**ABSTRACT**

This thesis tries to explore the impact of Chinese trading and investments towards the attainment of sustainable development in Ghana. Also, the study intended to examine the interest for the two countries going in this trading and investment relationship and whether the cooperation is a “win-win” or “zero-sum” game. To some extent, there was the implantation of the Chinese infrastructural development in the analysis even though that was not the idea of the study.

In order to carry out this study effectively, relevant literatures were reviewed with qualitative and quantitative research strategies were used. Also, the literature review on sustainable development in addition to the World System and the Dependency theories were employed in the analysis to find the right answers to the research questions.

As the study was carried on, it became clear that in the area of trade (Exports) some negative impacts that did not contribute to sustainable development in Ghana. Some of which are the trade deficit, employing more Chinese people in most of their operations in the field of investment and infrastructural development and one more last thing competing with some of the local companies for the market.

Notwithstanding this, the Chinese business provided cheap manufactured goods for the local consumers benefits, provided an employment for some of the local citizens in their specific fields of operations. They have also constructed a lot of infrastructural development as well as recreational centers for the sustainability of Ghana‘s development.

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# CHAPTER ONE

## 1.0 STRUCTURE OF THE THESIS

To make this study very comprehensive and research friendly, the below is the thematic steps of the work, Chapter one which is the immediate section of the study will embodied, the introduction of the thesis, problem statement, rational of the study and ends with the research question. The next Chapter two encompassed the methodological consideration of the study; this involves the structure of the methodology, research strategies, sources of data, use of theory, limitation of the study and sub-conclusion. Chapter three is the literature review; Chapter four essentially involved the theories such as World System and Dependency as well as its application, critique and sub-conclusions behind the study. In a spill over form, Chapter five which I describe as the heart of the thesis, thus the analysis of the research is based on themes generated by the researcher such as Trade, The Trends of China-Ghana Export and Import, The impact of Chinese trading and investment in Ghana towards sustainable development in Ghana, The Interest of Chinese and Ghana, then Chapter six as the final one entails the conclusion as well as the perspectives of the study.

## INTRODUCTION

This section seeks to bring to readers an overview of what goes into the study. It embodies Sino-Ghana relations, rational of the study, China’s global ascendency, problem statements, aims of research, research question, research focus and the sub-conclusion.

## 1.2 SINO-GHANA/AFRICA RELATIONS

China has emerged a key consumer of natural resources and other commodities, as well as a main producer of manufactured goods and services. China is therefore in search of new export markets for its products as well as supply sources for its natural resource needs (Rotberg, 2008). This phenomenon thus defines China’s current relationship with the rest of the world especially Africa which is seen by the former as the fertile grounds for resource and ready markets for her continues growth. The trade and investments relationship between China and African and for that matter Ghana will help meet these mutual needs. Thus China and Africa complement each other’s needs in the area of socio-economic diplomacy, for instance in the sphere of trading, investment and Aid (Rotberg, 2008). The new found interest of China in Africa could be an important opportunity for the growth and integration among African economies into the international economy if African nations are able to position themselves and maximize the outcomes from this relation (Broadman 2006 and Zafari 2007).

For instance, there has been official economic and diplomatic relations between China and Africa since 1949; in terms of politics and economics both have been in the same bed thereon (Anshan, 2008). Meanwhile official diplomatic relation between China and Ghana which is the focus of this study began in 1961, a year which when the later became a republic (Tsikata Dela and et al, 2008). This relationship intensified after diplomatic relations resumed in the year 1972. After the resumption of the diplomatic relations, the Chinese government has been giving assistance to Ghana using a process of bilateral cooperation in industry, agriculture, health, and infrastructure as well as in terms of education (Tsikata, et al, 2008).

Equally imperative event that seeks to cement and intensify Sino-Ghana/Africa relations is the Forum on China –Africa Cooperation (FOCAC) which since 2006 has highlighted the growing presence of China in Africa. Though, the good relation of the Sino-Africa has a long historic root way back to the beginning of the cold war which was based more on political issues (Eisenman, 2007).

However, there has been a more economic approach in the last two decades. China in the 1980’s was characterized by economic reforms to address domestic issues, and this laid the foundation for an active involvement of the country in the international economic affairs (Xing, 2010). From this perspective, China had to find its own policies concerning domestic and foreign issues in the sense that Chinese has to also influence their institutions and regimes to grow as well. After long years of undergoing isolationism and protectionism, China began to move onto oriented policy and focused much on its direct neighbors. This made the Chinese to become more confident and focused on some of the strong powers in its foreign relations (Zhu, 2010). This then underscores China’s evolution as a global financial hub involving in more than 1000 global regimes and groupings including a dominant presence in the World Bank and International Monetary Fund (IMF) (Zhu, 2010).

Recently, there is commerce between China and the countries of Sub-Saharan Africa which is a new trend in South-South trade and investment. Indeed, trading among developing countries is one of the most significant features of the global economy now. For decades, world trading was dominated among developed countries (the North) and between the North and the developing countries of the South (Broadman H. G., 2008). But, today, the South – South trade where Sino-Ghana can be found accounts for 11 percent of the global trade and is growing at about 10 percent a year; whereby 43 percent of the South’s trade is with other developing countries (Rotberg, 2008:87).

However, the 21st century has just witnessed a flow from the west to the east with the Chinese rising; they are in the process of trying hard to take an active part in the world affairs. Before the advent and the introduction of the economic reforms and opening up policy of trading in the 1979, China was among one of the poor countries in Asia, left behind the continent as well as being ignored when it comes to economy in the worldwide. But ever since 1979, the country has maintained an average yearly of high gross domestic product (GDP) growth which was around 10% (Morrison, 2012).

China is considered to be the second largest trading nation and the largest manufacturer as well as the largest nation of foreign exchange reserves (Morrison, 2012). In the words of (Forbes, 2013), Organization of Economic Cooperation and Development (OECD) have the believe that the Chinese economy will go beyond that of the United States of America in the upcoming three years. Based on these features of economic growth rate, China is no longer considered to be under-developed country but a developing in the sense that China’s role is increasing drastically in the global economic world.

With the above, it can be stated without contradiction that, China has firmly registered her presents in Ghana/Africa just as it did in other parts of the world via increasing trade, investments and aid. But as a common knowledge that, there cannot be smoke without fire, the Chinese increasing activities and influence in Africa has attracted a diverse debate as to whether or not it can enhance Africa’s quest for a sustainable development. There are some especially Africa’s old development partners who are of the opinion that, the Chinese activities and influence could undermine the latter democratic gains and development. However, the Chinese and Africa leadership as say the “donor and recipient” have different positions or views to the old development partners’ assertions. It must however, be pointed out that this will not be the main focus of this research as efforts will rather be made to look at Sino-Ghana trade and investment relations and whether it could be a means by which the latter could turn around her developmental challenges. The below diagrams illustrate the overview of Chinese trade activities in Africa[[1]](#footnote-2).

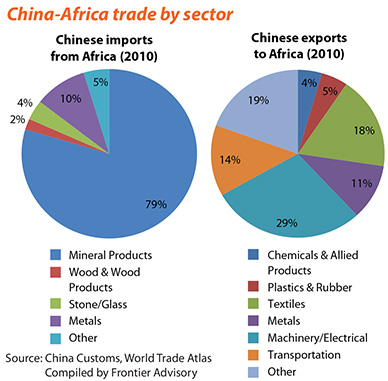


Figure 1 KEY TRADE OF COMMODITIES (CHINA-AFRICA TRADE BY SECTOR

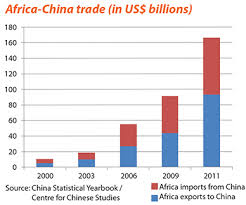


Figure 2 VALUE OF TRADE (AFRICA -CHINA TRADE IN US$BILLION)

Fig 1 and 2 give an illustration of the dynamics of the China-Africa trade.

As can be inferred from the above diagrams, China’s imports from Africa is basically into primary/unfinished products with minerals products being the highest, contributing 79% of the Chinese total import from Africa in the year 2010 with the least being wood and wood product, which is 2% of the total imports from Africa in the same period. On the contrary, the country’s exports to Africa is mostly finished/manufactured products with electrical or machinery as the highest with a percentage of 29 whiles chemicals and Allied products being the least total exports to Africa with 4%.Still from the diagrammatical point of view and extending it to trade volumes between and among the two partners, Africa’s imports from China has been increasing from about 10-165 billions US$ whereas its exports only increases from 5-95 billion US$ in the same period. What this simply means is that, Africa imports more than it exports to China, another point worth noting is that, the former exports more unfinished products whereas its partners does the reverse, that is exporting more finished products to Africa. The above characteristic will be very central in the analysis of this research in the analysis chapter.

However, in the area of investment the story is not the same. As the saying goes that all animals are animals but some are more than the others, in the same logic, most countries in Africa receives Chinese investments, but, some appear to be more at the receiving end than others. As China recent approaches to Africa in a more business fashion, those endowed with rich natural resources are more at the receiving end in terms of investments than the countries that are not affluent resource wise, thus justifying the saying that not all the animals are the same. Upon this, it has been noted that, the two leading countries in Sub-Saharan Africa that have received the largest amount of Chinese FDI in recent times are the oil producers thus Sudan and Nigeria (Tsikata et al 2010).

Meanwhile, Tsikata et al cited Broadman (2006) as explaining that, *“To be sure, if you take a snapshot of today, the overwhelming bulk of Africa’s export to Asia is natural resources. But what’s new is there is far more than oil that is being invested in-and this is an important opportunity for African’s growth and reduction of poverty because African’s trade for many years has been concentrated in primary commodities and natural resources”* (Tsikata et al 2010:4). The reason is, if the Chinese investment gesture in Africa goes beyond the rhetoric of resource acquisition but drums home the need to promote manufacturing and addresses other infrastructural deficit, then Africa has a chance to use this platform to solve some of the continent poverty and development challenges as argued above.

It can therefore, be argued that, the nature of Chinese economic involvement is changing thus there are significant amounts of the Chinese FDI going to countries like Ghana, Tanzania and Senegal into non-extractive sectors. In the same vein, large investments are being made in infrastructure, for instance in the telecommunications and the construction of roads and railways as well as most government buildings and recreational centers like stadiums. Additionally, China has increasingly committed itself to large investments in industrial processing zones in a number of Sub-Saharan Africa economies. Nevertheless, the African continent is now seen as a prime region for Chinese wholesale and retail trades, who are actively transacting business on both large and small scale (Ibid).

To turn to the focus area, it can be argue that, Chinese investment in Ghana is not a new phenomenon, but there has been a significant change both in its nature and form. Atypically of the Sub-Saharan experience, Chinese investment inflow into Ghana is not targeted at the extractive sector but rather cut across a whole range of sectors for instance the manufacturing, general trade, services and tourism. The reason is, there are a growing and an active participation of the civil society, the academia and other arms of government in the country’s bilateral negotiations and relations with the rest of the world including China (Tsikata, et al, 2008).

This means the relationship between China and Ghana/Africa is more of socio-economic diplomacy, in other words it can be described as a give and take relationship. However, unlike the recent Sino-Africa relations, that of Africa and its old development or at best the colonial masters is seen not only on socio-economic diplomacy, but also a quest to gaining colonies for the former (Klein, 1999).

## 1.3 RATIONAL OF THE STUDY

International cooperation is vital for global development. Results from the Marshall Plan where the United States (US) supplied aid both in cash and kind to support Europe after World War II underscores this fact; in the wake of the World War II where a large part of Europe laid in ruins, such strategic collaboration boosted Europe’s ultimate recovery (George C. Marshall Foundation, 2009). This is also mirrored in the case of the Asian Tigers; whereby a number of East Asian countries were transformed into high income and developed economies after less than fifty years of remarkable growth (Paldam, 2003). It is thus interesting to note that of the major themes of the Millennium Development Goals is the forming of a Global Partnership for Development. One key sector where such cooperation can speed up development and enhance economies is in the area of trade. Accepting this given, this research will try to see whether Sino-Ghana trade and investments relations could ascertain the above notion or otherwise, that is whether it could lead to the latter (Ghana) socio-economic recovery and general development or otherwise, thus making it the rational for study.

## 1.3.1 CHINA’S GLOBAL ASCENDENCY

One of the key economic developments in contemporary times has been the swift emergence of China as a global economic power. A number of sound fiscal measures resulted in a burgeoning economic growth of over 8 percent annually for over a decade, resulting in China to be seen as economic giant. The situation came as a result of pragmatic business considerations, propelled by a need to satisfy a developing industrial sector, and seeking new markets for its cheap goods. Chinese firms have sought access to raw materials and markets in Central Asia, Latin America, East Asia, and Sub-Saharan Africa (Zafar, 2007). Besides, within this transformative period, China has equally move beyond as an oil exporter to oil importer, aid receiver to donor and one of the giants global manufacturing hubs supplying manufacturing goods to both the developed and the developing world ( Raphael Kaplinsky et al 2006 and Zafar, 2007).

The Chinese economic growth has therefore caused ripples in the global economy and influenced global trade and finance. One area where China’s economic policies continue to have far reaching effects and implications in the Sub-Saharan Africa is in the area of trade and investment. The above therefore, forms part of the rational for the study as its focus is in the same area where Chinese external relation is a huge debate in daily discourses that is in sphere of trade and investment. In this regards, efforts will be made to find out whether the Chinese global ascendency which defines its external trade and investment relationship with other economies including Ghana will assist the later (Ghana) quest for sustainable development or otherwise.

## 1.4 PROBLEM STATEMENT

China is now one of the biggest developing countries in the world, which decided to come together with Africa seen as one of the biggest developing continent in the world in this 21stcentury (Zemin, 2006). But this remarkable relation pre-date the above period. For instance, since the end of the Cold War, there has been an expansion by the Chinese in relation with Africa which has been one of the most important dynamics in the foreign relations and politics. Interestingly too, China has recently become the largest new investor, traders, and buyers and a frequently aid donors in almost all African countries such as Ghana, Nigeria, Kenya etc. Again, China has been a major new economic force in the whole of Sub-Saharan Africa. The trading between the Chinese and the Sub-Saharan Africa is increasing by 50% every year. Available statistics shows that, since 2007, the trading business with Africa has jumped in value from $50 billion to $166 billion in 2011 (Ighobor, 2013).

Kenya for instance has doubled her Chinese trade between 2005 and 2006, with a total amount of $706 million just below Kenya’s totals in 2006 with the United States and Britain. It is therefore, not surprising that, China is building infrastructures such as roads, railways, harbors and barracks for the military, purchasing of oils, minerals etc in Kenya. The scrambles of materials by the Chinese and its reciprocal returns of infrastructural development has now lead to the fact that almost all the nations in the Sub-Saharan African largely depends on the cash and initiatives by the Chinese (Anderlini, 2008).

Chinese trading with Ghana as the focus of this study has over the few years surpassed the U.S, which was one of Ghana’s principal trading and infrastructure partners. There are a lot of stakeholders who are of the view that Ghana’s economic engagement with China is of a great importance in the sense that its introducing cheap and for that matter affordable manufactured imports and some investment, creation of jobs, technology importation as well as a very high salutary competition for the local companies (Tsikata et al 2008 and Rotberg, 2008). From this point of view, this thesis will try to investigate the impact of Chinese trading and investment to Africa specifically in Ghana with the goal of finding out whether or not it will assist the country’s development.

## 1.5 RESEARCH QUESTION

Given the above, the study will be guided by the main research question:

What is (has been) the impact of Chinese trading and investment towards the attainment of sustainable development in Ghana?

To help explore this theme, the main research question will also be supported by these other questions

1. What are the interests of both countries for going into this relationship?

2. Is it a win- win or a zero-sum game?

## 1.5.1 AIMS OF THE RESEARCH

From an objective point of view, the purpose of this thesis is to investigate the research questions that are outline above. This is to get a shared meaning and understanding as to the pros and cons of the Chinese trading investment to the general development of a country like Ghana. It is also to try to explore Chinese interest in trading and investing in Ghana and which factors would motivate Ghana to welcomes China’s trading investment rather than the traditional partners (Europe and the United States).

