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China – Africa Relations: A Case Study of Ghana

A Draft Scoping Study

Prepared for the
African Economic Research Consortium

By

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1. Introduction

China, India, Brazil and South Africa are emerging as engines for economic growth particularly in countries previously left out of globalization. The rapid growth of China and India especially in recent years has raised many questions about the implications for the world economy and especially Sub-Saharan African countries. As the economies of China and India grow it is expected that investment opportunities in the consumer, agricultural, industrial, banking and logistics sectors will grow. However, the developmental prospects of other economies may rather suffer as a result. Improved growth in China and India will intensify competition in global markets for manufactures, and the manufacturing industries in many countries will be affected negatively. Without efforts to keep up with China and India, some countries may see further erosion of their export shares and high-tech manufacturing sectors. On the other hand, the increased demand for natural resources by these fast-growing Asian economies may create new opportunities for traditional suppliers of these resources. The question, however, is whether Africa will be able to take advantage of these opportunities to translate the supply of resources into sustainable economic development.

Trade and investment flows between Africa and Asia have been increasing steadily in the past decade and these largely due to flows between China and India on one hand and Africa on the other hand. According to Nduru (2006), bilateral trade between India and Africa rose from \$967 million in 1990-91 to \$9.14 billion in 2004-2005. Trade between China and Africa has quadrupled in the last five years to reach \$40 billion in 2005. The high growth of Africa's trade with Asia is mainly driven by exports to China and India. Also, China's increasing prominence as a major source of imports for many African countries raises a number of questions as to the effect on domestic industries.

In Ghana, imports from China moved from a 3.7 percent share in 2000 to 9.8 percent share in 2004 (ISSER, 2005), reflecting the increased importance of China as a trading partner. Between 2001 and 2005, the value of Ghanaian imports from China increased more than four-fold, from US\$ 160.5 million to \$740.1 million (IMF, 2006). In 2004, the value of the bilateral trade between the two countries reached \$500 million, up 70% over the 2003 figure. All these figures reflect the forging of closer trade links between Ghana and China. However, it is necessary to determine to what extent Ghana is benefiting from this increased trade. Cheap goods from China may enhance consumer welfare but it is also possible these same goods may squeeze out domestic manufacturers, thus impacting negatively on Ghana's industrial sector.

In terms of absolute levels, foreign direct investment (FDI) from China to Africa is increasing. However, the investment levels are more modest than those of trade. Sub-Saharan Africa accounts for only 1.8 percent of global FDI inflows but, in recent times, African-Asian FDI has been growing at a remarkable rate. Chinese and Indian firms tend to have different risk aversion with respect to investments in Africa than Western firms because they regard Africa as less competitive, especially in war-torn states such as Angola, DR Congo and Sierra Leone and see the continent as a place where a 'first mover advantage' plays out in favor of risk-taking entrepreneurs. In the case of China, it has been a stated policy of the government to encourage and support investment in Africa, including through the

provision of preferential loans and buyer credits (China, 2006).

Chinese and Indian investments on the continent are in the specific areas of mineral extraction, apparel, food processing, retail ventures, transport and telecommunications, among others. A large part of Chinese FDI has gone to African oil-producers like Sudan and Nigeria. Some other important FDI destinations are South Africa, Ghana, Tanzania and Senegal. The impact of these investments is to propel African trade into cutting-edge multinational corporate networks, which are increasingly altering the concept of international division of labor (Broadman, 2006). However, the nature of these investments may not bring about the required growth to these economies as may be expected. The reason is that a greater chunk of the investments is directed towards the extractive sector, with the aim of securing oil and raw materials for growing industries in China and India, and thus the investments do not contribute much to diversifying and broadening the industrial base of the African economies. With the exception of South Africa, FDI from Africa to China is minimal.

With regard to foreign aid, data on the nature and extent of Chinese and Indian aid to Africa (including loan duration and interest charges) are not generally available. For China, the last officially reported flows are for 2002 and, in that year, the Chinese government reported that it provided \$1.8 billion in economic support to Africa. The Ex-Im Bank reported that at the end of 2005 its concessional loans to Africa covered 55 projects in 22 countries with an accumulated commitment of \$800 million. Ex-Im Bank loans in the infrastructure sector of Sub-Saharan Africa amounted to over \$12.5 billion as at the middle of 2006. The loans financed projects in the power, telecom, transport and sewerage sectors, as well as the petroleum and mining sectors. The five countries that benefited most from these concessional and non-concessional loans were Angola, Nigeria, Mozambique, Sudan and Zimbabwe, accounting for over 80% of total Chinese loans sent to Sub-Saharan Africa. India has also established an Export-Import Bank performing basically similar functions as the Ex-Im Bank of China (Broadman, 2006). In addition, China is using debt relief to assist African nations by effectively turning loans into grants.

With regard to technical cooperation and human resource development as a form of aid, both India and China have made significant contributions to Africa. China has offered over 1,500 scholarships to African students providing them opportunities to gain skills and knowledge from Chinese universities. China has also developed a fund known as the China African Human Resources Development Fund which has sponsored a variety of training courses geared to African professionals and has trained nearly 7,000 personnel in different areas. India is also involved in human resource development in Sub-Saharan Africa and over 1,000 officials receive training annually in India under the Indian Technical and Economic Cooperation program. Seminars and training classes are given to senior African diplomats and economic and financial officials as well.

The literature on the impact of China and India's trade and foreign direct investments on developing economies has been well documented by several authors (Jenkins and Edwards (2005), Kaplinsky and Morris (2006) and Chen et al.(2005) are among others). Few have however focused on the impact of these relationships on the various sectors of SSA economies. This in itself is not surprising since data is quite scarce. Therefore there is a huge research gap in understanding the channels through which the trade, investment and aid relations between these Asian countries and Africa affect these sub-sectors

and also their resultant impact on economic growth and poverty reduction. Hence, the primary aim of this study is to determine the size, composition and significance of exports and imports between Ghana and China and to determine the size, composition and significance of Chinese investment and aid to Ghana.

The paper is structured as follows: section 1 includes the introduction and a review of cooperation between China and Ghana; section 2 will deal with investments; section 3 will cover export and import trade flows between Ghana and China with section 4 on aid from China and its impact on the Ghanaian economy. The final section will be the summary and conclusion.

1.1 Review of cooperation arrangements between China and Ghana

The Beijing Summit and the Third Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) held from November 3 to 5, 2006 served to broadly outline the cooperation agreements that China has or aims to have with African countries, including Ghana.

Cooperation agreements between China and Ghana cover a wide range of areas. Firstly, in the area of diplomatic cooperation, the two countries have agreed to support each other in issues concerning sovereignty and territorial integrity. The most important facet of this agreement is Ghana's continued adherence to the "One China Policy" which sees Taiwan as an inalienable part of People's Republic of China. This agreement forms the basis of all bilateral cooperation since China refuses to maintain diplomatic (as well as economic) ties with any country that recognizes Taiwan as an independent nation. China and Ghana have also agreed to explore means of greater cooperation in the United Nations, World Trade Organisation and other international and regional organisations. In addition China has lent support to the African Union (AU) and the New Partnership for Africa's Development (NEPAD) as initiatives to foster African advancement.

In the area of economic cooperation, China has agreed to cooperate with Ghana in the areas of agriculture, investment, trade and infrastructure. In the area of agriculture, exchanges have been facilitated in irrigation, agro-processing, agricultural technology and agricultural infrastructure development. With regards to investment, the two countries have made resolutions to foster mutual investment and to explore new areas for investment. In addition, the Chinese government has decided to encourage a number of Chinese banks in the setting up of the China-Africa Development Fund (expected to reach an amount of \$5 billion) to support reputable Chinese companies to invest in projects in Africa that will create employment, foster technological progress and promote development. In the area of trade, agreements have been made to boost trade between China and Ghana and also to make it more balanced. China has also agreed to open up its markets further to goods from Africa; for instance, the number of export items to China eligible for zero tariffs will expand from 190 to over 440. Infrastructure is arguably the area of greatest cooperation between China and Ghana and several agreements have been drawn up over the years for Chinese firms to undertake construction projects. These have included the construction of roads, buildings and most recently, a hydroelectric dam.

