chapter 2. In these cases, the social relationship between the Chinese firms and West African customers is a factor behind these reciprocal transactions. These examples highlight how the Chinese firms have the capacity to engage with customers in the wider West African market and not just Ghanaian markets. This observation potentially has implications for Ghanaian authorities if a policy could be formulated that encourages more of these relationships to

emerge in a way that benefits the Ghanaian state. This issue will be returned in section 6.8 of this thesis.

Outside of the largely informal West African sales, the Chinese traders are mainly reliant on the Ghanaian market to generate custom and thus most profits repatriated back to China are generated from Ghanaian consumers. As a consequence difficulties within the markets of Accra can extremely affect the performance of the Chinese trading firms. When asked about the economic disadvantages of operating within Accra, 15 out of 37 Chinese trading firms noted that the size of the market in Ghana is too small, thereby intensifying competition and making it hard for the firms to expand from their current focus on trading. From a development perspective, this observation highlights how the reliance on the Ghanaian market could leave the investment vulnerable to downturns in this market or external shocks. This in turn raises further question over the long-term viability of the Chinese firms.

A further interesting observation about the operations of the Accra based Chinese trading firms was the ownership structure of the firms themselves. While many of the firms, as already noted, cite family or business links back to Mainland China, none of the firms were directly owned by larger firms based in China or anywhere else. All of the firms represented private investments by relatively small firms to locate a business in another continent without a commercial presence in their own domestic market. In this way, these trading firms offer an example of stand-alone entities and not expansions of large Chinese multinationals. This form of FDI differs from that described in the GPN and GCC literature, introduced in Chapter 2.From a policy point of view, this fact should not diminish the potential for these investors to positively or negatively impact on the economic development of a host nation. The smaller

size of these firms does alter the fact that these firms are engaged in the globalisation process. Indeed, this research shows that by facilitating the movement of Chinese goods into the markets of Accra, these firms are encouraging 'globalisation from below'. A further point is that while these firms can be classified as small from an individual perspective, collectively they can impact on Sino-African trade relations, as demonstrated in numerous African states and noted in chapter 3. From the perspective of this research, it is important to note how political policies are influencing the actions of these firms, if at all, and promoting transformative elements of these investments. This point will be returned to in section 6.8 of this chapter.

Finally, to highlight how imported goods can impact on the economic development of Ghana, consider the recent performance of Ghana's textile industry. Axelsson (2012) notes that imported Chinese goods were detrimental to the business operations of the indigenous textiles industry in Ghana and the data in Table 6.5, while highlighting the diverse array of goods imported from China, shows that the Chinese trading firms are partly, at least, responsible for bringing Chinese textiles into Ghana. In addition to clothing; foodstuffs, furniture, medicines, travel bags and soft furnishings are listed as imports. Some of these goods have the potential to adversely impact on indigenous manufacturing and thus potentially can have a negative development impact on local production. The textile industry in Ghana used to employ over 30,000 workers but today employs around 3,000 due to competitive imports (yarnsandfibers.com, February 2014). Brautigam (2009) argues that increased competition in domestic markets can lead to improved efficiencies in the production of goods, thus making viable indigenous industries more competitive in the long run. In the case of the textiles industry in Ghana, this transformation is yet to happen, indicating that the presence of

Chinese traders in Accra markets has to date, at least to some degree, negatively impacted on the textiles industry in Ghana.

The fall in employment figures outlined in the example above, shows how increased competition from imports can contribute to deindustrialisation and negatively impact on the economy of a nation. Government policy needs to be derived around the idea of hindering such impacts and to offer support to local industries so that domestically produced goods are competitive, not only in domestic markets but also in external markets. As has already been flagged in this thesis, the changes to the GIPC investment laws in 2013 fail to address the problem of competitive displacement of Ghanaian goods and better policies need to be formulated that support domestic producers. Instead, the law only seeks to protect the right of Ghanaian traders to sell imported goods over foreign investors. Alterations to this law and/or complementary laws will be discussed in section 6.8 of this chapter.

Understanding the operational details behind Chinese investors in the trading sector in Ghana helps to clarify some of the economic development implications arising from these investments. However, questions remain over the current day economic performance of these trading firms and the business problems they face. This will be looked at in detail in the next section of this chapter by way of how the firms respond to a negative external factor influencing their business operations.

6.5 External shock: Impact of exchange rate fluctuations and market saturation on the Accra based Chinese Traders

External factors particular to Ghana and its positioning in world trading dynamics can impact on the performance of the Chinese traders in Accra; circumstances in the main beyond the control of these firms. Given the nature of the Chinese traders' business plans, the performances of these will always be subject to events outside of their control, particularly in relation to Chinese economic factors and government foreign policy and also economic factors relating to Ghanaian society. The most pertinent external circumstances will be looked at in detail in this and the next sections of this chapter.

Firstly, it is important to consider the movement of the dollar versus cedi exchange rate since January 2011 to May 2013. As shown in graph 5.1, the cedi currency has devalued from a rate of 0.67454 to 0.50646 US dollars per one cedi over this period, a significant movement. As noted in the previous chapter, the cedi has devalued versus the US dollar partly as a result of high demand for imports in Ghana (Bloomberg reports, March 2013), compounded by the running of a high general government budget deficit, over 10% in 2013, by Ghanaian authorities (TheAfricaReport,com, February 2014), ensuring that more cedi are required to buy dollars for imports. This phenomenon has major implications for the Chinese trading shops as they import all of their goods using the US dollar because the US dollar is more widely available for purchase in Ghana. When questioned on the feasibility of exchanging Renminbi (RMB) directly to cedi, Mr Shan, Director of GCFA noted the following;

'You can do it now. Some of the banks here operate this service. Chinese businessmen here don't use it because it doesn't make much difference. I think you can get maximum $10,000 or something like that' (Interview with Mr Shan, Accra, June 2012).

Over time this may change but the current situation remains that the currency of choice is the US dollar for transactions with China.

The devaluation of the cedi should theoretically be an incentive for the Chinese firms to stock more Ghanaian goods as they should be more cost competitive but when this was broached with the Chinese traders' two points emerged; it was still cheaper to source goods from China or the requisite goods were not available from Ghanaian sources.

This confirms the views of Ato Yeboah of the Ministry of Trade and Buddy Buruku, a researcher in the ACET, as reported in the previous chapter, that Ghana lacks the industrial base to benefit from favourable exchange rate movements. While it can be argued that there are incentives to create new businesses as a result of the favourable exchange rate, this research did not find any evidence of this to date. It must be noted that the price increase of imports is not exclusively a Chinese problem and the cedi devaluation has impacted negatively on the price of goods coming from other nations as well. Coupled with this, the Chinese traders are not the only retailers in the city to suffer from this problem. However, while this is a problem not isolated to Chinese trading firms, this fact does not lessen the impact on their businesses. Due to the purchasing constraints of the average customer in

Accra, many of the firms feel unable to pass on the increase in costs to the customers and instead these costs must be borne by the profits of these firms, consider the view below;

'The exchange rate is a major problem for businesses in the market (Ghanaian and Chinese). It makes business much more expensive but because of competition you cannot pass on the cost to the consumer. Also Ghanaians have very little money so even a small increase will mean a lot less customers' (interview with Chinese trader, number 4, July, 2012).

The low purchasing power of the average Ghanaian consumer means that there are no winners with regard to increased costs of the Chinese imported goods studied in this research. Either the Chinese traders bears the increased cost or the consumer's ability to purchase diminishes. Consider the following view:

'If we increase the price too much then we will have no customers. This is due to competition and that Ghanaians only like the cheaper product. The exchange rate is hurting our profits but this is the same for all trading firms' (interview with Chinese trader, number 7, July, 2012).

In verifying this point, firms that did increase their prices noted a significant drop off in sales. Due to high competition in this market, the trader who passes on the increase to the consumer loses a significant share of custom, a point highlighted by Chinese trader number 12;

'We have increased our prices to 30-40% since the cedi rates have increased and not stable. People cannot afford these kinds of increases' (interview with Chinese trader, number 12, July, 2012).

The vulnerability of the traders' investment to external shocks to the devaluation of the cedi is evident in the responses by the Chinese interviewees. Consider the view offered bellow;

'As taxes in Ghana and China change, we also increase our price to account for this. There has been a general increase in the price of goods from China and the exchange has made imports more expensive. We have increased our price because of this. Sales are down because Ghanaians like cheap goods and even a small increase can lead to a drop in customers' (interview with Chinese trader, number 10. July 2012).

Many of the goods sold in the markets of Accra are highly price elastic products, for example shoes or underwear, where even a small increase in price would have a significant impact on sales. This is brought about by the low spending power of the average Ghanaian consumer (as observed in the previous chapter). While Ghana's economy is one of the fastest growing in the world and is considered a 'middle income' nation, GDP grew by 14.4% in 2011 placing it as the 5th fastest growing economy in the world that year (World Bank data, June 2013), average yearly incomes in Ghana remain low at $1,605 US dollars (World Bank data, June 2013).

The devaluation of the cedi exchange rate in relation to the US dollar has negatively impacted on the trading performance of the Chinese wholesalers as evidenced by their responses to this research and the levels of agreement across these responses. External economic concerns affecting business performance are not limited to exchange rates. As the Chinese wholesaling firms purchase the majority of their goods from suppliers in China, economic factors within China itself can greatly impact on the performance of these firms themselves. For instance persistent consumer price inflation in China, 5.4% in 2011 (World Bank data, June 2013), could force Chinese suppliers to increase their prices due to increasing manufacturing costs, for example wage increases as workers look for higher earning to counter the increasing cost of goods. As noted previously, due to the highly elastic response of Ghanaian consumers to price changes, with few exceptions, increases are borne as an operating cost of the Chinese wholesalers. The extent of non-exchange rate price increases on the Chinese traders in Accra is so far unclear, with the majority of Chinese wholesaling firms in Accra, interviewed in 2012, pointing out that the cost of the goods in China had not increased over the last few years and only one firm noted the opposite, stating that they felt that the cost of goods in China had been increasing. Further to this, 4 firms that took part in the survey of 2011 stated that they now purchase goods from other nations (for example Vietnam, Thailand, Nigeria) instead of China due to cheaper costs. Beyond the data obtained for this thesis, reports that the Chinese economy could move away from its low cost manufacturing model (Huang et al, 2013; 2), if realised, may force the Chinese wholesaling firms of Accra to reassess their business model. For example, if in the future Chinese manufactures were unable to supply these firms with the low cost goods they need, then firms would be forced to find these goods in another nation or diversify into other business activities. From a development perspective, the problem arises that the Chinese firms may not have the contacts to source and supply

cheap goods from other nations. There are also no guarantees that investors from other low costs manufacturing states would be willing to set up in the markets of Accra.

A further concern facing the Chinese wholesaling firms is increased competition in the market from fellow Chinese firms. In the survey of 2011, only the firms located in and around Makola market, 17 firms, complained about there being too much competition in the market or that the market was too small to sustain the number of Chinese traders that are currently in operation. Similarly, in the interviews of 2012 seven firms noted that there is too much competition in the market. Interestingly, the competition relates to fellow Chinese traders, although trade competition from other sources is also present. One Chinese trader (2011 survey, trading firm no.19) noted there are now many more Chinese firms operating in the market compared to 2004, when they first opened their shop in Accra. Chinese importers of shoes in particular face lots of competition from other Chinese firms. The Chinese trader also noted that they had to diversify into the wholesale of other products as the profit margins in shoes had become too low. Of the firms interviewed for this thesis, all of the Chinese shoe wholesalers were located on Zongo Lane (see map 6.1). The close proximity of the competitor firms makes it extremely difficult for firms to charge more than a competitor for the same product without losing customers.

'There is lots of competition from other shops selling same products. That makes the market so competitive since we have so many other shops selling our same products. But we also own other shops in the market but they all deal in other products' (interview with Chinese trader, number 7, July, 2012).

From a economic development impact perspective, it is worthy of note that the traders chose to diversify into another product rather than move to a non-trading industry, for example one Chinese trader (2011 survey, trading firm no.19) started selling women's underwear in 2010 to make up for falling profits from shoe sales. The traders generally opt to stick with what they know rather than change direction completely. This means that going forward the firms are overly reliant on one industry so sustain their investment. This leaves these investments, and capital input into the Ghanaian economy, vulnerable to downturns or shocks to this industry. A more advantageous scenario, from a Ghanaian perspective, would be if the firms diversified into other aspects of the Ghanaian economy as their investments mature, particularly into areas of the economy that promote Ghanaian industry, such as manufacturing or export promotion. Thus, placing a greater emphasis on the capacity of these investments to promote Ghanaian economic diversification away from an over dependency on natural resource. By solely focusing on imported goods, there is evidence to support claims that the Chinese trading investors are reinforcing this dependency and supporting the deindustrialisation of Ghanaian industry.

Many of the Chinese wholesaling firms in Accra have reported fears in relation to how external factors are negatively affecting their business performance. Complaints in the main relate to the rising cost of bringing the goods into Accra from China resulting from unfavourable foreign exchange movement of the cedi versus the US dollar. In the interviews conducted in 2012, only one firm reported that the price of purchasing the goods in China has not increased, regardless of exchange rate movements. All 15 of the firms that reported their costs had risen over the past 12 months, noted that the rising costs had to be borne as much as

possible by the firms because of a combination of high levels of competition in the market and low purchasing power of the Ghanaian public. Those who did increase their prices to cover their costs noted that their markets fell. This was in contrast to the reports from the 2011 survey, where 30 out of 37 noted that their sales were increasing or unchanged compared to the previous year, which was pre the devaluation of the cedi (see table below). Of the firms consulted in 2012, no single interviewee referred to increasing sales or profit figures. These figures highlight the vulnerability of the Chinese wholesaling firm's business model to external factors. As one trader noted (see below), firms are doing what they can to reduce their costs in the hope that the situation will improve in the future and in this particular case, they accepted that the future of the business was uncertain if these external factors did not favourably alter soon.

'If the business is not good, most of us (the Chinese) will go with one person staying behind to take charge. We need to control costs. Other firms are also closing already' (interview with Chinese trader, number 4, July, 2012).

Table 6.7: Percentage change in profits or number of employees in the three years prior to 2011– Trading firms (Survey data 2011)

	Percentage Increase	Percentage Decrease	No Change
profit level	54%	19%	27%
Number of Employees	65%	11%	24%

The response to these fluctuations can be taken as a strong indicator of how volatile this particular investment type can be and raises questions as to the long-term nature of such investments. It could be argued that the only motive for engagement in the Ghanaian market is solely profit driven and while this can be true of all investments; this thesis demonstrates the particular vulnerability of this specific type of investment. These examples of external negative shocks, such as the devaluation of the cedi, and the response of the Chinese investor could suggest that any benefit accruing to Ghana, such as access to low cost Chinese goods that are popular with Ghanaian consumers and the supply of cheap goods to the Ghanaian trader, from this type of engagement in the market is short term. However, if the Chinese trading investors were more willing to look at other areas of investment that are less vulnerable to negative shocks, then these investors may have the potential to bring about more meaningful long-term developmental change. It is in the interest of Ghanaian authorities to identify and monitor what areas of diversification are chosen, if any, by these investors in the hope of encouraging investment into areas where developmental impacts are more long-term. This issue is further addressed in section 6.7 and 6.8 of this chapter.

6.6 External Shock – Chinese views on GUTA's campaign to remove/restrict Chinese investment in Makola market

As was outlined in the previous chapter, significant media attention has described GUTA's efforts to remove foreign firms, including Chinese, from Makola market, regardless of whether or not they operate as retailers or wholesalers. The reports focus on this issue solely from the perspective of the Ghanaian trader. This thesis has also given a voice to the Ghanaian trader to understand their complaints about Chinese investment in greater depth and

to better appreciate if negative sentiments towards the Chinese investors are a widespread view across the market. Consideration is now given to the implications of GUTA's campaign for the Chinese traders themselves, as removal from Makola market could greatly alter their business operations and thus, might impact on the possibility of these firms investing in other sectors of the Ghanaian economy. The views of 16 Chinese traders on the issue were compiled during interviews conducted in July 2012, with some significant complaints to GUTA's plans voiced.

Firstly, a number of the parties held the view that all Chinese traders are being treated the same way under GUTA's plan, regardless of the legality of their business operations and investment status. While accepting that some Chinese traders did not always comply with the rules, there are numerous Chinese traders that set up trading operations in the market in consultation with the GIPC, meeting the requirements of $300,000 minimum investment, payment of all taxes and any other costs that may arise, such as registration with the GIPC, and they do not engage in retail activities (The GIPC law Act 478, GIPC law 1994). For these Chinese firms, the prospect of being removed from the market seems particularly unfair, as they were allowed to set up operations in their current location and were compliant with all investment guidelines. However, it is clear that many of Chinese firms interviewed for this research have not abided by all of the investment guidelines. For example, 9 of the firms surveyed in 2011 made an initial investment of less than US$300,000, while a further 18 firms refused to discuss the issue. From an economic development perspective, the initial investment made by the firms did not significantly impact on the size of the workforce employed by the Chinese trading investors, nor the number of Ghanaian managers the firms employed. While firms that complied with the minimum investment laws did employee more workers and hire more Ghanaian managers, the variation between the groups was small and

conducted from a low employee base. This is outlined in table 6.8 below, which offers the average size and average number of Ghanaian mangers for different groups of investors based on the size of their initial investment. The largest Chinese trading employer contacted in relation to this research was left out of the analysis, as they employ numerous more workers than the second highest employer and broadly, from an economic development perspective, the general operations of this firm does not differ from other firms contacted for this research (primarily import Chinese goods, use Chinese managers, limited skills transfers are present, mainly focused on selling goods to the Ghanaian market etc.).

Table 6.8: Average employment details of the Chinese trading firms grouped by initial investment amount (Survey data 2011)

Size of Initial Investment	Average Number of Employees	Average Number of Ghanaian Managers
Less than $300,000	8.1	0.3
$300,000 or more	14.11	0.6667

Further to this, while some of the 16 firms interviewed in July 2012 noted that they did engage in retail trading in the past, a major complaint about the activities of the Chinese traders as described by the Ghanaian traders interviewed for this research, only one of the firms reported that they were currently engaged in this activity as of the time of the interviews. The exception, interviewee 8, was adamant that this practice would cease by the end of 2012 due to greater enforcement of investments laws by Ghanaian government officials. As one Chinese trader noted, government authorities actively check up on the

activities of the Chinese firms and even engage with customers to verify that the firms sell direct to them. In their view, this makes it hard for the Chinese firms to retail and they doubt that many firms engage in the activity.

'We do only wholesales and government check to verify. They enquire from fishermen and traders around us' (interview with Chinese trader, number 4, July, 2012).

If this is indeed the case, this draws into question the impact on local traders other than increasing the availability of Chinese products for the Ghanaian traders. As identified in the previous chapter, it is clear that these Chinese products would still be available and sold by the local traders regardless of the presence of the Chinese wholesalers. This is at variance with GUTA claims that the Chinese traders are taking customers from local traders and casts doubt over the extractive nature of such Chinese investment.

A further concern of the Chinese investors highlighted in the interviews, was the lack of recognition of the costs incurred by the investors in setting up their operations. As one trader noted, upon setting up his store he had to pay rent for his premises for ten years in advance up front to a Ghanaian landlord. If he is forced to relocate from the market there is no indication from any source whether he will receive this money back or not.

'Yes we will close down our shops if we are asked to. We have paid all taxes and we have all the documents and now the government is just asking all of us to leave the market, it is just

not fair. We employ about six Ghanaians and have complied with all government directions. It is true some Chinese have not been law abiding by operating illegally but the government must not treat us all as the same .....We will lose much of our money in renting for 10 years, 5 years ahead ....The government at the end of the day is cheating us in this sense since we have paid for everything' (interview with Chinese trader, number 15, July, 2012).

The Chinese traders also questioned how beneficial it would be for the Ghanaian consumer if they were to relocate from Makola, in both the surveys of 2011 and interviews of 2012, given that the Ghanaian customers wanted Chinese products on sale in the market. The Chinese firms focus on the lower cost Chinese goods, as this is what the Ghanaian consumer demands. The Chinese traders argue that the price of the Chinese goods they import remain cheaper than goods from elsewhere and are accessible to all types of local traders and thus, more widely available to Ghanaian consumers, for example as voiced below;

Material is sourced from China as it is cheap and the quality of the product is good. Customers are happy with it (Survey respondent, number 45, 2011).

*'Our company has existed for about 2 and half years but the products are not of high quality, very inferior. That makes the price cheap and that is what the Ghanaian customer want*s' (interview with Chinese trader, number 9, July, 2012).

Based on the interviews, it would appear that the Chinese wholesale businesses are feasible operations, as they have the capital and contacts to bring in Chinese goods to the Ghanaian market at competitive rates. Given this, the firms have been able to form relationships with some Ghanaian traders to make their investments viable against multiple imports of Chinese goods. If the Chinese firms are removed from operating in Makola market then, based on the evidence of interviews conducted in July 2012, the Chinese firms that decide to stay in Ghana are faced with two options; relocation to another part of Accra or changing their business focus. It is the view of the Chinese traders that, in both scenarios, the cost to the local traders that have formed relationships with the Chinese trading firms, and ultimately the consumer, of purchasing Chinese goods will increase, as either the cost of transport increases as the goods move further away from the main market or scarce availability of the goods drives up the prices.