## 1.5.2 RESEARCH FOCUS

This study would significantly and ideally address the Chinese trade and investment in Ghana and possibly try to investigate whether the two countries have equal benefits from the trading and investment or otherwise. This study will endeavor to show the positive and the negative impacts of Chinese trading/ investment in Ghana. At the end of this study efforts will be made to know the interest for the Sino-Ghana trade and investment relationship and whether or not it will enhance Ghana’s quest for sustainable development.

## 1.6SUB-CONCLUSION

In sum, the above chapter of the study encompasses the structure of the thesis, introduction to Sino-Ghana/Africa relations, rational of the study, the Chinese global ascendency, problem statement, research questions and the aims of the study as well as its focus. By and large, it has become apparent that, Sino-Ghana/Africa trade and investments relationship is firmly rooted with its opportunities and challenges which will be looked at in the analysis chapter, the section equally dealt with the rational by stating why it is relevant to consider this area of the study, the Chinese global recognition has been examined blending it with the problem statement to form a good basis for the research questions. The curtain was thus drawn by stating clearly the aims and focus of the study that is, to explore the impact of Chinese trading and investment relations towards the attainment of sustainable development in Ghana and whether it is a win-win or zero-sum gain between the two countries.

# CHAPTER TWO

## 2.0 METHODOLOGICAL CONSIDERATION

The methodological part will address the various procedures and steps that were employed in answering the research questions. It also illustrates the approaches used in the analysis of the Chinese-Ghana relations and basically the possibilities and difficulties of China’s trading investment in Ghana as the main research question and that of the sub-questions as stated in the research question above.

According to Clarke (2005), methodology of research is all about how to describe the entire processes of the topic that is to be studied. This means this study will then use appropriate ways of describing how the various methods that are used in the research, research designs, research paradigms that are to be used in the study, which method is appropriate for collecting data, as well as the intended concepts that are applicable and the most suitable data analysis approach (Clarke, 2005).

The use of methodology from this perspective refers to the process of creating new findings together with new knowledge by the use of appropriate procedures and rules in other to reach a meaningful conclusion in this thesis. This is where I will apply the literature together with the two theories in the analysis chapter in other to draw concrete findings. It also shows the overall framework of how the whole thesis will be conducted. The methodological part will give the choice of relevant method that will be applicable with the kind of data and theory that suits and relevant to the research questions.

## 2.1 RESEARCH DESIGN

Research design according to Bryman, (2012:45) is vital to any social research in the sense that it relates to the methods used when conducting research. The type of a research design that is suitable to the problem formulation is the exploratory, descriptive and contextual qualitative research design. This means the whole of this study will be based on interpretation since social reality always has an understanding and explaining of human beings and these realities and understanding comes through observation, interaction of human and also by interpretation of text (Bryman, 2012:45). In this case the study will be based on secondary data that is relating to China and Ghana relations whereas a meaning can be ascertained from it through the interpretation of those materials. In this sense, the researcher will investigate the appropriate and important data that will be suitable for understanding and analyzing the research question that is what has been the impact of Chinese trading and investment towards the attainment of sustainable development in Ghana.

Research methodology mainly revolves around the qualitative or a quantitative approach. While quantitative methods surmise a methods that employ numbers in explaining the results of a study, qualitative research opine an interpretative method to the study of a theme under investigation, aiming to comprehend phenomena through the study of things in their natural context, trying to make meaning of, or to interpret, phenomena in terms of the meaning people give to them (Kvale and Brinkmann, 2009).

In addition, qualitative research methods are more flexible in comparison to quantitative methods and can be modified to suit any specific setting (Kvale and Brinkmann, 2009). Thus, theories, and data collection methods could be modified during the research. Furthermore, qualitative research aims to increase understanding of a subject theme through first-hand experience, written text, and quotations of actual conversations amongst others. Thus qualitative research method is an umbrella theme for a plethora of philosophies, research designs and particular techniques such as in-depth qualitative interviews; participant and non-participant observation; focus groups; document analyses; and a number of other methods of data collection (Pope, Mays, 2006).

Thus there is a clear difference which lies between qualitative and quantitative research (Bryman, 2004). The quantitative research method is usually emphasized with that of the natural sciences which quantifies with that of the production of empirical data, knowledge use and basing on measurements (Bryman, 2004). Whiles the qualitative research method refers to data which goes with generating knowledge as well as empirical data by the use of conducting interviews, observant participation etc. In this regard, the study will employ both qualitative and quantitative secondary data techniques for the analysis but will employ more of qualitative.

The below figure demonstrates the study structure.

Presents the need for the research,

Presents the analytical

framework, data collection,

Elaborates the study background

Applying World system and Dependency theory in the analysis

Assess the outcome of the data collected and uses it for answering the research question

Present the main study otcomes

Show the literature sources

Figure 3 STRUCTURE OF THE METHODOLOGY

The first chapter provides a general introduction of the study, and the guiding research questions. An overview of Ghana’s trading relations with China, and the challenges faced is elaborated as well. The following chapter previews the research methods utilised for the study; sums up the research design; approaches used/ employed in addressing the research questions as well as the dominant concepts. The next chapter dedicated to the relevant literature contacted for the study. This was followed by chapter 4 which seeks to addresses the theoretical consideration behind the study. Chapter 5 assesses the outcomes of the study in the light of the guiding theoretical framework. Finally, the outcomes are reflected in chapter six which is the conclusion, then followed the reference list.

## 2.3SOURCES OF DATA

For the purpose of gathering first-hand knowledge on the dynamics and peculiar nature of the China-Ghana relations, several data collection techniques were employed.

## 2.3.1 DOCUMENTS REVIEW

A literature review uses summary and synthesis to assess current scholarship on a theme of interest within a certain period. This method was used to obtain valuable information on the present status of the theme under investigation. The data collected in writing this thesis is basically from a secondary sources of which most of the information was been collected from the websites of Ghana Investment Promotion Council and the Ministry of Trade and Industry of the Republic of Ghana. Also a number of books, articles, published literatures and web based reports were studied in this vein to write this thesis.

But, majority of the information for the literature review was sourced from scientific articles and journals. Purposeful searches were carried out conducted on some key scientific databases to obtain the needed information like:

(1) http://apps.webofknowledge.com; (The Web of Knowledge) (2) Science directhttp://www.sciencedirect.com; and (3) Scopus<http://www.scopus.com/home.url>; (4) Google Scholar http://scholar.google.dk/.

The above mentioned databases together possess a wide and current collection of scientific papers. To search the documents, specific keywords were used such as: *“China”, “China Trade Relations”, “Africa” “developing countries”*, etc. These keywords were combined with Boolean operators such as *AND*; *OR*; ( ); “ ”. Examples of such searches: ‘China and Africa trade relations,’ ‘Ghana and China policy relations *“*developing countries*”*’ etc.

## 2.3.2 DATA INTERPRETATION

The kind of data interpretation that will be used to carry out this thesis will be content analysis.

## 2.3.3 CONTENT ANALYSIS

Content or textual analysis is the study of textual content of a material. Holsti (1969) explains content analysis as *“*any technique for making inferences by objectively and systematically identifying specified characteristics of messages”. The procedure includes studying the whole text to gain an overall overview; synthesis of the key themes; and ultimately generating a descriptive text (Kvale and Brinkmann, 2009).

## 2.4 USE OF THEORY

## As can be seen in the diagram below, this study will use two theories such as the World system and Dependency together with other relevant documents as explained above to analyze the Sino-Ghana trade and investment relationship. But just like the nature of the diagram, the theories and the documents will be blended to do the analysis later in the analysis chapter.

Sino-Ghana trade and investments relations

## 

Figure 4 USE OF THEORY DIAGRAM

## 2.5 LIMITATION OF THE STUDY

There is an in depth explanation that is needed to be addressed in this whole study. First, qualitative research we know is always criticized as been biased, lacking of rigor and shallow. In trying to analyze the Sino-Ghana relationship, there will be some sort of subjectivity occurring because the articles and the data collected may be biased. Notwithstanding this, efforts will be made to dwells on those that will make the research to be strongly reliable, valid and credible.

It is also interesting to know that almost all the data collected and used in this study was based on the secondary sources. An instance is that most of them really gave a clear meaning of the relationship between China and Ghana without showing their real outcomes. Besides, the data used was very generalized giving the impression as if China in Africa is a homogeneous entity that the former extends its interest, but this study was conducted with the main focus on Ghana-China and not the entire Africa.

Also, in the researcher’s opinion the research would have been validly generalized if the focus was China and the entire Africa, rather than China-Ghana relationship. But narrowing the focus to Sino-Ghana relations will still give important revelations that will be worth pointing out for an academic discourse like this.

Due to resource constraints and a limited time the researcher did not resort to primary data where first-hand information could be attained. There was also a difficulty in obtaining empirical data in some of the scientific articles perused which would have afforded more informed discussions to be carried out. However, a frantic effort has been made to make the findings reflect realities on the ground.

## 2.6 SUB-CONCLUSION

The methodology part of this study is basically based on secondary data with more emphasis on content interpretation of China-Ghana trading and investment relationship in order to generate a meaningful understanding to the questions. It is important to note that, there is a lot of varied knowledge which different types of methods are open to, when undertaking any means of academic research which researchers mostly adopt to one of them. For this reason, this study will employ the interpretation of qualitative content analysis together with the literature in other to get a comprehensive understanding of the research questions. In sum, the chapter just like the previous one comprises of Methodological consideration, Research design, Structure of the methodology, Sources of data, Documents review and Data interpretation together with Content analysis, Use of theory as well as the Limitation of the study.

# CHAPTER THREE

## 3.0 LITERATURE REVIEW

This section elaborates further on the background and context of the study.

## 3.1 SUSTAINABLE DEVELOPMENT

this will be used in the analysis to find out whether or not the Chinese trading and investment is actually causing a sustainable development for the country Ghana by ways of linking them to the sustainable pillars like social, economic, health, environment and political.

## 3.1.2 THE SUSTAINABILITY CONCEPT

The Brundtland Commission’s report Our Common Future describes Sustainable development as “*development which meets the needs of the present without compromising the ability of future generations to meet their own needs*” (United Nations, 1987). Furthermore, the World Bank sustainable development suggests that satisfying society’s future needs depends on how well we balance social, economic, and environmental objectives--or needs--when making decisions today (World Bank, 2001). One key area where the issue of balancing the social, economic and environmental needs in decision making is of particular importance is in the area of trade amongst nations (global trade).



Figure 5 THEMES OF SUSTAINABILITY

Source: World Bank (2001)

Figure3.1 demonstrates some of the key themes underpinning the concept of sustainable development. The concept of sustainable development embraces some key issues, such as intergenerational equity, needs and limits. Some of the key issues identified by the Brundtland commission as most urgent in applying the principle of sustainable development include factors such as population and development, food security, species and ecosystems, energy, industry and the urban challenge (UNCSD, 2011).

## 3.1.3 THE ORIGIN OF SUSTAINABLE DEVELOPMENT

The genesis of sustainable development is rooted in the 1972 United Nations Conference on the Human Environment, which gathered the entire human community from the industrialized and less industrialized countries to delineate the rights of humanity to a healthy and productive environment (UNCSD, 2011). This was further advanced through a number of fora ultimately ending in the establishment of the United Nations system which sought to pioneer the ideals of sustainable development.

At the first ever UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992, an agenda for the environment and development in the 21st Century was adopted. Thus Agenda 21: came into being as a programme of Action for Sustainable Development spelling out the Rio Declaration on Environment and Development, which identifies each country’s right to social and economic advancement and assigned to States the role of adapting a model of sustainable development; and, the Statement of Forest Principles. Agreements were also made on the Convention on Biological Diversity and the Framework Convention on Climate Change.

For the very first time in history, humanity’s lifestyle was given serious consideration as the lifestyle of the present civilization was addressed in Principle 8 of the Rio Declaration. The urgent need for a profound change in consumption and production patterns was acknowledged. Agenda 21 hence surmises that sustainable development revolves around the integration of the economic, social and environmental pillars. "Harmony with Nature", thus became a converging theme of the conference underlining the first principle of the Rio Declaration: Human beings are at the heart of concerns for sustainable development. They have a right to healthy and productive life in consonance with nature (UNCSD, 2011).

The World Summit on Sustainable Development through the Johannesburg Plan of Implementation (JPOI) aimed to renew the global commitment to sustainable development. Thus the passage of the UN General Assembly Resolution (A/RES/64/236) of resulted in the United Nations Conference on Sustainable Development (UNCSD) in 2012 - also referred to as 'Rio+20'. The conference culminated in the report “The Future We Want*”* which addressed a number of pressing global challenges. Sustainable development has consequently become a global agenda and rallying point. But will this guide Sino-Ghana relationships or not is what this study seeks to understand.

## 3.2 THE SUSTAINABILITY PILLARS

The notion of sustainable development emanates from three core concepts: environmental sustainability, economic sustainability and sociopolitical sustainability. The pillars of sustainability therefore opine that the themes of sustainable development are co-dependent and mutually reinforcing of sustainability (UNCSD, 2011).

## 3.2.1 ECONOMIC SUSTAINABILITY

The primary goal of economic development is social development and the attainment of individuals’ full human capacity. This pillar highlights the necessity of an economic model that promotes a reasonable distribution and efficient sharing of the earth’s resources[[2]](#footnote-3). This pillar suggests that economic development must be at par with nature.

## **3.2.2 ENVIRONMENTAL SUSTAINABILITY**

Each one has a humanly task in safeguarding nature’s ecosystem which secures he invaluable resources we benefit from. Therefore, every individual is by default given a responsibility as a steward of our natural environment. This idea of responsible stewardship suggests that together we will deal with the problems of population explosion and its associated challenges with innovation and invention. The goals of development and environmental preservation are not separate of each other but codependent via a people centered approach[[3]](#footnote-4).

## **3.2.3 SOCIAL SUSTAINABILITY**

Social progress is a vital for economic advancement and the environment. Basic human needs like access to clean water, sanitation, and good healthcare are essential for development. In addressing the fundamental human needs, desires, and rights of each individual, a unique determination to sustainable development is attained. Hence there is an ethical responsibility to address human inequality, social injustice, and poverty. This pillar embraces efforts aimed at reducing poverty, maintenance of peace, social justice, and other grassroots movements that improve social equity[[4]](#footnote-5). In contemporary times there has been an argument towards a more comprehensive approach at addressing sustainability from four angles thus; economic, ecological, political and cultural sustainability.

## 3.2.4 CULTURAL SUSTAINABILITY

The rise of culture to the fore is attributed to the rising share of cultural goods, services and intellectual property in global trade. Furthermore, there is the admission that the protection and advancement of cultural diversity is vital to universal human rights, fundamental freedoms. Nurse (2006) explains that sustainable development becomes viable when there is synergy between the objectives of cultural diversity, social equity, environmental responsibility and economic growth.

One theme belying the concept of sustainable development is the existing inequalities as per development worldwide. This opines formation of global partnerships and more concerted measures geared at addressing and consequently bridging these gaps. These undeniable inequalities in development levels are underlie the developed and developing nations. This is whereby the advanced economies have achieved a significant level of socio-economic growth respect to the developing nations. As mentioned earlier, a key area where the issue of balancing the social, economic and environmental needs in decision-making is of prime importance is in the area of trade amongst nations. This includes trade between China and African nations such as Ghana.

## 3.3 SUB-CONCLUSION

The concept of the sustainable development was employed in this chapter in other to reach a comprehensive understanding of the research questions. The sustainable pillars which are cultural, environmental, social and economic will be applied in the analysis chapter with the ultimate objective to seeing whether the Chinese trading and investment in Ghana is really causing sustainable development or not.

