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CHINA'S ONE BELT ONE ROAD INITIATIVE AND ITS IMPLICATIONS FOR SINO-GHANAIAN INVESTMENTS RELATIONS (CASE OF GHANA)

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Abstract

Foreign direct investment (FDI) can be defined as long-term participation in a country into another country. Many African countries have already done much to build a more business-friendly environment and a lot of them have made great progress towards political and economic stability. In their determinations to ameliorate economic activity, they have scaled *down the bureaucratic obstacle's interferences in their economies, get on privatization programs and are putting in place active investment measures. Research on the impact of China One Belt One Road on other African countries is still at an early stage and there are quite a number of important areas where current knowledge is limited. From 2000, China implements the 'Going Global Strategy' to promote outward investment. Actually, it among the major world's capital-export countries and has signed several bilateral investment treaties (BITs) with many countries around the world. The initiative of One Belt, One Road Initiative is the prosecuting and heightening of the 'Going Global Strategy'. This work argues that Chinese foreign investments towards Ghana during the last 10 years have rapidly boosted, nevertheless, it has not been correlated to the increment in volume and pace of Chinese outward investment. The result of this study showed that China is one of the most in terms of foreign direct investment (FDI) in Ghana. The result showed that, China is one of the most in terms of foreign direct investment (FDI) in Ghana.*

Keywords: Sino-Ghana, China, Ghana, Foreign Direct Investment, One Belt One Road (OBOR)

INTRODUCTION

China is one of the world's major capital-export countries and have carried out the 'Going Global Strategy' to encourage outward investment with most of the countries in the world (Chen, 2016). Later one, The One Belt, One Road initiative has been established to continue and deepening of the 'Going Global Strategy' (Swaine, 2015).

The 'One Belt, One Road' initiative was proposed in 2013 by President Xi Jinping (Fallon, 2015). It aims are to support infrastructure construction, trade and investment between China and the countries along the Belt and Road through Chinese foreign Direct Investment (CFDI) (Du & Zhang, 2018).

For attract investment in their country, many African countries have made considerable efforts over the past years to improve their investment environment (Anyanwu, 2006). Most of the African countries have liberalized their investment procedures and have offered opportunities to foreign investors to invest in (Asiedu, 2006). Nevertheless, the estimated flow of FDI into Africa as a whole is still not enough, the expected surge of FDI into Africa as a whole has not occurred (Kaplinsky & Morris, 2009). Potential investors discount Africa as a location for investment because of the negative image of the region as a whole conceals and the complex diversity of the economic performance and the existence of investment opportunities in individual countries (Cotula, 2009).

Chinese Foreign Direct Investment (CFDI) in Africa should no longer be focus only on the natural resources sector, but also on the manufacturing and services industries. They need to look at Africa country by country, sector by sector, and opportunity by opportunity type like the way they have being doing in other OECD (Organization for Economic Cooperation and Development) countries (Corak, 2013).

The total investment of China to Ghana between 2007 to 2017 reached to $44.2 million U.S dollars (World Bank, 2018).The FDI from China to Ghana increase and the gap appears to be bigger as the years go by, so the need to study the Chinese Foreign Direct Investment Relationship between China and Ghana.

FDI IN GHANA

Over the last decade China has successfully grown from an agricultural country to being a world industrial unit. China now has adequate development funds, appropriate technology and equipment and ample experience in term of development, China is expanding its economic transition, and looking for transfer its equipment and technology abroad.