A counter argument can be made that Chinese goods can be, and are, imported and sold by Ghanaian traders anyway. The Chinese traders argue that this option is not available to all Ghanaian traders, for example petty traders and hawkers. As has already been highlighted in this thesis, this informal sector is an important employer in urban Ghana and GIPC investment laws around trading are formulated to protect the livelihood of this group. However, the Chinese traders and some media reports (see ModernGhana Report, November 2012) note that smaller local traders, such as 'hawkers' or smaller retail shops, rely on the Chinese in Ghana to supply goods to them at a competitive rate. Indeed, Lampert and Mohan (2014) argue that while one cannot deny the degree of conflict generated by Chinese trading investment in Ghana, one must also be aware of the relationships formed between Chinese and Ghanaian businesses in the importation of Chinese goods to Ghana. Relationships that are mutually beneficial to both foreign and indigenous parties, for example consider the case

of interviewee 15 below. As such, policy decisions on the importation of Chinese goods into Ghana need to take account how rule changes will impact on these relationships.

'When we leave now the local traders will also suffer. Most of the Ghanaian traders don't pay anything before selling in the market, some don't even have shops and they sell just on the street in front of our stores' (interview with Chinese trader, number 15, July, 2012).

This view was also shared by Interviewee Number 16.

'Most of the Chinese have closed due to government new policy. They are to relocate away from the main market or business centre. Most Ghanaians retailers will have to suffer since most of them cannot afford the bill for imports' (interview with Chinese trading firm, number 16, July, 2012).

The idea that that the Chinese traders are embedded in the local business environment and have formed relationships with some Ghanaian traders that will continue, even if the Chinese firms are relocated to a different part of the city, is expressed by interviewee 13. It is their view that the Ghanaian trader will still need to source their stock from Chinese traders, regardless of their place of location.

'If all the foreigners have to move out then it does not make a difference because the Ghanaian trader has to come to them for stock' (interview with Chinese trader, number 13, July, 2012).

These sometime conflicting views of the impact of Chinese removal from Makola market raise the issue of the role of the Chinese trader in relation to supplying the Ghanaian trader and the impact of their removal. In addition, it also raises the issue of increased cost to the customer who ultimately bears the brunt of this increase. The counter argument for this, as outlined through the views of the Ghanaian traders, is that such an opinion is unfounded. In Chapter 5, the research findings showed that 70% of the respondents did not source Chinese goods through these local Chinese traders in Accra. This shows that a significant other group of traders are supplying the markets of Accra with Chinese goods and that the impact of removal of the Chinese trader would be minimal. Their share of the Accra market can be filled by other firms, for example African traders who are based in China. Indeed, Lampert and Mohan's (2012; 100) findings support this view, by noting that Africans based in China are primarily responsible for the mass influx of Chinese goods into the markets of Accra.

A more compelling case can be made by the Chinese traders that it is unfair to ask existing businesses to relocate to another area of Accra when they have abided by all investment rules, although many of the Chinese firms may have not complied with the all of these rules, for example investing $300,000. Such moves might even have wider negative consequences for Ghana's ability to attract FDI in all sectors of its economy. Other investors may view the mistreatment of fellow Chinese investors unkindly and view their own investments in Ghana

with less security. Government authorities should be wary about the potential to create a negative image of Ghana amongst Chinese investors that discourages further investments.

As of writing, Chinese trading firms are still in operation in Makola market. However, this does not mean that GUTA have been unsuccessful in their campaign. As has already been outlined in this thesis, new investment laws were passed by the Ghanaian government in 2013 that increased the minimum investment needed for foreign trading investors to $1,000,000. On the Ghanaian government website (ghana.gov.gh; 2014) it notes 'The review ensures that Ghanaian entrepreneurs are not subjected to competition from unscrupulous foreign businesses that would make it unprofitable for them to operate. The bill, however, encourages foreign investors to engage in large scale value added trading activities that would not interfere with activities of Ghanaian petty traders, but create employment for greater number of local people'. While this is an admirable stance, it does conflict with this research that notes how many petty traders relied on Chinese traders to supply them with produce. Also evidence from this research suggests that Ghanaian authorities failed to uphold laws around minimum investments previously, so an improvement in this regard would be needed for the legislation changes to have the desired impact, although the GIPC have vowed to improve their performance (Myjoyonline; March 2014). If the GIPC is sincere in this claim, then one would suspect that future Chinese trading investment is unlikely, although the impact on the number of Chinese trading investors into Ghana from these new rules will only become clear over time.

Either way, while further restrictions on Chinese trading investments may discourage future investment, this will not stop Chinese manufactured goods being sold in the markets of

Accra, as the goods can and do arrive into the Ghana through other channels. While one can argue that the rule changes protect local traders, a significant form of employment for a large sector of Accra natives, it is unclear how these rules changes will help promote Ghanaian industry under free market conditions. Also by restricting trading investment, are the Ghanaian authorities discouraging investment that once established could be filtered into other sectors of the economy? This issue will be further addressed in the final section of this chapter, 6.8.

6.7 Future Investment: Prospect of investment diversification away from trading

The previous two sections have demonstrated how external circumstances can impact on the performance and operations of the Chinese trading firms. These factors are not just local either, beyond conflicts with local traders and how this can negatively affect Ghanaian government policy from the perspective of this form of investment, further afield, issues relating to Ghana and its positioning in world trading dynamics can have implications on the economic performance of the Chinese traders in Accra as well. By highlight how these external influences can greatly alter the performance and business arrangements of these firms, the vulnerability of these investments from a longer term perspective can be established. With this in mind, an important element of this study is concerned with how the Chinese trading firms seek to safeguard their investments from these external risks going forward. As confirmed in interviews with these firms (July 2012) the future options available are varied and diverse.

Of particular interest was the prospect of trading firms diversifying their investment into other sectors of the Ghanaian economy and this issue was raised in the interviews of 2012. As has been shown, the price of importing goods from China into Accra is increasing, mainly due to unfavourable exchange rate movements. This has greatly impacted on the ability of Chinese trading firms to make a profit in Accra. As noted previously, some firms have protected their incomes by diversifying into different product types but what if this did not provide a sufficient source of income, how likely is it that these firms would venture into other sectors of the Ghanaian economy? Of the 16 trading firms interviewed in 2012, five firms noted a willingness to diversify into other sectors of the Ghanaian economy. For example, one trader spoke about how they are actively looking at the possibility of investing in the agricultural sector of the Ghanaian economy as they feel it's a sector with the potential for growth.

'My firm will change perhaps into Agriculture for exports to other countries. I think this a growing sector for the Ghanaian economy. It is something that we will not do this year but will do in future' (interview with Chinese trader, number 2, July, 2012)

In this case, it is interesting to note that The Head of Research at the GIPC (interview, Accra, June 2012) outlined that this is an area of the economy that the organisation is trying hard to promote. Although, it would be speculation to suggest that the observations are in some way connected without further investigation. Another investor noted that they were looking into the possibility of manufacturing the fishing nets they sell in Accra rather than importing them from China. They argued that as the cost of manufacturing is rising in China, more firms will

look to source their goods nearer the point of sale. Such a viewpoint may have some merit, with Zhang and Huang (2011, 138) noting the rising cost of manufacturing goods in coastal China. The interviewee (see below) spoke about the notion that manufacturing within China will migrate to Western China away from Coastal China to maintain its cost competitiveness in manufacturing. He argued that increased transport costs would negate any possible benefits from such a move, potentially opening the possibility for countries like Ghana to benefit.

'The cost is high for workers in China and it's still increasing. There is talk about manufacturing in West China where the labour is cheaper but I'm not sure as transport costs will increase with this. For me, it is best to manufacture where you sell and we are looking at this idea' (interview with Chinese trader, number 4, July, 2012)

One trader (interview with Chinese trader, number 6, July, 2012), also noted that the rise of Chinese involvement in the gold mining sector of Ghana, as detailed in Chapter 5 and discussed in Chapter 8, is populated by investors that first had an interest in the trading sector and he holds the opinion that more traders will follow into this area of investment rather than manufacturing. Without evidence to back up this claim, a certain degree of caution must be noted, but the example illustrates the willingness of Chinese investors to diversify into other, and potentially more profitable, sectors of the Ghanaian economy.

'If I can't make a profit I will go back to China but I think lots of Chinese will stay and look at other industries. I know that lots of Chinese have invested in the mining sector over the last

few years and I hear there is a good profit to be made' (interview with Chinese trader, number 6, July, 2012).

This idea of Chinese trading firms moving from an initial investment in trading and diversifying into other sectors of the Ghanaian economy is not without president. This is demonstrated by a Chinese company that took part in the survey process of 2011 and with which a subsequent interview with the Managing Director was conducted in 2012. While this interview was conducted with a Chinese manufacturing investors rather than trading, it does serve to demonstrate this point most clearly. The company is well established in Accra with its headquarters based in Mallam Junction and is one of the larger Chinese firms in Ghana, employing around 500 people. The company has an involvement in multiple sectors of the Ghanaian economy, as it imports cars, auto parts, and fishing goods from China for retail (note the firm is not constrained to wholesaling activities, as it is not located in a major market within Accra). Fishing ropes are also manufactured by the firm in its base in Accra for sale in the Ghanaian market. The firm also has involvements in the real estate business. However, this was not always the case. The Managing director confirmed that when the firm was first set up in Accra over 15 years ago they dealt solely in the retailing of air conditioning units. In her view diversification is the key to the company's success, as a lack of reliance on one industry shields the overall firm when particular sectors of the economy are not performing well. She noted that in her view, it would be difficult for Chinese firms to have a lasting presence in the Ghanaian market unless they had an interest in many different sectors of the economy. This view of diversification was echoed by 5 of the Chinese trading interview respondents. The following quote from interview No. 3 is an example of this.

'I don't think the number of Chinese here will decrease but I think the Chinese will start to do more than trading. It is important that we do more than trade as you need to have many different interests to make money in this country' (interview with Chinese trader, number 3, July, 2012).

However, when the issue of diversifying into manufacturing operations was raised, the Chinese traders noted a number of different problems that would make the process difficult. One trader noted (interview with Chinese trader, number 2, July, 2012) that the skills levels of the Ghanaian workforce are very low and, in his opinion, this would make manufacturing operations extremely difficult. Further to this, none of the firms surveyed in 2011 offered any formal training to their employees (27 offered on the job training and 10 offered no training of staff at all), so one has to question if there is the willingness amongst many of the firms to provide the training necessary to bring skills level up to the required standard to engage in manufacturing. Access to water and electricity was also reported to be a big problem facing manufactures in Accra and the supply was not considered to be reliable. Land values are also considered to be expensive, due to a scarcity of suitable plots and many sites are not connected to the power and water supplies, with the onus on the firm to pay for the connections to be put in place. Consider the view below;

'It is actually not easy to establish a factory in Ghana here due to difficulty in access to land, erratic power supply (electricity) and the procedures involved. In China one month is enough for you establish a new company but in Ghana it will take you more than 6 months. This is just the tradition here; it's their culture' (interview with Chinese trader, number 15, July, 2012).

Further to these complaints, access to capital was also considered to be difficult to obtain in Ghana (see below). Hence, investors would need to have a significant availability of capital prior to making any investment in manufacturing, as local providers might not be willing support incremental growth of a manufacturing operation.

'Also it is difficult to start a company here in Ghana and you need a lot of capital to begin with. It is hard to get a loan from the banks here so you need to have this money yourself' (interview with Chinese trader, number 1, July, 2012).

A similar view was voiced by Mr. Shan (Director of GCFA).

'For the newcomers, I would say yes because most of the areas are gone, so they have to look outside Accra or Tema for land and the services may not be there. This makes business more costly and they have to extend the electricity line, etc. All of this increases costs. We are in Tema and within the main area of Tema it is now difficult to get land and it is very expensive. The Customs here are okay. Once you have your documents and everything it is no problem. Now it is difficult to get good workers in Ghana. They all want to go the mining as they earn more than in manufacturing. If you find a good worker they will leave you in no time as they can earn more in another company' (Interview with Mr Shan, Accra, June 2012).

So while many of the Chinese wholesaling firms in Accra have reported fears in relation to the negative impacts of external factors on their business performance, they have shown some willingness to diversify into other sectors, while also identifying their fears around diversification. These include lack of skilled labour, poor infrastructure, access to capital, scarcity of affordable lands on which to locate and the time required to change focus. From a development perspective, the longer-term engagement of Chinese traders who have knowledge of Ghana and a commitment to remain could have positive implications both from an additive and transformative perspective. However, this remains only a distant possibility. Overall, this research identified reluctance on the part of the Chinese traders to diversify.

The possibility that these firms might withdraw their investment from Ghana if their viability was under threat was also further explored with the traders. Just 5 firms stated a desire to stay in Ghana and diversify into other sector, while 11 firms noted that they would leave Ghana altogether if they can't make a profit from trading activities. Indeed, 4 firms noted that they knew of Chinese firms that left Ghana in 2012 due to an inability to make a profit from trading activities. This was evidenced in the research process where one of the traders who conducted the survey in 2011 was unable to be interviewed in 2012, as they had returned to China, as confirmed in discussions with a neighbouring trader. One trader also outlined his intention to set up a business in another African country, if the operation in Accra becomes economically unviable. Although, it must be noted that all of the firms interviewed were committed to their trade operations in Accra provided they were able to generate even a modest profit from trading.

'Most of the Chinese are disturbed since the business has gone down. I know of some companies that have left due to low profit levels. If we can't make a profit then only the businesses that have interests outside of trading will stay in Ghana' (interview with Chinese trader, number 10, July, 2012).

Again the issue of the exchange rate as an external shock was raised in relation to the decision as to whether to remain in or leave Ghana.

'The exchange rate is a worry for all the market and while I think the Chinese will continue to operate as traders, it will all depend on the ability to make a profit. At the moment, I think they are making profit but I'm not sure for how long this will continue. If I can't make a profit I will go back to China' (interview with Chinese trader, number 6, July, 2012).

Analysis of the data obtained for this research has shown that external factors greatly influence the need and willingness of these firms to diversify into other sectors of the Ghanaian economy. Many of the traders, contacted in relation to this research thesis, noted that they preferred to diversify the goods they sold in their stores, if possible, or a preference to leave Ghana altogether when they could not make a profit out of their current trading arrangements. The data highlights an unwillingness on the part of Chinese investors to invest in manufacturing activities in Ghana for a variety of reasons including; a lack of expertise on the behalf of the investors themselves, barriers to entry such as poor infrastructure or high cost of acquiring industrial land, and the perceived idea that Ghanaian manufactured goods are uncompetitive compared to imports. Of the 5 that referred to the option of moving into

other industries, none of their plans were at an advanced stage and it was merely cited as a possible option for the future. An alternative to manufacturing is investments in gold mining industry as there is a belief that many Chinese firms are making a good profit in this industry, as confirmed in interview with the Director of the GCFA (Accra, June 2012). This highlights that the driving force behind Chinese involvement in the sector may be the expectation of short term high profit, as opposed to any long term commitment to industry in Ghana.

What these observations highlight is the unwillingness of the Chinese firms, although not exclusively, to diversify away from trading activites in order to better safeguard their investments. Of interest now is how Ghanaian authorities can formulate policy that either encourage greater diversification or promotes transformative elements of foreign trading activities that enhances Ghanaian society and economic development. These issues will be addressed in the next, and final, section of this chapter.

6.8 Extractive, additive or transformative? – Categorising different aspects of Chinese trading investment from an economic development impact perspective

The analysis of the data above shows that the trading firms are solely focused on trading activities, selling imported goods, mainly from China. How do these findings relate it to the overall research question examined in this thesis, the economic developmental impacts of private Chinese investment in Ghana? What aspects of the research findings can be categorised as extractive, additive or transformative?

In terms of extractive economic developmental impacts, some clear observations can be drawn from the data. Firstly, the Chinese trading firms are contributing, albeit partially, to the trading deficit Ghana is currently running with China by assisting in the importation of Chinese goods into the Ghanaian market. In many instances, the firms are importing goods that compete against local manufactured goods, for example in the textiles industry. Further to this, the final destination of the goods imported from China is predominately the Ghanaian market, so any monies repatriated back to China from these ventures is mostly coming out of the Ghanaian market. Further to the evidence of this specific research, the goods imported by firms are consumer goods and in the main these trading firms are not involved in the importation of commodities or machinery that are important inputs in construction or manufacturing activities, thus negating the possibility that these firms were supplying imports that are of contributory value to other more transformative activities. According to the survey data, the firms also do not offer skills or technology transfers to local workers or industry, as 27% of the firms offered no staff training and the rest only offered basic on the job up skilling. Also while the firms' workforce is 86% Ghanaian, more technical managerial roles are usually held by Chinese citizens, with only 13% of managers being Ghanaian. The data also raised questions over the longevity of their investments in Ghana, as only 2 firms had made initial investments prior to 2000 and 18 firms since 2007. It remains to be seen if these firms will continue to invest in Ghana going forward, especially if they are forced to operate in more challenging conditions (due to external shocks). Further to this, the firms mostly only stock Chinese goods, with only 2 of the firms stocking goods manufactured in Ghana. The firms (only 5 interviewed) also showed an unwillingness to diversify into other industries in Ghana going forward; raising concerns about the degree to which the firms will invests profits back into the Ghanaian economy. This is borne out by the reaction of most of the

firms to negative external shock (for example exchange rate movement), with most of the firms indicating a preference to leave Ghana rather than diversify into other industries. Finally, most of the sales of the Chinese firms are to Ghanaian customers, despite some informal sales to other West African based customers, indicating that the Chinese trading firms are not indirectly contributing to the Ghanaian economy, by encouraging trade from the wider West African market.

This phase of the research also challenged the views of Chinese investment in Ghana as portrayed from the Ghanaian position which was the focus of Chapter 5. The Ghanaian traders complained that the Chinese traders were unfairly acting in competition with them for customers through illegal retailing and cost price selling. However, there was no evidence found in this research to support these claims. According to the Chinese traders themselves, a combination of greater enforcement of investment laws by government sources and a genuine fear that GUTA might be successful in their campaign to remove the Chinese traders from the main markets of Accra, were the main reasons given for not partaking in such activities. If these accounts of the situation are true, then this would cast doubt on the main extractive elements of this type of Chinese investment, the notion that the Chinese involvement is putting Ghanaian traders out of business.

From a positive developmental perspective, arguments can be made that the Chinese traders' presence in the markets of Accra benefit the Ghanaian customers by facilitating their access to lower priced Chinese goods and that the removal of the Chinese traders would negatively impact on local customers. However, a counter argument has been made throughout this thesis that the Accra based Chinese trading firms are not solely responsible for the increased

availability of Chinese manufactured goods in Ghanaian markets. For example, the case of African traders based in China, the Ghanaian traders that source their goods directly from China themselves and the Ghanaian firms that source Chinese goods from secondary markets, such as Dubai, are all cited throughout this thesis. Therefore, the degree to which suggestions that the Chinese firms are positively impacting on the price local customers pay for Chinese goods can be classified as an additive development impact may be beyond the scope of this research. The ability of one to give a more definitive statement in regard to this issue is dependent on the capacity of other sources to provide consumers with these Chinese goods at the same rate in the event that the Chinese traders were ever to leave Accra's markets. The more easily replaceable the Chinese traders are, the harder it is for one to argue that these investments are responsible for additive developmental change through greater consumer choice.

Further to this, even if the Chinese trading firms were found to be facilitating consumer choice and keeping the price of Chinese goods lower through greater market competition, there is no evidence in this research to suggest that the Chinese trading investors are encouraging Ghanaian industrialisation and diversifying Ghanaian economic dependency away from natural resource. As has been highlighted in the chapter, the firms are engaging in 'globalisation from below' and thus are at least partially responsible for promoting Chinese products at the expense of Ghanaian manufactured goods, for example consider the Ghanaian textile industry. Mainly for these reasons, one can say with a high level of certainty that the Chinese trading firms are not brining transformative economic developmental change to Ghana. Further to this, the traders only engage in basic staff training and the technology transfers to indigenous firms are not present. Also, the firms only engage in the importation of Chinese goods and showed no appetite to promote Ghanaian produce in China.

For these reasons, one would assume that the new GIPC rules that make it harder for Chinese investors to move into trading activities, by increasing the minimum investments needed to $1,000,000, are to be welcomed. However, one positive one can derive from the data observed in this thesis is the willingness of the Chinese firms to invest their own capital in the Ghanaian economy. From a Ghanaian perspective, this willingness to invest should be viewed as an opportunity rather than a threat and the onus is on Ghanaian authorities to manage trading investment in a way that benefits the Ghanaian economy. This can be done in two ways; encourage the Chinese trading firms to diversify into manufacturing or encourage them to broaden their sales into the wider West African market.

The data reviewed in this thesis, shows that the Chinese traders are heavily reliant on the Ghanaian market place to generate sales. However, just over half of the firms surveyed in 2011 reported some sales to customers in other West African countries, albeit informal in nature. In spite of the fact that the firms are reliant on the West African customer to travel to Accra to conduct the sale, these examples show how the firms can embed themselves in this markets and that there is a willingness amongst some West African traders to purchase goods in Accra. In light of this, plans for ECOWAS to introduce custom harmonization on imports in 2015 (dw.de, October 2013) may offer an opportunity for Ghana. This research has shown that the Chinese traders are encouraged by the political stability and personal safety offered by Ghana and this could be an advantage Ghana has over neighbouring nations. Such a move could allow for GIPC officials to sell Accra as a potential trading hub for Chinese goods across the West African region, as there would be no tariff advantages for importers to locate in one location over another and in theory, once taxed, goods could them move across West

Africa tariff free (globalsecurity.org). While such moves could be viewed as discouraging Ghanaian industrialisation and supporting Chinese goods over indigenous products, policy makers need to recognise that, under largely free market conditions, Chinese goods will continue to be imported in large numbers into Ghana and West Africa. Ghana needs to position itself to best benefit from this process. By promoting access to the wider West African market, Ghana can realistically attract large Chinese trading firms to Accra. Once these are established, the focus for Ghanaian authorities could then switch to encouraging these investors to diversify into other sectors of the economy. Incentives could be offered to facilitate such a process and these will be addressed in the next chapter of this thesis.