One other important area of cooperation is that of aid and debt relief. China has in recent years become a significant development partner to Ghana, providing increasing amounts of aid comprising loans, grants and technical assistance. Ghana is also likely to benefit from the Chinese government's resolution to, by 2009, double the amount of its development assistance to African countries in 2006. A large proportion of the aid Ghana receives goes to fund infrastructure development. Concerning debt relief, in 2007, China agreed to write off \$25 million of Ghana's debt, accumulated since 1985.

2. Investment

Over the past decade, Ghana has benefited significantly from investment inflows from China and India. In 2004, India became the main source of foreign investment, followed by China. Between 1994 and 2006, India registered a total of 256 projects with 37 percent of them being in the manufacturing sector and 16 percent in general trade. China followed with a total of 249 projects registered, 34 percent of these in the manufacturing sector and 19 percent in general trade (GIPC, 2006).

This section of the paper will show the size, composition and significance of Chinese investment in Ghana and a breakdown of the recipient sectors as classified by the Ghana Investment Promotion Centre, as well as identification of key stakeholders and classification of such stakeholders into gainer or loser groups.

Findings

Overall, the findings indicate that Chinese investment is growing steadily in Ghana over the past decade. Although there was a slight dip between 2002 and 2004, there has been a marked increase from 2004 to 2005. The total investment from China increased from \$3.09 million to \$17.87 million in 2005 (Table 2.1).

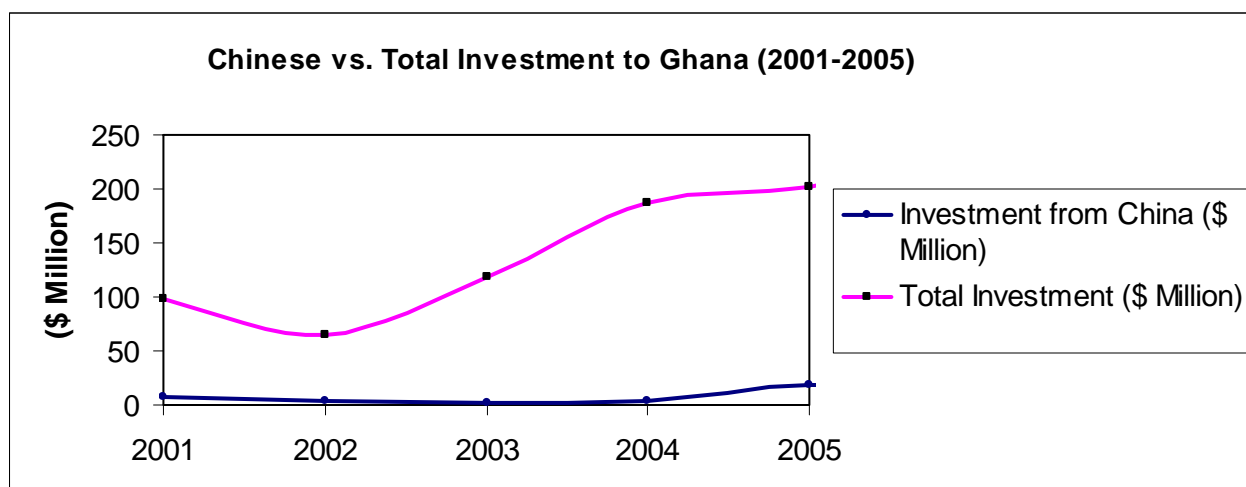
However, looking at China's share as a percentage of total investment in Ghana shows that FDI from China to Ghana is very minimal and the gap seems to be widening as the years go by (Figure 1). In the 2005, China's share of total investment was 8.85 percent, the highest recorded with 2004 being the lowest at 1.66 percent.

Table 2.1 Total investment, China to Ghana (2001 -2006)

| Year | Investment from China (\$ Million) | Total Investment (\$ Million) | China share as a % of the total investment |
|------|------------------------------------|-------------------------------|--|
| 2001 | 6.93 | 97.31 | 7.12 |
| 2002 | 3.13 | 65.13 | 4.8 |
| 2003 | 2.17 | 118.31 | 1.84 |
| 2004 | 3.09 | 186.28 | 1.66 |
| 2005 | 17.87 | 201.95 | 8.85 |

Source: Ghana Investment Promotion Council

Figure1. Total investment, China to Ghana (2001 -2005)



Source:

ce: Ghana Investment Promotion Council

The sector breakdown and investment cost of projects for 2001 to 2006 is shown in Tables 2.2 to Tables 2.7. In 2001, the Agriculture and manufacturing sectors got the largest share of investment from China (about 87 percent). In particular, China's share as a percentage of total investment in the Agricultural sector was about 71 percent (Table 2.2). The total amount invested went into poultry production, hatchery and poultry feed manufacturing. China's investment in General trading was about 4 percent of the total investment in the sector.

Table 2.2 Sector Breakdown and Investment Cost of Projects for 2001

| Sector | Investment from Chinese Companies (\$) | Total Investment Cost (\$) | China Share as a % of Total |
|-----------------|--|----------------------------|-----------------------------|
| Manufacturing | 1,756,600.00 | 9,580,000.00 | 18.34 |
| Service | 0.00 | 49,770,000.00 | 0.00 |
| Tourism | 143,200.00 | 5,310,000.00 | 2.70 |
| Build. & Const. | 0.00 | 5,160,000.00 | 0.00 |
| Export Trade | 97,000.00 | 4,670,000.00 | 2.08 |
| Agriculture | 4,300,000.00 | 6,030,000.00 | 71.31 |
| General trade | 629,200.00 | 16,790,000.00 | 3.75 |
| TOTAL | 6,926,000.00 | 97,310,000.00 | 7.12 |

Source: Ghana Investment Promotion Council

In 2002, total investment from China decreased by about half of what was invested in the previous year. The manufacturing sector received the highest share followed by General trading sub sector. In both sectors China's share as a percentage of total investment was 12 percent and 10 percent respectively (Table 2.3). In the manufacturing sector, the main processes included the manufacturing of garments, shoes, leather products; assembling of machinery and food processing. Particular

attention has to be drawn to the fact that China's percentage share of total investment in General trade sector increased from 4 percent in the previous year to 10.25 percent. The main activity undertaken in this sector is trading of general goods.

Table 2.3 Sector Breakdown and Investment Cost of Projects for 2002

| Sector | Investment from Chinese Companies (\$) | Total Investment Cost (\$) | China Share as a % of Total |
|-----------------|--|----------------------------|-----------------------------|
| Manufacturing | 1,971,356.00 | 16,240,000.00 | 12.14 |
| Service | 245,600.00 | 7,910,000.00 | 3.10 |
| Tourism | 54,000.00 | 3,710,000.00 | 1.46 |
| Build. & Const. | 0.00 | 9,060,000.00 | 0.00 |
| Export Trade | 0.00 | 60,000.00 | 0.00 |
| Agriculture | 102,000.00 | 20,790,000.00 | 0.49 |
| General trade | 754,400.00 | 7,360,000.00 | 10.25 |
| TOTAL | 3,127,356.00 | 65,130,000.00 | 4.80 |

Source: Ghana Investment Promotion Council

The decline in total investment from China carried on in year 2003 with a decline of about \$1 million from 2002. The highest share (about 84 percent) went into the General trade sub sector with China's percentage share of total investment in this sector increasing from 10.25 percent in the previous year to 15.78 percent (Table 2.4). China's percentage share of total investment in the manufacturing sector dropped drastically from 12.14 percent in the previous year to 0.79 percent.