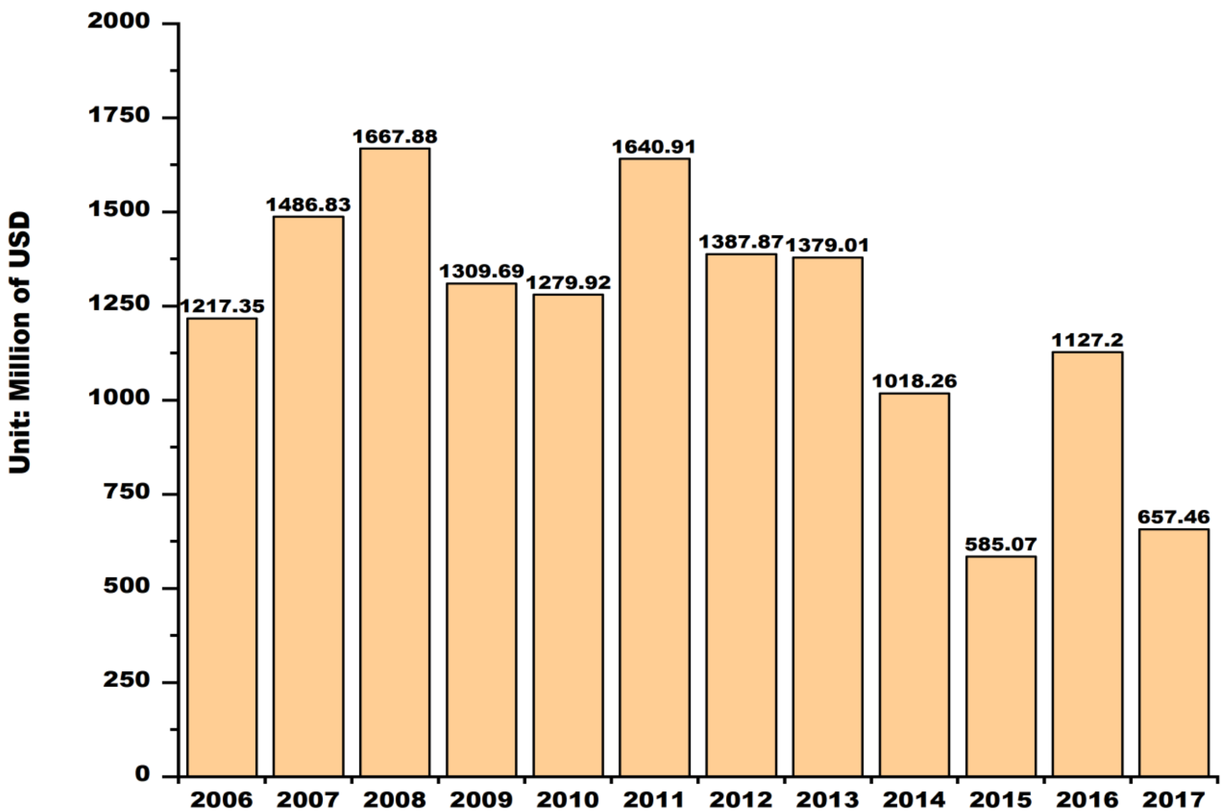

Figure 1: China's Outward FDI flows to Africa (2006–2017) (millions of USD).
Source: World bank, 2018.

According to the UNCTAD World Investment Report, the FDI stock in Ghana had risen up from USD 10 million to USD 33 million between 2010 and 2017, later on FDI flows in Ghana has decreased from 3.4 million to USD 3.2 million between 2016 and 2017 (Fig. 1). However, in line with others countries Africa did not receive a substantial amount of its FDI from China, after comparing with its total FDI inflows (Fig. 2).