The data also shows that the Chinese trading firms are over reliant on the Ghanaian market, leaving their investment vulnerable to downturns in the Ghanaian market or external shocks. As things stand, these can't be offset from sales in other West African states and this has raised questions over the long-term sustainability of their investments. By encouraging and facilitating the process of West African sales through the creation of a trading hub, offers greater security for the Chinese investors and may better facilitate future investment in the wider Ghanaian economy. A final side issue to consider is that under custom harmonization trading hubs can be created in any ECOWAS state or city. While Accra may possess some advantages with regard to political stability or personal safety, these might become irrelevant unless Accra can remain cost competitive against other locations. Thus, issues around the cost of doing business would need to be addressed, for example the deflation of the Cedi, although plans to move to a monetary union throughout the ECOWAS region (dw.de, October 2013) would remove this particular problem.

Analysis of the current market conditions facing the Chinese trading firms highlight the extent to which external influences can have a negative impact on the business performance of these firms. Negative external factors observed in this research include, a devaluing cedi rate, a campaign by the indigenous traders to restrict the number of Chinese traders entering Makola market and increased competition among Chinese traders selling the same goods. These external factors greatly influence the need of the Chinese firms to diversify their business operations in order to remain viable. One example shows that the path from trading to manufacturing has been made by a Chinese firm in the past and it is encouraging that 5 firms are looking into the possibility of starting manufacturing operations in Accra in the near future. However, in the main the preference of the traders was to diversify the goods sold or to leave Ghana in the event of not being able to make a profit. This may be explained by the fact many investors into trading activities in Africa are from a low skilled background (Shin, 2011) and lack the expertise to move into move technically difficult sectors of the Ghanaian economy. The point highlights that while, in some cases, a Chinese investor in trading may bring more benefit to the nation than just easier access to cheap Chinese goods, cases, such as these, should be viewed as the exception rather than the norm. However, this observation does not excuse the Ghanaian government from the process of trying to encourage these Chinese traders to broaden their investments and/or explore new markets in West Africa. Policy recommendations in regard to these issues have been suggested in this chapter and are further expanded on the proceeding chapters.

This chapter gave a voice to the Chinese traders and is an attempt to present the reality of their investment on the ground for them. The report is presented in a fair and unbiased manner and features the voices of the participants as they were heard. As an outsider coming into the trading community, the willingness of these traders to be surveyed and subsequently

interviewed cannot be underestimated. However, the views are solely from their perspective. They present a view of a community that is engaged in making a living in Accra, under the constraints of government surveillance and beset by a range of external threats. The focus of the next chapter moves to a further element of Chinese investment, this time of the manufacturing companies that operate out of Accra. The development impacts of this type of investment will be further explored.

Chapter 7 Extractive, Additive or Transformative? - The Economic Development Impact of Private Chinese Manufacturers in Accra

7.1 Introduction

The previous chapter presented an analysis from the findings of research conducted with over 40 Chinese wholesale traders located in Accra. The initial focus of the section was to ascertain if the claims made by the Ghanaian traders in relation to unfair competition were valid. The research highlighted the constraints on these Chinese traders from GIPC regulation and the on-going work of GUTA to ensure that they did not operate as retail traders. In addition to this, the research also identified a number of key factors in relation to these Chinese wholesale traders such as the difficulties faced by them as a result of the increasing cost of sourcing goods from China, internal competition, over-reliance on trading and their reluctance to diversify into new industries. From a development perspective, the short term goal orientation of this cohort raises doubts around their long term impact on Ghanaian development, thus indicating that the prospect of long term transformative economic development in Ghana arsing from this form of investment is unlikely.

The research now moves to the analysis of the second group of Chinese investors, namely Chinese manufacturers in Accra. The findings from Chapter 5 would suggest that manufacturing has the potential to bring about transformative change in Ghana through

technology transfer, skills training, greater production efficiencies, opening up of new markets and increased employment. However, the findings from Chapter 6 would indicate that the Chinese traders faced barriers to entry into manufacturing such as poor infrastructure, difficulties in sourcing suitable premises, problems in accessing capital and lack of skilled labour. Research with the group of private Chinese manufacturers provided an opportunity to further examine these findings. In common with the previous chapter, these manufacturers are private firms, all Chinese and based in the greater Accra area.

As noted in chapter 4 of this thesis, surveys were conducted with Chinese manufacturers in 2011 and more in depth interviews were conducted with various firms in 2012. These dates correspond with the two field trips that were conducted during the research process. The interviewees were selected after the survey process had been completed. The firms that had engaged more fully with the survey process and provided greater depth of responses were selected for further interview. It should be noted that a number of Tema based companies that were identified subsequent to the survey period of the research during Phase 2 of the fieldwork were also selected for interview. As outlined in Chapter 4, a decision was taken to include these interviewees at this point as it allowed for a deeper exploration of the emergent themes from the survey aspect of the research process. As was the case with the in the previous chapter, the data from the interviews and surveys is presented thematically. Again the survey data from 2011 was analysed prior to the interviews in 2012 and the key themes that emerged formed the basis of the interview questions in 2012, thereby ensuring an opportunity to elaborate on these themes in greater depth. Interviews were conducted with manufacturing firms based on their availability and their willingness to be interviewed. Both surveys and interviews were mainly conducted with Chinese firms based in the Tema industrial area, due to the high concentration of manufacturing firms in this location.

The focus of this chapter is on building an understanding of the developmental impacts of Chinese investment in manufacturing activities in Accra. The key points are presented as follows; the reasons why Chinese investors are attracted to Accra, the importance of Tema industrial zone to both indigenous and Chinese firms, an analysis of the operational details of the manufacturing firms, their markets, the current performance of these Chinese manufacturers and their plans for future investment. The chapter also explores the linkage between the findings of this chapter and the GCC and GPN literature discussed in chapter 2, and highlights that, similar to the trading firms, the manufacturing firms are engaging in 'globalisation from below' as the firms operate in isolation from lead firms based in China. Further to this it will be established whether these Chinese investors are encouraging Ghanaian industrialisation and diversifying economic dependency away from natural resources? Or the reverse is true and with the inventors reinforcing resource dependency? The findings will also be linked back to the new framework introduced in chapter 5 that assesses the economic development impacts arising from FDI, with extractive, additive and transformative aspects of investment being indentified. Finally, once this is established, policy recommendations are made to encourage greater 'transformative' elements of Chinese manufacturing investment.

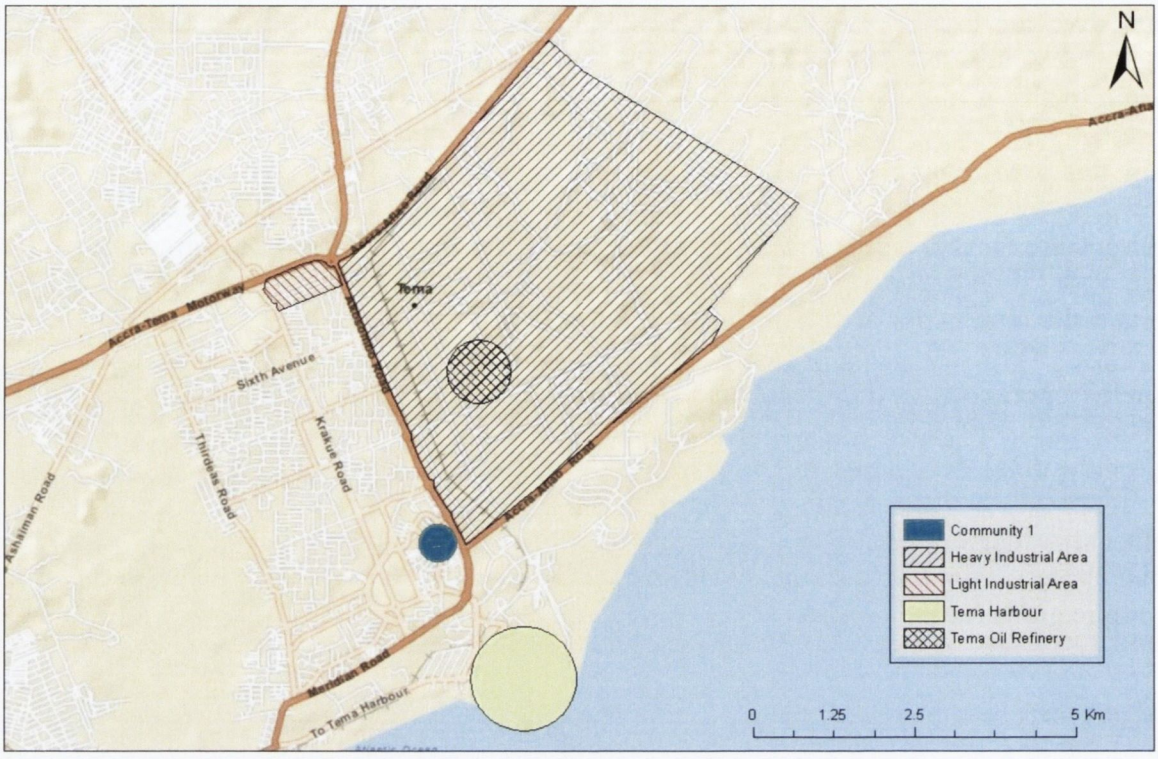
7.2 Tema Industrial Zone

An important observation in this research is the cluster of Chinese firms located in the Tema. As noted, the Tema industrial area lies on the outskirts of the Greater Accra region.

According to GIPC data, the Greater Accra region has seen a steady inward flow of Chinese capital over the last 15 years. Based on the findings of the fieldwork conducted for this research, many of the Chinese firms engaged in manufacturing activities located their firm within this area. Fourteen out of the 32 manufacturing firms contacted in relation to this research were located here, including 9 surveyed and 13 interviewed. The research sought to ascertain the reasons for setting up in Tema, and whether the decision of a firm to base their Ghanaian operations in the Tema industrial area has a bearing on the source of the inputs used or the final destination of the goods manufactured by these firms. The question as to whether this location implies a reliance on overseas inputs and/or foreign markets for sales has implications for the prospects of economic development for Ghana.

Firstly consideration is given to the geographic location of the Tema industrial area in relation to the overall region of Greater Accra. In Map 3.1, it can be seen that the area is located to East of Accra about 28km from the city centre (Ghanaport website). Home to the largest industrial port in the country, the area is connected to both the foreign CBDs (Osu and airport residential area) and the indigenous CBD (area around Makola market), as defined by Grant and Nijman (2002), by a high-speed toll road. Map 7.1 outlines the internal geography of the Tema area. From the map one can see that the port is located away from the main manufacturing areas. There is a central market area in Community One that has built up around the bus stations in this area, as observed during the fieldwork phase of this research. Manufacturing operations in Tema are located in two places; the light industrial area and the heavy industrial area. Chinese manufacturing firms can be found in both locations. All other areas in Tema are mainly residential.

Map 7.1: Tema Industrial Zones



Tema is an attractive place for Chinese manufacturing firms to set up a business as it is an important area of the city in relation to industrial activities in general and there are many other manufacturing firms located here (Grant, 2009). For example, the area is the main manufacturing base for many of the larger indigenous and foreign firms in Ghana, such as Unilever, Cadburys, Tema Oil Refinery and Cocoa Processing Company, and this in turn adds to the reputation of the area as a main manufacturing hub (Grant, 2009; 29). Firms reliant on imports in the manufacturing of products and firms that export a large percentage of their products could also be drawn to Tema due to its location. Tema also has better transport links than most areas of Accra or Ghana (as observed during the fieldwork period). The area is linked to the indigenous and foreign CBDs of Accra by a high-speed motorway and the transport links from this area to the rest of Ghana have greatly improved with the

recent opening in February 2012 of the George Bush highway, named in honour of the former US president's visit in 2008 (Graphic Report, February 2013).

Overall, the Tema area is the location of choice for many of the firms operating under the Ghana Free Exporting Zone, where 70% or more of the goods manufactured in Ghana must be sold into foreign markets in return for tax breaks from the Ghanaian government. Of the 14 Tema based firms contacted in relation to this research, none of them were members of this Exporting Free Zone Board. This suggests that the firms are not located in Tema for exporting reasons and the firms' location near the main industrial and commercial port in the city might imply that the Chinese firms import many of their manufacturing inputs. It might also be argued that if the Chinese firms are not availing of the Free Exporting Zone, then the local Ghanaian market may be the main focus of their sales. The development implications of this will be further explored in this chapter.

7.3 Chinese Manufacturers – Their reasons for investing in Accra

Between September 1994 and March 2012, 188 Chinese manufacturing firms invested 255 million US dollars in setting up their operations in Ghana, according to GIPC data (July 2012). This number of investments is greater than that of any other nation during the same period. The majority, 188 firms, are based in Greater Accra. As noted previously, the precise rationale behind the popularity of locating in Accra is unknown but it can be assumed that it is to avail of better infrastructure and to have easier access to the largest customer base in the country (Accra is the most populous city in Ghana). With reference to the capital investments

of these firms, it is highly probable that at least in some instances more money has been invested since these firms were initially set up, although there is no official data available on this. Interestingly, the scale of the initial capital outlay were relatively low by Ghanaian investment standards, as between 2004 and 2011 foreign investment into manufacturing in Ghana was nearly US$3.2 billion (GIPC data, July 2012), with US$2.15 billion received in 2006 alone. The low initial investments by the firms may offer an indication that the Chinese firms investing in manufacturing in Ghana are SMEs rather than larger multinationals. Indeed, as table 7.1 indicates 18 of the firms employed less than 50 workers.

Table 7.1: Number of workers employed by the Chinese manufacturing firms (Survey data 2011)

Number of Employees	No. Firms
10 or less	4
11 – 50	14
51 – 100	5
More than 100	3

Given the initial investments made by the firms, as noted by GIPC data above, and on the assumption that these investors are indeed small scale private investors, which was also the observation during the research period in Accra, rather than large multinationals, then the attraction for these firms to set up in Ghana was explored in the first instance. As in the case of the Chinese trading investors, it is important to understand if the investors were purely motivated by economic factors? Or did other influences motivate the investors, such as

political or social factors. Thus, offering evidence of a willingness amongst these investors to become embedded in the wider host nation economy. Conducted between June and September 2011, the survey of Chinese manufacturers compiled for this thesis sought to identify why the firms decided to set up operations in Ghana and the economic advantages if any of locating there. In particular, the surveys with the Chinese manufacturers contained the following questions;

- *Why did the firms decide to set up operations in Ghana?*
- *What are the economic advantages of locating a firm in Ghana?*

In response to why the firms initially decided to set up manufacturing operations in Accra, in common with the Chinese traders, the results indicated a number of sociological reasons. The main social factor related to entry into Ghana through friends or family. This was cited by 5 of the investors. None of the firms stated that they were introduced to Ghana via an investment agent. The most popular reason cited by the firms for locating their firm in Ghana was the stable political environment, coupled with high levels of personal safety. These reasons mirror those of the traders. From an economic perspective, 13 firms noted that the perception that Ghana is a growing economy and this was a factor in their decision to locate in Accra.

Table 7.2: Why did the Chinese manufacturing firms decide to set up operations in Ghana? (Survey data 2011)

Motivation	No. Firms
Favourable political climate (stable and safe country)	15
Good economic growth	13
Family links in Ghana (following family members out)	5
Felt there was a good market for the good the firm planned to manufacture	5
Availability of natural resources makes the economy more secure in the long term	2

When asked directly what the economic advantages were for setting up their firm in the Accra markets, clear themes were observed from the data. The Chinese manufacturers noted the low cost of business operations in Ghana mainly derived from low labour costs, as cited by 9 Chinese manufacturers. Also noted, was the fact that the economic conditions of the nation were improving. These manufacturers were encouraged by Ghana's economic growth rates and felt it would have a positive impact on their business. Thirteen firms made reference to this point.

Table 7.3: What are the economic advantages of locating a firm in Ghana? (Survey data 2011) - Manufacutring firms

Economic Advantage	No. Traders
Political climate and general economic growth of the nation	21
Cost of manufacturing is cheap and labour is not expensive	9
Less competition than in China/feel they hold an advantage over the local producers	8
Good customs/easy to bring goods into the country	5

Other positive economic factors noted by the Chinese manufacturing firms include; the reliable port in Accra, the inferior technology of the local competition, the fact that Ghana had natural resources, such as oil, cocoa or gold available for export, which they viewed as a good sign of economic stability, cheap custom duties, superior access to credit compared to local firms who are perceived to be more reliant on local banks to receive credit, improving infrastructure in the country and limited competition in the market. This last set of economic factors set the manufacturing firms apart from the reasons cited by the traders. This may suggest that the manufacturers look at the bigger picture that marks the economic stability or otherwise of Ghana.

In reference to the political stability of Ghana, similar to the Chinese investors in trading operations, this appears to be an important factor for Chinese investors when setting up manufacturing operations. Indeed, it is perceived to be a positive factor for Ghanaian

investment promoters as well, as the political stability of the Ghanaian government makes smaller investors feel more secure in their investment and helps to encourage them to invest in the country (as confirmed in interview with Head of Research at the GIPC, interview, July, 2012).

In addition to establishing why the firms chose to set up operations in Ghana itself, of interest was the rationale behind a Chinese firm's decision to concentrate on manufacturing activities rather than other sectors of the Ghanaian economy. In relation to this issue, there was a hesitance among the Chinese manufacturers to discuss the topic. The reasons behind this hesitancy are unknown and only 5 of the firms that were interviewed in 2012 were willing to discuss the topic. They noted and accepted that the price of importing goods from China is cheaper, and hence more profitable, than manufacturing in most cases, so that a firm must have another rationale for manufacturing in Ghana. One of the firms (interview with Chinese manufacturer, number 9, July, 2012) deals in pharmaceutical drugs, where it is important that the customers, Ghanaian based hospitals, receive their purchases on time. This is something they feel they could not do to a satisfactory level if they were importing their goods due to unreliable delivery times. They also note that to verify the quality of the goods they are selling they feel it is important that the firm plays a role in the manufacturing of the good.

'If we import these products it takes longer time and the quality of the products is affected. That is why for pharmaceutical products it is better we manufacture here' (interview with Chinese manufacturer, number 9, July 2012).

Three of the firms manufactured plastic products, inclusive of cutlery, straws, cups, plates, chairs and buckets. This is due to their popularity with Ghanaian customers and the low price of the product (as confirmed in interview 11, Accra, July 2012). This popularity is not shared by Chinese consumers, where porcelain products are more popular, according to the interviewees. As such, the products these firms sell are difficult to source from China so the firms manufacture the goods in Accra.

'It is easier to produce them here than importing. But it is cheaper producing in China than in Ghana. People don't like to produce plastic cutlery products, so the product is hard to source in China. Also, I don't think the goods could be transported back to China. The Chinese customer does not like this type of good' (Interview with Chinese manufacturer, number 11, July 2012).

Another firm (interview with Chinese manufacturer, number 1, July, 2012) noted that they got involved in manufacturing to diversify their business interests in Ghana, making their investments more secure and less vulnerable to external shocks. The firm noted that the manufacturing element of their business was the least profitable operation; the firm also imports goods for sale and are involved in real estate projects in Accra. The firm felt that its long term future was more secure if it was involved in different elements of the Ghanaian economy and that the difference in price of manufacturing in Ghana and importing from China was not that great and was likely to decrease in the future, as costs of imports from China increase (see below). This respondent is an example of a firm that had diversified to protect their investments, in as much as possible, from the impacts of external shocks, in contrast to the traders in the previous chapter who, while aware of these external shocks,

showed no real willingness to diversify and concentrated more on short term gain, as opposed to the view expressed here of long term involvement in Ghana.

'The manufacturing business is the least profitable side of our operation.....the difference in price is not so significant in terms of manufacturing here and import[s]' (Interview with Chinese manufacturer, number 1, July 2012).

While, two of the firms noted that their owners were based mainly in China, none of the firms contacted in relation to this research were run by offices outside of Accra or directly owned by larger firms based in China or anywhere else. This is an important observation and highlights that similar to the Chinese trading firms, the Accra based Chinese manufacturing firms contacted in this research are also engaging in the 'globalisation from below'. These Chinese manufacturing firms offer an example of manufacturing FDI where the firms are operating as stand-alone entities and not expansions of large Chinese multinationals. Thus, the GPN and GCC literature introduced in Chapter 2 that describes FDI by large multinational corporations does not capture the activities of these investors. While, the presence of these Chinese manufacturing firms in Ghana may be captured by buyer driven commodity chain, the extent to which this is the case is highly dependent on the contracts the firms have with buyers and the influence these buyers have over the running of the Accra based Chinese manufacturing firms. These issues will be dealt with later in this chapter, particularly in section 7.8, and highlights how FDI conducted by smaller firms can have an impact on the economic development of a host nation and that when formulating investment policy, authorities need to be cognisant of how to promote transformative elements of this investment sort.

This section of the research provides a clear understanding of the scale and motivation behind Chinese investment in the trading sector of the Ghanaian economy, from the voices of the Chinese manufacturers themselves. Research focus now turns to the operational details of the Chinese trading firms.

7.4 Operational details of the Chinese Manufacturers

Having established an understanding of the geographic and initial investment concerns of the Chinese manufacturing firms, consideration is now given to the operational details of these firms. A number of issues are addressed; such as where the firms source their inputs from, what problems the firms face in manufacturing goods in Ghana, the degree to which capital is available to firms in Ghana, the makeup of the firms workforce, the degree to which the firms offer training programs for their staff and whether or not some of the firms actively co-operate with indigenous firms or other foreign firms in the production of their goods. Such an analysis of the results will provide a clearer picture of the activities of the Chinese manufacturing firms and may give an indication of their economic development impact in Accra/Ghana and which aspects, if any, can be categorised as exploitative, additive or transformative.