Table 2.4 Sector Breakdown and Investment Cost of Projects for 2003

| Sector | Investment from Chinese Companies (\$) | Total Investment Cost (\$) | China Share as a % of Total |
|-----------------|--|----------------------------|-----------------------------|
| Manufacturing | 173,000.00 | 21,940,000.00 | 0.79 |
| Service | 81,104.00 | 69,230,000.00 | 0.12 |
| Tourism | 90,000.00 | 4,010,000.00 | 2.24 |
| Build. & Const. | 0.00 | 1,940,000.00 | 0.00 |
| Export Trade | 0.00 | 1,220,000.00 | 0.00 |
| Agriculture | 0.00 | 8,370,000.00 | 0.00 |
| General trade | 1,829,982.25 | 11,600,000.00 | 15.78 |
| TOTAL | 2,174,086.25 | 118,310,000.00 | 1.84 |

Source: Ghana Investment Promotion Council

In 2004, investment from Chinese companies increased by \$1 million. Again the highest share (about 75 percent) was invested in the general trade sub sector. However, China's percentage share of total investment in this sector slightly decreased to 13.13 percent from 15.78 percent in the previous year (Table 2.5). Also worth noting, is the slight increase in China's percentage share of total investment in the manufacturing sector from 0.79 percent in 2003 to 2.08 percent, although this is still very low compared to the years 2001 and 2002.

Table 2.5 Sector Breakdown and Investment Cost of Projects for 2004

| Sector | Investment from Chinese Companies (\$) | Total Investment Cost (\$) | China Share as a % of Total |
|-----------------|--|----------------------------|-----------------------------|
| Manufacturing | 586,391.00 | 28,250,000.00 | 2.08 |
| Service | 148,223.00 | 78,240,000.00 | 0.19 |
| Tourism | 32,600.00 | 41,110,000.00 | 0.08 |
| Build. & Const. | 0.00 | 14,990,000.00 | 0.00 |
| Export Trade | 21,150.00 | 380,000.00 | 5.57 |
| Agriculture | 0.00 | 5,760,000.00 | 0.00 |
| General trade | 2,304,958.00 | 17,550,000.00 | 13.13 |
| TOTAL | 3,093,322.00 | 186,280,000.00 | 1.66 |

Source: Ghana Investment Promotion Council

In 2005, total investment from Chinese companies increased by about 500 percent, from about \$3 million in 2004 to about \$18 million in 2005. About 99 percent of this amount went into the Manufacturing and General Trade sub sectors. China's percentage share of total investment in manufacturing sector increased from 2.08 in the previous year to 20.12 percent in 2005 (Table 2.6). Quite noticeable is the increase in China's percentage share of total investment in the General Trade sub sector from 13.13 percent in 2004 to 30.23 percent in 2005.

Table 2.6 Sector Breakdown and Investment Cost of Projects for 2005

| Sector | Investment From Chinese Companies (\$) | Total Investment Cost (\$) | China Share as a % of Total |
|-----------------|--|----------------------------|-----------------------------|
| Manufacturing | 7,503,302.68 | 37,300,000.00 | 20.12 |
| Service | 109,015.00 | 29,420,000.00 | 0.37 |
| Tourism | 94,000.00 | 3,980,000.00 | 2.36 |
| Build. & Const. | 0.00 | 89,920,000.00 | 0.00 |
| Export Trade | 30,000.00 | 3,530,000.00 | 0.85 |
| Agriculture | 0.00 | 4,280,000.00 | 0.00 |
| General trade | 10,131,563.00 | 33,520,000.00 | 30.23 |
| TOTAL | 17,867,880.68 | 201,950,000.00 | 8.85 |

Source: Ghana Investment Promotion Council

There was decline in total investment from China of about \$2 million in year 2006 from 2005. The highest share (about 61 percent) went into the General trade sub sector with China's percentage share of total investment in this sector decreasing from 30.23 percent in the previous year to 25.78 percent (Table 2.7). China's percentage share of total investment in the manufacturing sector dropped drastically from 20.12 percent in the previous year to 0.1 percent. In 2006, we see an increase in China's percentage share of total investment in the other sub sectors such as service, tourism, building and construction and export trade.

Table 2.7 Sector Breakdown and Investment Cost of Projects for 2006

| Sector | Investment From Chinese Companies (\$) | Total Investment Cost (\$) | China Share as a % of Total |
|-----------------|--|----------------------------|-----------------------------|
| Manufacturing | 2,256,392.00 | 2,172,780,000.00 | 0.10 |
| Service | 1,319,149.00 | 61,070,000.00 | 2.16 |
| Tourism | 580,869.50 | 15,010,000.00 | 3.87 |
| Build. & Const. | 1,274,746.00 | 67,290,000.00 | 1.89 |
| Export Trade | 503,568.00 | 9,300,000.00 | 5.41 |
| Agriculture | 0.00 | 6,450,000.00 | 0.00 |
| General trade | 9,267,065.59 | 35,940,000.00 | 25.78 |
| TOTAL | 15,201,790.09 | 2,367,840,000.00 | 0.64 |

Source: Ghana Investment Promotion Council

The above results indicate that Chinese companies over the past seven years have invested primarily in the Manufacturing and General Trade sectors of the Ghanaian economy. In 2005, 20 percent of total investments in the manufacturing sector was by Chinese companies all those this fell to 0.1 percent in 2006 (Figure 2). In the General Trade sector, the Chinese companies share of total investments has been consistently increasing over the past seven years, from 4 percent in 2001 to almost 30 percent in 2005 and 25 percent in 2006 (Figure 3).

There are a number of questions that come up. What are the implications of these trends? Who are the losers and beneficiaries? Although it will be quite difficult to map out all the direct and indirect impacts of these trends to the economy at large, the investment in the manufacturing sector by these Chinese companies has a number of benefits. The creation of jobs for the unemployed in Ghana, technology transfer and the use of low-cost infrastructure can be noted as some of these benefits. On the flip side, there is the probability that some of these companies may displace existing and potential local producers. Indirectly, there could also be disinvestment and relocation by other foreign investors who are unable to compete with these companies. In the case of technology transfer, local producers can only benefit if they are equipped with the right resources to do so.

Another worrying feature is the increasing investment by Chinese companies in the General trade sector. Apart from displacing local traders, there is less spin-off to the local economy since most of the profits are more likely to be spent outside of Ghana. The question here is how does Ghana shift the structure of FDI away from trading towards manufacturing and other local value adding activities?