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# CHAPTER FOUR

## 4.0 THEORIES

In this study, the two main theories to be used are Dependency and the World System. The reason for the choice of the two is that, the study area is quite great and one theory might not give the right picture of the situation regarding the relations. Besides, the assumptions or the theoretical considerations will assist in ascertaining or denying the answers that will be arrived at in a bid to answering the research questions. However, it is imperative to state clearly that, these will be used together with other relevant documents in order to generate a shared meaning and understanding as far as the relationship is concerned.

## 4.1 DEPENDENCY THEORY

As stated above, the first of the two theories to be considered is Dependency theory. But in a move to look at how or why the relevance of the theory to the research at hand, its meaning becomes important. Meanwhile, it is equally imperative to point out the difficulty in defining the theory as it relates to so many discipline, but from a lay man’s view, dependency can be defined as the relationship between or among two or more parties where the “survival or development” of one or some depends on the actions and in actions of the other parties.

In a more concrete terms; Paul Baran and Adre Gunder Frank (1960) describes dependency to mean a relationship or situation between the core, which is represented by the developed countries (DCs) and that of the Periphery also known as the less developed countries (LDCs) where the core nations extract surplus been produced by the peripheral ones for their continuous economic growth and development (Frank, 1971). More so, Dos Santos in his book Structure of Dependence defines Dependency to mean “A process whereby the economy of a chosen country has been determined by the development and expansion of another economy by which there is subjectivity by the former. This means the relationship of interdependence that goes on between two or more economies and also between these and world trade is considered as a means of dependence when countries i.e. the dominant can expand and also can be self-sustaining whereas the other countries which are the dependent

Countries can react to this only in a form of reflection of that particular expansion, which can generate a positive or negative effect on the right immediate development at that moment” (Dos Santos 1970:231).

In brief, dependency is an international relations theory that explores meaning and explaining of the difference between developed, developing and under-developed countries and was evolved as a critique to the modernization theory, which holds the idea that technological change is an important tool to the economic development of nations (Andersen, Margaret L. and Taylor, Howard F., 2006). With the view of the theory, increased development in technology makes a country moves to the process of modernizing. Proponents therefore, suggest that countries have to change their traditional attitudes, values and institutions as predicted by the theory in order to boost economic development Andersen, L. Margaret and Taylor, F. Howard, 2006).

As a counter view, Researchers of dependency theory are usually of the position that it is the responsibility of the advanced and industrialized countries that exploit third world countries through their external conditions, thus they gain their status by introducing free trade in the global market which is into their advantage. There therefore, arguments that, there is nothing like free trade in the labor market and for that matter the periphery a state have to rely on the core via mercantilist rules.

Dependency theory as a way of evolution gained prominent after the World War II in the late 1940s by the Latin American economists as a critique to modernization theory. To them the game between the two relationships represents what one can termed a zero-sum game which implies that what the core gained will represent the failure incurred by the periphery. Frank (1971) argues further that, this exploitative relationship on the issue under discussion shows how developing countries were integrated in the capitalist system in the post-colonial era. Local business elites were mainstream to identify their interests as associated with those of their foreign partners, even when these interests are harmful towards the overall productivity, wealth or well-being of the LDC. The local elites align their interest with that of the core countries and concentrated the wealth in the hands of those closer to the DCs. This process of income accumulation and transfer thus led to the ‘high rate of exploitation of labor power used’ for the DCs (Dos Santos, 1970).

Looking at Dos Santos explanation for dependency above, it is very clear that the economies of underdeveloped nations are always based on the interactions with the dominant nations. This means this interaction that goes on between the two countries at the end can lead to either the positive or the negative outcome depending on the economy of the dependent countries. For this reason, there can be alternative chances for Ghana in this situation. So in this case the economic relationship of China and Ghana could also follow the same path in a positive or negative way towards the development of Ghana. In this way, the effects of Chinese trading investment in Ghana will be dealt taking into consideration the above notion.

Another scholar (Ferraro, 1996) known to be a famous scholar of dependency theory identified that poor or underdeveloped countries always export their raw materials to the rich or developed nations which manufactured finished goods from their primary products and then sell them back to the poor countries at a higher price. In trying to understand this, it means this type of trade that went on between the rich and the poor countries is that the poor country will not get any benefit from trading. When one wants to link this to China and Ghana, we could see that the Chinese companies always come and imports the very raw materials and the natural resources from Ghana, manufactured them as finished and ready to use goods and export them back to the country again. This scenario represents marginal differences that exist between the developed and the developing countries. There have also been movements of human and resources from underdeveloped countries to industrialized countries with the reason that since underdeveloped countries go into debt as a result of borrowing and getting aids from the advanced states. Then there is the need for these nations to pay by allowing co-operations to exploit workers and natural resources by that country.

## 4.1 CHARACTERISTICS OF DEPENDENCY THEORY

Scholars of dependency theory have identified three main approaches in dealing with the theory. But the three characteristics emanates essentially from the three grouping thus the conservatives, the moderates as well as the Radicals. The conservatives comprises of: Wionczek, Prebisch and Pinto (Bath, C. R and James, D.D, 1976), the Moderaters: Dos Santos, Sunkel and Furtado (Bath, C. R and James, D. D, 1976) and that of the Radicals: Frank, Cockroft, and Petras (Bath, C. R and James, D. D, 1976).

Firstly, dependency has its root from the global capitalism. In the book of Andre Gunder Frank entitled “the Development of Underdevelopment”, makes use of the historical aspects of dependency by pointing out that under-development is basically the historical part of the past, present and the future economic in addition to other relations between the developed and underdeveloped nations (Frank A., 1970). Frank further stated that the history of the post-colonial countries are the ones that led to the underdevelopment we see presently, that all countries that are considered to be underdeveloped for instance, Asia, Latin America and Africa have in one way or the other experienced colonialism from the developed and industrialized countries like United States of America and Europe (Frank A., 1970). In the same vein, Dos Santos in his words mentioned the historical part and thus acknowledges that, it contributes to certain structure within the dependency relations of the world economy (Dos Santos, 1970).

Secondly, the situation of underdevelopment in the poor countries is seen to be closely related to expansion of the highly developed countries. As suggested by Dos Santos, the dependency theorists have agreed on the proposition with conditional underdevelopment of dependent countries in relation to other nation’s economic expansion (Bath, C., R., and James, D., D., 1976). Interestingly, in the year 2000, trading between China and Africa was 11billion U.S Dollars but this was increased to 200 billion U.S Dollars in 2012 whiles the bilateral cooperation gave both economic development in Africa and that of China economic growth (Ministry of Foreign Affairs, 2013). Increasing of the number of trade between China and Africa over the past years show a significant increase in trading dependency of Africa on China. This means the Chinese are increasing its interest in Africa in other to maintain its economic growth by expanding the economic trade industry.

Additionally, the scholars of dependency theory are of the view that relationships that exist between two countries are not basically, an external factors but also internal issues. The external factors comprises of the foreign assistance, transnational corporations as well as ways that the industrialized countries can use in relation to their economic interests, whereas that of the internal factors are the cultural elements, ideological beliefs and social structure. And these are what Frank argued should never be restricted in reaching the international level but they are to pass through the economic, political and the social life of the dependent countries (Frank A., 1970). In this case, dependency means when the economic growth and the development of a country is been controlled by a developed and industrial country that are strong and powerful in economic worldwide like China (Evans, 1979).

Moreover, the brain behind external collaboration is the main drive for the analytic approach of the dependence that makes scholars of the dependency theory to sense that it is very significant in seeing the internal class of relations of these dependent countries (Evans, 1979). A very clear example is what are the intentions of Ghana collaborating with the Chinese? One can also ask whether this is because of a political influence or genuinely economic factors? The purpose for employing dependency theory is that it finds meanings as to why current underdeveloped status of most poor countries by ensuring an in depth nature of partnership among these countries. Again, the inequality that exit between these countries is because of the indulging in the various partnerships (Evans, 1979).

The main motive of external economies is a key factor with development of underdeveloped countries for instance Ghana. Meanwhile, it is very crucial to find out whether the dependency creates a form of sustainable development as the research question wants to investigate between these two countries and also if there is a correlation of win-win or the zero-sum outcome between one developed country and a dependent country which in this sense is China Ghana. This will show a clear evidence of the main reason behind the interactions of either what really pull Ghana to China or the other way round.

Lastly, in the international front, dependency can be put into a position of two countries for instance as a center vs. periphery or even metropolitan vs. satellite (Bath, C. R and James, D. D, 1976). In this sense, the center countries are the industrialized and developed countries like the United States, Britain, and the Western Europe whiles that of the periphery countries are the underdeveloped countries such as the Asia, Africa, and Latin America that experienced very low GNP per capita. Here the periphery countries always export raw materials and minerals to the center states at a cheap prices whiles they import manufactured goods and technologies that are with high prices from the advanced countries. This kind of trading economic makes the underdeveloped countries not able to determine their own economic interests which at the end of the day they make them to become dependent on the advanced countries of which it is considered to be happening all the time (Bath, C. R and James, D. D 1976).

This seeks to presents to readers the main structure of the theory, it consist of the core nations, China as the emerging power state, Ghana/Africa as developing state/continent and the international market as the center of interaction.

CORE NATIONS:

CAPITALIST SYSTEM

REPOSITORY OF SURPLUS CAPITAL

VALUE ADDED

DEVELOPED

GHANA/AFRICA:

UNDER DEVELOPMENT  
SUPPLYING OF RAW MATERIALS

SURPLUS EXTRACTION

ZERO SUM GAIN

## 

## 

## 

CHINA

IMPORTS BOTH RAW AND MANUFACTURED /FINISHED GOODS

EXPORTS MAUFACTURED/FINISHED AND RAW MATERIALS

Figure 6 STRUCTURE OF THE DEPENDENCY THEORY

## 4.1.3 APPLICATION OF THE THEORY

In trying to apply the dependency theory, China now in this 21st century is been regarded as a country that searches for raw materials and natural resources from African countries and in this instance Ghana (Egbula, Margaret and Zheng, Qi, 2011). As can be seen above, China occupying the position of a Semi-periphery with the ability to manufacture import and export both raw materials and finished goods. With the current status of China (technology and wealth), its relationship with Ghana could have a greater impact on the center and could lead to unavoidable dependency of Ghana on China or otherwise, and this will be what the study will seek to find out in the empirical chapter.

## 4.1.4 CRITIQUE OF THE THEORY

The readings from the above seek to indicate that, dependency of the underdeveloped world on the industrialized ones is as a result of external inherent activities or conditions. Most of the scholars in this tradition tag colonialism and its associated factors as the main reasons behind the dependency of the low income countries on the highly advanced ones. But in the writer's opinion, the dependency of the underdeveloped countries should not be strictly be the responsibility of external conditions alone, what actually happens within an economy could equally perpetuate dependency or otherwise, but not withstanding the critique the theory will still be relevant to be applied in this study.

## 4.2WORLD SYSTEM THEORY

The World system theory is one of the three major theories that have gained grounds in development studies. These are the modernization, dependency as well as the world system theory as pointed out. The basic ideas of these theories are that they see science and technology as a very important in the field of developmental processes. Quite apart from the similarities they share in the sphere of science and technology, they held different conclusions towards the development and under development of the world economy in general.

However, turning to the task at hand, it can be argue that, the world system theory is a new neo-Marxist philosophy which is propounded mainly by Immanuel Wallerstein (Wallerstein, 1976,1974, 1979, 1983). Wallerstein (1974) stated that, the world system could be seen as a world economy interconnected via the market with integrated division of labor and multiple political structures (Alvin, 1990). The gospel of the capitalist world economy which came into Europe in the latter part of the 15th century has grown and became a worldwide issue. The world system is therefore seen as unified places that are governed by the economic and political structures with an extreme drive for the endless accumulation of capital. In effect, the theory is about the combination of economic and politics together, Wallerstein further stated in this regards that the capitalist world economy is based on a structural order which is the core, semi-periphery and the periphery (Alvin, 1990).

Classification ally, the core areas are countries that are characterized by high wages, democracies, import raw materials, export manufacturers, high investment and welfare services. The semi-periphery on the other hand, are said to be countries ruled by authoritarian governments, export finished goods, raw materials, import manufacturer, and have low wages and low welfare services. The peripheries as the last stage on his categorization are ruled by non-democratic governments; export raw materials, import finished goods, live below subsistence wages, and have no welfare services (Thomas D. Hall et al, 1982).

Given the above dynamics and categorization, it is important to point out that, in order for a country to move from one stage of the structures or global economic ladder to the other means it to change its domestic and foreign policy considerations at that period of time. Upon Wallerstein classification, China present status as the Semi-periphery and Ghana as the periphery in the global political economy, could only transform base on how both handles their socio-economic policies. Hence, in the logic of the theory, if Ghana as the periphery continues exports raw materials to China as the semi-periphery who turn those raw materials to finished goods and export back to Ghana and other destinations, then the status of the former will difficult to change. Ghana could therefore move beyond its existing status only by adopting different resource management and trade policies.

However, the theory will be incomplete if does not state something about the core even though there are not the main focus of the study. In short, the core are the developed economies with advance and complex economic activities, capital intensive or industrialized economy, welfare services, export finished goods and import raw materials. Also, the core state is made up of a complex variety of economic processes with high salaries for workers and having all the most sophisticated technologies (Peter, 1994). Countries that can be best represented in this category are USA, UK, France, and Germany.

The semi-periphery shares the characteristics of both the core and periphery. In the words of Wallestein, countries under semi-periphery are the semi-developed countries of the capitalist world economy and form the buffer zones in the capitalist world economy. In that case, the semi-peripheral is seen as those in the middle thus being between the upper stratum of the core countries and also the lower stratum of the peripheral countries (Alvin, 1990). They can therefore use their dual status to take an advantage of both the peripheral and the core countries. Classical examples of economies that are within the semi-periphery area are China and South Africa.

The periphery countries usually are producers of raw materials to feed both the core and semi-periphery economies. The peripheral countries are characterized by cheap labor, few primary products and with the usage of obsolete technologies (Peter, 1994). Dependence and exploitation are common with the relationship that exists between and among the periphery, semi-periphery and the core countries. However, the theory has room for both an upward or downward mobility, in a sense that a peripheral country could move into a semi-peripheral country or a semi peripheral country moving into a core, and the other way, a core country moves to semi periphery whereas semi periphery also moves to periphery. A lot of African countries including to Ghana fall within this stage. This theory will be used to analyze if the relationship has a positive impact for China and Ghana and as to whether it can provide a good grounds for Ghana to move out of its current situation.

Figure 7 STRUCTURE OF THE WORLD SYSTEM THEORY

## 4.2.2 APPLICATION OF THE THEORY

In an attempt to apply the theory to Sino-Ghana trading and investment relations, the status or position for each in the world system hierarchs becomes important. China falls under the semi-peripheral and Ghana in the periphery. Besides, it is worth stating that the activities from the core countries can directly or indirectly play a role in the relationship. For instance, Ghana as a peripheral country has been over the past years exporting primary products like timber, cocoa, gold, diamond, bauxite to core countries and also to the Chinese. The Chinese alternative therefore, could create some impacts on the relationship. The reason being that Ghana now have an alternative market for the exports of her products thus to the core and the semi-periphery, but will this be a blessing in disguise, is what the study seeks to find out in the empirical chapter.

China as a semi peripheral export both manufactured and raw materials to Ghana as well as to the core countries and also imports both raw materials and manufacturers from those destinations respectively. For example, there are over more than 800 Chinese state-own enterprise companies operating in Africa of which, most are into the extractive industries and this is one of the country’s soft power policies towards the continent (Martyn, 2008).

The basic idea of this theory is about manufacturing, and therefore, the three states ability to move either upwards or downwards largely depends on the strength of a country's industrialization or manufacturing power. Hence in the analysis section, efforts will be made to ascertain whether or not the relationships will provide good grounds for Ghana in particular to move towards her counterpart state.