Obtaining a definitive list of inputs and their sources is beyond the scope of this research because of time and financial constraints. As with the trading firms, the task was made even more difficult by the problems of tracking down GIPC registered firms in Accra and the fact

the GIPC list does not contain any possible unregistered Chinese manufacturing firms located in Ghana. However, with regard to this specific research, during the fieldwork period from June to September 2011, a list of inputs and their sources was provided by those Chinese manufacturing firms that participated in the survey (Table 7.4).

Table 7.4: Source of inputs by Chinese manufacturing firms (Survey data 2011)

Rank	Source	No. of Firms
1	China	24
2	Ghana	15
3	South Korea	4
4	Nigeria	3
5	Japan	2
5	Saudi Arabia	2
7	Italy	1
7	Taiwan	1
7	Brazil	1
7	Egypt	1
7	South Africa	1
7	Thailand	1

The data clearly identifies China as the main source of inputs, by frequency. This was also observed in the analysis of the Chinese traders. However, a distinct difference emerges between the manufacturing and trading firms in the use of Ghanaian inputs. Fifteen out of 28 manufacturing firms used some sort of Ghanaian input, mainly raw materials, compared to the trading firms who almost exclusively stocked Chinese goods. Also, it must be noted that for many of the firms the use of Chinese inputs is limited to one off or irregular purchases, such as machinery, while all of the Ghanaian inputs are regularly used components in the manufacturing process. From a development perspective, this finding would suggest that this type of Chinese manufacturing has positive implications for Ghana, as at least 54% of those surveyed make use of Ghanaian materials. This is not discounting the fact that 46% use no Ghanaian inputs at all, but only 4 firms exclusively use Chinese inputs. Further to this, the target market of these firms needs to be established, as firms that focus on the Ghanaian market to generate sales, may be doing so at the expense of domestic Ghanaian firms. As such, this issue is addressed in detail in later section of this chapter.

As noted in the last chapter, when Chinese trading firms were asked what difficulties they would face in moving into manufacturing in Ghana, the majority of the firms cited the same issues; unreliable water and electricity supply and the high price and lack of suitable available land in Accra. The Chinese manufacturing firms interviewed in 2012 noted the same problems. Problems with water and electricity increased costs, as in many cases, the firms had to pay high connection charges when setting up their businesses. For example, consider the views of Chinese manufacturer number 15;

'Other costs like electricity, water and others make the cost high. Also it is very hard to secure land in Ghana on which to operate your business' (interview with Chinese manufacturer, number 15, July, 2012).

The unreliable electricity supply means that production runs can be unexpectedly interrupted or the firm has to incur the additional charge of operating a backup generator. This view is expressed by Chinese manufacturer number 13;

'We have light offs and it affects our productions. Also, the cost of the generator is high. The supply of water is also unreliable. The roads around Tema are also very bad' (interview with Chinese manufacturer, number 13, July, 2012).

A further problem noted by the interviewees was the high cost of capital from Ghanaian banks making investment into the firms more difficult than many of the firms would like, as voiced by Chinese manufacturer number 3. They also noted that while some Chinese firms could access capital from China, this was not a possibility for indigenous firms.

'Credit challenge with interest rates of about 27 to 30%. It is much easier to get credit from China and this is an advantage for foreign firms entering the market compared to local firms' (Interview with Chinese manufacturer, number 3, July 2012).

As noted in the previous chapter, many indigenous Ghanaian firms find it hard to access capital to support their businesses (Agyapong, 2010). The development impacts of this could have serious consequences for local Ghanaian firms. However, this is seen by this respondent as having negative consequences for Chinese manufacturers as well.

'Maybe it makes it harder to establish in a country as credit must always come from outside Ghana' (interview with Chinese manufacturer, number 3, July 2012).

What these views highlight is that there is evidence to strongly indicate that in order to attract investment into Ghana from private manufacturers, who offer potential for longer-term transformational economic development within Ghana if managed correctly, than barriers to production efficiency such as unreliable infrastructure and limited access to indigenous capital need to be addressed. These factors, coupled with the difficulty in securing industrial lands, act as disincentives for firms to locate in Ghana or to diversify into manufacturing.

From a developmental perspective, the makeup of the work force of the Chinese manufacturing firms is also of interest. Of particular importance is the ratio of local employees compared to workers from China. The number of employees of each firm surveyed in 2011 was recorded, as was the nationality of these workers. Of a total of 1,060 workers employed by the firms, the majority of the employees were Ghanaian, for example one firm employed 55 workers with only 5 of these being Chinese nationals, the remainder being Ghanaian. Table 7.5 below, outlines the overall share of Ghanaian and Chinese labour. The survey also collected data on managerial make-up of the workforce in each firm. Here

the numbers tell a different story, as only 50 managers out of a total of 123 were Ghanaian, with one firm employing 30 of these Ghanaian managers and 15 of the 28 firms employing no Ghanaian managers. The numbers support the view held by many of the manufacturing firms interviewed in 2012, that of a mistrust of Ghanaian workers to do more complex and important jobs by the Chinese manufacturing employers due to a perceived lack of skills. This aspect of trust may be one of the reason why greater numbers of Ghanaians do not hold more senior positions in the Chinese firms, for example consider the views of Chinese manufacturer number 12;

'Good Ghanaian labour is hard to find but once trained everything works ok. It is hard to find Ghanaian workers that we trust' (interview with Chinese manufacturer, number 12, July, 2012).

Table 7.5: Employment details of the Chinese manufacturing firms (Survey data 2011)

	Ghanaian	Chinese	Total
Employees	976	84	1060
Managerial Roles	50	73	123

Expanding on this, what differences can be observed by considering the time a firm has been present in Ghana? From table 7.6 below, one can note the average number of employees and number of Ghanaian manager in the firms grouped by the length of their investment. One can

clearly see that the size of the firms and the number of Ghanaian managers they employed increased the longer the firms were present in Ghana.

Table 7.6: Average employment details of the Chines manufacturing firms grouped by year of first investment (Survey data 2011)

Year of Investment	Average Number of Employees	Average Number of Ghanaian Managers
2004 & prior	53.1	2.9
After 2004	24.8	0.8

Education and up-skilling are major components of development, as outlined in the research framework introduced in chapter 1, and this is no exception within the manufacturing industry. The responsibility for this education and training does not lie solely with the manufacturing firms. There is an onus on the government to provide a skilled workforce in order to attract development into Ghana. Buddy Buruku of ACET makes this point strongly in discussing the development of a manufacturing base within Accra, where she notes the need to increase the number of vocational training programmes that provide the trade skills needed to facilitate industrial growth.

'Programmes that are dedicated towards particular manufacturing skills, vocational skills, that are churning out tons of people that are able to do certain types of manufacturing jobs; that would help a lot. I still feel in Ghana and in many other African countries there still seems to be an emphasis on going through the traditional education system. If you don't

make it to university then you stop where you've stopped. Vocational training would be one of the ways because frankly most of the Chinese manufacturers don't have a lot of education but they do have a lot of skills. So that's a very practical thing that can be done' (interview with Buddy Buruku, Accra, June 2012).

The lack of trust already alluded to and the lack of skills is also raised by Interviewee No. 7.

'We have about 40 Ghanaian workers with 2 machines. Sometimes the Ghanaian workers do steal and they mostly cannot operate the machines. We do train them how to operate the machines. We have some Ghanaian electricians but not so skilled' (interview with Chinese manufacturer, number 7, July, 2012).

Indeed, many of the firms (14) interviewed in 2012 noted the low standard of Ghanaian labour compared to Chinese standards and that productivity levels were also lower. They voiced concern that they could not trust the workers with more responsible tasks. However, the Chinese firms have no choice but to employ a majority of Ghanaian workers given Ghanaian investment laws (The GIPC law Act 478, GIPC law 1994). The use of Chinese labour is also not without its problems, as one firm complained about the cost of bringing over workers from China (interview with Chinese manufacturer, number 1, July, 2012). It must also be noted that all the firms agreed that, with training, the Ghanaian workers could do their jobs to the required standard. However, as addressed below, one must question if the level of work the Ghanaians are employed in is of a high enough standard for there to be any meaningful gain to Ghana's economic development, for example company spin-offs. What

emerges from this aspect of the research is the current dissatisfaction with the levels of skills of Ghanaian employees and a lack of trust in them. It is also clear that the Chinese manufacturers, are obliged to employ a majority percentage of Ghanaian workers and do comply with this ruling, but there is no agreement on who should provide the required training. This may be an area in which the Ghanaian government could investigate with a view to providing a more skilled workforce, making it more attractive to foreign investors. This, helping GIPC officials to be better placed to attract a greater number of highly skilled manufacturing jobs to the nation.

In the meantime, many of the Chinese manufacturing firms noted that Ghanaian workers lacked the high level of technical expertise required to carry out more complex tasks related to their production techniques. Ghanaian workers, who in all cases outnumber the Chinese workers, are employed to carry out more mundane production roles with the technical roles, such as engineers, filled by Chinese employees.

'We use machines imported from China with Chinese engineers running them. We have about 10 Chinese engineers. Ghanaian workers are about 100' (interview with Chinese manufacturer, number 14, July, 2012).

In many cases this is not an ideal situation for many of the Chinese manufacturing firms. As noted, some of the respondents noted that Chinese labour is not cheap, especially when compared with Ghanaian labour. However until such time as Chinese investors develop a greater trust in the ability of the average Ghanaian worker, this practice of using Chinese

labour to fulfil more responsible positions, will continue for the majority of Chinese manufacturing firms. Consider the following view;

'In Ghana the cost may be high due to other costs such as resident permits about 500 dollars, taxes, labour costs. It is very expensive to bring foreigners in to work for you and we need to do this as we cannot get the skilled staff we need in Ghana' (interview with Chinese manufacturer, number 1, July, 2012).

On a more positive note, there is some evidence that the longer that the Chinese company remains in Ghana, the greater the level of responsibility given to the local Ghanaian worker. Indeed, some of the firms noted that they have Ghanaians employed in more senior and/or technical roles than previously was the case, the views of interview respondent number 3;

'There are currently 4 Chinese here with us but we invite more on contract for two to three years maximum. Now Ghanaians trained are able to handle most of the jobs. We have experienced Ghanaians here who have stayed for so long and can take care of duties. So we use less Chinese than what we did before' (interview with Chinese manufacturer, number 3, June 2012).

Indications of a positive development impact would appear to be enhanced where there is prolonged engagement between the Ghanaian worker and the Chinese manufacturing firm. In the case of Chinese manufacturer number 3 above, they have been in Ghana for 30 years. In

the case of Chinese manufacturer number 1 below, this firm has been in Ghana for 15 years and taken responsibility for educating one of their Ghanaian workers who is now in a managerial position. However, there is still an expressed lack of trust around Ghanaian workers in general. Further to this, the Chinese manufacturing firms to date have not supported their employees with high level training programmes. Of the firms surveyed in 2011, 23 firms offered only basic on the job training, while the remaining 5 firms claimed they offered no structured training programmes at all.

'Ghanaian labour could disappear with your money or tend to favour his Ghanaian customers. It is hard to find Ghanaian workers that we trust. I have one Ghanaian manager that I trust but this is because I know the family and we paid for him to go to college in the UK' (Interview with Chinese manufacturer, number 1, July 2012).

Brautigam (2006, 13) notes that indigenous workers in more senior roles within a foreign investor's firm might lead to spin off firms created by these indigenous workers. In the cases of the firms interviewed in Ghana that this would seem to be to an unlikely occurrence, as even if Ghanaian workers had the will and expertise to start up their own firms, difficulties in accessing capital (Agyapong, 2010) would be a major barrier to entry into the market place at a competitive rate. Interview respondent number 2 (interview with Chinese manufacturer, Accra July 2012) noted that local business loans interest rate were typically 30%.

Finally, consideration is given to the degree to which the Chinese manufacturing firms engage with local manufacturing firms in producing their goods for sale. None of the firms

contacted in relation to this research, either by survey or interview, operated in Ghana under joint venture conditions. This is somewhat surprising as the GIPC incentivise this type of investment, by allowing a lower initial capital spend them fully foreign owned ventures. From an economic development perspective, this observation limits the possibility of the firms engaging in technology transfers. Indeed, a GIPC official (interview, July 2011) argued that the joint venture agreements were preferable investments as they encouraged greater technology transfers than wholly owned foreign ventures. However despite this, the Chinese firms contacted in relation to this research have embedded themselves in the wider business environment of Ghana. For example, two of the firms' interview in 2012, producing calcium carbonate and pre-form plastic bottles, mainly supplied local Ghanaian manufacturers with inputs for their goods. While other Chinese investors, engaged in the recycling of plastic goods, were reliant on Ghanaian suppliers to provide them with the inputs needed to produce some of their goods.

It has been shown in this section that, in terms of sourcing inputs, the firms are heavily reliant on both Ghanaian and Chinese suppliers. The firms use both Chinese and Ghanaian labour sources, with Chinese employees holding more senior roles. In the main the firms retain strong links with inputs and personnel in China, forming an important operational link in the running of these firms. Unsurprisingly, the firms employ numerous Ghanaian employees, with signs that Ghanaian employees are garnering more influential roles within the firms, although the bulk of senior positions are still held by Chinese nationals. Evidence of the use of Ghanaian inputs by some of the firms could indicate resource seeking FDI by these investors. However, one cannot discount the notion that the firms are engaging in market seeking FDI and the firms' reliance on Ghanaian and/or West African marketplaces deserves further exploration for this reason.

7.5 Market for Chinese goods manufactured in Accra

Consideration is now given to the sales location for the goods manufactured by these Chinese firms operating in Accra. Do they predominately serve the Ghanaian market? Or is their focus on the wider West African market? Perhaps the firm have sales beyond the region? During the fieldwork period of this research, data was obtained in both 2011 and 2012 of the sales' destination of products manufactured by the Chinese firms. As argued throughout this thesis, exports have the potential to positively influence economic development through the addition of new customers to Ghanaian industry and the creation of extra employment in Ghana through increased markets.

Of the firms contacted in relation to this research, in all bar one case (Interviews 2012, Chinese manufacturing firm no. 6 – producing plastics goods mainly for West African exports), Ghana was the main destination for the manufactured goods of the firms. The development implications of this observation might suggest that the firms are displacing local firms rather than bringing new industries to the nation. Looking at the type of goods being produced by the Chinese firms (see appendix E) it is clear that, in many instances, these are goods that are produced by indigenous firms. What this information highlights is that the Chinese firms are engaged in manufacturing goods in Ghana mainly for the domestic market. The only thing that distinguishes these firms from local indigenous Ghanaian firms is the Chinese influence in terms of ownership, personnel and some Chinese inputs of raw

materials. Their sales are local and they operate in a similar fashion and under similar conditions to local manufacturers.

In terms of sales beyond Ghana, West Africa is the most popular destination for manufactured products by Chinese firms in Ghana. Again data for this information was obtained in 2011 and 2012. Of the firms contacted in 2011, 15 sold goods into West Africa and of the 2012 firms contacted, 11 sold goods in West Africa. However, the Ghanaian market is the most important market for all bar one of these firms. Consider the view of Chinese manufacturing firm number 8 (see below), that noted it was not advantageous for the firm to be a member of the GFZB, as too high a percentage of the firms sales were focused on the Ghanaian market.

Table 7.7: Percentage of manufacturing firms that exported goods to the wider West African market

Survey respondents – 2011	56%
Interview respondents – 2012	75%

'We sell our goods as exports to other West African countries and sellers in Ghana too. We are not part of the free zones board as we want to be able to sell many goods in Ghana as well as export. This is difficult to do in the free zones board. I think they should support all foreign companies in Ghana and not just the companies that export' (interview with Chinese manufacturer, number 8, July, 2012).

However beyond this, when probed on the formality of these exports, most of the firms noted the informal nature and irregular frequency of sales to West Africa, citing that most of the sales were with one or two customers that arranged for the products to be transported across borders themselves. For example, see the views of Chinese manufacturing firm number 14;

'We sell the product only in Ghana and only have small sales into other West African countries. These are not formal arrangements and are only with a few buyers' (interview with Chinese manufacturer, number 14, July, 2012).

Given the proximity to a high number of customers and free tariff rates for goods traded within West Africa, why aren't the Chinese firms more interested in West African sales? Some barriers were identified, as highlighted by Chinese manufacturing firm number 9.

'I think it might be easier to sell in other West African countries if we manufactured there, also I hear it is hard to transport goods over the border so this might be a problem as well. Anyway this is something that might happen and the company is only looking into it' (interview with Chinese manufacturer, number 9, July, 2012).

An interesting observation that emerged from the data was the reluctance of the Chinese investors to move into new markets in West Africa due to a lack of detailed knowledge of the region. For many of the firms, this need to obtain better knowledge of economic climates in other West African markets was an important factor in their rationale for not formally

exporting to other West African nations. This is illustrated by the fact that even the firms that claimed to be actively considering exporting to other nations within West Africa in the near future, are engaged in obtaining more knowledge before deciding to export or not. For example, one Chinese manager in a pharmaceutical firm based in Tema stated that he was in the process of learning French at the moment to assist his firm in exporting beyond Ghana into West Africa, as French and not English is widely spoken in most West African countries;

'Since I have been here in Ghana I have started to learn French and this is to help get a better footing in neighbouring countries. I am not sure if we will produce here in Ghana and sell into West African countries or relocate some of the firm' (interview with Chinese manufacturer, number 9, July, 2012)

A similar viewpoint was expressed by Interviewee No. 16.

'We would consider exporting the product into other African countries at some stage in the future. That is not something that will happen soon as we do not have a good knowledge of other markets' (interview with Chinese manufacturer, number 16, July, 2012).

The expansion of operations into new markets within West Africa is not wholly confined to the sales of goods manufactured in Ghana. Some of the firms are actively engaged in exploring the possibilities of developing manufacturing operations in other West African states. One reason for this is purely economic, as the cost of transporting goods around West Africa is expensive (as cited by Bromley & Foltz, 2011). How the cost of transporting goods

across the region will be impacted on if the proposed Chinese backed trans-West African highway between Dakar and Lagos is ever built remains to be seen (Osundefender report, 2012) but for now this project does not impact on the cost incurred by firms and is not factored into the plans of the interview respondents. From a Ghanaian development impact perspective, expansion into new markets by firms that choose to locate that new aspect of their business in new West African markets may have a no impact, either positive or negative, on the Ghanaian economy. Therefore, a more beneficial situation from a Ghanaian perspective would be for firms to expand operations in Ghana and to trade from there, using Ghana as its West African manufacturing hub. This idea is clearly articulated by Buddy Buruku of the ACET;

'China has got to a point where it has perfected manufacturing. ...so one of the areas where Ghana or regions could focus and try to attract more investment would be if they made it easier for Chinese manufacturers to export even just within the regional economic groups. If it was beyond Ghana and all of ECOWAS, if the ECOWAS partners could get together and really facilitate that process or trade then Ghana being a hub of manufacturing could happen. I mean the government put in place terms for manufacturers or foreign investors to come in here. So now the terms are in place, are they being applied? If we are able to take advantage of those how, easily could we actually export? How easily could we actually meet the target market? I think the fact is that African countries, even though they are part of regional blocks, don't really have that co-operation. East Africa is probably a little better than West Africa at this. It's very easy to export beyond borders in that block. In ECOWAS due to the size, the language divide, is more of a challenge' (interview with Buddy Buruku, Accra, June 2012).

Until the time when the ideas expressed by Ms.Buruku are brought to fruition, the situation as described by Manufacturer No. 14, a firm producing materials for the building industry, will continue;

'We know there is also significant building going on in neighbouring countries so we are interested in exploring how we could break into these markets. We would prefer to be based in Ghana and to export into these countries but if it makes more economic sense to manufacture in other African countries then that is something we would look at' (interview with Chinese manufacturer, number 14, July, 2012).

One manufacturer specified that he was looking to Liberia as a potential site to set up operations but he saw this as being separate from his current manufacturing base in Ghana.

'We are also looking at setting up an operation in Liberia. There will be a lot of investment into that country after the war. We reckon there will be a lot of construction going on and a good chance to increase our business operations out there. If we do invest in Liberia then that part of the business will be run from Liberia and not Ghana' (interview with Chinese manufacturer, number 2, July, 2012).

The Ghanaian viewpoints of Chinese investment in Ghana, expressed in Chapter 5, favoured the development potential of manufacturing firms as opposed to trading firms in the Accra

region. To date, the findings uncovered in this chapter do offer some support for these views, such as more locally sourced inputs, job creation, and longer engagement in Ghana. While this would indicate possibilities of a transformational development impact, somewhat greater than that displayed by the Chinese traders, this would appear to be minimal. Considering the export profile of the firms researched, in the main the focus of the companies surveyed would appear to be centred on Ghanaian sales with little real evidence to suggest any desire to expand beyond this. The firms operate in a space where indigenous Ghanaian firms, uninfluenced by links to China, and imports from other nations are their main competitors. This could suggest the displacement of local firms who are producing the same or similar products. Brautigam (2009) argues that increased competition in domestic markets can be beneficial for indigenous African firms by forcing them to become more cost efficient in their production of goods and thus making them more competitive in global markets. Porter (2000) counters this argument by stating that domestic markets in developing African countries are too small to benefit from greater competition and to be effective there needs to be regional competition across neighbouring states, in this case represented by the ECOWAS region. In relation to this research on the Accra based Chinese firms, there is no evidence that this has happened to date. In terms of political policies, more needs to be done encourage greater engagement by these firms in the wider ECOWAS market, thus increasing exports and better promoting transformative elements of Chinese manufacturing investment. This issue will be returned to in section 7.8 of this chapter.

7.6 Chinese manufacturing investment in Ghana: Vulnerability to external shocks and prospects for the future

Consideration is now given to the overall business performance of these firms and the future potential for growth of these firms in Ghana. This is an important consideration from an economic development perspective, if the firms are performing well and are optimistic that more Chinese firms will invest in Ghana, via their domestic market focused model, this may indicate a competitive market advantage over indigenous firms or imported goods. This may indicate a displacement of indigenous firms. Areas that are further examined in this section include: Growth or otherwise of profits, employment growth, the impact of external shock on the performance of the firms, particularly exchange rate movements, domestic barriers to entry for manufacturing investors and the prospects going forward of more Chinese firms investing into the manufacturing sector of the Ghanaian economy in the future.