Figure 2

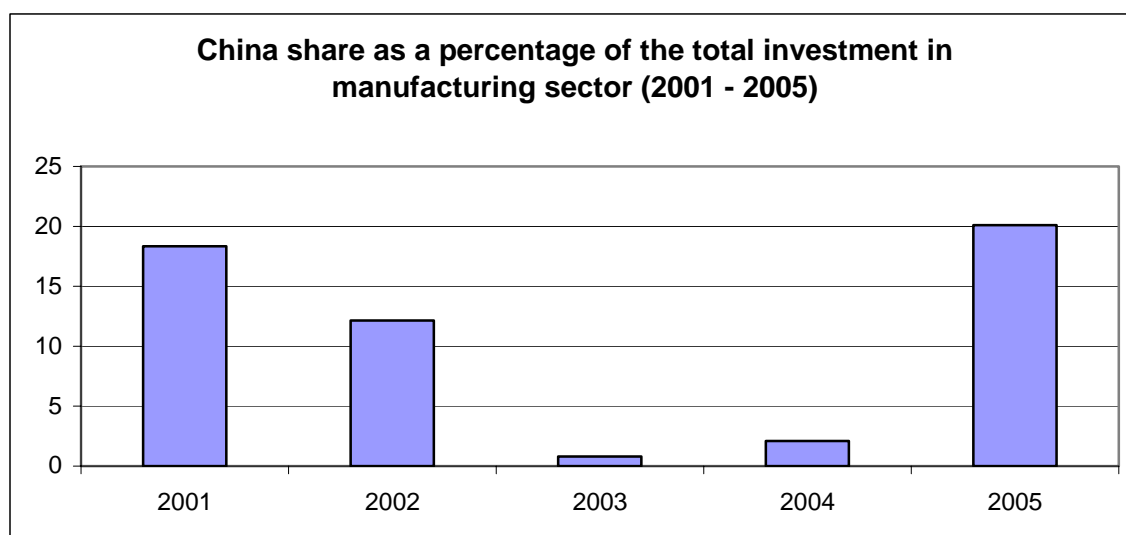
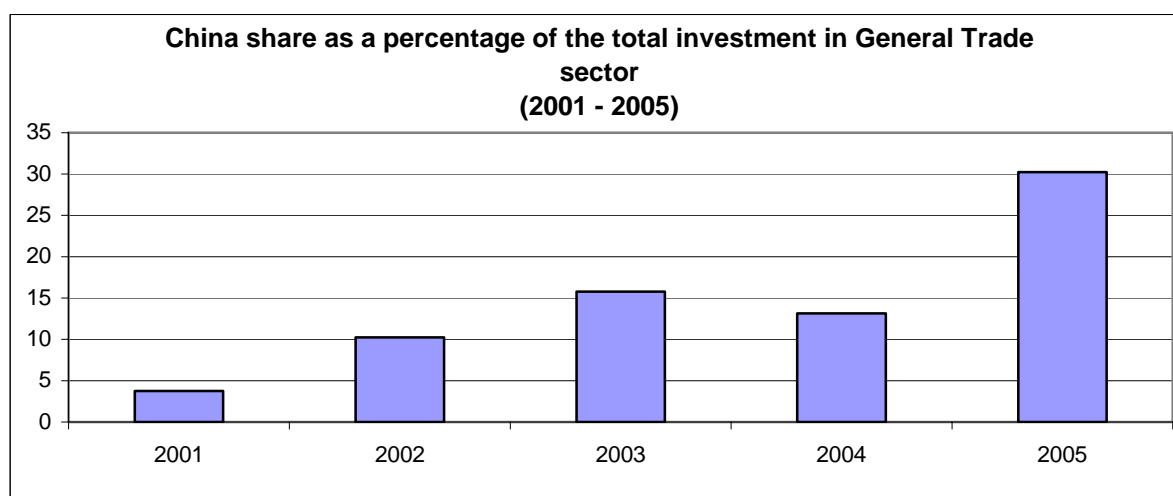


Figure 3



Ownership structure of investments

The results indicate that from 2001 to 2006 the ownership structure of investments by the Chinese companies in Ghana have followed the same pattern. The use of local equity and local loans is very low compared to foreign equity and foreign loans. Foreign loans and equity account for almost 95 percent of the total cost of operations by these companies (Table 2.8). This may be a direct reflection of lack of investment by Ghanaians in these ventures and the possibility that most of the profits gained from these operations are most likely to siphoned back to China. The challenge is to develop Ghanaian

companies such that they can partner with Chinese FDI to ensure that we benefit more from these investments.

Table 2.8 The ownership structure of investments by Chinese companies in Ghana

| Year | Local Equity | Local Loan | Foreign Equity | Foreign Loan | Total cost |
|------|--------------|------------|----------------|--------------|------------|
| 2001 | 59.64 | 150.00 | 1,809.86 | 5,018.50 | 7,038.00 |
| 2002 | 144.88 | - | 2,770.17 | 212.30 | 3,127.35 |
| 2003 | 530.01 | - | 1,584.08 | 60.00 | 2,174.09 |
| 2004 | 54.77 | 10.00 | 2,889.51 | 165.04 | 3,119.32 |
| 2005 | 112.06 | 320.00 | 11,581.35 | 5,854.47 | 17,867.88 |
| 2006 | 2,096.09 | - | 10,137.70 | 2,968.00 | 15,201.79 |

Source: Ghana Investment Promotion Council

3. Trade

I. Exports

The main objective of this section is to determine the size, composition and significance of exports of Ghana to China and the SITC classification of exports, as well as to identify key stakeholders and the classification of such stakeholders into gainer or loser groups.

Findings

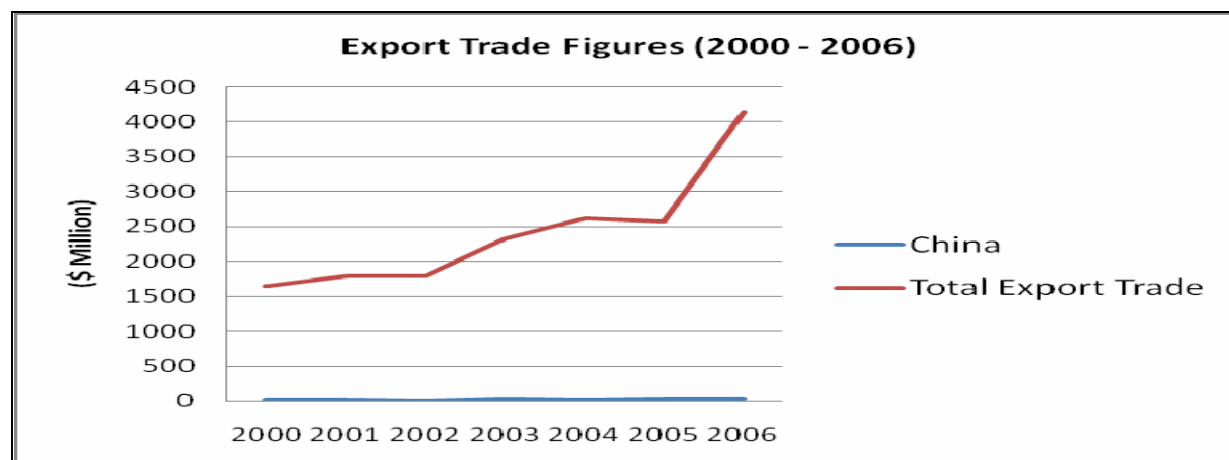
Overall, the findings indicate that China's share of total exports from Ghana is very low. It has been consistently less than 2 percent of the total since 2000 (Table 3.1). The lowest level was recorded in 2002, when China's share of total exports was 0.43 percent. Also the gap between China's share and the total has been widening over the past seven years showing that even though there has been an increase in total export trade over the years, our exports to China has remained stagnant (Figure 4).

Table 3.1 Ghana's External Trade Figures for Exports (2000 – 2006) (\$ Millions)

| Year | China (\$) | Total Export Trade (\$) | China share as a % of the total |
|------|------------|-------------------------|---------------------------------|
| 2000 | 25.82 | 1,648.06 | 1.57 |
| 2001 | 22.71 | 1,791.10 | 1.27 |
| 2002 | 7.66 | 1,793.39 | 0.43 |
| 2003 | 32.28 | 2,324.30 | 1.39 |
| 2004 | 18.34 | 2,621.68 | 0.70 |
| 2005 | 31.26 | 2,583.37 | 1.21 |
| 2006 | 28.55 | 4,144.67 | 0.69 |

Source: Ministry of Trade and Industry

Figure 4.