## 4.2.3CRITIQUE OF THE THEORY

Upon taking into consideration of the whole world to be a unit of analysis, to perceive reality as a state of flux and for that matter develops a tri-modal theoretical structure for the capitalist world economic, there is some sort of criticism of the world system theory. The world system theory is been criticized for seeing the totality of the world economy as its unit of analysis. Wallerstein, tried to analyze the social whole and not only just the parts played by certain actors in it. This is what actually prevented him from concentrating on the actors in the world economic system (Alvin, 1990).

Another criticism by the world system theory is its focus on the exchanged relationship together with the distribution of rewards in the markets rather than base on the classes or class conflicts in the production arena. A clear instance is that, there could be different classes within one class and as to how the differences within each could affects development or otherwise has not been highlighted. Taking China into consideration there could be individuals or areas who/that exhibit core or peripheral features. Ghana could also have individuals or areas with either core or semi-peripheral features and for the theory not to capture issues like this could be its weakness. Aside all the limitations, the theory would still be relevant to be applied in this study.

## 4.2.4SUB-CONCLUSION

The chapter above is made up of the Dependency and World system theories. Discussion within the chapter includes the meanings and basic evolutions of the theories, their relevance, and critique as well as how they are to be applied in the study.

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# CHAPTER FIVE

## 5.0 OVERVIEW OF GHANA

The Republic of Ghana is defined the geographic coordinates 8 00 N, 2 00 W. It is found on the Gulf of Guinea in the West Coast of the African continent; only a few degrees north of the Equator and is bordered on the north by Burkina Faso, on the west by Côte d’Ivoire, and on the east by Togo. The nation is situated just above the equator and is on the Greenwich meridian line which crosses the seaport of Tema, approximately 24 km to the east of the national capital Accra. About half of the country is found less than 152 meters (500 ft.) beyond sea level, and the zenith point is 883 meters (2,900 ft.).

Ghana occupies an area of circa of 92000 square miles with a population of 25,199,609 million people with Accra being the capital city. The Volta Lake, which is the largest man-made lake in the world, Lake Volta by surface area (8,482 sq km; 3,275 sq mi), is a key source of hydroelectric power that provides inland transportation, and is a vital source for irrigation and fish farming (Central Intelligence Agency, 2014).

Ghanaians like Africans in general are religiously inclined and amongst the chief religions practiced are Christianity, indigenous beliefs, and Islam. Life expectancy among Ghanaian women and men are on the average 66 years and 64years respectively (Central Intelligence Agency, 2014).

Ghana is composed of ten administrative regions, made of different ethnic groups namely: Akan, Mole-Dagbon, Ewe, Ga-Dangme, Gurma ,Guan, Grusi, Mande-Busanga. Aside the official language English, other local languages like Asante, Ewe Fante, Boron (Brong) Dagomba, Dangme, Dagarte (Dagaba) Akyem, Ga, Akuapem and others are spoken (Cia facts). The country is also endowed with natural resources such as “*gold, silver, petroleum bauxite, limestone, manganese, timber and industrial diamond*” (Central Intelligence Agency, 2014).

The natural endowments are also reflected in the national flag which comprises of three equal horizontal bands of red (top), yellow, and green, with a large black five-pointed star centered in the yellow band; red represents the blood sacrificed in the fight for independence, yellow denotes the country's mineral endowment, while green symbolizes forests and natural riches; the black star symbolizes the lodestar of African freedom (Central Intelligence Agency, 2014).

## 5.1 THE BASIC HISTORY OF GHANA

Today’s Republic of Ghana is traces its name from the medieval West African Ghana Empire. The Empire was popular in Europe and Arabia as the Ghana Empire which is the official title borne by its emperor, *the Ghana*. The Ghana Empire broke up following the 1076 conquest by the Almoravid General Abu-Bakr Ibn-Umar (Agbodeka, 1971).

The country was borne from the merging of the British colonies of the Gold Coast and the Togoland trust territory. The country has chalked impressive records in democracy and economic growth in recent times. This can also be traced to good trade relations with its development partners such as the United States of America, The European Union, and China amongst others[[5]](#footnote-6).



Figure 8 MAP OF GHANA'S ADMINISTRATIVE REGIONS

Source: <http://www.reportghananews.com/the-question-where-is-ghana/>

## 5.2 ECONOMY

Ghana's economy has registered sound management, a competitive business climate, and steady reductions in poverty levels. In 2010, Ghana was categorized as a lower middle-income country. Aside abundant natural resources, agriculture is a mainstay of the economy employing more than half of the nation’s working population, mainly small landholders. The services sector provides circa 50% of GDP (Central Intelligence Agency, 2014). Projected oil reserves have surged to circa 700 million barrels and Ghana’s burgeoning oil industry is expected to enhance economic growth as the country (Central Intelligence Agency, 2014).

## 5.2.1 TOWARDS SUSTAINABLE DEVELOPMENT IN GHANA

A democratic environment characterized by the active participation of the government, civil society and development partners is vital for a sustainable economic development. Ghana’s democratic system produces fiscal policies that promote development (Leite, S. P and et al, 2000).

The formulation of these policies in a five year development strategy paper laid much emphasis on human development geared at enhancing the health indices of the country’s population through the provision of hospitals, access to medical treatment, which may improve social wellbeing (Leite, S. P. and et al, 2000).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2008** | **2009** | **2010** | **2011** | **2012** |
| GNI per capita, ppp (current international$) | 1,500 | 1,540 | 1,630 | 1,820 | 1,940 |
| Population Total | 23,110,139 | 23,691,533 | 24,262,901 | 24,820,706 | 25,366,462 |
| GDP,(Current US$) | 28,528,046,011 | 25,977,853,492 | 32,174,210,793 | 39,564970070 | 40,710,781,539 |
| GDP growth (annual %) | 8 | 4 | 8 | 15 | 8 |
| Life expectancy at birth total year | 60 | 60 | 61 | 61 |  |

TABLE 1 GHANA’S DEVELOPMENTAL OUTPUT 2008-2012,

Source: World Development Indicator

Table 1 illustrates a World Bank statistic data on Ghana’s development in the past five years ranging from 2008-2012.

The figures illustrate Ghana’s economic growth over a five year period, between 2008-2012. Though 2009 registered a reduction in the gross domestic product of 25 billion $ US, there was a sustained growth surge in the ensuing years. In 2008, the GNI per capita was 1,500 and rose to 1,940 in 2012 indicating an increased difference of 440dollars. The population of Ghana has also been on an upward surge; growing from 23million in 2008 to 25million in 2012. Further surge in the gross domestic product is registered ranging from 28 billion to 40billion US dollars. However some fluctuations are seen on the growth annual % of GDP, which was at 8% in 2008, fell to 4% in 2009, rose to 8% in 2010, 15% in 2011 and dipped to 8% in 2012.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** |
| RealGDP Growth | 4.7 | 5.9 | 12 | 11 |
| CPI Inflation | 19.3 | 8 | 8.5 | 6.9 |
| Budget balance % GDP | -7.6 | -7.9 | -7.7 | -5 |
| Current Account % GDP | -8.1 | -7.6 | -6.4 | -2.5 |

TABLE 2 GHANA’S MACRROECONOMIC INDICATOR FROM 2009-2012

Source: National Authority Data, in (Africa Economic Outlook, 2011, p: 182).

The table 2 demonstrates the sustained increase in growth of the economy of Ghana from 2009-2012. Though the real growth in GDP was at 4.7 in 2009, it kept rising annually until 11 in 2012. Improvement was also registered on the budget balance that reduced from -7.6% to -5%. Further growth ranged between -8.1% to -2.5%. Furthermore, Ghana’s Foreign Direct Investment has been on an upward surge with over 10% GDP. In addition, the country's new status as an oil producing nation, suggests the above indices will change in the foreseeable future. Bertelsmann (2012) suggests that with the impressive economic growth, the country has become a magnet attracting economic migrants from neighboring countries who relocate to settle in Ghana.

## 5.3 GHANA’S TRADE POLICIES OVER THE YEARS

Before independence from British colonial rule in 1957, Ghana was exporting chiefly primary products, managed under a liberal payments scheme. This was then succeeded by an import substitution industrialisation policy, after independence. This is a policy through which the then president Dr.Kwame Nkrumah pursued an ambitious industrialisation plan to produce the countries needed goods locally. However, the strategy was confronted with serious challenges in the 1960s and 1970s as the balance of payments was put under severe strain (Laryea A. And Akuoni S., 2012).

This led to the start of a quantity and exchange rate control in a bid to sustain the external sector. However these strategies did not resolve the problem and the ensuing economic decline of the Ghanaian economy forced the government to adopt a World Bank/IMF proposed economic recovery programme from the early to mid -1980s (Laryea A. And Akuoni S., 2012). These policies geared at resolving distortions in the economy, embraced trade and exchange rate liberalisation. Furthermore, additional measures were taken to enhance the export sector with emphasis on the development of non-traditional exports.

In the early decades after the country attained self-rule, its trade policy developed from a liberal regime as per the 1950s to a markedly controlled regime in the 70s; thereafter experiencing major trade and economic policy reforms in the 1980s culminating in the present liberalised trade policy. This policy framework is chiefly steered by progress in the sphere of international trade such as the General Agreement on Trade and Tariff s (GATT) and World Trade Organisation ( WTO), trade relations between Ghana and her main trading partners as well as the country’s adopted fiscal development policy (Laryea A. and Akuoni S., 2012).Furthermore, the trade policy regime in Ghana has also been impacted, especially in the 1980s and 1990s by the Bretton Woods institutions.

Amongst the countries chief trading partners China has evolved as a major force to be reckoned with in the area of commerce. Thus Ghana and China have established mutual economic ties since the 1960s.This relationship has since been burgeoning with the rekindling of diplomatic relations in 1972.

Looking at the above policies measures, and the philosophy behind the world system theory, one could argue that several regimes after independence have tried in one way or the other to make the country trade and investments competitive. However, internal socio-economic conditions coupled with the happening in the international domain have not created much room for the sustenance of those policy measures. For instance, until 1992 there were a lot of military interventions in the country's internal politics which affected the policies adopted by the first president's and many others after him, the international policy measures like that of the Bretton Woods as stated earlier have not also implanted the right seeds for Ghana to be industrialized and of course becomes competitive in the global market. This thus leaves the country to remains in its old constituency as the periphery state according to the classification and lenses of the world system which is one of the theories for this study.

The craft of the matter is that, for nations to break through or have a chance to navigate from one class to the other that is from periphery to semi-periphery and to the core which is the desire state of the three, require the nations involve to enhance their industrialization efforts. But Ghana still has a bigger challenge in this direction and hence in her trade and investment relationship with China. The latter with the financial and manufacturing ability will have a better edge over the former, therefore, in this present relationship, the tendency for China to better her lots and moves to the core state is by far greater than what Ghana has. In short, in the world system perspective, and with the current Sino-Ghana trade and investment relationship, China has more advantage than Ghana.

## 5.4 THEMATIC NATURE OF THE ANALYSIS

The analysis will be based on themes carved out of the Sino-Ghana trade and investment relationship.

## 5.4.1 TRADE

The key features for the analysis of this study will include, trade and investment. These will be looked at taking into consideration the theories and the available literature. But, to re-echo what has been said above, the analysis will be based on interpretation as well as content analysis of the literature. The first and immediate issue to be handled is trade, it is important to acknowledge that, Ghana trade with China just like its diplomatic relations has a long period of existence, however, in a concretive and precise terms, the first trade and economic cooperation between the two countries started in 1961 through the efforts of Dr Kwame Nkrumah (Ghana first president) and the People’s Republic of China. The agreement was signed with 19.6 million dollars interest free loan payable in five years starting from 1962. Closely linked to this was also the skill training for Agric and Industrial expertise with an available 11.2 million dollars annual credit for both countries, 18 each way payable yearly (Thompson, 2012).

China gains its Southern solidarity with Ghana by way of its long-term history of economic

cooperation in Ghana tracing it to the independence era, where more than 200 Chinese technicians and diplomatic staff were stationed in Ghana. It also acknowledges Ghana’s ‘diplomatic support in its bid for a permanent seat in the UN and its support for the One China Policy in international relations (not officially recognizing Taiwan), and the common framework of developing country interests that both nations have upheld internationally (Idun- Arkhurt, I, 2008).

Consequently, China has forged a formidable presence in trade, investment and international development cooperation in Ghana. Through the medium of South-South cooperation premised on the respect of each other’s national sovereignty and national interests, non-intervention, absence of imposed conditionalities, and commonalities based on histories as colonized nations (Amanor, 2013). Nonetheless, China’s engagement in Ghana is mediated by the framework of market liberalization restructuring between the 1990s and 2000s in both nations. These reforms have significantly changed both nations, making them receptive to new forms of investment and capital accumulation.

Ghana exports mainly raw materials to China with the former exporting finished products like textile goods, mechanical and electronic equipment to Ghana. This means that Ghana basically exports raw materials to the Chinese and imports manufactured goods back. This in the dependency theory means that Ghana is been seen as a dependent on China. Trying to make comparison, other western countries like that of the United States generally imports Ghanaian agricultural products and exports transportation equipment and energy related materials[[6]](#footnote-7). There is at least little engagement when it comes to Ghanaian companies as the Chinese companies are allowed to use both the local equity and local loans for their investments.

Sino-Ghana trading and investment for the past decades been increased significantly and there is nothing showing it is declining. In 2010, the Chinese export to Ghana amounted to $1.9 billion imports valued at circa $123 million of Ghanaian goods (Statistical Bulletin of China, 2011). In 2008 Ghana was recipient of approximately $10.9 million as FDI flows from China rising to circa US49.3 million in 2009, indicating an annual increase of 352 percentage (Statistical Bulletin, 2009). China in 2008 gave Ghana $58 million in FDI stocks as well as in 2009 sent Ghana $185 million respectively (Statistical Bulletin, 2009). Trading between the Chinese and Ghana by the year 2010 reached $2 billion, even though this figure represented only 2% of the total China-Africa trade (Xinhua, 2011).

In terms of trade, and employing the theories especially the world system, one could explain given the above figures that, China will be gaining at the expense of Ghana, the reason being that, with the above trade figures, Ghana is said to be exporting only primary or raw materials whereas, China is exporting finished products to Ghana. Besides, the margin of exports is also tilted in favor of China as Ghana exports is growing less than 2% over the period (Tsikata et al 2008). The two critical issues worth noting are the nature of the exports products involve and the margin. By the nature, Ghana essentially export raw materials while China finished products and as China exports margins is growing at an appreciable rate Ghana own is not.

## 5.5 THE TRENDS OF CHINA-GHANA EXPORT AND IMPORT

## 5.5.1 RAW MATERIALS

Trade between Ghana and China has burgeoned immensely and China has evolved as Ghana’s second largest trade partner after the EU, with bilateral trade amounting to about US$2 billion in recent times. Nevertheless, the trade is balanced in the favor of China, as China shows favorable or in other words the differences between its imports and exports are profitable. The trade deficit between Ghana and China burgeoned from US$70.3 million in 2000 to US$474.3 million in 2006 (African Center for Economic Transformation, 2009).

The trend of the Ghana-China trade and in the world system analysis has been in the mode of the classical core periphery nature; as Chinese exports to Ghana are mostly manufactured goods, and Ghana’s exports largely primary agricultural commodities and raw materials (Tsikata, et al, 2008).

The over dependence on raw material export instead of refined products is not in the interest of the country (Ghana) and exposes the country to currency depreciation and a generally weak economy. Gold for example represents about 90 percent of overall mineral output in Ghana. The min­ing sector, especially gold, produces billions of dollars annually, as the commodity is presently the leading export earnings, ahead of cocoa, which hitherto was the nation’s largest export earner. Thus it is estimated that on the average, the sector’s contribution to Ghana’s GDP over the last decade amounts to circa $2 billion annually over the last decade.