The degree to which the Chinese manufacturing firms are growing or contracting was examined during this phase of the research. During the fieldwork period of this research, data was obtained in both 2011 and 2012 on the sales performance of the firms. The 2011 data showed that 15 firms had noted that their profit levels had improved over the previous three years and 17 firms noted that their firm was larger in size compared to the previous three years. The interviews of 2012 also supported this positive performance as only 6 of the firms noted that their profit levels had fallen in the 12 months from 2011 and in all of these cases the firms still felt that their businesses were performing well and the firms planned to continue operating in Ghana. The figures highlight that the manufacturing firms had performed better than the Chinese trading firms in recent years and this might suggest that the

manufacturing industry is not as vulnerable to 'outside shocks' as trading shops. But why is this?

Table 7.8: Percentage change in profits or number of employees in the three years prior to 2011- Manufacturing firms (Survey data 2011)

	Percentage Increase	Percentage Decrease	No Change
profit level	54%	21%	25%
Number of Employees	61%	15%	24%

The external factors that negatively impacted on the Chinese traders operating in Accra were outlined in the previous chapter. In the main the firms were facing difficulties because of the rising costs associated with bringing in goods from China, brought about by unfavourable foreign exchange movements between the cedi and RMB/US dollar. In the manufacturing sector some inputs are sourced from Ghana rather than from China alone, which was not the case within the trading sector. While the manufacturing firms import primarily from China, many of the goods are one off purchases, such as machinery, so increasing costs and unfavourable exchange rates impact less on many of the manufacturing investors. For example, consider the views of Chinese manufacturer number 10;

'The price of the raw material (inputs used in manufacturing) has increased over the last year due mainly to change in the exchange rate. In general the cost of doing business is

increasing in China but this has had only a small impact on our business' (interview with Chinese manufacturer, number 10, July, 2012).

It is clear that the investors that sourced more material from China would be the most vulnerable to this external factor. The Head of Research at the GIPC noted (interview, Accra, June 2012) that Chinese manufacturing firms that source their raw materials locally, might be enticed to invest more in Ghana due to the cedi devaluation, as their money would go further now. Also firms that intended to export would have further incentives to invest, as due to the devaluation of the Cedi, Ghanaian made products are becoming comparatively cheaper in international markets. This is elaborated on by one of the Chinese managers.

'The cedi has continued to depreciate against the dollar making business very difficult. This has and will continue to affect the number of Chinese operating in the country. In manufacturing business it is the same problem if the firm imports a lot of raw materials' (interview with Chinese manufacturer, number 12, July, 2012).

While the view expressed above would indicate that the solution may lie in sourcing more Ghanaian based raw materials, thereby increasing the buying power of the Chinese, but such an option would not be available in all cases. Another manger also worried that in their view the value of the Cedi would be likely to stabilise at a new depressed rate (see below). Therefore firms that had to use foreign inputs will continue to be disadvantaged going forward.

'I don't think the price will be coming down soon. In Ghana when the currency devalues like it is at the minute the price never goes back to what it was before. It will stabilize after the election but at a higher rate than what it was before' (interview with Chinese manufacturer, number 3, July, 2012)

The prospect of diversification into manufacturing operations from a trading base was also discussed in the previous chapter. This issue and the concept of new firms setting up manufacturing investments in Ghana were also raised in conversations with the Chinese manufacturers during the fieldwork phase of the research. These firms noted similar barriers to entry to the market as those described by the trading firms. Some investors noted (for example interview with Chinese manufacturer, number 15, July, 2012) that the skills levels of the Ghanaian workforce are very low and this makes manufacturing operations extremely difficult without relying on expensive expertise from China, a practise that can be expensive. Further to this, the interviewees raised problematic points that greatly impact on their current performance and will hinder the prospect for future development from new sources. These issues relate to the provision of infrastructure, services, access to capital, land acquisition and skilled labour and dovetail the views of the trading investors. For example, see the views of Chinese manufacturer number 13 below;

'Going forward I don't think we will see more Chinese firms in manufacturing here. For lots of goods it is easier to import from China and trade rather than set up manufacturing base here. It is also not easy to set up manufacturing operation in Ghana and it takes a long time to make a profit. Lots of people do not have the capital or expertise to do this. Land is also very hard to get in Ghana. There isn't really any support from government so until this

changes, I don't see the situation changing' (interview with Chinese manufacturer, number 13, July, 2012).

The prospect that the Chinese trading firms may diversify their investment into manufacturing was discussed in the last chapter, from the perspective of the traders themselves. The views of the manufacturing investors on this prospect were also obtained. In the main the interviewees were of the opinion that barriers to entry were too established for one to expect these firms to diversify their interests or for a large number of new investors to enter the market in the short to medium term. Elaborating further on the Chinese traders, one respondent noted that such Chinese investors lacked the expertise, in his opinion, to enter into manufacturing and will return to China or leave for another country if they can't make a profit.

'Some Chinese companies like those in construction, mining and building will stay but for the traders, will not stay for a long time in Ghana. They are only here to make a profit and will return to China when they cannot make a profit anymore' (interview with Chinese manufacturer, number 3, July, 2012).

This statement matched the overall views formed in Chapter 6 of the nature of the trading investment in Accra, though interestingly it was expressed here by a fellow Chinese investor. A further respondent raised the issue of profit a disincentive to setting up operations in Ghana (see below). For them, a large number of Chinese investors look for instant returns on their investments and this is unlikely in manufacturing investments. Hence, for this investor, the

majority of Chinese investments going forward will not be manufacturing, but in sectors of the Ghanaian economy where the investor can more quickly turn a profit, for example trading or mining.

'It is also not easy to set up manufacturing operation in Ghana and it takes a long time to make a profit. Lots of people do not have the capital or expertise to do this' (interview with Chinese manufacturer, number 13, July, 2012).

This section highlights how, similar to Chinese trading firms, the performance of the manufacturing firms can be affected by external factors, such as the cedi devaluation. However, the fact that more firms were protected somewhat from these impacts through use of Ghanaian inputs indicates that the production of goods by the firms is advantageously embedded in the local business environment. So despite the reservations that were voiced, the prospect of long term commitment from the manufacturing firms in terms of remaining in Ghana seemed overall stronger that the views exhibited by the traders, despite the fact that the traders had in theory to provide a minimum $300,000 initial investment. This observation is back by the fact that on average the manufacturing firms have been present in the market longer than the trading firms, with 7 of the firms surveyed in 2011 making initial investments prior to 2000. The firms also outlined how there are a number of barriers to entry that makes it hard for further numbers of Chinese firms to copy their business model and invest in Ghana with a view to operating in the Ghanaian market. For most of the firms they can't envisage a high volume of further Chinese firms entering the Ghanaian market using their business model until these barriers to entry are dealt with.

7.7 Encouraging exports: The feasibility of manufacturing goods for the Chinese market

One can note that the GPN and GCC literature fails to account for the type of FDI engaged in by the Accra based Chinese-owned manufacturing firms, as their sales are local and do not have operational links back to mainland China other than, in some cases, the supply of materials. However, this does not negate the fact that the firms are by-products of increased globalisation and have the facility to impact on the economic development of a host nation. In light of this, some commentators have noted (Zhang and Huang, 2012; 138), that given the fears within China of the rising cost of manufacturing, some Chinese based industries will look to outsource part of the manufacturing process to nations where labour costs are lower and that African industries could benefit from this development. Support for this view can be found in the announcement in 2006 that African LDC's will enjoy zero-tariff access to the Chinese market for 454 goods (Freemantle and Stevens, 2010; 16-19).

Bair and Werner (2011) showed, using the example of the production of blue denim jeans in La Laguna Mexico for sale in the United States of America, how clusters that were dominated by local, family-owned firms with a history of manufacturing for domestic consumers can become embedded in a GPN or GCC by switching focus to international markets. Despite the small size of the Accra based Chinese manufacturers and the fact that they keep only limited connections back to Mainland China, these firms are well placed to follow the example of the Mexican jeans manufacturers and benefit from a relocation of

mature Chinese industry in Africa, if such a movement were to materialise. Given the knowledge these firms have of manufacturing in an African city, it might be argued, that these firms could be the driving force behind a Ghanaian industrial movement into the Chinese market. However, the Chinese manufacturers did not display any optimism that such a transformation can happen in the near future. As far as they are concerned, goods manufactured in Ghana are uncompetitive in Chinese markets and will remain so for the foreseeable future. The focus, for these firms, remains fixed on the Ghanaian market, with a view to increasing operations into other West African states. The director of the Ghana China Friendship Association concurred with this view and noted;

'You have to look at other markets. It would be expensive bringing materials from China, manufacture and send the goods back to China' (Interview with Mr. Shan. GCFA June 2011).

Buddy Buruku, of the ACET offered further support to this viewpoint and argued;

'African countries are an option for relocation but we are competing with the Western part of China which is also less developed and has many of the same traits that make Eastern China successful, strong work ethic, cheap labour, great infrastructure. Then we are already competing with South East Asia, Vietnam, or Cambodia. Also looking to attract that kind of go out of Chinese investment. So we really need to get our value proposition in order. The fact that there are one billion people on the continent (of Africa) and they are potential customers we have to make it easier for those products to get to those customers if you come

here and manufacture. We just have to improve the business environment. I feel like in other countries the cost of doing business, the ease of doing business, just outstrips most African countries. There are some that are doing very well in that regard. I know Rwanda, for example is the most reformed country in the world last year. Ghana isn't performing at that kind of scale, it's just not' (interview with Buddy Buruku, Accra, June 2012).

The opinion that Ghana cannot compete with other countries in South East Asia or, indeed, Western China to supply the Chinese market does appear to be creditable, as many Chinese firms have already heavily invested in the wider Southeast Asia region (Ibtimes.com, March 2014), inclusive of manufacturing investments (Chinalawblog.com, April 2012; content.time.com, April 2011). The idea that Chinese manufacturing firms will locate in Ghana to reduce their cost of production and export goods back to China is derived from the rising cost of manufacturing in China itself. However, the views of both Chinese and Ghanaian contacted in this research offered the opinion that, despite recent rises in price, Ghanaian goods were more expensive to source than Chinese, even accounting for external factors such as unfavourable exchange rates or transportation costs. Given this, without major structural changes to Ghanaian industrial capacity or cost base, manufactured exports to China are unlikely. Indeed, the data collected on the Chinese manufacturing firms supports this view, as none of the firms contacted in 2011 or 2012 have sales beyond West Africa, nor do they have any plans to do so in the near future. For them the cost of manufacturing in China is still much cheaper than Ghana, even before transport costs and duties are added to production costs. Also, as the main market for goods produced by the Chinese firms is Ghana, the products they produce, and have expertise in producing, would not necessarily be of interest to Chinese consumers.

This is an important observation, as it allows one to clearly define the markets the Chinese firms can reasonably target in the medium term. From a policy point of view, it also allows for GIPC officials to understand the export limitations of the Chinese manufacturing firms under current conditions. If Ghana's balance of trade is to benefit from the presence of the Chinese firms, then export growth, in the medium term at least, must come from other West African states. There are policy changes that authorities can implement that can support and better encourage the Chinese firms to engage more in the wider West African market and these will be discussed in the next, and final, section of this chapter.

7.8 Extractive, additive or transformative? – Categorising different aspects of Chinese manufacturing investment from an economic development impact perspective

This chapter has explored the developmental impacts of Chinese manufacturing in the greater Accra area. The rationale for analysing this specific group of investors was to examine the on the ground reality of these manufacturers, their origins and their areas of manufacture.

In terms of extractive economic developmental impacts, a clear similarity can be noted with the activities of the Chinese trading firms. Like the trading firms, the main market for customers is Ghana and the firms did not exhibit any major drive to diversify into other markets. The focus on Ghana highlights how the Chinese manufacturing firms operate in

competition with many indigenous Ghanaian manufacturing firms and this may suggest that the firms are engaged in market seeking FDI. This observation offer evidence that the Chinese firms are not generating new markets for Ghanaian industry. The worry from a Ghanaian context is that while the Chinese firms are generating employment, the benefits of this may offset by the displacement of indigenous firms. An argument can be made that the firms benefit indigenous industry through competitive pressures, but evidence of increased export of Ghanaian manufactured goods or reduced dependency on manufactured imports would need to be present for this to be interpreted as a positive economic development. In both cases, official statistics do not back up claims of competition lead industrial upgrading.

In relation to additive economic development impacts, difference from the trading firms can be distinguished. For example, two aspects of manufacturing investment, which in the first instance could be best described as extractive, offer indications that additive economic development impacts are present in the investments. Firstly, according to the survey data, the firms do not offer skills or technology transfers to local workers or industry, as 18% of the firms offered no staff training and the rest only offered basic on the job up skilling. Also while the firms' workforce is 92% Ghanaian, more technical managerial roles are usually held by Chinese citizens, with 41% of managers being Ghanaian. However, in spite of having expressed some negative views on the abilities, skills and trustworthiness of the local workers, the research indicates that the longer the firms remain in Ghana, the greater their commitment to training and up skilling the local Ghanaian worker and giving them a greater role in the firm. Secondly, while the firms primarily import their inputs from China, a number of firms source at least some of their materials in Ghana and some of the Chinese imports can be explained by one off purchases of machinery. This indicates that the firms are, unlike the trading firms, engaging in resource seeking FDI. Further to these points, a picture emerged of

a relatively stable group of investors, many of whom have been in Accra for a long time. Indeed, 7 of the surveyed firms had made their first investment into Ghana prior to 2000 and on average the firms had been in operation in Ghana longer than the trading firms.

In terms of transformative economic development impacts, one needs to consider if the Chinese manufacturing firms are encouraging Ghanaian industrialisation and diversifying Ghanaian economic dependency away from natural resource? Firstly, the feasibility of the Accra based Chinese firms moving from being predominantly Ghanaian focused industrial clusters to Ghanaian firms becoming embedded in Chinese lead GPN's or GCC's, as per the example in La Laguna Mexico (Bair and Werner, 2011) was examined. The data collected for this thesis offers no support to these claims, as none of the firms contacted in 2011 or 2012 have sales beyond West Africa, nor do they have any plans to do so in the near future. For them the cost of manufacturing in China is still much cheaper than Ghana, even after transport costs are added to production costs. From a development perspective, the sales into the West African market are to be welcomed. However, in the majority of cases arrangements are informal in nature and the firms are reliant on the West African customer to travel to Accra to conduct the sale. The fact remains that the data reviewed in this thesis shows that the Chinese manufacturers are heavily reliant on the Ghanaian market place to generate sales, in all cases, bar one of the firms interviewed in 2012. The firms also produce goods that are already produced by indigenous manufacturers, meaning that for a transformative impact to be present, it would manifest itself in the form of production efficiency gains derived from greater competitive pressures. However, if such an impact were present then one would expect to see improvements in manufactured export numbers and decreasing imports, neither of which is accruing in Ghanaian industry. Without these gains, it is hard to argue that the Accra based Chinese manufacturers are positively impacting on Ghanaian industrialisation.

However, in a more positive light the data does suggest that going forward there is a willingness amongst some of the firms to increase their sales in other West Africa. In these incidents, the respondents voiced that their preference would be enter these new markets by investing in manufacturing centres in these new locations rather than accessing these markets through exporting from their Ghanaian base. This is not an ideal scenario for Ghanaian authorities, as it would not generate new employment or taxes for the state and would represent a missed opportunity. For the Ghanaian authorities, the concept of how Ghana could be used as a hub of manufacturing for West African sales needs to be explored and changes to policy that can promote the sale of manufactured goods into West Africa need to be considered.

In this regard authorities, firstly, need to consider the rules of GFZB membership. Under current arrangements, a firm can avail of tax breaks when they export at least 70% of the goods they produce. However, sales to other ECOWAS nations can't be made duty free as GFZB firms are considered to be non-Ghanaian based businesses and thus, a GFZB firms are at disadvantage when exporting into West Africa. One must also question the impact of recent changes to inward Ghanaian investment laws, whereby foreign firms now have to invest at least US$50,000 in a joint non-trading venture agreement and US$200,000 for wholly owned non-trading investments. This research has shown that the highest frequency investors in manufacturing in Ghana are SME Chinese firms. These changes to the investment laws may discourage these investors; capital investment Ghanaian industry can scarcely turn down. Further to this, the new laws make no reference to the West African market and will not incentivise investments in this industry.

For Ghanaian authorities, a better option would be to explore ways to increase exports of manufactured goods to the wider West African market. FDI can be a driving force behind the increase but these firms need incentives. For example, an arrangement similar to the GFZB where a firm can avail of tax breaks when they export at least 70% of the goods they produce could be formulated. The distinction with the GFZB is that the firms should be categorised as onshore so as to avail of the duty free movement of goods within the ECOWAS borders. Such agreements should not be limited to foreign firms and Ghanaian should be included. To facilitate this, incentives should be put in place to encourage joint venture investments, for example joint venture firms could be allowed a higher proportion of domestic Ghanaian sales. Also, Ghanaian authorities should recognise that SMEs can impact on Ghanaian industrial growth. The increase in minimum initial capital requirements under new GIPC rules discourage this type of firm from investing into the nation. These changes should be reduced and instead, authorities should be influencing these firms to promote more transformative elements of investment, such as increasing West African sales.

A further unique characteristic of the investments of the Chinese manufacturing firms operating in Accra is that they are predominately family-owned private firms that operate in a space where indigenous Ghanaian firms, uninfluenced by links to China, and imported goods from other countries are their main competitors. The business model employed by these firms is not explained by the existing GCC or GPN literature and, as has been highlighted in the chapter, the firms are engaging in 'globalisation from below'. An argument is made throughout this thesis that these smaller firms have the capacity to positively impact on industry in a host nation. However, the data explored in this research, indicates that

transformative impact is not present and that more needs to be done by policy makers to better facilitate these firms, for example encourage produce goods for the West African market. Until such a time when these changes are made to Ghanaian policy and the firms expand their vision beyond Ghana, this type of FDI is better categorised as additive rather transformative.

Finally, one might argue that the focus on the local Ghanaian market can be partly explained by the small size of the Chinese manufacturing firms and that if the nation could attract larger firms then one would see greater focus on external markets. However, the experiences of the Chinese manufacturing firms contacted in relation to this research do not support such a view. Indeed, there was no variation of the activities of the firm's dependant on the size of the firm. The larger firms were still primarily focused on the Ghanaian market for their customers and the ratio of local to Chinese employees did not alter as the size of the firms increased. These observations, particularly in relation to customer base, highlight how host nations cannot assume an outcome of investment based on the size of a firm and policies are needed to encourage greater transformative elements of investment.

This chapter marks the conclusion of the presentation of the research analysis. This and the preceding two chapters have presented the findings of two field trips to Accra over a two-year period. In addition, a previous trip to Accra in 2009 and detailed reviews of the literature relating to investment theory and the neoliberal agenda had fuelled the desire to probe more deeply into the presence of Chinese investors in Accra and to examine the implications of their engagement in the business life of Accra. In seeking to uncover the full picture of this involvement the views of a number of key observers from the Ghanaian perspective was first

sought. These views varied from media reports to analysis by academics and government officials and the local Ghanaian traders. In order to find out the actual picture from the Chinese investors two areas of business were selected, trading and manufacture. These were the investors who had a visible presence on the ground in the city of Accra. As a researcher entering into the world of such a myriad of players, it was a challenge to make contacts and to engage with this group of people, often speaking a range of languages and with a wide range of concerns. Given these constraints, the people involved in the research were found to be open and generous with their time and their engagement. It is hoped that justice has been done to their words and views. Throughout the research chapters the development implications of such Chinese investment have been woven through the emerging story.

Chapter 8 Conclusion

8.1 The research question and framework

The idea for this research was born out of a visit to Ghana in 2009 to work for a political think tank called the Danquah Institute, located in the Osu district of Accra. During a three month stay in the city, the presence of many Chinese nationals living and working in the city was observed. This raised the question as to why there were so many Chinese in Ghana? And what role they played in society? In an initial attempt to answer these questions, Chris Alden's, *China in Africa* (2007), and Ian Taylor's, *China and Africa: Engagement and Compromise* (2007) provided interesting insights. Further to this, economist Robert Guest's book, *The Shackled Continent* (2005), raised a number of questions concerning aspects of African development, particularly in relation to business and industry. This initial exploration gave impetus to the study which resulted in this research thesis.

In this concluding chapter, the research questions posed in chapter 1, concerning the economic development impacts of private Chinese investments in Accra, and the subsequent findings are revisited. By concentrating on the industries in which private Chinese firms in Accra are most prevalent, namely trading and manufacturing, this research considers what economic development impact these investors are having on the Ghanaian economy. More specifically, the research is concerned with understanding the degree to which the Chinese investors are positively influencing Ghanaian industry? And whether their investments are promoting economic diversification away from over dependency on natural resource?

Conversely, this research also asks if the reverse is happening, with the presence of the private Chinese inventors in Accra reinforcing resource dependency and promoting Ghanaian deindustrialisation.

The research takes the form of an empirical investigation, where 65 Accra based Chinese firms were surveyed, and interviews conducted with 20 Ghanaian traders, 32 Chinese firms and 10 'local experts' (mainly academics and government officials) on the nature and economic development impacts of private Chinese FDI in Ghana. The data obtained from these surveys and interviews was explored through the threefold typology of developmental impacts, termed the extractive, additive and transformative, as outlined in Table 8.1 below. The findings from this process of analysing the fieldwork data were also triangulated with observations from the literature review and insights obtained from secondary data sources. Each of the key findings were evaluated and interpreted in terms of the research framework. Thus, the framework allowed for different aspects of private Chinese investment in Accra to be categorised as being either additive, extractive or transformative. Once established, policy recommendations were made to better encourage transformative aspects of the investment. Finally, in the thesis, possible differences that might exist between local Ghanaian perspectives on Chinese investment and the Chinese investors' own lived economic experience, as observed through the research process, were also explored.