Source: Ministry of Trade and Industry

The SITC classification of total exports from Ghana to China and China's percentage share in each category for 2000 to 2006 is shown in Tables 3.2 to Tables 3.8. In 2000, China's share of total exports in most of the categories ranged from 0 percent to 1.35 percent. The exception was in the exports of crude materials category where China's share of the total was about 9 percent (Table 3.2). Here the crude materials consisted mainly of timber and aluminum alloys and aluminum waste products. The top ten commodities exported to China were aluminum alloys, manganese ores, different types of timber, cocoa beans, cotton linters, aluminum waste and scrap and frozen fish. In 2001, the trend was much the same with China's export share of crude materials dropping to 4 percent from about 9 percent in the addition in the exports of copper waste and scrap. Also, there was an increase in China's share of food and live animals exports from 0.58 in 2000 to 2.07 percent in 2001 (Table 3.3). Exports of cocoa beans made up of about 95 percent of commodities in this category.

In 2002, total exports to China from Ghana were very low compared to the other years. China's share of total exports in all of the categories was less than 0.1 percent with the exception of the food and live animals category where exports to China formed about 7 percent of the total (Table 3.4). In this year the top ten commodities exported did not follow the previous year's trend, rather it was dominated by non-traditional exports which included aubergines (eggplants) which accounted for about 75 percent of total exports in 2002. Others included yam, cashew nuts, bananas, cocoa beans and manganese ores.

Table 3.2 Computation of China's % share of exports by commodity groups (2000)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|---------------|----------------|---------------------------------|
| Food and live animals | 484,399.00 | 83,501,460.58 | 0.58 |
| Beverages and tobacco | 0.00 | 514,795,926.84 | 0.00 |
| Crude materials except food/fuel | 14,148,842.00 | 166,259,709.40 | 8.51 |
| Minerals | 10,953,710.00 | 813,715,275.59 | 1.35 |
| Animal/vegetable oil/fat/wax | 0.00 | 5,807,929.06 | 0.00 |
| Chemical products | 0.00 | 8,083,621.72 | 0.00 |
| Manufactured goods | 237,580.00 | 143,474,793.16 | 0.16 |
| Machinery, transport and other equipment | 0.00 | 1,149,138.86 | 0.00 |

Source: Ministry of Trade and Industry

Table 3.3 Computation of China's % share of exports by commodity groups (2001)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|---------------|----------------|---------------------------------|
| Food and live animals | 1,592,212.00 | 77,028,112.52 | 2.07 |
| Beverages and tobacco | 0.00 | 484,945,267.78 | 0.00 |
| Crude materials except food/fuel | 13,152,180.00 | 328,935,169.11 | 4.00 |
| Minerals | 7,756,523.00 | 751,717,162.04 | 1.03 |
| Animal/vegetable oil/fat/wax | 0.00 | 2,904,370.51 | 0.00 |
| Chemical products | 0.00 | 12,924,132.89 | 0.00 |
| Manufactured goods | 207,411.00 | 159,350,225.93 | 0.13 |
| Machinery, transport and other equipment | 0.00 | 1,231,595.39 | 0.00 |

Source: Ministry of Trade and Industry

Table 3.4 Computation of China's % share of exports by commodity groups (2002)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|--------------|----------------|---------------------------------|
| Food and live animals | 7,339,204.00 | 104,426,932.14 | 7.03 |
| Beverages and tobacco | 0.00 | 551,634,749.71 | 0.00 |
| Crude materials except food/fuel | 149,180.00 | 208,638,688.51 | 0.07 |
| Minerals | 49,568.00 | 809,368,078.96 | 0.01 |
| Animal/vegetable oil/fat/wax | 0.00 | 12,145,117.81 | 0.00 |
| Chemical products | 0.00 | 28,010,472.80 | 0.00 |
| Manufactured goods | 126,480.00 | 151,889,125.88 | 0.08 |
| Machinery, transport and other equipment | 0.00 | 16,287,655.23 | 0.00 |

Source: Ministry of Trade and Industry

In 2003, total value of exports to China increased by five fold from previous years. China's share of crude materials exports increased to 5.19 percent from 0.07 in the previous year, with the share of manufactured products exports increasing to 7.55 percent from 0.08 in 2002. (Table 3.5) However, the composition varied again, with the carded or combed cotton and carded wool being the highest

followed by cocoa shell and cocoa waste products, metal cutting shears and other hand tools, lead waste and scrap, raw feathers and processed wood. It is worth noting that in this year there were no exports of raw timber, all the wood exported were processed. In 2004, the total value of exports to China decreased by about half of the previous year. China's percentage share of crude materials exports remained the same but there was a marked increase in the share of food and live animals which increased to about 17 percent of the total from 1.25 percent in the previous year (Table 3.6). This was mainly attributed to the exports of cocoa beans which formed about 87 percent of the total value of exports to China in that year. Apart from cocoa beans, the other top ten commodities exported to China included copper waste and scrap, cocoa shells and cocoa waste, vegetable products, copper tubes and pipes, ferrous and aluminum waste and scrap.

Table 3.5 Computation of China's % share of exports by commodity groups (2003)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|---------------|----------------|---------------------------------|
| Food and live animals | 1,456,403.68 | 116,954,566.23 | 1.25 |
| Beverages and tobacco | 0.00 | 949,860,831.31 | 0.00 |
| Crude materials except food/fuel | 4,112,909.79 | 79,218,715.67 | 5.19 |
| Minerals | 10,161,440.26 | 935,177,089.60 | 1.09 |
| Animal/vegetable oil/fat/wax | 0.00 | 7,437,413.83 | 0.00 |
| Chemical products | 0.00 | 10,511,253.51 | 0.00 |
| Manufactured goods | 18,550,708.99 | 245,795,420.91 | 7.55 |
| Machinery, transport and other equipment | 0.00 | 15,926,324.65 | 0.00 |

Source: Ministry of Trade and Industry

Table 3.6 Computation of China's % share of exports by commodity groups (2004)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|---------------|------------------|---------------------------------|
| Food and live animals | 16,452,415.60 | 95,499,051.17 | 17.23 |
| Beverages and tobacco | 37,941.19 | 1,163,872,532.21 | 0.00 |
| Crude materials except food/fuel | 1,381,115.98 | 26,973,162.00 | 5.12 |
| Minerals | 0.00 | 998,120,329.05 | 0.00 |
| Animal/vegetable oil/fat/wax | 0.00 | 8,801,347.30 | 0.00 |
| Chemical products | 0.00 | 30,707,853.02 | 0.00 |
| Manufactured goods | 471,803.77 | 259,116,696.66 | 0.18 |
| Machinery, transport and other equipment | 0.00 | 35,867,200.26 | 0.00 |

Source: Ministry of Trade and Industry

In 2005, the total value of exports from Ghana to China doubled from that of the previous year. The most gain was in the food and live animal category which accounted for almost 68 percent of the total. Again this was mainly attributed to the export of cocoa beans. However, China's percentage share of the total value of exports of food and live animals was less than 1 percent of total share in 2005 (Table 3.7). Apart from cocoa beans, the top ten commodities exported to China included copper and aluminium waste and scrap, processed wood, liquorice roots, cotton linters and copper ores and concentrates. In 2006, the total value of exports to China reduced by about \$5 million from that of the

previous year. In all of the categories, China's percentage share of the total was less than 2 percent showing very little improvement from the previous year given that the value of total exports from Ghana almost doubled from previous year (Table 3.8). The composition of top ten items varied again from that of 2005 with the exports of frozen fish accounting for about 50 percent of the total followed by sesanum seeds, other palm oil and liquid extracts, cashew nuts, vegetable seeds, liquorice roots, cotton linters and cocoa beans. What is noticeable in this year is the marked reduction in export of cocoa beans to China.