However the country is prone to fluctuations of such raw materials in the global market.   
 Ghana's GDP thus shirked sharply in the third quarter of 2013 and increased a mere 0.5 percent over the previous quarter, down from a 3.9 percent expansion in the previous three-month period due to a sharp fall in global gold prices, which prompted some mines to cut production’[[7]](#footnote-8). It no wonder that the Minerals Com­mission of Ghana projected the country to lose circa 500,000 ounces of gold this year (2014) due to declining gold prices which translates into a revenue loss of $649,855,000[[8]](#footnote-9).

These mineral resources if properly harnessed can result in the rapid socio-economic development of the country. It can however leads to corruption and conflict if poorly managed as has been the case in many African countries; a phenomenon referred to as the resource curse (Extractive Industries Transparency Initiative, 2014). This led to a global coalition called the Extractive Industry Transparency Initiative to ensure best practices are followed in the exploiting of natural resources for the benefit of the present and future generations (Extractive Industries Transparency Initiative, 2014). Thus with the addition of services which will add value to such raw materials, the overdependence on the extractive industry will considerably reduce. This will address the need of a ‘change in consumption and production patterns’ as acknowledged in Agenda 21 (United Nations, 1987).

China as a semi-periphery nation in the context of the systems theory has evolved into exporting finished goods whilst Ghana being a peripheral nation on the other hand imports finished goods from China (Thomas D. Hall et al, 1982). For Ghana to develop into a semi-periphery nation in the perspective of the world system theory has to shift her exports products to value addition of rather than exporting them unprocessed. According to the theory, one of the critical means by which states can take to navigate the ladder or move from one class to the other is to ensure manufacturing. This is because manufacturing is one of the critical means by which states involve can get value addition for their products.

## 5.5.2INDIVIDUAL GHANAIANS GAINING BECAUSE THEY CAN AFFORD TO BUY CHEAP CHINESE GOODS

ACET (2009) argues that Ghana’s economic exchanges with China have been advantageous, bringing affordable manufactured imports together with investment, job creation, technology transfer, and salutary competition for local industries (ACET 2009: 6). However this comes with some hurdles, as Ghana’s trade deficit with China has worsened even though the mutual volume of trade continues to rise and can be seen in the diagram below (African Center for Economic Transformation, 2009).

Though wages in the core areas as well as the semi-periphery of the systems theory are relatively high, the peripheral areas are characterized by low wages (So, Alvin Y, 1990). This affects the ability of the citizenry to satisfy their basic needs as they are faced with reduced purchasing power. It is estimated that the average family income in China ranges between $2,600 in urban areas to $1,600 in rural areas[[9]](#footnote-10) whilst that for Ghana is said to be about $520 (Platform2, 2014). The cheap importation of Chinese goods is beneficial for poor people as they cannot afford high prices for their needs. However this has the disadvantage of stifling the local industry. Given that Ghana is a peripheral nation, these cheap importations are a massive relief for its poor populace who will find other alternatives comparatively more expensive and furthermore a luxury (African Center for Economic Transformation, 2009). In short, one can therefore assert that the Chinese cheap manufacturers are creating a big relief for the economically challenged in the country.

By and large, China has become one of the key trade partners to the country. But similarly, to the old trade relationship, the trade volumes as well as the terms are not balanced. Ghana’s exports to China are relatively minute and have remained stagnant—lower than 2% of Ghana’s exports. Thus China’s export, which consists of mainly manufactured goods, boosts China’s industrialization; eventually; whilst Ghana’s exports, consisting of mainly traditional primary goods, stifle Ghana’s quest for industrialization (African Center for Economic Transformation, 2009). This has the effect of helping China in its drive towards becoming a core nation in the context of the systems theory; however it challenges Ghana’s progress towards becoming a semi-peripheral nation.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | Imports  from China  ($ millions) | Exports to  China  ($ millions) | Total trade  with China  ($ millions) | Ghana's  total trade  ($ millions) | Chinese share  of Ghana’s  total trade  (%) | Deficit  /  surplus |
| 2000  2001  2002  2003  2004  2005  2006 | 96.1  122.2  117.0  179.6  364.8  417.8  502.8 | 25.8  22.7  7.7  32.3  18.3  31.5  28.6 | 121.9  144.9  124.6  211.9  383.2  449.0  531.4 | 1,648.1  4,457.5  4,246.3  5,534.5  7,254.6  8,244.6  11,367.8 | 7.4  3.3  2.9  3.8  5.3  5.5  4.7 | -70.3  -99.5  -109.3  -147.4  -346.5  -386.5  -474.3 |

TABLE 3 GHANA’S TRADE WITH CHINA

Source: (African Center for Economic Transformation, 2009).

Inferring from the above table, Ghana’s imports from China has increased tremendously from 96.1 million dollars in 2000 to 502.8 million dollars in 2006, meanwhile, the country exports from the same period only increases marginally from 25.8 million dollars to 28.6 million dollars, thus depicting unfavorable trade situation which is to the advantage of China than that of Ghana. The simple logic is that, if you import more than you exports, and worst still what you import are more value addition than your exports, the basic economic scenario will be a zero sum gain for the country (Ghana) in this state.

Furthermore, there exists a mark disparity in tariff policy amidst the two nations which discourages Ghana’s agricultural exports to China. This is because China subsidizes its agricultural exports and levy’s high tariff and nontariff barriers on its agric imports (African Center for Economic Transformation, 2009). From the theoretical view point, according the World system theory, China is in the semi-periphery whiles Ghana in the periphery, this means China as a semi-periphery will be determining the amount of tax export Ghana has to send to China’s country thereby making sure the tariff on export is very high to the extent that it will discourage Ghana from exporting more to China.

ACET (2009) suggests some stakeholders decry the quality and safety of Chinese imports, especially concerning the impacts of genetically modified products. Furthermore, ‘’the smuggling of supposedly inferior China-made products into Ghana, undermining local production and contributing to the decline of local industries—the textile industry being a prime example’’ (African Center for Economic Transformation, 2009) is a major source of concern to Ghana’s industries.

It is therefore imperative to understand that to move from one stage of global economic ladder to the other needs changes in the domestic and foreign policy objectives of nations involved at that period of time. Consequently, to address these challenges Ghana must negotiate a free trade agreement to clarify policy on intellectual property, trade remedies, customs regulations and other trade-related issues (African Center for Economic Transformation, 2009). Ghana needs to introduce the Competition Bill in Parliament to limit problems related with importing poor-quality goods but promote the export of competitive, high-value made-in-Ghana goods.

## 5.5.3GHANA LOSING BECAUSE THERE IS THE COLLAPSE OF LOCAL INDUSTRY

To help address the challenge of cheap importations which ultimately undermine local production and contribute to the decline of local industries—the government of Ghana has rolled out some measures to help stem this tide (African Center for Economic Transformation, 2009).

The government thus launched a project to increase local production of some of the things mostly imported under the buy-made-in-Ghana-goods agenda*.* One example is the Kumasi Shoe Factory project which has successfully lobbied to produce footwear for the countries security and civilian institutions, thus increasing employees from 50 Ghanaians to 800 Ghanaians is one laudable example. This factory is thus set to produce boots for institutions such as the Ghana Immigration Service (GIS);the Ghana Ports and Harbors Authority; the Kofi Annan Intentional Peacekeeping Centre (KAIPTC); Adate Transport Services; and Security, among others. Other institutions in the offing include the Ghana Police Service, the Ghana Armed Forces, and the Interior Ministry for all other state security agencies such as the Ghana Prisons Service, Ghana National Fire Service, as well as Para-military organizations to purchase boots from the factory. The acting General Manager said mining companies, Coca Cola, Guinness Ghana, Volta River Authority (VRA), Ghana Airport Company Limited (GACL), Volta Aluminum Company (VALCO), Tema Oil Refinery (TOR), Ghana Grid Company (GRIDCO) and many others have all expressed interest to purchase from the company. Negotiations are also ongoing with the Ghana Education Service to produce sandals for all senior high school students. Although the above is commendable, the country imports most of its goods from China and exports less to China[[10]](#footnote-11). Thus, this is a small drop in the ocean compared to the overall size of the Chinese trade.

## 5.5.4 HUMAN RESOURCE DEVELOPMENT

The fields of economic cooperation between China and Ghana mainly revolve around infrastructure, energy, communications, agriculture, trade, and education and training. In the area of agriculture, trading has been geared at irrigation, agro processing, agricultural technology and infrastructure development. In terms of Chinese investments, the agric sector received approximately 4% of total investments (African Center for Economic Transformation, 2009). The government of China has also funded Chinese volunteers as agric teachers at the University of Ghana (African Center for Economic Transformation, 2009).

All the three theories that have dominated in development studies namely the modernization, dependency and the world system theory point to the importance of science and technology as vital in developmental processes (Wallerstein, 1976, 1974, 1979, 1983). Such volunteers help in building local capacity and transfer of technology in meeting the needs of the Ghanaian society. It also helps in refining the Chinese technologies which are implemented and thus both nations stand to gain. Furthermore, this is in consonance with the social development aspect of sustainable development as it helps beneficiaries to further developing their human resource potentials (UNCSD, 2011).

Furthermore, China funds several projects in the areas of communication and culture, like the construction of a national cultural centre which contributes to the cultural fabric in Ghana (Idun- Arkhurt, 2008). The Chinese government has promoted the study of Chinese language at the University of Ghana and awarded Chinese scholarships to several Ghanaians. In mainland China, courses in African Studies have been rolled out with lecturers from African nations such as Ghana recruited. The cultural sustainability theme under sustainable development acknowledges the rising share of cultural goods, services and intellectual property in global trade. Furthermore, there is the admission that the protection and advancement of cultural diversity is vital to universal human rights, fundamental freedoms. Nurse (2006) thus argues that sustainable development is enhanced when there is synergy between the objectives of cultural diversity, social equity, environmental responsibility and economic growth.

Moreover, numerous Chinese nationals have been employed in several professions within Ghana, such as construction, informal sector, gold mining and agriculture. Numerous Ghanaian traders go to China to obtain merchandise and the Chinese embassy also supplies data on trading in China to all interested. Hence there exists a cross-sectorial exchange of cultural knowledge amongst both nations. This is mutually beneficial and both nations stand to gain.

Cultural intercourse although a viable approach for developing cultural tolerance and mutual cooperation, there are some underling tensions in Sino-China relations. It worth noting that however that, the high number of Chinese nationals working in various capacities in Ghana and in rural areas often leads to conflicts between communities and cultural misconceptions, which require that both governments work towards better cultural understandings and education of citizens of both nations on cultural relations and economic opportunities and towards more openness in informing citizens on economic policies (Tsikata, et al, 2008). This suggests that locals feel being deprived of jobs that they are entitled to but for the presence of the Chinese. This indicates that there are limited numbers of jobs for the countries teeming population and as a country on the periphery, developing the local manufacturing sector will help absorb the unemployed.

## 5.6 INVESTMENT DEVELOPMENT IN GHANA

The economic relationship that goes on between China and Ghana is not only centered to trading relations but also in connection with various investments for instance, loans, grants as well as providing of technical assistance. This analysis part of the thesis will try to explore both Chinese investment and infrastructural development in Ghana.

## 5.6.1 CHINESE INVESTMENT IN THE GLOBAL WORLD

China’s rise as the world’s highest industrial country has really attained a great attention in the last decade. But, China is not satisfied with its strong strength in the local/domestic market as well as the significant increase of its GDP, making every country to hear its remarkable growth rate in world market. But, China being part of the UN before joining the WTO in the year 2001 to integrate itself very well in the global world (Shafaeddin, 2002). Also, the recent Beijing Olympics Games in 2008 has also promoted China’s global image. However, the Chinese investment in the overseas can be found in all over the world such as those investments it started with across the different continents (Xu, Xin, 2008). As a result of this, there has been a lot of argument about specifically where the money has been invested, also which continent has enjoyed a lot of benefit from the investment as well as which particular sector Chinese has invested in each continent?

## 5.6.2CHINESE INVESTMENT FROM THE VIEW OF WORLD PERSPECTIVE

The Heritage Foundation, data, graph and charts show that the Chinese have invested over 492 public investment projects overseas that amounted to an amount of one hundred million dollars in 2005, $688.1 in 2013. Looking at the graph below, the amount invested in the energy sector is $316.0 billion which contributed to half of the whole money (The Heritage Foundation, 2013).

But of the total amount, metal and transportation have been ranked as the second and third which amount to $110.2 and $100.0 billion respectively (The Heritage Foundation, 2013). The fourth and fifth are the real estate and financial areas with $59.8 and $38.2 billion (The Heritage Foundation, 2013).The agriculture and technology which were not all that taken into consideration by the Chinese investors was $27.9billion and $17.9 billion (The Heritage Foundation, 2013). Whereas, other areas amounted to $18.2 billion (The Heritage Foundation, 2013).

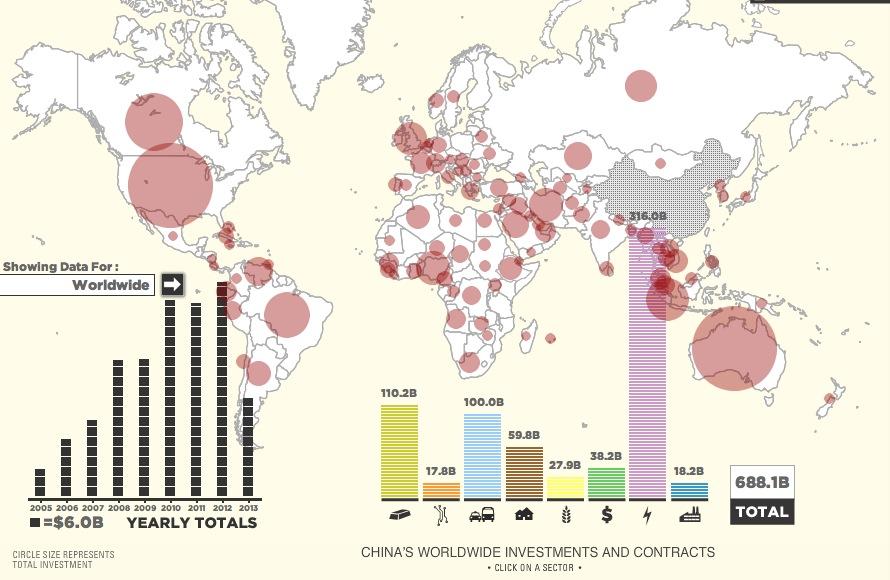


Figure 9 CHINA’S BLOBAL INVESTMENT TRACKER MAP IN THE FIRST HALF OF 2013.

Source: The Heritage Foundation, 2013

From all these issues of investment by the Chinese, when one takes a look at it critically, China has an interest in those developing/under- developing countries in Asia, Latin America as well as African countries. Investors are of the view that, to plan investing into a particular country need not to first consider whether that country is rich or poor but rather take into consideration if that country have enough natural resources and energy. Available records suggest that Australia is the largest beneficiary of Chinese support with an amount of $582.2 billion between 2005 to 2013 (The Heritage Foundation, 2013). The second is the Americans with $57.6 billion just lying a little bit under the Australia (The Heritage Foundation, 2013). Followed by the Brazilian, Indonesia, Iran, Canada, UK and the Argentines. In the case of Africa, the country that receives highest of Chinese investment is Nigeria which account for $18.5 (The Heritage Foundation, 2013). There is no doubt to say that these ten highest that receives resources and energy are been ranked first all the time in the issue of investment, no matter how that country is very development and vice-versa.