Table 8.1: Development Categories of FDI

Extractive	Additive	Transformative
• Preference for using foreign employees • do not engage in skills or technology transfer • no engagement with local firms or suppliers • repatriated profits back to overseas operations • no impact on wider Ghanaian industry outside of the firms own operations • Displacement of local firms	• Mixed use of local and foreign employees • Limited engagement in skills or technology transfer • Limited engagement with local firms or suppliers • Some profits retained to support existing Ghanaian business • Improves existing Ghanaian industry through introduction of new production methods and increased competition	• Preference for using local employees • Strong engagement in skills or technology transfer • High use of local firms or suppliers • profits retained to support and grow Ghanaian business and diversify into other sectors of the Ghanaian economy • Introduces Ghanaian industry to new export markets • The catalyst to Ghanaian industry engaging in higher value added production

8.2 Placing the Research in a Wider Context – Review of Literature

The examination of literature in chapters 2 and 3 was a key component in the research process and this literature is briefly revisited in this section of this concluding chapter. The literature review outlined in chapter 2 proved highly instrumental in both the development of the research question, in articulating the aims and objectives of the research and in clarifying key issues in particular around the neoliberal agenda and its implications for development in Africa but specifically in Ghana. In chapter 3, the focus moved to a specific study of Sino-African economic relations and set the context for the research itself within Ghana.

A wide range of research on the production processes of goods and services and how they have become a worldwide enterprise under neoliberal conditions were reviewed. Emphasis was placed on the theories behind this process, from fundamental trade and investment theory through to the complex GPN model. By introducing trade and FDI theory it was shown that in a world governed by the principle of free trade, firms, and/or nations, produce goods and trade on the basis of their competitive advantage. It was argued that a nation, region or city can facilitate the creation of a competitive advantage by encouraging a setting in which a firm can increase its output to cost ratio. This is done with the aim of attracting greater investment from MNCs and to promote domestic firms toward export orientated activities.

It was also highlighted in the literature, that in pure free market economies, trade and investment are allowed to move across borders with no barriers to entry. The argument holds that greater global trade and investment will encourage greater competition, promoting greater production efficiencies and greater economic growth. Under these conditions, a key component to the growth of an indigenous industry within a nation is its ability to partake in higher value added activities within a GVC or GPN. In regard to this, Ghana's adaptation of numerous neoliberal policies aimed at increasing economic development within the country was outlined. It was also shown that a key development aim of the nation is to attract greater amounts of FDI and in recent years, investment from Chinese sources has become an integral part of the phenomenon.

It was argued that this neoliberal agenda, that facilitates freedom of movement and operations across borders, has implications for developing nations that may lack competitive industrial bases and make them less attractive as an investment destination. In the case of many African

states, free market principles can lead to economies that are overly dependent on natural resources to attract FDI. Further to this, developing nations without access to valuable natural resources are more reliant on their low cost of labour to attract FDI and competition for this type of FDI is fierce and may culminate into a 'race to the bottom' between developing nations. To counter this, it was argued that developing nations must make enhancements to their economic rents in order to be better positioned to gain from wider, non-resource based, FDI, under neoliberal conditions. In assessing its growing role in Africa, it was noted that China was supporting the creation of greater economic rents in African states through the provision of financial aid, helping to improve its infrastructure, as well as assisting industry through technical support and advice. In the case of Ghana, data from the GIPC also showed that the country has attracted investments into non-resource sectors of the economy, as evidenced by the two groups of investors observed in this thesis.

While this is to be welcomed, one must do so with a note of caution. In this research, it is argued that African governments need to consider when attracting FDI into African nations whether the presence of these foreign firms is helping local industry become more embedded in GPNs, or are the foreign firms merely acting as 'satellites' to their home regions and have little interaction with local African economies. It is true to say that Chinese investment does offer African countries a real opportunity to increase the volume, diversity and value added activities of their exports. However, to date, there is only limited evidence that African industrial improvements, brought about by Chinese investment, extend beyond natural resources to the production of consumer goods. As such, there are indications, backed up by IMF trade data, that resource rich African states are receiving more benefit from engagement with China than states that lack natural resources. In relation to this research, concerns relate to whether the Chinese investors are encouraging Ghanaian industrialisation and diversifying

economic dependency away from natural resource? Or is the reverse true? A further concern relates to how greater foreign investment and trade competition impacts on the labour structures of a host nation. In this regard, the impact on informal employment in Accra arsing from private Chinese investment in the city was discussed in this thesis.

Porter's (1990) cluster theory model was also introduced and it was shown how firms benefit from cross-firm cooperation within an industry or location. Porter's model argues that increased competition fosters a greater productive environment and forces firms to engage in more productive activities and become more cost competitive. From a development perspective, increased competition in domestic markets from foreign sources (through trade and FDI) could generate an environment suitable to create greater production efficiencies in African industries. However, many African states lack the market size for these efficiencies to be generated and one must consider the genuine fear that increased competition from foreign sources may have the opposite effect and lead to a displacement of local producers.

In the case of Africa, McCormick (1998) argues that enterprise clusters on the continent can be classified by three diverse stages of development. For an African cluster to bring transformative developmental change to an industry it must show characteristics of a complex industrial cluster. These clusters comprise of large, medium and small firms and aim for wider markets including both domestic and foreign locations. Bilateral, multilateral, vertical and horizontal linkages are all present in these clusters. Joint action between firms on production and issues affecting the cluster allows firms to strongly compete in more aggressive foreign markets. Successful FDI, through the engagement with local industries,

has the capacity to create these complex industrial clusters in Africa, provided they become embedded in the social fabric of the business environment of a host nation.

Finally, examples from East Asia were examined to show how a mixture of protectionism and free market trade policies can help indigenous industries grow, in both the domestic and overseas markets, in newly industrialising countries. In the examples cited, growth was largely achieved by adaptation of the import substitution model. An argument is made in chapter 2 questioning whether African states can fully implement the import substitution model due to the smaller size of individual African markets (exceptions to this may include Nigeria, South Africa or an African Union agreement), poorer infrastructure and lower education standards. Further to this, the adaptation of neoliberal policies in Ghana means it is unlikely that such a scheme would ever be implemented by the state. In spite of this, some protectionist FDI Ghanaian government policies were observed in the analysis of the research findings and the thesis does highlight how the wider ECOWAS region are negotiating the harmonisation of customs rules across the region. These points will be returned to later in this chapter.

8.3 Extractive, additiative or transformative? Describing private Chinese investment from a Ghanaian viewpoint

The research findings, presented in the 3 previous chapters have attempted to map the key economic developmental impacts emerging from this research. The first set of findings referred to Sino-Ghanaian relations as viewed from a 'Ghanaian position'. It provided an

interesting opportunity to map a number of views including; media reports, expert interviewees and finally a group of Ghanaian traders who worked in the markets of Accra.

Primarily, the media reports were used to formulate the questions that were posed to the Ghanaian traders, the 'local experts', and the Chinese respondents themselves. The analysis of media reports provided a number of interesting conclusions. In the first instance, the analysis suggested a divide in Ghanaian sentiment towards public and private relations with China. In general, the reports adopted a positive reaction towards Chinese investments that are more concentrated at a government level. For example, numerous media reports praised Chinese backed infrastructure projects or loans to the Ghanaian government. Media reports that were centred on micro level investment by private Chinese investors were more negative in their sentiment. In particular, investment in the gold mining industry, an oversupply of Chinese goods in Ghanaian markets and the involvement of Chinese investors in trading activities in the markets of Accra were seen as negative elements of private Chinese investment in Ghana. Counter to this, private Chinese investors in manufacturing are not portrayed in either a negative or positive light but there was nothing in the analysis of the reports to suggest any bad feeling towards this form of Chinese investment.

To further explore the negative sentiment towards Chinese trading investors, interviews were conducted with Ghanaian traders in Makola market. In relation to the prevalence of Chinese goods sold in Ghanaian market, the interviews highlighted an important observation that the price of Chinese products in Makola is still extremely competitive compared to alternative goods, despite recent rising prices (due partly to exchange rate fluctuations) and, hence, remain extremely popular with Ghanaian consumers. This is a situation that the interview

respondents did not see changing. The interviews also highlighted that the Chinese alone were not solely responsible for bringing Chinese goods into Ghana, verifying previous studies conducted (see Marfaing and Thiel; 2011).

A further point raised in the analysis of these interviews, was that the Ghanaian traders showed a mixed response, both positive and negative, to the presence of Chinese traders in Makola market. From a positive perspective, it can be noted that not all indigenous traders in Makola felt threatened by the presence of Chinese firms in the market and some view Chinese firms as facilitators in their own businesses, helping them to secure imports at lower prices than they can themselves source. To counter this viewpoint, other indigenous firms viewed Chinese firms primarily as a source of competition for customers, derived mainly from complaints that the Chinese traders were illegally selling products directly to customers at wholesale prices (GUTAs argument). This point was further explored and challenged in section 2 of the research analysis. This research has shown that these claims were somewhat unfounded and in the absence of proof that such activities were in fact taking place, arguments that trading investments were to be classified as extractive were, to some degree, weakened. In this regard, the removal of the Chinese traders from Makola would have zero impact on the Ghanaian traders as it wouldn't reduce competition in the market. In terms of the wider impact on the Ghanaian economy, the fact that there existed various different routes for Chinese goods into Ghanaian markets, raised questions as to the impact the removal of the Chinese trading firms would have on promoting Ghanaian industries and reducing the high level of Chinese goods available to Ghanaian consumers. The argument being that other parties, for example African traders in China, could move into the economic space currently being occupied by the Chinese traders and provide the imported goods that consumers demand.

Finally, the views of local Ghanaian researchers were also sought as they have looked at the issues surrounding Chinese investment in greater detail and could provide an informed voice from a different perspective. Mostly, their views dovetailed the findings of the media analysis. Positive views were mainly concentrated at a government level and the main developmental challenge identified was how the Ghanaian government would spend the monies invested. According to the interviewees, the high concentration of investments into infrastructural projects makes the transformative nature of these investments more visible and easily identified.

The same is not true of micro level investments. For example, some interviewees noted that Chinese investment in the gold mining industry could be defined as extractive FDI and may in the longer term negatively impact on the perception of overall Sino-Chinese relations. Where Chinese investment may be seen as extractive, this has the potential to generate negativity, in comparison to transformative and/or additive developmental impacts, which can help Sino-Chinese relations to develop further. Concerns raised in the interviews included; doubt over the legality of their involvement, the problems that such involvement might pose at an environmental level and the impact on small scale local miners, all of which might pose possible major issues at a development level into the future. Similarly, the negative balance of trade Ghana currently is running with China was identified as having the potential for further problems into the future. This observations offered evidence to support claims that Chinese investors are reinforcing Ghanaian deindustrialisation, as Chinese goods replaced indigenous products in local markets. According to the interviewees, blame for this problem lay with Ghanaian rather Chinese industries, as the respondents noted that the

negative balance emerged through production inefficiencies and the uncompetitive nature of industry in Ghana rather than some wrong doing on the Chinese side. There was an acceptance by the interviewees that for manufacturing FDI to be considered to be truly transformative it must show signs of improving production efficiencies compared to local industry and incorporate industries into wider markets. These points were considered in analysing the data obtained in section 3 of the research analysis, when defining the development impacts of manufacturing investments of private Chinese investors in Accra, as discussed in the previous chapter. The interview findings also suggested that it might be advantageous for the Chinese investors, in both manufacturing and trading, to look beyond the borders of Ghana into neighbouring West African nations. Thus, if the investors were engaged in exporting goods to neighbouring states, then this activity should be viewed as positively impacting on the Ghanaian economy.

Following on from the analysis of Sino-Chinese investment from the 'Ghanaian position', outlined above, the research work moved onto the next stage. The focus switched to analysing Chinese investment in trading and manufacturing in Accra by private SMEs. The rationale for selecting these two groups has already been outlined. They presented a good cross section of private Chinese investment in a specific location within Ghana and investments by Chinese sources in these industries were more characterised by micro level private firms than macro level cross Government backed projects. The detailed analysis of these industries provided greater clarity in understanding whether some of the less favourable responses by Ghanaian society towards investment by private Chinese firms, as outlined in chapter 5, were fair or not.

8.4 Chinese trading investors – extractive investment

In chapters 6 and 7 the economic realities of the Chinese traders and manufacturers in the greater Accra area were explored. This exploration of two separate groups of investors had a double aim; firstly to test the Ghanaian opinions of FDI development outlined in chapter 5 and secondly, to relate the findings back to the overall research question examined in this thesis, understanding the economic developmental impacts of private Chinese investment in Ghana.

In chapter 6, the views of the Chinese traders were introduced. Firstly, greater enforcement of investment laws by government sources and a genuine fear that GUTA might be successful in their campaign to remove them from the main markets of Accra was well recognised by the Chinese traders. In this regard, the interview respondents were adamant that they are solely wholesale traders and did not engage in retailing. For these reasons, the respondents felt that they did not operate in competition with local indigenous trading companies. If this is a true reflection of the realities on the ground, it is hard for GUTA to argue that the presence of Chinese traders in the markets of Accra is having a negative impact on business levels of indigenous traders. Although, it was noted that the Chinese trading firms were contributing to the trading deficit Ghana is currently running with China by assisting in the importation of Chinese goods into the Ghanaian market, and in some instances competing against local manufactured goods, for example in the textiles industry. This indicated a strong degree of extractive FDI from an economic developmental impact consideration. However, it was outlined that there is little evidence that removal of Chinese traders from the market would generate anything other than minimal change and the place of the Chinese traders could be

filled by other firms, for example African traders who are based in China and who can supply the market.

Regardless, evidence of extractive FDI is not isolated to the displacement of local traders and the responsibility for flooding the Ghanaian markets with Chinese goods. A further issue related to the absence of staff training programs by the Chinese firms. In terms of the Chinese traders, there was a very low reporting of staff training. Expanding on this theme, it was shown that the majority of managerial roles within the firms were held by Chinese employees rather than Ghanaians. Also, the firms mostly sold imported Chinese goods, with only a few stocking Ghanaian produced goods. There also appeared to be little appetite, on the part of the Chinese traders, to increase the stock of Ghanaian goods in the future.

From a positive developmental perspective, arguments can be made that the Chinese traders' presence in the markets of Accra benefits the Ghanaian customers by facilitating their access to lower priced Chinese goods and that the removal of the Chinese traders would negatively impact on local customers, an example of additive FDI. However, overall there was little evidence of any focussed or targeted transformative and/or additive developmental impact.

To ascertain the transformative FDI impacts, if any, of the Chinese traders in Accra, consideration was given to these firms' sales and the intentions of diversifying into other markets. In particular, in chapter 5 is was argued that for FDI in trading activities to be considered transformative there must be signs that these firms are opening trade links with other West African nations. The interview respondents in chapter 6 showed that most of the

firms do report some sales to customers in other West African countries but this tended to be informal in nature and not a core component of their business, as the firms were reliant on the customer to travel to Accra to conduct the sale. In terms of customers, the Chinese traders were heavily reliant on the Ghanaian market place. The chairman of the GCFA (interview, Accra, June 2012) offered an explanation for this occurrence by noting that sales across West African borders incur two forms of customs duties and firms preferred to set up operations in other West African states and import direct from China to that nation to avoid the double duty charges, although proposed new ECOWAS wide ruling may impact on this stance, as discussed in chapter 6 and again at a later point in this chapter.

The data obtained for this research showed that the final destination of the goods imported from China is predominately the Ghanaian market, so any monies repatriated back to China from these ventures mostly came out of the Ghanaian market, further evidence to support claims that Chinese trading FDI is extractive. In contrast to this, it was argued that the reliance on the Ghanaian market could indicate a committed investment in Ghana and could offer support to claims that trading firms might branch off into other sectors of the Ghanaian economy. However, here again, there was no clear evidence of a planned, measured approach to bringing about transformative economic developmental impacts.

As noted, analysis of the current market conditions facing the Chinese trading firms highlighted the external influences that are having a negative impact on the business performance of the firms, such as a devaluing cedi rate, and increased competition among Chinese traders selling the same goods. In this research, it was shown that external factors greatly influence the need of these firms to diversify their business operations in order to

remain viable. According to interview respondents, the preference of the majority of Chinese traders in Accra was to diversify the goods sold or to leave Ghana, in the event of not being able to make a profit from their current trading arrangements. This unwillingness to diversify has implications from a developmental perspective and lends evidence to the argument that the Chinese traders bring only extractive FDI to Ghana and not additive or transformative change. It would be encouraging if firms diversified into other sectors of the Ghanaian economy thereby creating transformative FDI. The example of one of the manufacturing firms that first invested in trading but diversified into manufacturing and now employs over 500 workers shows that the path from trading to manufacturing has been made by a Chinese firm in the past. In this regard, it was encouraging that 5 firms are looking into the possibility of starting manufacturing operations in Accra in the near future. However, these plans are at an early stage of development and until a time when there are more concrete examples of this diversification, it is hard to argue Chinese FDI into trading activities will bring about transformative change to Ghana's economic development.

While one must take account for certain caveats that indicate that this form of FDI is not purely extractive. Such as, the fact that the firms' businesses are driven by the demands of the Ghanaian consumer and these Chinese firms play a part in facilitating that demand by acting as suppliers to Ghanaian traders. Or the observation that if the Chinese firms were not present in the Ghanaian markets, then the void left behind could be filled by other firms. However, the firms do not display enough characteristics of additive or transformative investments to be categorised as under either of these heading. Further to this, while one can debate the severity of the impact of these firms, the Chinese traders do display certain traits that can only be described as exploitative. One can also note that the presence of these firms in Accra does support the growth in popularity of Chinese goods in the markets of Accra at the

expense of indigenous firms, regardless of that these investors are only one of numerous groups responsible for the growing trend.

8.5 Chinese manufacturing investors – addititive investment

In Chapter 7 the main characteristics of the Chinese manufacturing firms in Accra, as described by the firms that took part in the surveys and interviews in this research thesis, was outlined. To relate the findings back to the overall research question examined in this thesis, characteristics of this form of Chinese investment were observed and categorised as being either extractive, additive or transformative, with the aim of better understanding the economic developmental impacts of this form of Chinese investment.

In assessing the degree to which the Chinese firms embedded themselves in the local business environment of Accra, the research findings show that none of the firms entered the Ghanaian market place as a joint venture or were run under joint venture operations. Instead the firms were run as wholly owned private Chinese enterprises. However despite this, many of Chinese firms contacted in relation to this research have embedded themselves in the wider business environment of Ghana, through the use of local suppliers or by supplying inputs for locally manufactured goods. Indeed in analysing the research data, a picture emerged of a relatively stable group; many who have been in Accra for a long period and have over time have increased their Ghanaian workforce, despite having expressed some negative views on their abilities, their skills and their trustworthiness.

A unique characteristic of the investments of the Chinese manufacturing firms operating in Accra is that they are predominately family-owned private firms that operate in a space where indigenous Ghanaian firms, uninfluenced by links to China and imported goods from other countries, are their main competitors. This research pinpoints that the business model employed by these firms is not explained by the existing GCC or GPN literature and the firms are engaged in 'globalisation from below'. In chapter 2, it was shown that FDI into manufacturing industries can have transformative effects on a nations' industrial growth through linkages within a GPN or GCC and indigenous industries partaking in higher value activities. This transformative impact was not present in the analysis of the Accra based Chinese manufacturers and these firms have not brought about the development impact that was sought by the expert interviewees in chapter 5. However, despite the small size of the firms and the fact that the firms are not engaged in wider cross boarder production channels, this does not diminish the potential for these investments to positively impact on a host nations industrial development, a point raised in chapter 7 of the thesis.

The feasibility of the Accra based Chinese firms moving from being predominantly Ghanaian focused to firms embedded in Chinese led GPN's or GCC's, as per the example in La Laguna Mexico (Bair and Werner, 2011) was considered. However, the data collected for this thesis offer no support to such a claim, as none of the firms contacted in 2011 or 2012 had sales beyond West Africa, nor had they any plans to do so in the near future. For them, the cost of manufacturing in China is was still much cheaper than Ghana, even before transport costs were factored into production costs and it was unlikely that a firm could base itself in Ghana and compete in Chinese markets on price with Chinese manufactured goods. The focus for manufactured goods in Ghana has to be, in the first instance, the West African market.

According to the respondents, until such time that production efficiencies improve, goods manufactured in the region will remain uncompetitive in external markets.

It was noted that the firms primarily import their raw materials from China but encouragingly, a number of firms sourced at least some of their materials in Ghana. This is a positive observation from a development perspective as it indicates a willingness on the part of Chinese manufacturing firms to use Ghanaian suppliers. This use of Ghanaian inputs by many of the firms indicates evidence of that many of the firms were, partly at least, engaging in resource seeking FDI. While the research indicated that the longer the firms remain in Ghana, the greater their commitment to training and up-skilling of the local Ghanaian worker was. Further to this, there was a greater likelihood that the firm would employ a local worker to a managerial position. Despite these observations, it must be noted that in the main the firms preferred to employ skilled Chinese labour over Ghanaian workers and similar to the trading firms, overall there was a low level of staff training reported.

It was also highlight in chapter 5, that West Africa was an area where Ghana could grow its exports. Increased overall investment from China, to date, has had little impact on exports to these markets. Given this, it was not surprising that the Chinese manufacturing firms did not see West Africa as an important market for their businesses and the main market for the majority of these firms was Ghana. Indeed, few of the firms exhibited any major drive to diversify into other markets and those that did, reasoned that it would be better to invest in these markets rather than manufacture in Ghana and export across the West African borders. This observation highlights that the Chinese manufacturing firms have made little

contribution to enhancing Ghana's export portfolio and indicates that these firms have failed to deliver on one key transformative aspect of economic development.