Table 3.7 Computation of China's % share of exports by commodity groups (2005)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|---------------|------------------|---------------------------------|
| Food and live animals | 20,853,154.81 | 2,624,027,894.01 | 0.79 |
| Beverages and tobacco | 532,524.93 | 68,331,960.06 | 0.78 |
| Crude materials except food/fuel | 6,464,139.68 | 164,147,250.99 | 3.60 |
| Minerals | 380,450.50 | - | - |
| Animal/vegetable oil/fat/wax | 0.00 | 25,867,661.62 | 0.00 |
| Chemical products | 0.00 | 268,624,326.96 | 0.00 |
| Manufactured goods | 3,033,571.26 | 717,665,987.49 | 0.42 |
| Machinery, transport and other equipment | 0.00 | 137,332,588.11 | 0.00 |

Source: Ministry of Trade and Industry

Table 3.8 Computation of China's % share of exports by commodity groups (2006)

| Commodity groups | China (\$) | Total (\$) | China share as a % of the total |
|--|---------------|------------------|---------------------------------|
| Food and live animals | 24,248,308.00 | 1,347,570,666.23 | 1.80 |
| Beverages and tobacco | 0.00 | 1,433,242.99 | 0.00 |
| Crude materials except food/fuel | 1,350,475.00 | 115,523,212.23 | 1.17 |
| Mining - Solid minerals | 0.00 | 1,375,630.74 | 0.00 |
| Animal/vegetable oil/fat/wax | 307.86 | 2,268,683.36 | 0.01 |
| Chemical products | 0.00 | 38,705,325.12 | 0.00 |
| Manufactured goods | 246,038.00 | 737,315,208.40 | 0.03 |
| Machinery, transport and other equipment | 0.00 | 11,591,206.76 | 0.00 |

Source: Ministry of Trade and Industry

To sum up, the general trend as indicated by the findings reveals a cyclical trend whereby the total value of exports to China from Ghana increases in one year to be followed immediately by a decrease in the next year. The composition of the exports in all the years under the study were not markedly different although the export value of these items varied making the top ten composition vary from year to year. Non-traditional exports seem to be gaining ground as far as exports to China are concerned as depicted in 2002 and 2006; however the exports of traditional commodities such as cocoa and timber also dominated in the other years. In terms of China's percentage share of the total exports,

China's percentage share of crude materials showed some consistency over the years under study with the exports of scrap metal and waste as well as cocoa shells and cocoa waste also showing up strongly.

II Imports

In this section our aim is to determine the size, composition and significance of imports to Ghana from China and the SITC classification of such imports, as well as to the identification of key stakeholders and classification of such stakeholders into gainer or loser groups.

Findings

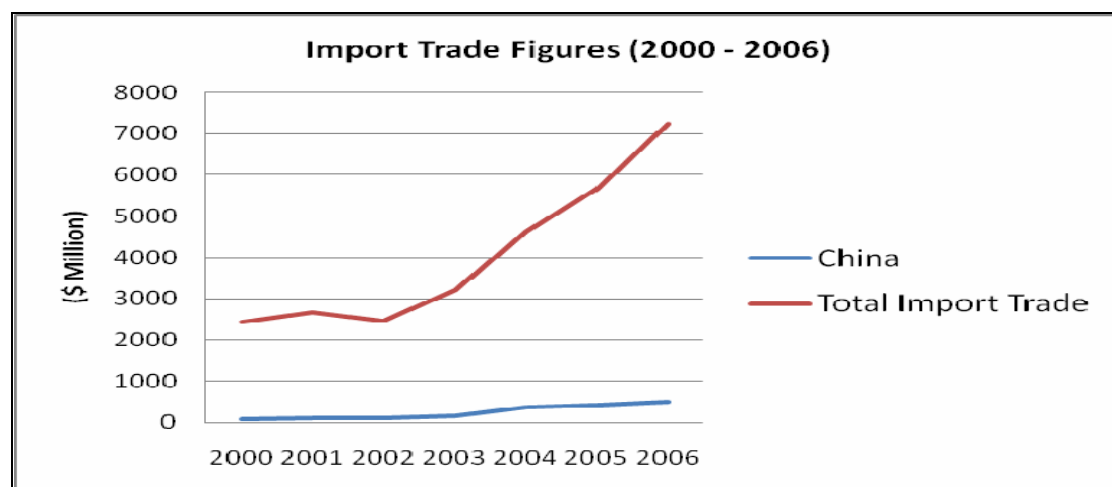
Overall, the findings indicate that China's share of total imports to Ghana has gradually increased from 3.94 percent of total value of imports to Ghana to 7.87 percent in 2004 and dropping to 7.38 percent in 2005 and 6.96 in 2006 (Table 3.9). However since 2002 the gap between China's share and the total has been widening showing that even though there has been an increase in the importation of goods from China, total imports from other countries is also on the rise at even higher rate than that from China (Figure 5).

Table 3.9 Ghana's External Trade Figures (2000 – 2006) for Imports (\$ Millions)

| Year | China (\$ Million) | Total Import Trade (\$ Million) | China share as a % of the total |
|------|--------------------|---------------------------------|---------------------------------|
| 2000 | 96.12 | 2,438.47 | 3.94 |
| 2001 | 122.2 | 2,666.39 | 4.58 |
| 2002 | 116.95 | 2,452.95 | 4.77 |
| 2003 | 179.63 | 3,210.19 | 5.60 |
| 2004 | 364.81 | 4,632.89 | 7.87 |
| 2005 | 417.78 | 5,661.20 | 7.38 |
| 2006 | 502.82 | 7,223.14 | 6.96 |

Source: Ministry of Trade and Industry

Figure 5



Source: Ministry of Trade and Industry

The SITC classification of total imports from China to Ghana and China's percentage share in each category for 2000 to 2006 is shown in Tables 3.10 to Tables 3.16. In 2000, apart from the case of manufactured goods and chemical products, China's share of total imports in each of the categories was less than 2 percent. The highest share was the imports of manufactured goods where China's share of the total was about 15 percent followed by chemical products at 3 percent manufactured goods increased to 17.75 percent with its share of the imports of chemical products also increasing to 7.13 percent (Table 3.11). The composition of top ten commodities imported from China was the same but in beach sandals was replaced by calcined petroleum coke.

Table 3.10 Computation of China's % share of imports by commodity groups (2000)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|---------------|-------------------------|---------------------------------|
| Food and live animals | 2,846,739.35 | 301,404,342.21 | 0.94 |
| Beverages and tobacco | 17,193.94 | 41,374,341.23 | 0.04 |
| Crude materials except food/fuel | 260,208.01 | 186,952,226.87 | 0.14 |
| Minerals | 0.00 | 577,685,154.06 | 0.00 |
| Animal/vegetable oil/fat/wax | 850.10 | 17,100,625.33 | 0.00 |
| Chemical products | 8,501,902.08 | 283,073,928.27 | 3.00 |
| Manufactured goods | 74,225,640.79 | 847,691,162.37 | 14.95 |
| Machinery, transport and other equipment | 10,283,249.79 | 847,691,162.37 | 1.21 |

Source: Ministry of Trade and Industry

Table 3.11 Computation of China's % share of imports by commodity groups (2001)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|---------------|-------------------------|---------------------------------|
| Food and live animals | 7,176,587.57 | 334,873,425.60 | 2.14 |
| Beverages and tobacco | 22,183.28 | 76,814,510.15 | 0.03 |
| Crude materials except food/fuel | 411,691.09 | 213,676,863.01 | 0.19 |
| Minerals | 0.00 | 566,258,383.96 | 0.00 |
| Animal/vegetable oil/fat/wax | 33,499.31 | 14,589,422.23 | 0.23 |
| Chemical products | 19,318,130.59 | 270,800,939.47 | 7.13 |
| Manufactured goods | 79,603,473.50 | 448,460,103.00 | 17.75 |
| Machinery, transport and other equipment | 15,719,155.36 | 768,075,182.66 | 2.05 |

Source: Ministry of Trade and Industry

In 2002, the total value of imports from China dropped slightly by almost \$5 million. This trend was also reflected in China's percentage share in the various categories with the exception of food and live animals category where there was an increase of about 4 percentage points (table 3.12). The

composition of the top ten commodities imported remained the same as previous years. In 2003, there was increase in China's percentage share of imports in the various categories (Table 3.13). The ten top commodities included broken rice, telephonic switching apparatus, footwear electricity meters, trunks and suitcases, bicycles, primary cells and batteries, woven fabrics and air conditioning machines. The same trend carries through in 2004 with the only noticeable difference being an increase of China's percentage share of manufactured goods imports reaching the highest so far of 34.40 percent (Table 3.14). Here also the composition of top ten items remained the same.