## 5.6.3 THE BILATERAL ECONOMIC RELATIONSHIP

In other to examine the impact of Chinese trading and investment in Ghana, it is then important to study the economic relationship that goes on between the Chinese and Africa. The starting point of the economic relation between China and Africa is traced way back from the post-colonial era whereby the Chinese government gave a loan that amounts to US 400 million to Tanzania for the construction of a railway in 1970 (Schiere, 2011). In that era, the Chinese put a lot of wealth in financing some developmental projects like construction of roads and also buildings of public houses in Africa. In the year 1990, when donors from the western countries reduced because of the human rights issues and high increase of political corruption of most African countries, China was still increasing its investment to Africa. The Chinese with its unconditionalities ways of giving grants and loads have really paved much attention to African countries. For instance in 2000, China then increased its developmental projects and assistance involvement in Africa. Also, in 2008 trading between China and Africa was nearly up to US100 billion with China´s Foreign Direct Investment (FDI) to Africa in US 5.4 billion (Schiere, 2011). Looking at it from this point of view, one could say that the trading and investment between China-Africa has always been increasing yearly, which can end up in different impacts of the African countries.

The diplomatic relation between China and Ghana was established on the 5thJuly 1960.A year after, the founding fathers of the two newly born republics set up a very solid cornerstone for the bilateral ties by signing the Peace Treaty of Friendship and cooperation in 1961 whereby the Ghanaian ambassador to Beijing in the same year moved to China. When the first president of Ghana; Nkrumah´s government was overthrown in 1966, the diplomatic relations that existed between the two countries were suspended for a period of six years. However, this relationship was restored back in the year 1972 when General Acheampong took over power.

However, the relationship that exists between China and Ghana has been very friendly to the extent that the Chinese have promoted very well in the Ghanaian economic growth and social development. As a means of investment, China in 1992 built Ghana’s National Theatre as a way of rewarding Ghanaians diplomatic solidarity concerning the1989 Tiananmen Square protects. The late President Mills of Ghana said to the vice chairman of National Committee of the Chinese People’s Political Consultative conference Li Zhaozhou that China is Ghana’s ´´ best friend`` in terms of projects, aids and loans during his visit to Ghana (Xinhua, 2011). Ghana has decided to make China their one priority for increased investment under the Ghana Investment Promotion Council’s strategy, though; China’s share of Ghana’s contributing to the total export has been low. Moreover considering the number of projects made in Ghana, China contributes the largest foreign investor[[11]](#footnote-12).

Recently, the vice president of Ghana Kwesi Amissah-Arthur argued that the Chinese private sectors to invest in the productive businesses in Ghana. He mentioned that for quiet long period, Ghana has been enjoying a lot of financial and technical support from the Chinese than that of private sector investments in a meeting with the Chinese Ambassador to Ghana Sun Boahong during official meeting with her as to how to improve the bilateral relationship between the two countries[[12]](#footnote-13).

He went on to say that, it is now time for Ghana to look at the kind of relationship it have with the Chinese in a different way that many people are of the view that the Chinese private sectors are operating in Ghana but unfortunately can be found more from the illegal mining sector. The Chinese Ambassador also promised that, all those Chinese projects like the Gas Processing plant and Vocational School will be completed by the end of 2014 and there is also a breakthrough between the Chinese and Ghana in the China Axim Development Bank (CDB) loan and for that matter there will be more project initiated this year. She ended by saying that there are about 2,800 Ghanaian students who are studying in China out of which 800 studying medicine and that every year Chinese government provide the chance for Ghanaians professionals to study in China[[13]](#footnote-14).

## 5.6.4CHINESE INVESTING IN AFRICA

The Chinese investment in Africa has now been implanted with a lot of money in addition with new ideas and technologies; thereby the big companies in China have really shown an interest on the continent. Ever since 2010, there has been a numerous investment projects in some three African countries like Nigeria, Zambia of which Ghana is included which has been ushered in with more than $10 billion investment and aid (Stratfor Global Intelligience, 2012). Countries like Tanzania, South Africa and Chad have also received their share in investment and aid with an amount of over $5 to $10 billion. From the look of the map below, the most familiar investment sector is the oil and natural gas which amounted to 19% in the total whiles the road sector and railways sector amounted to 18.55% and ranked second on the hierarchy. Upon looking at the data, it is very clear to say that China has a great interest on the natural resources of Africans.

## 5.6.5 CHINESE FOREIGN DIRECT INVESTMENT (FDI)

The Chinese foreign direct investment has been recognized as one of the major successful investment for the past three decades. It all started from a very small amount which was very less than $19 billion just about 21 years ago. It is quite interesting to know that, recently, the Chinese FDI has been increasing to over $300 billion in the first period of 10years. The Chinese still continue to be the leading country with its massive growth among all the countries in the developing nations in terms of FDI. Moreover, the FDI in China continues to increase gradually and rapidly in other to attain its highest status as a country with the dominant in economic power. Notwithstanding this, China in the year 2009 had a small drop in FDI as a result of the economic crisis but then started to increase its investment in 2010. Since then, China continues to steam roll together with its expectations of an economic growth of 10% each year (Aseidu, 2010).

## 5.6.6 CHINESE INVESTMENT IN GHANA

Inferring from the map below, Ghana could be considered as one of the Sub-Saharan African countries that has benefited from Chinese investment as said before. There has been a lot of Chinese investment in Ghana in the area of cocoa, mining, road construction, building of infrastructures and recently the oil. Infrastructural development provides an avenue to propel economic growth in any economy and China- Ghana is not an exception from this. The remarkable growth in terms of infrastructure and general development of the Chinese economy has its roots from the historical period. In the same vein, Ghana upon attaining self- rule equally embarked upon several measures to enhance investment and infrastructural development.

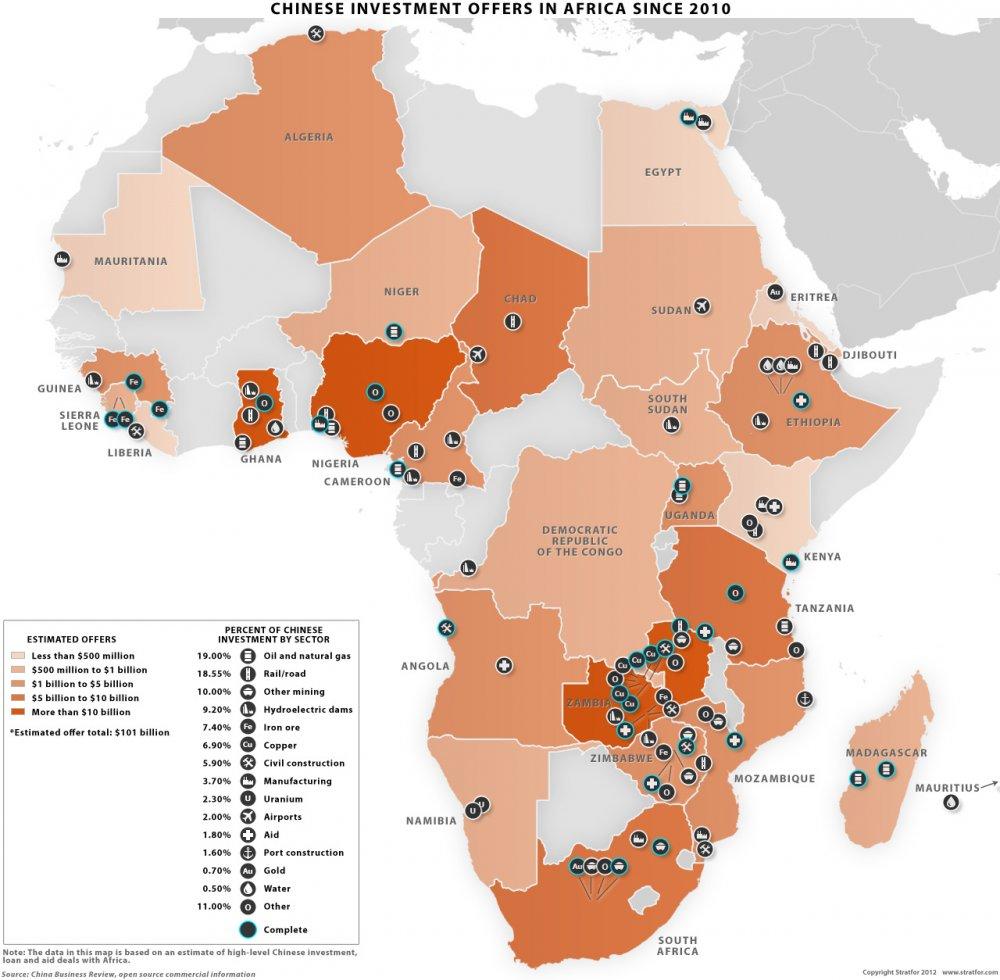


Figure 10 CHINESE INVESTMENT OFFERS IN AFRICA SINCE 2010

Source: Stratfor Dec 2012

One of the major aims of this plan that brought about Ghana’s investment promotion in 1994 with its (Act 478) was to facilitate investment in Ghana in nexus with the economic policy of Ghana spanning from 2006 to 2008. This resulted in the creation of about 855 projects which amounted to approximately $13 billion providing employment for 60,000 Ghanaians (Quartey P et al, 2009). Upon the above, one would be interested in the role of the Chinese in Ghana’s measures at boosting investment and infrastructural development? Consequently, the research will tease out if China’s role in this regard is beneficial or otherwise as per Ghana’s sustainable development.

The 2009 quarterly report of Ghana Investment Promotion Centre (GIPC) indicates that, China is the major investment partner in Ghana. In the light of the above, Tsikata (2008) explains that of the 249 projects, manufacturing accounted for 34% and 19% in general trade (GIPC) 2006. On the other hand with respect to monetary value China’s investment between 2005 to 2006 surged from $3.09 million to 17.67 million (Tsikata Dela, et al, 2008).

In an attempt to bring the dependency theory to this scenario thus investment and infrastructural development in Ghana, it would not be out of contradiction for one to argue that, the continuous inflows on the part of China to Ghana has a greater tendency to creating a dependency situation in the latter quest to enhance investment and infrastructural development. why this, not from far fetch this could create a tendency where Ghana might not be thinking out of the box in this regard, because of the knowledge or perception that, there would be an inflow from China. The issue is that the Chinese way of development does not come with much conditionalities like the other development assistance. The only challenge with this is the xenophobia it is likely to create and besides how these investments would be implemented by the authorities in charged. However, when strong institutions with the appropriate leaders are put in place to manage these investments, basically the issue of going over the dependency yolk will be high. But when this is not done the reverse will be the norm thus a continuous dependency of Ghana on her trade partner in this case China. Having strong institutions which will ensure that Ghana’s development is in the right direction is in line with the idea of social sustainability as mirrored in the sustainable development concept[[14]](#footnote-15). The table below shows how the total breakdown of investment made by China to Ghana from the year 2006-2011.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SECTORS | 2006  CHINESE SHARE AS A % TOTAL | 2007  CHINESE SHARE AS A % TOTAL | 2008  CHINESE SHARE AS A % TOTAL | 2009  CHINESE SHARE AS A % TOTAL | 2010  CHINESE SHARE AS A % TOTAL | 2011  CHINESE SHARE AS A % TOTAL |
| Manufacturing | 0.10 | 2.88 | 1.16 | 9.02 | 7.99 | 20.77 |
| Service | 2.16 | 0.88 | 0.61 | 1.80 | 1.93 | 2.17 |
| Tourism | 3.87 | 8.81 | 14.84 | 4.09 | 2.10 | 29.07 |
| Building & Con | 1.89 | 5.38 | 0.01 | 1.64 | 59.16 | 0.37 |
| Export Trade | 5.41 | 0.00 | 0.00 | 0.00 | 6.95 | 13.30 |
| Agriculture | 0.00 | 0.79 | 0.00 | 0.00 | 0.30 | 0.03 |
| General Trade | 25.78 | 21.86 | 0.89 | 22.03 | 18.32 | 13.97 |
| Total | 0.64 | 23.49 | 0.34 | 4.03 | 8.53 | 1.72 |

TABLE 4 BREAKDOWNS OF SECTORS AND COST OF INVESTMENT (2006-2011)

Source: Ghana Investment Promotion Center, 2012)

From the table, it can be witnessed that China’s investment in Ghana for the past years has really been increasing from a particular sector to another. This means that the Chinese investment in Ghana keeps on changing but I will compare only the last three years that is 2009, 2010 and 2011 and try to analyze it. In the year 2009, the Chinese investment in Ghana had increased by $2 million with the highest share of about 22% went to general trade sector. Also in 2010, the Chinese percentage share of total investment was in building and construction sector which recorded about 59.16%. However, China’s business activities in Ghana was said to have reached an amount of $2.5 billion in that first three quarters of 2011 Ghana Investment Promotion Center, 2012). Lastly, in 2011, the sector that recorded the highest percentage of the total investment was tourism with 29.07.

When one critically looks at the table, you could see that China’s investment in Ghana for the past years has not been stable in one particular sector via the sectorial breakdown. Nevertheless, the sector whose records has not been encouraging is export trade which when you inferred from the table above from the year 2007 to 2009 recorded only 0.00%. However, in 2011 the percentage in the sector increases marginally to 13.30 of the total share of the Chinese investment. This means China-Ghana investment in the area of Ghana exporting to China is not progressing at an appreciable rate, the slow pace progress also remains in the same form, thus Ghana exporting only primary products to China, whereas the counterpart exports manufacturers to Ghana. With this, if different measures are not taken, Ghana will continue to be dependent on China trade wise, this could leads to a huge challenges when it comes to its exports trading relationship with China because with less than 1% of the total share in investment means that Ghana’s export trade to China is almost nothing comparing it with the imports thus creating trade deficits situation. As a way out, the government and the dedicated authorities in the country should try to adopt some measures in order to change this current situation from surfacing in the near future.

## 5.7. THE CHINESE INFRASTRUCTURAL PROJECT IN GHANA TOWARDS ATTAINMENT OF SUSTAINABLE DEVELOPMENT

There have been several loans and grants given by the Chinese to Ghana to help construct numerous investments from the period 2000 to 2012.The Chinese always based their focus of investment on either large-scale construction projects or small-scale manufacturing enterprises in Ghana. The appendix shows the ways and types of Chinese investment in Ghana.

Looking at Appendix 1, one can identify four Chinese investments in Ghana that provide an insight into the Sino-Ghana relations. These are the Bui Dam, Essipon Stadium, the telecommunications agreement with Ghana Telecom and lastly the Teshie Hospital. The choice for these infrastructural developments is because for instance Ghana in the year 2007 was experiencing power failure in the whole country that was affecting productivity in the country. The government in a bid to resolve this problem took an export credit from the Chinese government to build the Biu dam that helped in sustaining electricity power supply in the country. The Essipon Stadium was also built purposely for the African Cup of Nations 2008 to support the few stadia that the country had. The building of 100 beds hospital in Teshie also helped the hospital to function to full capacity. These examples show the impact of Chinese investment on the general infrastructure development in the country. Furthermore, these projects help in meeting some of the basic needs of Ghanaians such as energy, health amongst others which are vital for socio-economic development and for that matter sustainable development[[15]](#footnote-16).

## 5.7.1BUI HYDROELECTRIC POWER PROJECT

The Bui project has been recognized as one of the largest Chinese investment in Ghana. The total cost of the dam is $622 million which is in the form of concessional and commercial loans from China’s Export- Import (EXIM) Bank. The EXIM gave $292 million in funding whereas the government of China also provided $270 million and the Ghanaian government added $60 million. Out of the total payment, 58% was a loan which was on commercial terms, with 17 years to pay back and a five year moratorium. Circa 42% was realized as development aid with concessional terms of 2% over 20 years. Ghana was to be repaid through cocoa revenues that were put into the EXIM accounts (Idun- Arkhurt, 2008). The objective for the construction of the dam is to resolve the acute energy problem in Ghana, as a result of the capacity problems at the Akosombo dam also built by Chinese.