The research analysis also identified that the Accra based Chinese manufacturing firms were SMEs rather than large scale multinational entities and their business operations mirrored many indigenous Ghanaian manufacturing firms, in terms of the goods they produce and in that they operate nearly exclusively for the Ghanaian market. This highlights that the firms, in both manufacturing and trading, are engaging in market seeking FDI by focusing sales almost exclusively on the Ghanaian market. The reliance on the Ghanaian market leaves the investment vulnerable to downturns in the Ghanaian market or external shocks that can't be offset from sales in other West African states. It is this focus on existing Ghanaian markets that calls into question the transformative nature of this form of FDI. Without broadening the range of products and/or increasing custom outside of Ghana, this form of FDI might be better described as additive and not transformative as was hoped for in the views of many Ghanaian respondents. Further to this, the firms do not operate in joint venture scheme with local manufacturers. For all of these reasons, it has hard to argue that the firms are generating noticeable industry-wide improvements in Ghanaian production efficiency. Many of the Chinese manufacturing firms are producing goods that are already produced in Ghana and are obtaining a market share through displacement of indigenous firms. However, by producing the products on location in Ghana, these are examples of competitive displacement. For this reason, one cannot claim that the investors are reinforcing the dependency of resource exports and manufactured imports (as in the case of the trading investors) and as such, the manufacturing investments cannot be categorised as extractive.

This phase of the research challenged the views of Chinese investment in Ghana as expressed by the local Ghanaian viewpoint that was the focus of Chapter 5. The conclusions thus reached in Chapters 6 and 7 were based on the fact that voice was given to the Chinese traders and manufacturers in an attempt to present the economic realities on the ground for them. Findings were triangulated with external data sources, where possible to verify the claims of the research participants, allowing the findings to be placed in a wider context. The developmental benefits from these types of Chinese investment in Ghana have been questioned throughout the analysis, with both positive and negative aspects of investment indentified. Commentary was also offered on current day Ghanaian inward investment policies and recommendations made on how to strengthen, where possible the positive FDI developmental impacts. These points are summarised in the next section of this conclusion.

8.6 Moving from extractive and additive investment to transformative investment – Policy recomendations

A further consideration is current Ghanaian government policies and whether the current design is encouraging the right type of foreign FDI to enhance Ghana's economic development? This thesis has shown that the Chinese firms observed as part of this research are not brining about transformative change, as defined in chapter 5 of this thesis, to Ghana's economy or industrial development. It has been argued that too much focus is placed on the involvement of Chinese investors in trading activities and the supposed negative impact these firms are having on Ghanaian traders. For example, consider the change to GIPC rules to increase the minimum initial investment requirements for trading firms to US$1 million. As this research has shown, the negative elements of this form of Chinese investment are

overplayed and exaggerated in the media and by GUTA. The Chinese firms are merely providing a service that Ghanaian customers demand and if they were not present in Ghanaian markets, other firms can take their place, providing the same imported products. The focus needs to shift to how the Ghanaian authorities can encourage these Chinese investors to diversify into other sectors of the Ghanaian economy and reinvest their profits in growing Ghana's economy. The evidence of this research shows some willingness, albeit limited, amongst the Chinese investors to diversify their businesses and this needs to be encouraged.

The concentration of current policy on trading activities also deflects focus away from manufacturing FDI. As outlined in chapter 5, the 'Ghanaian view' was that this form of FDI was to be encouraged as it had the potential to bring about transformative change to Ghana's industrial base. The findings of this research question how successful and meaningful an impact this form of FDI has had on Ghanaian industry. The fact that these manufacturing firms are, in the main, stand-alone entities whose businesses operate in competition with many indigenous Ghanaian manufacturing firms supports this stance. More needs to be done to move the focus of Ghanaian industry away from the domestic market and to increase to different type of products being manufactured in the nation. The Chinese FDI firms in manufacturing encountered in this research do neither of these things.

Further to this, amendments to GIPC rules to increase the minimum initial investment requirements for both joint venture and wholly foreign owned firms will not address this problem. The Ghanaian market is too small for increased domestic competition alone to drive significant increased production efficiencies. This research concludes that increased

engagement with the wider West African market might provide a large enough market to bring about such change. This view is backed by an UNCTAD press release (July 2013) which welcomed the removal of trade barrier in Africa as a whole to encourage greater regional trade to boost economic growth. The Chinese firms could play an important role in increasing this engagement and policy should be created that encourages them to do so.

Firstly, it was highlighted how plans for ECOWAS nations to introduce custom harmonization on imports in 2015 may offer an opportunity for Ghana. This opportunity, it was argued, derived from the fact that Chinese trading respondents were encouraged by the political stability and personal safety offered by Ghana and this could be an advantage Ghana has over neighbouring nations. Such a move by the ECOWAS states could allow for GIPC officials to sell Accra as a potential trading hub for Chinese goods across the West African region, as there would be no tariff advantages for importers to locate in one location over another and in theory, once taxed, goods can move across West Africa tariff free (globalsecurity.org). It was argued that policy makers need to recognize that under largely free market conditions, Chinese goods will continue to be imported in large numbers into Ghana and West Africa, and Ghana needs to be in a position to best benefit from the process. Once firms are more embedded in Ghana as a location, the focus for Ghanaian authorities could then switch to encouraging them to diversify into other sectors of the economy. A side issue to consider, is that under custom harmonization, trading hubs focused on supplying the West African market with Chinese goods could be created in any ECOWAS state or city. Thus, while Accra may possess some advantages with regard to political stability or personal safety, these might become irrelevant unless Accra can remain cost competitive against other locations and issues around the cost of doing business would need to be addressed.

Secondly, it was outlined that authorities need to consider the rules of GFZB membership. Under current arrangements, a firm can avail of tax breaks when they export at least 70% of the goods they produce. However, sales to other ECOWAS nations can't be made duty free as GFZB firms are considered to offshore non-Ghanaian operations and thus, a GFZB firms are at disadvantage when exporting into West Africa. An argument was made that, Ghanaian authorities need to rebalance this fact and explore ways to increase exports of manufactured goods to the wider West African market. In chapter 7, it was outlined that FDI can play an important role in increasing Ghanaian export to the West African region but that these firms would need incentives. It was outlined that an arrangement similar to the GFZB, where a firm can avail of tax breaks when they export at least 70% of the goods they produce should be put in place specifically for West African sales and allow for these firms to be considered onshore operations unlike in the GFZB. Such agreements should not be limited to foreign firms and Ghanaian firms should be included. To facilitate this, incentives should be put in place to encourage joint venture investments, for example joint venture firms could be allowed a higher initial proportion of domestic Ghanaian sales.

Thirdly, the impact of recent changes to inward Ghanaian investment laws, whereby foreign firms now have to invest at least US$50,000 in a joint non-trading venture agreement and US$200,000 for wholly owned non-trading investments were questioned. In the research it outlined that the highest frequency investors in manufacturing in Ghana are Chinese SMEs and it was argued that the recent changes to the investment laws may discourage these investors. Further to this, it was argued that the new laws make no reference to the West

African market and will not incentivise investments in this industry. For these reasons, it was argued that these changes should be reversed.

The Chinese investors introduce much needed capital and technical skills to Ghana's economy and as such, this form of FDI is to be welcomed not discouraged by increasing the required initial investment or not offering incentives for the firms to broaden their sales or diversify their investments. Ghanaian authorities need to consider whether they are utilising this investment to bring about any significant change to Ghanaian industries? It is argued in this thesis that this is not the case and more needs to be done to improve the positive impact of private Chinese FDI.

8.7 Concluding Remarks

This research presents work that was conducted over a 4 year period and involved three visits to Ghana, the first of which presented the seeds of the research idea based on observations and informed by the literature. The two key fieldwork visits were used to identify the key respondents and set the context for the research itself and to develop a level of engagement with the respondents that would encourage their involvement with the research process. Over the course of the research, it was observed that Sino-Ghanaian relations continued to develop and the evidence would suggest that relations between the two states show no sign of diminishing. Therefore research into the economic developmental impacts of such relationships remains a key concern for Ghana. In assessing the economic development impacts arising from Chinese investment, a new framework for understanding the impact of

FDI is introduced in this thesis that describes investments as being extractive, additive or transformative from a host nation's perspective.

The focus of the research has been on the economic developmental impacts of private Chinese firms in Ghana and the methodology used, that of an empirical qualitative research, allows otherwise unheard voices to be brought into the research field. The voices present somewhat contrasting opinions. The macro–micro contrast between the perceived benefits of Chinese relations on a wider scale is shown by the findings of Chapter 5. The transformative nature of macro level Sino-Ghanaian relations is more clearly visible such as infrastructural projects, and is more easily described than the micro level. It is at the micro level that the real issues arise in relation to this specific research. In analysing the micro findings from Chapter 5, a development picture emerges where trading activities conducted by the Chinese investors was seen to be solely extractive in nature. In contrast investment in the manufacturing sector was viewed as having the potential to be transformative. In both cases, the research sought to discover if these Chinese investors were encouraging Ghanaian industrialisation and diversifying economic dependency away from natural resource? Or is the reverse true, with the inventors reinforcing resource dependency?

The second and third sections of the research analysis presented in Chapters 6 and 7 explore the views of the Chinese investors with the aim of understanding the economic impact of their investments on Ghanaian industry and society. In the research, it is shown that these Accra based Chinese firms mainly consist of privately owned small scale firms that have limited interactions with larger Chinese multinationals. Thus, their businesses are run and driven from management in Accra and not Beijing or some other Chinese location. This is an

important observation and it is argued in this thesis, that this form of FDI offers an example of 'globalisation from below', where the global operations and linkages of these foreign investors are not fully captured by the existing literature on GPNs or GCCs.

In the case of the Chinese traders there was some evidence of the extractive nature of the trading investment in terms of market share. However, the overall evidence suggested that the removal of these Chinese traders would not have a positive impact on the livelihoods of the Ghanaian traders as their place in the market could and would be occupied by other sources. The lack of appetitive on the side of the Chinese traders to diversify into other sectors of the economy called into question the long-term nature of this type of investment. Further to this, there is no evidence to suggest that the Chinese trading investors are encouraging Ghanaian industrialisation and diversifying Ghanaian economic dependency away from natural resource. In fact, the evidence suggests that the reverse is true. These observations demonstrate that there is no evidence of transformative qualities of this type of FDI and policy recommendations have been put forward in this thesis that would encourage more transformative elements of these investments to be developed.

In the case of the Chinese manufacturers, who are the focus of the third section of the research analysis, the potential for transformative economic development was suggested by the respondents in Chapter 5. The findings raised questions as to the actual transformative benefits of this type of investment. What was observed was a group of firms engaging in 'globalisation from below' that were almost exclusively focussed on the Ghanaian market, with little evidence of any real desire to explore new markets. While the Ghanaian respondents noted the capacity of these Chinese investors to positively impact on Ghanaian

industry, the response of the Chinese manufactures themselves suggested their impact has been minimal. Although, unlike the Chinese traders, there is no evidence to suggest that these investors are reinforcing Ghanaian economic resource dependency. On the positive side, many of these family firms had been established for a number years in Accra and showed greater evidence of a commitment to long-term investment than the traders. There was some evidence of skills transfer and a commitment to promoting and supporting their Ghanaian employees. Although, these positive impacts, are better viewed as additive FDI investment rather than the transformative impact hoped for by the respondents in Chapter 5. Again, similar to the case of the Chinese traders, policy recommendations were put forward in this research that would encourage more transformative elements of investment to be developed.

The literature outlined 3 key transformative models that may exist within a neoliberal space such as Ghana. These include the concept of clusters as outlined by McCormack, (1998) industries that conduct higher value added activities under the GPN/GCC model and protectionist policies that might be adopted by governments. The findings of this research were examined from these 3 perspectives.

There was no real evidence found of cross-firm co-operation that one would associate with cluster theory. While the companies operated in a specific location, this did not constitute a cluster as they did not display cross firm co-operation. They could be described as being at what McCormack describes as Stage 1, but only insofar as they are located in relatively close proximity to each other. There is nothing to suggest from the findings that this will change with either the traders or manufacturers. Similarly the fact that the firms engage in 'globalisation from below' discounts the argument that they are affiliated to a GPN or a GCC.

However, an argument was made that this does not diminish the potential for these investors to positively impact on local industry but engagements in higher value added activities within an established production networks would be unlikely under this form of investment. There is some evidence from the research of protectionist policies operated by the Ghanaian authorities. An example would be the GIPC Law (1994), which defines the limits of foreign investments into trading activities to protect the livelihoods of local traders. In theory this law does appear from the research to limit to some extent the extractive nature of Chinese investment in trading but does it positively impact on Ghana's economy? In this thesis, other policies have been put forward to encourage more transformative elements of private Chinese FDI in Ghana.

By its nature, all research is limited by time and scale. This research resulted from the identification of a gap in the literature in the area of private Chinese investment in Ghana with specific reference to trading and manufacturing. By adopting a qualitative approach, the research also gave voice to the key actors, namely the Chinese traders and their Ghanaian counterparts, the private Chinese manufacturers and the so-called experts within Ghana. While accepting that the research can be viewed as limited in scope, it does add to the body of research into Sino-Ghanaian relations. Further to this, the research does justify its existence, by identifying the obvious contrast between how Chinese investment as viewed by Ghanaian society and the economic reality. It adds to the body of knowledge in the field, and uses the existing theories and literature to highlight why greater work needs to be done in order to ensure that models of investment focus more clearly on the transformative nature of FDI. The current research would suggest that, at this point in time, such private Chinese investment in Ghana is at best described as unmonitored and unquestioned in terms of its potential for transformative development. From a theoretical perspective, current private

Chinese investments into Ghana do not comply with the transformative models that can be adopted within the neoliberal space. Failure to address such issues will lead to a continued focus on the extractive and additive levels of investment.

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The South African Foreign Policy Institute

Centre for Chinese Studies

Ghanaian Statistical Service

Population and housing census 2010, Ghana Statistical Service

www.XE.com

Appendix A

1. Questionnaire of Chinese Trading Firms – English version

2. Questionnaire of Chinese Trading Firms – Chinese version

3. Questionnaire of Chinese Manufacturing Firms – English version

4. Questionnaire of Chinese Manufacturing Firms – Chinese version

Questionnaire on the Geography of Asian-owned Businesses in Ghana

Donal Mullins, Trinity College, Dublin, Ireland

All information provided will be treated in the strictest confidence. Company or respondent names will not be used in any written reports, which will present aggregate data.

1) Name of company_____

2) Physical Address of Company_____

3) Postal Address of Company_____

4) Name of Respondent_____ Phone number_____

5) Position of Respondent_____

6) Company's first year of operation in Ghana_____

7) Ownership (**Please circle**) State-owned/Privately Owned/ Joint Venture

8) Amount of initial capital invested in US dollars ($)_____

9) If privately owned/joint venture, please state the source(s) of capital_____

10) Nature of business (**please state**)

_____

11) What are the main products which your company exports/imports?

1)_____

2)_____

3)_____

12) What country and company are these goods sourced from?

1)_____

2)_____

3)_____

13) What are your main markets for these products?

1)_____

2)_____

3)_____

14) Why does the firm choose to import these rather than source them in Ghana?

_____

_____

_____

15) What is the total number of employees in your company in Ghana? _____

16) What is the total number of employees in your company Worldwide? _____

17) How many managers do you employ in Ghana? _____ Of these how many are not from Ghana?_____

18) Over the last three years (or since establishment in Ghana) have you increased or decreased your number of employees. Please write in the percentage increase or decrease.

% increase _____ % decrease_____

19) Please describe the main reasons why you think your business is growing or contracting.

_____

_____

_____

_____

20) Does your company engage in staff training? (**Please circle**) Yes/No

If yes, please state of what type:_____

21) Over the last three years have you seen your profits (**Please circle**) a) Increase, b) Decrease, c) Stay the same

Why?_____

_____

22) What brought you/your company to establish in Ghana?

_____

_____

23) What are the main economic advantages of being located in Ghana?

_____

_____

_____

_____

24) What are the main economic disadvantages of being located in Ghana?

_____

_____

_____

_____

25) What level of support have you received from your home government? (**Please circle**) Very Little/Little/Intermediate/High/Very High

26) How could your home country government better facilitate your business in Ghana?

_____

_____

_____

27) What level of support have you received from the Ghanaian government? (**Please circle**) Very Little/Little/Intermediate/High/Very High

28) How could the Ghanaian government better facilitate your business in Ghana?

_____

_____

_____

_____

29) What are the main advantages/disadvantages of being part of a joint venture operation in Ghana?

_____

_____

_____

_____

30) What role did the Ghanaian partners play when the firm was initially setup? How has this role evolved over time?

_____

_____

_____

_____

31) What role did the Chinese partners play when the firm was initially setup? How has this role evolved over time?

_____

_____

_____

_____

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESSTIONNAIRRE.

加纳亚裔/华裔企业经济地理分布问卷

爱尔兰都柏林大学圣三一学院多纳尔.马林斯博士

本问卷提供的所有信息将被严格保密。基于本次问卷调查形成的最终研究报告将不会公开任何一家企业名称和受访者私人信息。

1)企业名称_____

2)企业实体地址_____

3)通信地址_____

4)您的姓名_____ 电话号码_____

5)您的职务_____

6)贵公司于何年进入加纳开展业务_____

7)贵公司所有制形式（请圈出）：国有企业/私营企业/中加合资企业

8)贵公司在加纳初次资本投资额为（以美元计量）_____

9)如果贵公司是私营或合资公司，初次资本来源是：_____

10) 贵公司所处的行业和业务范围是（请注明，如加工制造业，商贸流通业）

_____

11) 贵公司的主要进口和出口产品包括哪些？

1) _____

2) _____

3) _____

12)贵公司进口物资的来源国家和公司有哪些？

1)_____

2)_____

3)_____

13)贵公司产品的主要出口市场是？

1) _____

2) _____

3) _____

14)如果贵公司选择进口原材料，那么贵公司未选择在加纳就地取材的的原因是？

15)贵公司在加纳的员工数量是 _____

16)贵公司在全球的员工总数是 _____

17)贵公司在加纳管理层员工数量为_____，其中非加纳裔的数量为_____

18)贵公司在过去三年中（如果公司成立不到三年，自公司成立之时算起）所雇佣的员工数量是否发生变化（**请圈出**）是 / 否

如果有变化的话请在下栏中注明与公司设立之初相比员工数量增加或者减少的百分比：

增加百分比_____ 减少百分比_____

19)您认为贵公司在加纳业绩发展中其增长或下滑的主要原因是：

_____

_____

_____

_____

20) 贵公司是否对员工进行培训（**请圈出**）？是 / 否

如果实施员工培训，主要采用何种培训方式 _____

_____

21)贵公司过去三年间（如果公司成立不到三年，可自公司成立之时算起）利润变化情况为（**请圈出**）a) 增加 b) 减少 c) 不变

您认为出现上述变化的原因是？

_____

_____

22)贵公司选择投资加纳的原因是？如果您是在加纳创业，您选择加纳的理由是？

_____

_____

23)您认为在加纳投资能获得何种经济和商业上的优势？

_____

_____

_____

_____

24) 您认为投资加纳会面临何种经济和商业上的劣势？

25)您认为贵公司从母国获得的支持程度如何？（**请圈出**）

几乎没有 / 很少 / 一般 / 较高 / 很高

26)您认为母国政府可以在哪些方面帮助贵公司在加纳发展壮大？

27)您认为贵公司从加纳政府获得的支持力度如何？（**请圈出**）

几乎没有 / 很少 / 一般 / 较高 / 很高

28) 您认为加纳政府可以在哪些方面更好地帮助贵公司发展？

29)如果贵公司是合资企业，那么您认为成立中加合资公司的优势和劣势分别是什么？

30)如果贵公司是中加合资企业，成立之初加方起了何种作用？加方在初创期间的角色随着公司的发展发生了何种变化？

31) 如果贵公司是中加合资企业，成立之初中方起了何种作用？中方在初创期间的角色随着公司的发展发生了何种变化？

非常感谢您拨冗宝贵时间填写本问卷。

Questionnaire on the Geography of Asian-owned Businesses in Ghana

Donal Mullins, Trinity College, Dublin, Ireland

All information provided will be treated in the strictest confidence. Company or respondent names will not be used in any written reports, which will present aggregate data.

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4) Name of Respondent_____ Phone number_____

5) Position of Respondent_____

6) Company's first year of operation in Ghana_____

7) Ownership (**Please circle**) State-owned/Privately Owned/ Joint Venture

8) Amount of initial capital invested in US dollars ($)_____

9) If privately owned/joint venture, please state the source(s) of capital_____

10) Nature of business (**please state**)

_____

11) Please give details of your three major inputs (e.g. raw materials/components/equipment)

1)_____

2)_____

3)_____

12) What country and company are these inputs sourced from?

1)_____

2)_____

3)_____

13) What are the main products which your company produces?

1)_____

2)_____

3)_____

14) What are your main markets for these products?

1) _____

2) _____

3) _____

15) What is the total number of employees in your company in Ghana? _____

16) What is the total number of employees in your company Worldwide? _____

17) How many managers do you employ in Ghana? _____ Of these how many are not from Ghana?_____

18) Over the last three years (or since establishment in Ghana) have you increased or decreased your number of employees. Please write in the percentage increase or decrease.

% increase _____ % decrease_____

19) Please describe the main reasons why you think your business is growing or contracting.