Table 3.12 Computation of China's % share of imports by commodity groups (2002)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|---------------|-------------------------|---------------------------------|
| Food and live animals | 14,298,612.25 | 378,126,823.73 | 3.78 |
| Beverages and tobacco | 12,128.14 | 22,601,326.02 | 0.05 |
| Crude materials except food/fuel | 787,313.48 | 265,555,752.33 | 0.30 |
| Minerals | - | - | - |
| Animal/vegetable oil /fat/wax | 10,334.40 | 23,962,686.69 | 0.04 |
| Chemical products | 28,649,641.19 | 840,216,741.80 | 3.41 |
| Manufactured goods | 67,980,967.71 | 415,513,931.77 | 16.36 |
| Machinery, transport and other equipment | 15,019,992.17 | 774,548,807.16 | 1.94 |

Source: Ministry of Trade and Industry

Table 3.13 Computation of China's % share of imports by commodity groups (2003)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|----------------|-------------------------|---------------------------------|
| Food and live animals | 12,355,144.47 | 450,859,430.82 | 2.74 |
| Beverages and tobacco | 30,545.19 | 25,033,314.93 | 0.12 |
| Crude materials except food/fuel | 1,301,061.45 | 270,015,684.46 | 1.77 |
| Minerals | 0.00 | 554,932,057.34 | 0.00 |
| Animal/vegetable oil/fat/wax | 827,405.23 | 41,210,402.29 | 2.01 |
| Chemical products | 16,376,167.19 | 306,639,149.65 | 5.34 |
| Manufactured goods | 112,332,558.91 | 592,053,355.24 | 18.97 |
| Machinery, transport and other equipment | 36,411,143.88 | 1,059,865,492.16 | 3.44 |

Source: Ministry of Trade and Industry

Table 3.14 Computation of China's % share of imports by commodity groups (2004)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|----------------|-------------------------|---------------------------------|
| Food and live animals | 20,151,355.06 | 767,086,031.40 | 2.63 |
| Beverages and tobacco | 16,573.30 | 44,541,348.50 | 0.04 |
| Crude materials except food/fuel | 4,805,678.21 | 269,061,301.46 | 1.79 |
| Minerals | 0.00 | 625,725,048.57 | 0.00 |
| Animal/vegetable oil/fat/wax | 1,451,824.63 | 40,580,848.53 | 3.58 |
| Chemical products | 28,243,606.52 | 395,940,770.87 | 7.13 |
| Manufactured goods | 272,605,464.50 | 792,527,162.10 | 34.40 |
| Machinery, transport and other equipment | 37,537,190.25 | 1,592,280,187.42 | 2.36 |

Source: Ministry of Trade and Industry

In 2005, there was an increase in the total value of imports from China and a further increase in 2006. China's share of imports of chemical products increases from about 7 percent in 2004 to 14.6 percent in 2005 and 16 percent in 2006. In the case of manufactured goods, there is a decrease from 34.4 percent in 2004, to about 28 percent in 2005 to 25 percent in 2006 (Tables 3.15 and 3.16). Imports of crude materials from China increased significantly from 2005 to 2006, from a 1.68 percentage share in 2005 to a 15.82 percentage share in 2006. There is also a marked difference in the composition of top ten imports in 2005 where frozen parts of animals and fish, rock lobster, milk and cream, butter took top slots. This composition changes again in 2006, with imports of cement clinkers, bus and lorry tyres, tomato paste, wall tiles, woven fabrics, fishing nets, trunks and suitcases, footwear and flash lights and batteries accounted for the top ten commodities imported.

Table 3.15 Computation of China's % share of imports by commodity groups (2005)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|----------------|-------------------------|---------------------------------|
| Food and live animals | 22,860,071.57 | 848,231,562.07 | 2.70 |
| Beverages and tobacco | 26,488.91 | 51,726,650.00 | 0.05 |
| Crude materials except food/fuel | 8,309,577.33 | 495,772,094.40 | 1.68 |
| Minerals | - | - | - |
| Animal/vegetable oil/fat/wax | 1,484,558.63 | 54,258,178.00 | 2.74 |
| Chemical products | 58,592,172.50 | 401,280,784 | 14.60 |
| Manufactured goods | 237,033,215.72 | 851,644,511.96 | 27.83 |
| Machinery, transport and other equipment | 89,506,495.16 | 384,780,380.00 | 23.26 |

Source: Ministry of Trade and Industry

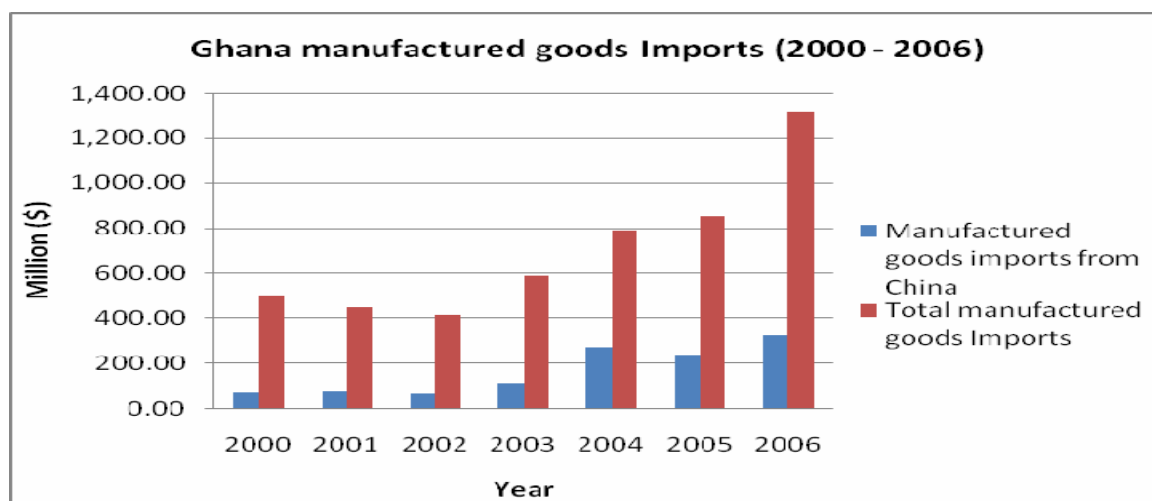
Table 3.16 Computation of China's % share of imports by commodity groups (2006)

| Commodity groups | China (\$) | Total Import Trade (\$) | China share as a % of the total |
|--|----------------|-------------------------|---------------------------------|
| Food and live animals | 33,500,686.48 | 596,130,432.16 | 5.62 |
| Beverages and tobacco | 331,889.84 | 14,033,675.99 | 2.36 |
| Crude materials except food/fuel | 13,720,847.39 | 86,746,630.40 | 15.82 |
| Minerals | 0.00 | 23,941,018.09 | 0.00 |
| Animal/vegetable oil/fat/wax | 182,063.04 | 44,342,186.79 | 0.41 |
| Chemical products | 75,774,550.33 | 470,396,730.72 | 16.11 |
| Manufactured goods | 326,220,175.14 | 1,311,970,269.10 | 24.86 |
| Machinery, transport and other equipment | 53,084,916.79 | 1,077,686,558.92 | 4.93 |