The Bui dam was constructed by the Sino Hydro Corporation Limited which was completed in 2008 within a five years period. During the construction, there were a lot of concerns raised about the Chinese not employing the Ghanaian citizens. This made the Chinese to employ almost about 550 Ghanaian and 100 Chinese workers. The local workers were all casual who were not having contracts but were working longer than the normal usual hours. In this issue, the Chinese gave a loan to the Ghanaian government whereas a recognized Chinese company completed the development together with the domestic workers. Though, the project paved employment way for Ghana, but at long last did not helped in the development of the Ghanaian firm, nor helped in the provision of high-level technical opportunities for jobs.

The investment is seen as one of the strategic Chinese developments in Ghana for it assisted the country in the construction of critical infrastructure. Meanwhile, a lot of the money for this project was loan on commercial terms which the Chinese company benefited from the contract but, the venture did not or very little in developing the Ghanaian expertise. This does not augur well for sustainable development, as Ghanaian expertise was not developed to eventually take over and manage the facilities from the Chinese. This would help avoid a perpetual dependence on the Chinese in the management of the facilities long after the completion of these projects, which will be a financial cost to the Ghanaian economy.

## 5.7.2 ESSIPON STADIUM CONSTRUCTION

The Stadium was among one of two Chinese funded stadiums which was for the 2008 African Cup of Nations. The project was completed by a Chinese company but most of the fund was from the Ghanaian government. To be precise, the project was undertaken by the Chinese Shanghai Construction with a soft loan of $39 million which was from the Chinese as well as $275 million loans from the Barclays Bank of Ghana. This made the Shanghai Construction employed doubled the amount of the Chinese workers more than the Ghanaians. The stadium project was seen as extravagant in comparison to Ghana’s GDP per capita of $3,000 per year[[16]](#footnote-17). However, according to the then President Kufour, the stadium would boost efforts towards developing the country’s economy and as well as add to efforts to building in every Ghanaian capital. The economic sustainability pillar of sustainable development suggests that the primary goal of economic development is social development[[17]](#footnote-18); however the cost of such social development must not be detrimental to the society. Even though, the stadium project was such a drain on the country’s resources and its citizens were not adequately used in the project; through what one will called Ghana quest for sustainable development, its presents and long term benefits cannot be underestimated.

## 5.7.3 GHANA TELECOM AND ALCATEL SHANGHAI BELL AGREEMENT

In the year 2006, there was an agreement between Ghana Telecom and that of the Chinese Alcatel Shanghai Bell in order to upgrade and expand Ghana’s telecom network access by seemly to be commercials. The contract suggests that Ghana Telecom offered ASB a sum of $80 million to build switch lines by developing the mobile network capacity in the country. The project upon completion was intended to support all secondary schools, towns and villages within the country (Red Orbit, 2003). The project is akin to that of the Chinese Huawei technology construction of the fiber optic cable which spanning from the capital of Ghana, Accra to the northern region Tamale. Now, in Ghana almost all the secondary schools are having access to the internet which is really helping students and teachers in the areas of research. This according to the social sustainable development pillar is helping the student enjoy their social and basic academic needs in life, thus contributing to a sustainable development in the country.

## 5.7.4 TESHIE HOSPITAL CONSTRUCTION

The Chinese grant of $7.3 million for the construction of the hospital in Teshie in 2011 was built by China’s Geo-Engineering Corporation. The hospital comprises of several departments and serves as estimated one million of the people living in Accra, the Chinese company GEC operated in Ghana courtesy Chinese state funds. The hospital which hosts over 100 beds has enabled residents of Teshie and its environs to benefit from improved health facility. However, formerly they had to go long distance to other health facilities such as the military hospital which is always chocked with patients (Nuamah Samuel, 2010). Such a facility is vital to meeting the health needs of the Ghanaian citizenry. According to the social sustainability pillar of sustainable development, health is a fundamental human need and right which when met helps individuals in realizing their full human capacities and consequently contributes to social progress[[18]](#footnote-19).

To summarize this, it can be said that, the choice of the four infrastructural projects was as a result of trying to apply the sustainability pillars vis a vis the topic at hand. The sustainable pillars that are economic, cultural, social and environmental were all applied in this case and their implications on these projects as already outlined.

The result suggests that Ghana is increasingly relying on China both for financial and infrastructural development from various perspectives. First, the Chinese are ever ready to finance projects that are critical to the long-term development prospects of Ghana, which the traditional bilateral and multilateral donors are unwilling to finance; an example is the Bui Dam. The purpose for the construction of the Dam was to generate enough electricity capacity and to reduce Ghana’s overdependence on the Akosombo Dam which serves as the source of power for the entire country. But the negative aspect is that most of the Ghanaian citizens working in the construction of the Dam were temporary workers who worked for over nine months without any appointment letters (Anthony Yaw Baah and Herbert Janch, 2009). But yet still, the Dam is serving as a source for sustaining development in the country.

The Essipon stadium as already mentioned was purposely built to host the Confederation of African Nations football (CAN 2008). The stadium has helped in contributing to the development of sports in the country for instance in the town where it was constructed. Now, the stadium serves as a preferred venue for the training and hosting of the regional sports festivals for schools and colleges which is helping culturally in the sustainability for the development of Ghana. Moreover, the Ghana-Telecom and the Shanghai Bell Agreement has also contributed to the social sustainability in the country since students now have the availability of the internet as a means of helping in their research and socializing. Lastly, the building of the Teshie hospital has helped in the social sustainability in contributing to good health for the people of Teshie and its surrounding communities. All in all, it must be argued that, the provision of all these infrastructural developments together with sustainability pillars have provided room for positive and negative attainment of development in Ghana.

## 5.8 THE INTEREST OF CHINA AND GHANA

The Chinese trading and investment that have existed in Ghana seem not to be the same as it has been represented or termed as free gift, just that, its conditions might be different from the old aid donors. The Chinese have been strong and able to trade and invest in Ghana as well as other parts of Africa by way of investing and provision of aids, grants and loans to African countries but in return also getting the primary and natural resources from Africa. The number of trading and investment the Chinese has help and putting in Africa has been increasing every yearly since 2009, China became Africa’s number one trading partner in the year 2009 (Xinhua, Global Times, 2013). But, in this sense, the Chinese are trying very hard to change their pattern in trading and ways of bringing investment in Africa to a new standard. This means, for Ghana being the beneficiary of the investment also has its own interest in welcoming the investments. This means both countries have interest and also have changed their trade policies.

## 5.8.1 THE CHINESE INTERESTS

The increasing of Chinese trading and investment in Ghana every year shows or emphasizes its political and economic power in the country. Moreover, Ghana is among one of the sub-Saharan African countries like that of Nigeria, Angola etc as can be seen from the map above, which have received a lot of investment and trading relations with China. It has been argued by a lot of Chinese leaders that, the Chinese aid to Africa is not charitable but instead out of mutual benefit (Brautigam 2007). In order to analyze the Chinese interest, first and foremost is to look at the Chinese strong demand for natural resources both for trading and for developing its country. With respect to trading, Sino- Ghana trade is in the order of a classic North-South model, whereby the Chinese chiefly importing raw materials like cocoa, cotton, manganese, timber, vegetable products from Ghana in return for several finished goods such as textiles and clothing, travelling bags, shoes, electronics and automobiles. This means that the Chinese needs these primary commodities in a very cheap price which makes them to manufacture them into finished goods and send it to the global market to sell.

China is one of the biggest developing countries in the world, thus the GDP growth of China requires more resources, notwithstanding to that, the country has its own natural resources but the reason is that it is not enough for her increasing population of over 1.3 billion[[19]](#footnote-20). The instability of politics with the Arabian nations has led to the price of oil being unstable in the world economy whereas African countries most of them have experience stable democracy as compared to the Arabs (Eric, 2010). Because of this, the Chinese government and its leaders have turned their focus on African countries where they could get these natural resources easier from and with moderate prices (Xinhua, China Daily, 2006).

Considering the natural resources need of China; one could see from the map above that, it is actually driving its level of investment in Africa. For instance, of the six top countries that receives the largest share of the Chinese investment turn be the resource endowed ones such as, Nigeria, Zambia, Tanzania, Chad, South Africa and Ghana. One could say without any doubt that these countries have given away a lot of their natural resources in return for investment from China. This means the countries have the needed natural resources that the Chinese want in order to help them manufacture the finished goods for the world economy.

The next reason for the Chinese interest in Africa and for that matter Ghana is that the Chinese government has a policy to motivate most of the Chinese enterprises to go out to the world economy in order for them to take advantage of opportunities on the global market. The People’s Republic of China ever since 1999 has therefore, adopted a strategy by name “*go out policy*”[[20]](#footnote-21). The main argument for this policy is that companies in China should invest across the globe. This will enable them to upgrade themselves to become global brands and manufacture more of China’s brand new products into the world economy[[21]](#footnote-22). Again, the “go out policy” could help most of the Chinese companies to be able to identify more of the natural resources around Africa and for that matter Ghana, which at the end of the day would increases the export-import of goods and services to China[[22]](#footnote-23).

Another dimension that is worth pointing out is the political terrain of the Chinese as opposed to the rest of the world. The ideological difference between China and the other major countries has made China to be politically isolated from some strong countries in the past with the exception of Russia. As several African nations such as Ghana continue to show keen interest in the Chinese way of development to develop their countries; it has thus assisted to nurture a good relationship between China and Africa which eventually making her to be strong in the international scene. For instance, when China encounters difficulties in the world economy, majority of African countries were in support of her (Ministry of Foreign Affairs, 2013).

Lastly, the geographical location of Ghana has also been one of the reasons why China is interested in investing in Ghana. As can be seen from the above map, Ghana is one of the sub-Saharan African countries that have been the gateway to most countries from Africa and for that matter the government of Ghana is always putting in a lot of efforts to welcome investors in helping to construct roads and railways in the country. In recent times, there have been an increased of Chinese investment in the mining sector and other mineral resource in Ghana with the bid to help transport all the raw materials to the final destinations. Also, the Chinese have also shown interest in the oil exploration that began in the late 20th century, but it was until 2007 that crude oil has finally been discovered in commercial quantities for the commercial marketing (Idun- Arkhurt, I, 2008).

The Chinese investment in Africa and for that matter Ghana as I have already said is not a charity thing. The Chinese need African countries for their natural resources and Africa also needs China for its aid, investment and development assistance. In this regards, the African nations have offered a lot of natural resources at competitive price that has catalyzed the Chinese development and propelled the Chinese companies to the world economy. To view this from the theoretical angle, with respect to the dependency theory, China and Ghana are not at lost in terms of investing. That is Ghana as a developing nation relies on China for its investment as initially explained such as roads, schools, railways, hospital etc and China also employs mostly its own people to operate such projects thus creating employment for the Chinese citizens and causing capital flight. Given this scenario, with respect to Ghana being dependent on China, it is a win-win for the two countries. However with regards to the Chinese soft power perspective which deals with the capacity to realize one´s purposes or goals and as well as influencing others to do what they otherwise would not do (Nye, 1990). In this case, the Chinese soft power which is gears towards influencing African countries such as Ghana via the Chinese cultural and ideological appeal in terms of trading has a greater tendency for China to benefit more at the expense of Ghana. However the concept of sustainable development underscores fairness and equity, which are vital for the long term progress of international development projects. Thus where this is in short supply it compromises such joint mutual projects and consequently its long term survival. This hence, does not promote sustainable as it goes against the ideals of sustainable development.

## 5.8.2 GHANA’S INTEREST

This part of the study will explore the main factors that contribute to the reason why Ghana goes to this relationship with China. What really does Ghana what to achieve by allowing China to trade and invest in its economic sectors. China is now considered to be the second biggest economy with its economy increasing as a result of majority of African countries moving from their previous partners and welcoming the Chinese. This makes most African countries welcome Chinese investment to that of the western investment which often goes with strict conditions. Ghana’s interest for going into relationship with China is basically to paving way for the Chinese development to start operating in the country, since infrastructure is a major key in contributing to economic progress and sustainable development. China is therefore, seen to be contributing significantly in infrastructure development in Ghana for instance, the improvement of transport via roads constructions.

Ghana as a country needed infrastructure investment such as roads in other to get out of poverty because majority of the Ghanaian who lives in the rural areas are farmers. So, since the Chinese government is able to constructs the roads by means of giving grants and loans for the government to make these investment. This means the relation between the two countries is of mutual benefit. For example, Ghana in the 2011 signed a $3 billion loan from China Development Bank (CDB) which is a state owned for major infrastructure development projects in Ghana[[23]](#footnote-24). The relationship between China and Ghana has actually been growing over the past years and there are a lot of infrastructure projects being carried out in Ghana by Chinese companies.

Trading between Ghana and the Chinese reached over $189.395 million at the end of October 2009[[24]](#footnote-25). China has however, not forgotten its interest in Ghana and Africa as a whole. Interestingly though, the bilateral relationship that has existed between China and Ghana can be traced back to the time of the first President of Ghana (Dzorbo, 2001). In the year 2005, trade between the two countries was $769 million whereby trading has been blooming over the years with the Chinese benefiting more that Ghana in the sense that Ghana only export primary products and natural resources to China whereas the Chinese manufacture them into finish products and sell them back at a reasonable price (Dzorbo, 2001).

Nevertheless, in recent years Chinese trading with Ghana has now gone beyond that of the U.S which was one of Ghana’s great partners in trading. Ghana is also committing to diversify its trade with the Chinese through the medium of value addition to raw materials in other to meet the international standards for exports.

Recently, Mr. Isaac Seth Odame, a counselor at the embassy said at a conference organized by the China-Africa Countries Trade Promotion Association (CACTPA) that, the first China-Africa Economic and Trade Export will be held in Qingdao, a coastal city in China on 26 to 29 this year, which is estimated to attract over 1000 exhibitors and 100,000 attendants from both Africa and China. He further argued that Ghana-China trading volume has reached $5.4 billion, with 56.60 year-on-year growth, which is much higher than the average of Africa- China growth rate, which stood at 19.3% by the year 2012[[25]](#footnote-26). China is considered as the second major import partner after the European Union with Chinese products constituting circa 17% of imports in 2010, a significant development since 2006. From the year 2000, the volume of trade between China and Ghana has risen markedly to boost the Ghanaian economy. This is because; there have been an importation of cheap goods from China to Ghana which has made it possible for individual citizens to afford goods at the cheaper price. Sustainable development becomes meaningful when it is gears towards providing the felt needs of the targeted beneficiary. With this, the development initiative is seen to enhance the means of poor people, helps in meeting their needs and for that matter satisfies the goal of the social sustainability pillar[[26]](#footnote-27).

## 5.9 THE IMPACT OF CHINESE TRADING AND INVESTMENTS TOWARDS SUSTAINABLE DEVELOPMENT IN GHANA

This part of the analysis will try to examine the impact of Chinese trading and investment in Ghana in particular which can be either positive or negative for African countries as a whole. This is because this trading and investment cannot only bring benefits to Ghana as a country but could also lead to some negative impact. Also, it must be noted that each country’s interest can either lead to a positive or negative outcome. With this, the section will explore the positive as well as the negative impact of Chinese trading investment for both countries perspective.

## 5.9.1 THE POSITIVE IMPACT OF CHINESE TRADING AND INVESTMENTS TOWARDS SUSTAINABLE DEVELOPMENT IN GHANA

According to the Chinese African policy in 2006, there will be a provision from China in the area of assistance to majority of African countries with the principle of not attaching any political affiliations. It will also try to create a conducive environment for investment and cooperation among its bilateral partners in the continent (Forum On China-Africa Cooperation, 2006). An official of the Ghana Embassy in Beijing has said that China’s total direct investment in Ghana has increased to over $500 million by the end of 2012[[27]](#footnote-28). Ghana is been ranked as the first China’s registered project in the country as compared with other development partners and sixth in the value of registered investments in 2012 (Ibid).