_____

_____

_____

_____

20) Does your company engage in staff training? (**Please circle**) Yes/No

If yes, please state of what type:_____

21) Over the last three years have you seen your profits (**Please circle**) a) Increase, b) Decrease, c) Stay the same

Why?_____

_____

22) What brought you/your company to establish in Ghana?

_____

_____

23) What are the main economic advantages of being located in Ghana?

_____

_____

_____

_____

24) What are the main economic disadvantages of being located in Ghana?

_____

_____

_____

_____

25) What level of support have you received from your home government? (**Please circle**) Very Little/Little/Intermediate/High/Very High

26) How could your home country government better facilitate your business in Ghana?

_____

_____

_____

_____

27) What level of support have you received from the Ghanaian government? (**Please circle**) Very Little/Little/Intermediate/High/Very High

28) How could the Ghanaian government better facilitate your business in Ghana?

_____

_____

_____

_____

29) What are the main advantages/disadvantages of being part of a joint venture operation in Ghana?

_____

_____

_____

_____

30) What role did the Ghanaian partners play when the firm was initially setup? How has this role evolved over time?

_____

_____

_____

_____

31) What role did the Chinese partners play when the firm was initially setup? How has this role evolved over time?

_____

_____

_____

_____

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESSTIONNAIRRE.

加纳亚裔/华裔企业经济地理分布问卷

爱尔兰都柏林大学圣三一学院多纳尔.马林斯博士

本问卷提供的所有信息将被严格保密。基于本次问卷调查形成的最终研究报告将不会公开任何一家企业名称和受访者私人信息。

1)企业名称_____

2)企业实体地址_____

3)通信地址_____

4)您的姓名_____ 电话号码_____

5)您的职务_____

6)贵公司于何年进入加纳开展业务_____

7)贵公司所有制形式（请圈出）：国有企业/私营企业/中加合资企业

8)贵公司在加纳初次资本投资额为（以美元计量）_____

9)如果贵公司是私营或合资公司，初次资本来源是：_____

10) 贵公司所处的行业和业务范围是（请注明，如加工制造业，商贸流通业）

_____

11) 贵公司原材料，组件或元件，设备这三种生产制造投入分别是什么？

1) _____

2) _____

3) _____

12)贵公司以上三种要素投入的来源国家和公司有哪些？

1) _____

2) _____

3) _____

13)贵公司产品的主要出口市场是？

1) _____

2) _____

3) _____

14)如果贵公司选择进口原材料，那么贵公司未选择在加纳就地取材的的原因是？

15)贵公司在加纳的员工数量是 _____

16)贵公司在全球的员工总数是 _____

17)贵公司在加纳管理层员工数量为_____，其中非加纳裔的数量为_____

18)贵公司在过去三年中（如果公司成立不到三年，自公司成立之时算起）所雇佣的员工数量是否发生变化（**请圈出**）是 / 否

如果有变化的话请在下栏中注明与公司设立之初相比员工数量增加或者减少的百分比：

增加百分比_____ 减少百分比_____

19)您认为贵公司在加纳业绩发展中其增长或下滑的主要原因是：

_____

_____

_____

_____

20) 贵公司是否对员工进行培训（**请圈出**）？是 / 否

如果实施员工培训，主要采用何种培训方式 _____

_____

21)贵公司过去三年间（如果公司成立不到三年，可自公司成立之时算起）利润变化情况为（**请圈出**）a) 增加 b) 减少 c) 不变

您认为出现上述变化的原因是？

_____

_____

_____

22)贵公司选择投资加纳的原因是？如果您是在加纳创业，您选择加纳的理由是？

_____

_____

_____

23)您认为在加纳投资能获得何种经济和商业上的优势？

_____

_____

_____

_____

24) 您认为投资加纳会面临何种经济和商业上的劣势？

25)您认为贵公司从母国获得的支持程度如何？（**请圈出**）

几乎没有 / 很少 / 一般 / 较高 / 很高

26)您认为母国政府可以在哪些方面帮助贵公司在加纳发展壮大？

27)您认为贵公司从加纳政府获得的支持力度如何？（**请圈出**）

几乎没有 / 很少 / 一般 / 较高 / 很高

28) 您认为加纳政府可以在哪些方面更好地帮助贵公司发展？

29)如果贵公司是合资企业，那么您认为成立中加合资公司的优势和劣势分别是什么？

30)如果贵公司是中加合资企业，成立之初加方起了何种作用？加方在初创期间的角色随着公司的发展发生了何种变化？

31) 如果贵公司是中加合资企业，成立之初中方起了何种作用？中方在初创期间的角色随着公司的发展发生了何种变化？

非常感谢您拨冗宝贵时间填写本问卷。

Appendix B

Questionnaire Respondents

Description	Physical Address	Respondent	Opened
Trader	Cows lane, near Malcon, central Accra	Marketing Manager (Ghanaian) – Chinese don't speak English	2004
Trader	Opp Rawlings Park, CB, Makola	MD (Chinese)	2006
Trader	Laneway at the back of China House	Sales manager/worker (Chinese)	2010
Trader	Laneway behind China House	Director (Chinese) – Son of the owner	2009
Trader	Laneway behind China House	Sales Manger (Chinese)	2008
Industry	Zongo Lane	Manger (Chinese) –	2007
Trader	Across from Amel Bank, Zongo Lane	Manger (Chinese)	2009
Trader	Zongo Lane, side-street from Barcleys Bank	Director (Chinese)	2010
Trader	Zongo Lane, side street of Barcley Bank.	Director (Chinese)	2008
Trader	Roman Ridge, near int school	Manager (Chinese)	2010
Trader	Zongo Lane, Across from Amel Bank	Worker (Chinese)	2010
Trader	Across from CAL bank on Zongo Lane, near China House, upper floor	worker (Chinese)	2006
Trader	In UTC on Zongo Lane	Manager (Chinese)	2006
Industry	Tema heavy industrial area	assistant manager (Chinese)	1998
Trader	beside childrens hospital	Manager (Chinese)	2008
Industry	Circle	Chinese owner	2005
Trader	Across from Amel Bank	Manager (Chinese)	2008
Industry	Outside Tema	Manager (Chinese)	2008
Trader	side of old GNTC clinic	Chinese worker	2009
Trader	Located on Zongo Lane, across from Amel Bank	Sales Manager (Chinese)	2008

Trader	Located on Zongo Lane, across from Old Royal cinema	Ghanaian Sales worker	2008
Trader	Old Royal Cinema, Children's Hospital	Manager (Chinese)	2004
Trader	Old Royal Cinema, Children's Hospital	Manager (Chinese)	2004
Trader	Opp GCB Ltd Osu, Accra	Financial controller (Ghanaian)	2005
Trader	near coca cola junction, spintex road	Manageress (Chinese)	2003
Industry	Osu near shell station and church	Managing Director (Chinese)	2006
Industry	Near Circle, opp Nissan shop, Ind Area North	Manager (Chinese)	2006
Industry	Near Achimota, Opp paypiya	Manageress (Ghanaian)	1995
Industry	Dzorwulu	Marketing manager (Chinese)	2005
Trader	Dzorwulu	Sales manager (Chinese)	2003
Industry	Tema Industrial Area (near Steal works)	Engineer (Chinese)	2004
Industry	Tema Industrial Area (between tor and stealworks)	Director (Chinese)	1997
Industry	Tema, Kpone	Quality Assurance Manager (Ghanaian)	1998
Industry	Light Industrial Area (Comm 9)	Manager (Ghanaian)	1983
Industry	Light Industrial Area (Comm 9), behind T-Havana	Accountant (Ghanaian)	2005
Industry	Tema	Foreman (Ghanaian)	2007
Industry	Mallam Junction	Credit/Sales Manager (Ghanaian)	1996
Trader	Busia Junction	Administrative officer (Ghanaian)	2004
Industry	Tema Comm 23	Marketing Manager (Chinese)	2004
Industry	North Ind area Accra near circle, opp Nissan shop	Manager (Chinese)	2006
Industry	Kenda Highway	Managing Director (Chinese)	2006
Industry	Mallen Junction, behind caitec	Sales manager/assistant (Chinese)	2006
Industry	Near Nkrumah Block	General Manager	2006

	Factory, Adjiringano	(Ghanaian)	
Trader	Zongo Lane (near China House)	Manager (Chinese)	2004
Trader	Osu, above 18th July	Sales Assistant (Ghanaian) – Chinese don't speak English	2006
Trader	Tudu near central Accra	company employee (Ghanaian floor manager)	1999
Trader	Located on Zongo Lane green building across from Suckie Shoes'	Sales Manager (Chinese)	2006
Trader	Located off Zongo Lane in the laneway behind Suckie Shoes'	Sales assistant/Manager (Chinese)	2009 (He thinks, only stared working there in 2010)
Trader		Sales Assistant (Ghanaian) – Chinese don't speak English	2004
Trader	Across from Police hospital in Cantoments. On the roundabout linking Osu.	Manager (Chinese)	2004
Trader	Located in central Accra, up from Barcley's bank, in the car park behind Melcom	Sales Manager (Chinese)	2007
Industry	Spintex road near coca cola junction	Sales manager (Ghanaian	2003 (8 years)
Trader	laneway behind China house	Sales person - Chinese	2007
Trader	Near China house on Zongo Lane, across from Cal bank	Ghanaian sales assistant	2009
Trader	Near Childrens hospital on Zongo Lane	Ghanaian sales assistant	2008
Trader	UTC, near Topman Shoes'	Manager Chinese lady	2009
Trader	Zongo Lane, Across from Amel Bank	Sales Manager (Chinese)	2007
Trader	Community 6 in Tema	company employee (Chinese)	2007
Industry	Achimota	Deputy Manager (Ghanaian)	2003
Industry	Spintex road	HR Manager (Ghanaian)	2003
Industry	Osu	Manager (Chinese)	1998

Industry	Texpo	head of marketing (Ghanaian)	2009
Industry	Legon	Chinese worker	2004
Industry	Labadi	Manager (Chinese)	2006
Industry	Osu	Sales Manager (Ghanaian) – Chinese don't speak English	2006

Appendix C

List of interviews with Ghanaian traders:

Ghanaian trader number 1, Makola market- bathroom products.

Ghanaian trader number 2, Makola market- toffees and sweets.

Ghanaian trader number 3, Makola market- food products.

Ghanaian trader number 4, Makola market- bathroom products.

Ghanaian trader number 5, Makola market- general goods

Ghanaian trader number 6, Makola market- clothing & shoes

Ghanaian trader number 7, Makola market- clothing

Ghanaian trader number 8, Makola market- food products

Ghanaian trader number 9, Makola market- cooking products

Ghanaian trader number 10, Makola market-food products

Ghanaian trader number 11, Makola market- biscuits and sweets

Ghanaian trader number 12, Makola market- general goods

Ghanaian trader number 13, Makola market- food products

Ghanaian trader number 14, Makola market-hardware goods

Ghanaian trader number 15, Makola market- towels and mosquito nets

Ghanaian trader number 16, Makola market- mother care products

Ghanaian trader number 17, Makola market- mother care products

Ghanaian trader number 18, Makola market- clothes, bags and shoes

Ghanaian trader number 19, Makola market- childrens wares

Ghanaian trader number 20, Makola market- women's and children's fashion

List of interviews with Chinese traders:

Chinese trader number 1 – front of China House (new this year), firm sells bags and travel goods

Chinese trader number 2 – Vogue Wind mark Ltd, shoes

Chinese trader number 3 – Tang Long, socks and undergarments

Chinese trader number 4 – ABC, fishing goods

Chinese trader number 5 – Golden Sea, fishing goods

Chinese trader number 6 – Royal Standard, hardware goods

Chinese trader number 7 – Zongo lane (new), clothing goods

Chinese trader number 8 – Zongo Lane (new), bags, wears, nails and polishes

Chinese trader number 9 – Zongo lane (new), shoes

Chinese trader number 10 – Zongo Lane, footwear

Chinese trader number 11 – Zongo lane (new), footwear

Chinese trader number 12 – Zongo lane (new), electrical goods

Chinese trader number 13 – Zongo lane (new), footwear

Chinese trader number 14 – Le Golf, footwear

Chinese trader number 15 – Zongo lane (new), belts and shoes

Chinese trader number 16 – Runxin, clothing goods and accesories

List of interviews with Chinese manufactures:

Chinese manufacturer number 1 – Caitec Delta Ltd

Chinese manufacturer number 2 – Sunlight Engineering

Chinese manufacturer number 3 – Poki

Chinese manufacturer number 4 – Melody Industry

Chinese manufacturer number 5 – Orient Industrial Ltd

Chinese manufacturer number 6 – Weeshake

Chinese manufacturer number 7 – Hsishi's Plastic Co. Ltd

Chinese manufacturer number 8 – Afrikshallom Zanga Fisheries (new)

Chinese manufacturer number 9 – Sanbao

Chinese manufacturer number 10 – Sunshine

Chinese manufacturer number 11– Atlantic

Chinese manufacturer number 12 – Orient rope

Chinese manufacturer number 13 – Jelly Plastics (new)

Chinese manufacturer number 14 – Ferro Fabric (new)

Chinese manufacturer number 15 – Gamoa paper mill

Chinese manufacturer number 16 - Kinglake

List of interviews with local experts:

Mr Atubrah - Senior Researcher Danquah Institute

Kofi Addo - Researcher in Ministry of Trade

Ato Yeboah - Trade Ministry of Ghana

Buddy Buruku - Researcher African Centre for Economic Transformation

Franklin Cudjoe - Head of IMANI Ghana

Kofi Sekyi-Ama Antiri - Head of Research GIPC

Mr Sham - Director China-Ghana friendship association

Patience Acholor - Deputy head of Ghana Free Zones Board

Dr Peter Quartey - Lecturer in University of Ghana, Legon and Researcher in the Institute of Statistical, Social and Economic Research(ISSER)

Stephen Oteng - Researcher Ghana Chamber of Commerce and industry

Appendix D – Internet Media Sources

Source	Title	Date
GhanaWeb	Vice President Interacts With Ghanaians In Dubai	20 April 2012
The Statesman	Ghana's Dubious New Partner	01 March 2010
The Himalayan	Resentment against Chinese traders simmers in Africa	18 September 2012
The Austrailian	Rio Tinto sells Ghana Bauxite stake to China's Bosai Minerals	04 February 2010
Modern Ghana	President lauds Chinese support for Ghana	17 February 2011
GhanaWeb	Oil Democracy - Government of Ghana, By GNPC For the Chinese	25 July 2010
Peace Fm Online	NDC 'Dashes' Chinese Firm $43 Million	25 September 2012
Joy Online	Mr. President, Ghana is not for sale! NPP tells Mahama	25 September 2012
GhanaWeb	MOTI to open additional foreign offices	13 September 2012
GhanaWeb	Mining Association on Chinese Witch-Hunt	27 September 2012
AsiaOne News	In Africa, with sweet somethings	30 September 2012
Citi Fm Online	Illegal Chinese activities not our fault – Immigration Service	04 September 2012
GhanaWeb	How Long Shall We Stand Aside And Watch Such Balderdash?	23 September 2012
Voice of America	High Gold Prices Bring Chinese into Ghana's Mines	29 August 2012
Citi Fm Online	GUTA's Cry, Aboah's Concerns and the Chinese merchant in Ghana and Africa	03 July 2012
The Chronicle	Ghanaian traders up in arms over closure of foreign businesses	02 October 2012
FinalCall.com	Ghana's farmers resent influx of Chinese products	21 August 2008
InDepth Africa	Ghana: Looking At Our Ghana Today, Any Hope Tomorrow?	25 September 2012
Modern Ghana	Ghana, China Address Bui Dam Labour Disputes	16 January 2009
Modern Ghana	GHANA UNDER CHINESE SIEGE	25 September 2012
China Daily	Ghana to create better environment for investors	09 July 2012
Reuters Africa	Ghana parliament to debate China's $3 bln loan	22 August 2011
Reuters Africa	Ghana mulls whether to scrap windfall tax on miners' profits	11 September 2012
Bloomberg	Ghana lawsmakers to debate $3 Billion China Infrastructure loan	
GhanaWeb	Ghana extends invitation for more Chinese investment	21 September 2010
The Washington	Ghana deports 38 Chinese citizens arrested	

Post	for alleged illegal gold mining	
Ghana Business News	SSNIT injects $3-4 million dollars into Africa World Airlines	22 September 2011
Ghana Business News	Gov't takes over GH¢137m Achimota-Ofankor road	26 September 2012
Ghana Broadcasting Corporation	Chinese Bank explores avenues of cooperation in Ghana's rail sector	
Ghana Broadcasting Corporation	Ghana, China to sign $270m Agreement for Kpong Water Project	
Ghana Broadcasting Corporation	Adentan, Madina, Ashongman, others to get water by 2015	
Bloomberg	Ecobanks China desk records invesments of $100 Million	27 April 2012
Daily Guide	Demo Rocks Sofoline Project	04 September 2012
Reuters Africa	CNOOC, GNPC bid $5 billion for Kosmos Ghana assets: source	22 August 2010
Citi Fm Online	Chinese-assisted projects ready for takeoff	18 February 2011
Daily Guide	Chinese Miners Build 100 School Blocks – For Ghana	05 September 2012
Modern Ghana	Chinese jailed 41 years	23 June 2009
Ghana Money	Chinese Invade Arts Market	04 July 2012
Joy Online	Chinese firm expected to begin Western Railway odernization project by the year-end	17 September 2012
Reuters Africa	Chinese bank says will finance Ghana oil projects	08 December 2009
Actualitéinformation Afrique	China-Ghana: Chinese cheat in gas project	
Modern Ghana	China-Africa relations is based on equality and mutual-trust - Ambassador Gong	01 October 2010
MENAFN News	China, Ghana sign economic, technical cooperation pacts	31 December 2009
Global Times	China, Ghana eye more trade, investment	17 February 2011
The Austrailian	China to pump $16bn into Ghana as part of soaring African investment	29 September 2010
China in Africa	China to Build West African Coastal Highway?	28 October 2012
Caymen Net News	China Harbour wins major Ghana Port project	27 September 2012
Modern Ghana	China announces debt forgiveness for Africa	23 September 2010
Daily Guide	Be circumspect in issuing visas to Chinese – Mumuni	20 September 2012
BBC News	Ghana and China agree mutual development deal	16 August 2012
BBC News	Ghana probes death of 'illegal Chinese gold miner'	15 October 2012

BBC News	China morning round-up: Ghana and Sichuan	15 October 2012
AllAfrica	Ghana: Welcome, Sunon Asogli Power	22 April 2008
AllAfrica	Ghana: Volta Chiefs Woo Chinese Investors	21 January 2011
AllAfrica	Ghana: Red Flag Over Ghana-SINOPEC Deal	19 September 2012
AllAfrica	Ghana: Lets Stand Up to Fake Drug Menace	24 July 2009
AllAfrica	Ghana: How Gov't Will Spend U.S.$3 Billion China Loan – Mills	02 January 2012
AllAfrica	Ghana: China Splits Traders' Front	09 July 2012
AllAfrica	Ghana Doles Out $47 Million to Chinese	25 September 2012
AllAfrica	Africa: Assessing China's Growing Role - Realism, Information and Engagement	01 November 2011
GhanaWeb	Akufo-Addo kicks against Chinese take-over of Ghanaian retail business	01 May 2012
Modern Ghana	Africa-China Relationship: Gains So Far	17 November 2009
InfoGhana	Africa must beware of the Chinese influence	30 August 2012
GhanaWeb	A Chat With Chinese Ambassador - Matters Arising	06 April 2008
Peace Fm Online	$3bn Chinese Loan: Fireworks In Parliament Today	23 August 2011
GhanaWeb	$16bn Worth Of Made In China Smoke & Mirrors	01 October 2010

Appendix E

Products produced by the Chinese manufacturing firms surveyed in 2011

Ref	Physical Address	Products Produced
Com_6	Zongo Lane	Textiles including bed sheets and curtains
Com_14	Tema heavy industrial area	Plastic products
Com_16	Circle	Plastic goods
Com_18	Tema	Paper
Com_26	Osu near shell station and church	Audios and Movies/electrical goods
Com_27	Near Circle, Ind Area North	Fertiliser and other agricultural products
Com_28	Near Achimota, Opp paypiya	Outdoor signs/Shop signs/Posters/Banners
Com_29	Dzorwulu	Home furniture
Com_31	Tema Industrial Area (near Steal works)	Plastic products
Com_32	Tema Industrial Area (between tor and stealworks)	Calcium carbonate
Com_33	Tema, Kpone	Intravenous infusions
Com_34	Light Industrial Area (Comm 9)	Sachet Rubber, Shopping bags. Polythene bags
Com_35	Light Industrial Area (Comm 9), behind T-Havana	Roofing sheets
Com_36	Tema	Preform & Plastic bottles
Com_37	Mallam Junction	Real Estate, Fishing Nets. Ropes, distributors GT brand of tyres, JAC truck, Faw tipper truck
Com_39	Tema Comm 23	Refined Iodated Salt, Washing Powder, Toilet roll
Com_40	North Ind area Accra near circle, opp Nissan shop	plastic tables products
Com_41	Kenda highway	Sofas/ Furniture
Com_42	Mallen Junction,	Drinking cups,

	behind caitec	Plastic food goods
Com_43	Near Nkrumah Block Factory, Adjiringano	Stainless staircase, Handrails, Water tanks, Garage doors, gates etc
Com_52	Spintex road near coca cola junction	PVC/Plastic pipes, Electrical bulbs
Com_59	Achimota	Outdoor signs/Shop signs/Posters/Banners
Com_60	Spintex road	Electrical appliances/plastic pipes and other goods
Com_61	Osu	Curtains & household fabrics
Com_62	Texpo	creative concepts/tailor made solutions, advertising solutions, printing services Also Outdoor signs/Shop signs/Posters/Banners
Com_63	Legon	Foam mattress
Com_64	Labadi	Suitcases
Com_45	Osu, above 18th July	Curtains & household fabrics