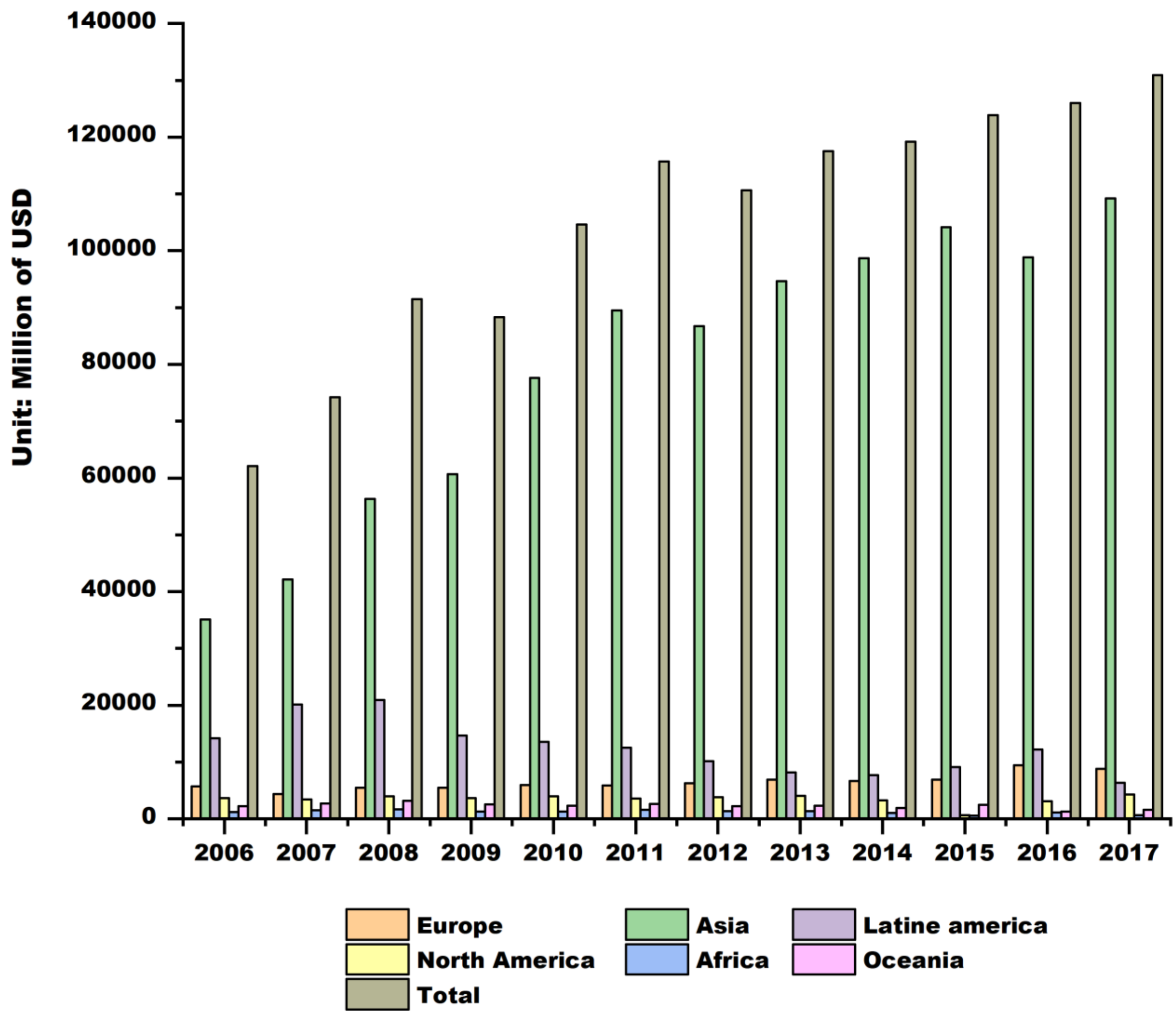

Figure 2: China's Outward FDI flows by regions (2006–2017).

Source: World bank, 2018.

In 2018 and 2019 Doing Business (Revue of the World Bank), Ghana was ranked as one of the most attractive locations for doing business in Africa. In order to make Ghana a better place of doing business Government need to learn from OECD countries (Organization for Economic Cooperation and Development) by reducing occupancy cost for commercial, industrial properties and general cost. Furthermore, to be able to differentiate itself from others and attract more FDI Ghana should focus on ameliorating its policies such as dematerializing taxes, ameliorate the legal and business registration processes, provide rapidly construction permits, working permits and digitalized identification numbers.

CONCLUSION

The Foreign Direct Investment provide by China is useful to Ghana in terms of boosting the Ghanaian economy by creating jobs and helping to the realizations of some projects who can be advantageous for the country. As from the years 2006 to 2010, nearly 80% of Chinese investments in Ghana have been mostly focused on Building, construction, manufacturing, and general trade sectors, therefore, investors have to go into under-served sectors that have been recklessly overlooked. Hence, the Ghana government must slipt some manufacturing, construction and building contracts with national investors. A more effective resources allocation in spite of trade valuation or not will favor the upgraded of national operations. The paper showed that Ghana government still need to work hard to improve his policies so can be able to receive more Foreign Direct Investment under the "one belt one road" strategy proposed by China. These reforms should include the dematerializing tax, business and registration processes delivery of construction permits, operating permits, and the identification numbers should be automated and digitalized. Furthermore, based on the fact that China's FDI stock has a positive significant effect on Ghana economic growth, Ghanaian policymakers must facilitate Chinese investment in their country. Hence, Policies such as free visas to Chinese investors, less bureaucratic and tariffs of intermediate goods and inputs from China as well as a low grant of business permit to the Chinese investor is imperative. Additionally, other bottlenecks like political instability and lack of energy which dissuade investment must be checked. If done well the Chinese FDI under the "OBOR" strategy may be a positive help for the development of Ghana. This research provides significant outcome on the Chinese FDI under the One belt one road strategy towards Ghana, further in deep studies are required to assess on how Ghana can establish a transparent, broad and effective policy environment to attract more investment from China.

CONFLICTS OF INTEREST: The authors declare that there is no conflict of interest.

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