## 5.9.2 TRADING PERSPECTIVE

First and foremost, the trading relations between China and Ghana have helped in importation of affordable or cheap product in Ghana. This has really helped the individual Ghanaian citizens who cannot purchase an expensive made in Ghana products to shift from locally manufactured goods to the Chinese products which in a way creating a sense of helping individual basic needs. After, the introduction of the golden age of business in 2000, Ghana paved its way to welcome its global trade partners to freely import manufactured products into the country (Quartey Peter et al, 2009). As a result of this, China has brought about much cheaper finished goods which has benefited Ghana's low income consumers.

In spite of this, there are a lot of retailers and wholesalers who have now imported a lot of manufactured products from the Chinese and selling them at a cheaper price to the Ghanaian economy. In this case, it has also been able to help consumers who can also not buy from the other world economy market like the EU market and that of the West to buy the same products in the Chinese market at a cheaper price (Quartey Peter et al, 2009).

The Chinese trading relationship in Ghana has created employment for the citizens in Ghana. Though, there is an argument that, the Chinese companies are usually not employing the local people in their specific fields. Notwithstanding this there are still some local citizens that can still be found working in the Chinese companies which is helping solving the problem of unemployment in Ghana. For example, if you look at the mining sector of Ghana, there are majority of the local people who are found working in this sector. As at 2008 available figures show that, about 24,000 jobs were created for Ghanaians in the mining sector this included direct jobs with the operating mines and the mines support service companies (A Report on Ghana’s Mining Sector, 2010). This surmises such measure has helped to abate rising unemployment and its related challenges such as theft and other indecent practices that accompanied with lack of jobs in an economy.

Lastly, with the increase in trading will create a sense of competition to pave way for the domestic companies to produced quality and similar goods with the Chinese market whereby they can send to their regional market such as the ECOWAS and at the end of the day export to Europe and other developed countries (Idun- Arkhurt, 2008). This development is beneficial for sustainable development as it addresses issues such as poverty reduction and job creation. Poverty reduction and job creation measures are means of addressing social inequality sustainable development seeks to tackle amongst others.

## 5.9.3 INVESTMENTS PERSPECTIVE

Majority of Chinese investment in Ghana are been constructed by the Chinese State and other private companies, which most of them can be found in service, mining, construction and manufacturing fields as already mentioned. The Chinese investment has provided Ghana with a lot of economic benefits. This is where Chinese investment has contributed in helping reduced import dependency where most of the Chinese-owned companies fill the critical gaps in the local market. Examples are the Sen Da (Gh) Company Ltd which assembles electrical and electronic appliances and Condor Industrial Ghana which also assembles machinery and equipment. Their main function is to produce capital goods which could otherwise have to be imported. This has a great benefit since a large percentage of the companies operate with local partners and are able to employ majority number of people in other to transfer of skills to them (Dunning, 2001).

Secondly, the Chinese companies in Ghana give a great competition which helped the local companies to be more efficient and effective in production. That is when local company is competing with an international company like Ghana and China will definitely boost the operation power of the Ghanaian company to try to be more efficient and work harder to meet the standard of the Chinese company.

Again, the Chinese companies help in contributing employment for the citizens of Ghana and with the addition of paying government revenue like taxes. Though, the level of their tax contribution is sometimes very difficult to identify since most of the Chinese companies are situated in the rural areas. Nevertheless, this has helped in providing jobs for the citizen in these areas thereby helping to reduce poverty in those areas they operates.

Lastly, Chinese companies contribute to some amount in terms of value- addition. Probably, the most evident examples of value addition are in food processing industry, where Chinese companies use local produce to manufacture drinks and other food products, and in the wood processing industry, where Chinese companies use local lumber to produce furniture and other wood products into Ghana, manufacture, and then sell on the local market and/or export.

The economic sustainability pillar of sustainable development suggests that the primary goal of economic development is social development and the attainment of individuals’ full human capacity[[28]](#footnote-29). The enhanced competition will consequently help maintain a competitive climate which will aid in nurturing local expertise. Also, the use of local resources is beneficial for developing the local industry.

## 5.9.4 THE NEGATIVE IMPACT OF CHINESE TRADING AND INVESTMENTS TOWARDS SUSTAINABLE DEVELOPMENT IN GHANA

There are also some negative impact of Chinese trading and investment in Africa and for that matter in Ghana. The relationship that exists in China and Ghana in one way or the other is more of cooperation in terms of trading and investment. The means some of the roles China play can bring about some negative impact on Ghana in a number of ways. Looking at theory from the world system perspective, China is at the semi-periphery whereas Ghana lies under periphery. This means in trading China will be gaining all the time whereas Ghana will continue to loss if it does not industrialized to be at the semi- periphery stage.

## 5.9.5 TRADING PERSPECTIVE

First, there is the issue of Ghanaians businessmen importing sub-standard products from China in the form of ordering lower quality product specifications to Ghana. This was confirmed by one Chinese firms in China which said the Chinese companies itself does not manufacture sub-standard goods but produce to Ghana importer’s specifications. He went on to mention that; the Chinese products are of different types of grades of quality and for that matter are also based on several types of consumers. It must be noted that, most of the Chinese products that can be found in the Ghanaian economy are of low quality as well as the prices are equally low. Thus they basically meet the demands of low income groups like Ghana. This at the long ran brings about inferior good to the Ghanaian market which is not helping in sustaining development in the country (Frimpong, 2012).

Secondly, majority of the Chinese entities in Ghana are state-owned enterprises funded by the government of China which can help put in more capital when the need arise. On the other hand that of the Ghanaian companies is operated by sole proprietors who find it difficult to obtain loans from the banks. They are most of the time been asked to provide a lot of documents as proof of collateral before they can be issued loans to operate their business. In trying to understand this as a disadvantage, it means there is a clear difference between China’s means of trading to that of Ghana which is having a negative impact in sustaining development in the country.

Again, when one looks at the table in the Chinese and Ghana trading relationship from 2000 to 2006, in a bid to figure out how this can be leading to a challenge in the development of the country Ghana. Inferring from table, Ghana’s imports from China has always been increasing from 96.1 million dollars in 2000 to 502.8 million dollars in 2006, whereas, the country exports from the same period only increases marginally from 25.8 million dollars to 28.6 million dollars, thus depicting an unfavorable trade situation which is to the advantage of China than that of Ghana. The implies that, as a country if you import more of finished goods and export very low like the situation between China and Ghana will show that the latter country will always be experiencing trading deficit in the current trading relations with the former, which will never help in sustaining development in the latter.

As already indicated, there is great competition between the Chinese companies and many other sectors in Ghana; nevertheless, this competition is particularly causing harm in the textile industry**.** A typical example is that, the Chinese companies have brought their cheap, but fake (not quality) types of African clothing. A very familiar shop for Kente cloth in Ghana has the option to purchase the authentic hand woven version, or the Chinese mass-produced printed option. Out of the $250 million of African prints sold each year in Ghana, the locally produced textiles have only about a quarter of demand (Taylor I., 2009). This scenario is further complicated in that, currently the Chinese aside from competing in the Ghanaian clothing sector, also import large volumes of Chinese textiles. In 2006, for instance the Chinese imported circa 30% of textiles into Ghana. (Aryeetey, Ernest, Fenny, Ama Pokuaa, Tsikata, Dela, 2008).

There is also the need for Ghana to expand its trade with China in other to deepen the relationship between the two countries. According to the international trade centre 2012, Ghana imports over $2 billion in total products from China and then exports a little over $ 6 million to the Chinese. This is very clear showing a unidirectional trade balance which is very in favor of China and that the Chinese is taking a very advantage of it to exploit many trade and investment opportunities that is in Ghana. This is the reason why investors find Ghana as the safest country to invest to yield maximum gains[[29]](#footnote-30). However, this is not beneficial for the goals of sustainable development as the ideals of equity and fairness are lost in such partnership, it rather sounds exploitative as one benefits and the other continues to lose.

## 5.9.6 INVESTMENTS PERSPECTIVE

There have been numerous Chinese investments in Ghana as has previously indicated such as the construction of Bui Dam, the Essipon Stadium, and the Teshie Hospital. But when we critically looked at investment in Africa including Ghana, the Chinese in 2008 gave over $10 billion to Africa for development project. It is very difficult to figure out how much of the amount was intended for Ghana as numbers of Chinese investment are difficult to locate, though likely low (Davies, 2008). Recently, the Chinese have built the Burma Conference Center and also renovated the National Theatre, assisted in an irrigation projects, treated malaria, all in the total of about $15 million or at $2 million per year over the past decade (Davies, 2008).

These Chinese investments when juxtaposed to the U.K’s $149 million investment over the same period are lesser. Moreover, there are also some of the newly roads constructed by the Chinese companies that are not durable. Having massive development projects which are not durable will eventually turn out to be white elephants, which will drain the economy of Ghana further as there will be additional need for resources to maintain such poor quality infrastructure. This is against the ideals of sustainable development as all the pillars suggest the need for value for money.

Another criticism of the Chinese investment is that since it is tied with majority of the workers emanating from China, the lion's shares of the earnings are repatriated back to their country. In this regard, it leads to a situation where Ghana will be challenged to accumulate a lot of financial capital for the development of the country.

Lastly, the issue of the Chinese businesses displacing the efforts of the local as well as other business companies is another concern. This is because the citizens patronized more in the

Chinese products than that of the local goods and this greater tendency to collapsing the local businesses.

# CHAPTER SIX

## 6.0 CONCLUSION AND PERSPECTIVES

In this chapter, the study will try to capture some of the relevant answers to the research question as stated in the introductory chapter thus, “What has been the impact of the Chinese trading and investment towards the attainment of sustainable development in Ghana? Same efforts will be made towards the sub-questions as in; What are the interest of both countries going into the relation as well as whether the Chinese trading and investment is providing a favorable win-win situation for both countries or zero-sum game?

It is just fifty-four years in 1960, since the People’s Republic of China and the Ghanaian government first had a diplomatic relationship and since then, China has now become the second largest trading and investment partner after the EU. There has been a number of Chinese trading and investment in Ghana but the issues is that both parties have a strong interest in these either economically or politically.

First and foremost, trading between China and Ghana has been increasing tremendously for the past years. But such a trend has positive and negative challenges for the latter. Thus, in the trading relationship import and the export between the two countries have not been the same thus signifying unequal relationship. To consider this in the realm of imports relations, one can argue that, Ghana is importing more than it is exporting to China, and to add to that the country is basically exporting raw materials to China while importing finished goods to the country. In table 1 from the analysis, it can be seen that the Chinese export to Ghana from the year 2000 was $96.1 million which has more than increase 502.8 million dollars in 2006(Tsikata et al 2008). The importation of cheap Chinese manufacturers has benefited the local consumers who could not afford the made in Ghana products and those from other western countries. But, the heavy importation from China has equally has a dire consequences for the growth of local industries in the country.

In the domain of exports, Ghana is at a disadvantage as it is only exporting natural resources which are in their raw states to China and for that matter the Chinese have a lot of say in determining the prices of those products. Ghana’s export to China in the year 2000 from table 1 was $25.8 million, this increased slightly to $28.6 million in 2006(Ibid). This means that a country with this very low export will not be gaining that much comparing to her trade partner. This according to the world system theory will mean that the Chinese, considered as semi-periphery may have a greater chance to move to core state than Ghana has to navigate from the periphery to say semi-periphery state. In this regards, it is imperative to state that, for there to be a trade balance in the relationship, Ghana needs to strengthen its local industrial base as a way to enhance her capacity to produce value added products.

For now, it would not be out of place for an argument to be made that, there is a seemingly zero-sum gain in the trade relationship. Simply because, one cannot export raw materials and imports finished goods and have the same advantage with the other party or partner who does the reverse that is exporting finished goods as in the case of China and imports raw material from Ghana. Therefore, this type of trading is a zero-sum game in favor of the Chinese. To draw the curtains down, since the Ghanaian citizen enjoys cheap products from China, it therefore means that in terms of trading the China- Ghana relationship have the negative and positive for the latter quest of attaining a sustainable development.

From the investment terrain, there has been a remarkable relationship from both countries. Looking from table 5.4 in the analysis, it is seen that the Chinese share as a percentage in 2010 (building and construction) was 59.16% simply because that year recorded a lot of Chinese infrastructure and development in Ghana. Also, since most of the employees in this operation were Chinese citizen, majority of the profit gains were sent to China which at the end of the day will not help to improve Ghana’s economy. A very important issue is that, though the interest of the Chinese investing in Ghana is to get an economic and political powers from Africa to be recognized in the world economy but the case now is that Ghana will equally also gain from the investment whereby there will be development in the country, some citizens also have the chance to be employed in some of their operations which to me is far better than having none. A very significant point that has also been a strong relationship between China and Ghana is the issue of their infrastructural development. This is because, these infrastructural development that have already been mentioned in the appendix 1, that is the Bui Hydro electric project, Essipon stadium, Teshie Hospital and Ghana Telecom and Alcatel Shanghai Bell have helped economically, socially and culturally towards the development of Ghana.

This means that in the area of investment, although Ghana is somehow depending on the Chinese for its development; one can say that the benefit that comes out is being enjoyed by both countries which are a “win- win” situation. It can be concluded by saying that, this study which is premised on China-Africa (Ghana) trading and investment relationship; despite some of the negatives has seen its greater benefits or chances for Ghana towards the attainment of its sustainable development.

As a result of this positive investment relationship, the future for Ghana is bright in terms of further cooperation in different areas of development. Due to this relationship, there is the need for more Chinese investors to invest in different areas of the economy which will profits both countries in other to attain development.

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# APPENDIX 1.

CHINESE INVESTMENT/INFRASTRUCTURAL IN GHANA: 2000-2012

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Amount (US$) | Type | Description |
| 2001 | $3.6 million | Grant | Economic development |
| 2003 | $1.2 million | Grant | Construction of Burma Hall Complex |
| 2003 | $28 million | Interest free loan | Construction of the 17.4 mile section of the Accra-Kumasi Road |
| 2003 | $963 million | Grant | Military |
| 2003 | $2 million | Grant | Restorations of the National Theatre |
| 2003 | $3million | Grant | Afefi Irrigation Project |
| 2003 | $3.9 million | Grant | Construction of barracks for the military |
| 2003 | $66 million | Debt cancellation | - |
| 2005 | $75 million | Loan | Telecommunication equipment, ZTE |
| 2005 | $53 million | Debt cancellation | - |
| 2005 | $3.6 million | Grant | Economic and technical cooperation project |
| 2006 | $66 million | - | Upgrading telecom network, school and malaria center construction |
| 2006 | $30 million | Concessional loan | Security communication between agencies |
| 2006 | $25 million | Donation | Treatment of malaria |
| 2006 | $3.75 million | Grant | Foster economic and technical cooperation |
| 2006 | $3.75 million | Interest free loan | - |
| 2006 | $275 million | Loan | Construction of Essipon stadium |
| 2006 | $38.5 million | Loan | Construction of Tamale stadium |
| 2006 | $1.25 million | Grant | Military |
| 2007 | $30 million | Concessional loan | Foster closer military ties, construction of the Ghanaian Ministry of Defense |
| 2007 | $662 million | Export credit | Bui Dam |
| 2007 | $30 million | 2nd loan agreement | Communications, contractor is ZTE |
| 2007 | - | Grant in kind | Training of Ghanaian government officials in China |
| 2007 | $5.33 million | Interest free loan and grant | Various developmental projects |
| 2007 | $24 million | Debt cancellation | - |
| 2008 | $99 million | Interest free loan | Landing sites for fishing communities |
| 2008 | $1.34 million | - | Predause Presidents Lodge |
| 2009 | $3 billion | Loan | Oil and natural gas development |
| 2010 | $10.4 billion | Concessionary loan | Kumasi to Pagarailway development, energy infrastructure, education |
| 2011 | $7.3 million | Grant | 100-bed hospital in Teshie |
| 2011 | $3 billion | - | Infrastructure projects |

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