Source: Ministry of Trade and Industry

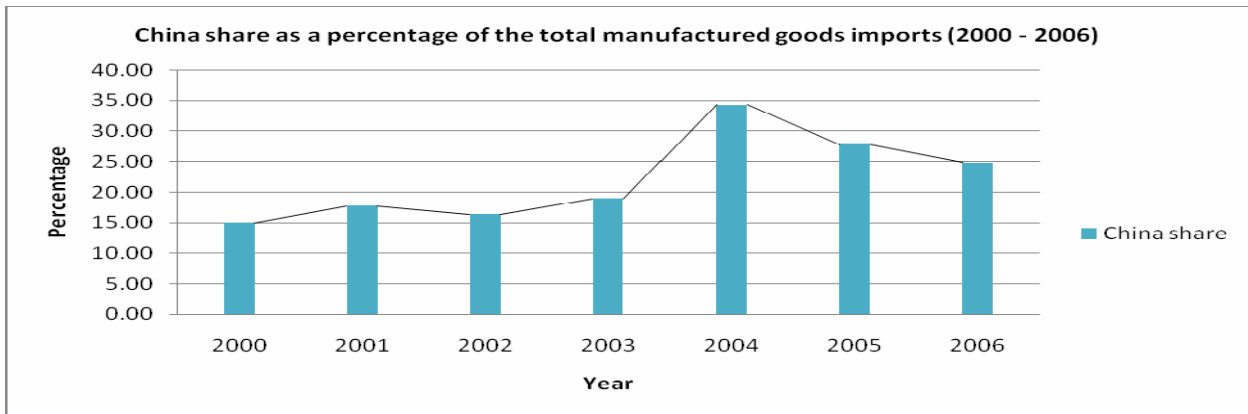
To sum up, the findings indicate that even though China's share of Ghana's total imports has gone up over the past seven years, this increase has been mainly driven by the increasing share of imports of manufactured goods from China. This is shown clearly in Figures 6 and 7. Given that Ghana's share of imports is increasing, what is most worrying is the marked increase in total imports of manufacturing goods in general; increasing from about \$850 million in 2005 to \$1,300 million in 2006. This trend has an implication for the manufacturing sector in Ghana and this will be discussed in detail in the subsequent section.

Figure 6



Source: Ministry of Trade and Industry

Figure 7



Source: Ministry of Trade and Industry

Ghana Textile and clothing imports

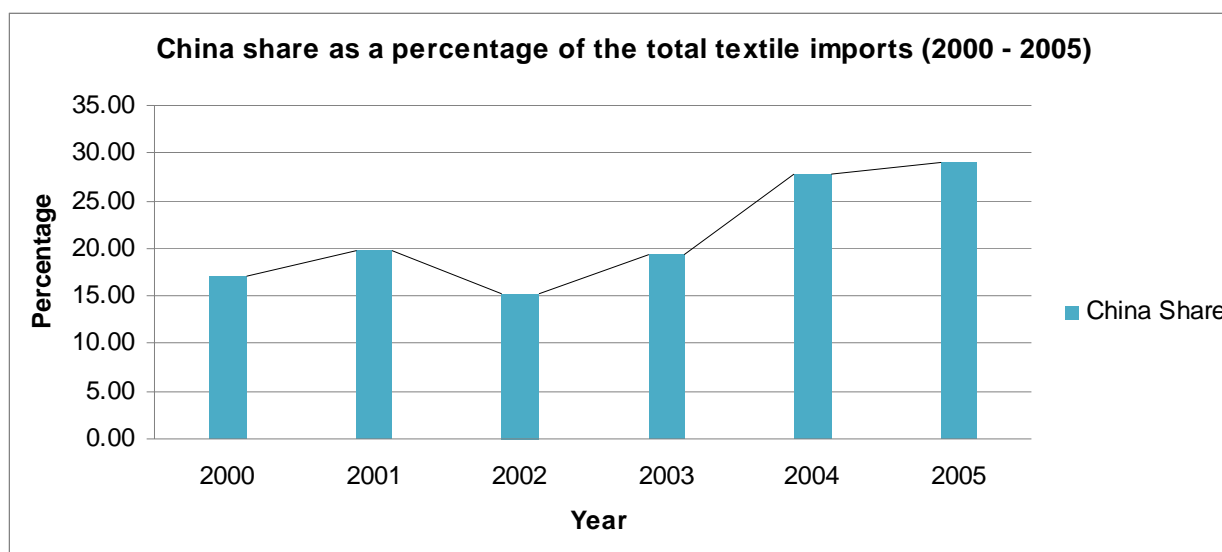
The debate in recent times has been on whether China is monopolizing global trade and in textiles and clothing. Therefore we determine in this section the size of China's share of the textile trade in Ghana from 2000 to 2006. The findings show clearly that China's share as a percentage of total textile imports has been increasing from about 17 percent in 2000 to almost 30 percent in 2006 (Figures 8 and 9). This has an implication on the textile industry in Ghana. Chinese textiles are displacing domestic textile products and in some cases forcing the closure of some textile plants. This has many dire consequences especially in relation to job losses, loss of revenue and the loss of research and development capability in the textile industry in Ghana. Although local producers have to be constantly ahead of the game as far as colours and designs are concerned, the Chinese always seem to catch up quite fast.

Figure 8



Source: Ministry of Trade and Industry

Figure 9



Source: Ministry of Trade and Industry

The challenges posed with respect to China – Ghana trade relations

The findings show that the export trade from Ghana to China is very low compared to imports. The composition of exports to China shows the absence of manufactured goods. It is quite obvious that the industrial sector in Ghana is being challenged with the increased imports of manufactured goods from China. These industries face competition both in the internal and external markets. Given that most of these industries are currently poorly developed, Ghana has to find policies that will deal with the de-industrialization that may occur if Chinese imports continue to grow coupled with job losses and the obstruction of economic diversification

On the other hand, there are some groups of people benefiting from the cheap imports from China, particularly the low-income consumers. In recent times, many wholesalers and retailers are sourcing their products from China, making the goods on the market cheaper than in previous years. It is however, difficult to show the overall significance to consumer welfare since there is not enough data to make such analysis. This is especially the case where there could be possible hazards of low quality imports from China.

4. Aid¹

In this section we discuss the size, features and significance of Chinese aid to Ghana, as well as the key stakeholders and the classification of such stakeholders into gainers and losers. For Ghana in particular, Chinese aid has come in diverse forms and this will be discussed in detail below.

Ghana and China established diplomatic relations in 1960 and their bilateral relations began soon afterwards. Ghana received its first concessional loan from China in 1964 for an amount of US\$12 million. Over the course of subsequent decades, up till the present, Ghana has received aid from China in various forms for several purposes. The overwhelming majority of these projects have been concerned with infrastructure development.

Aid from China to Ghana has been generally in three forms: loans, grants and technical assistance. The loans have taken the form of either interest-free or interest subsidized preferential loans (concessional loans) granted by the Chinese government through the Ministry of Commerce. Until recently, there was relatively not much activity with regards to the granting of loans. Nevertheless, the ceiling on concessional loans reached a value of 150 million yuan (\$18 million) in 1995. In 1995, the full amount of \$18 million in concessional loans was granted to be used to promote joint ventures between Ghanaian and Chinese companies. This amount of \$18 million was disbursed to three companies: \$7.25 million was given to Sian Goldfields, \$8.75 million was given to Calf International Cocoa and \$2 million was given to Ghana Shandong

Netting Company. The three companies defaulted on their loans so the Ghana government, as guarantors, was obliged to take over the payments.

In 2006, this ceiling on concessional loans was raised to 250 million yuan (\$30 million). This entire amount was granted to the Ghana government to be used to fund the first phase of the National Communications Backbone Network Project to be implemented by the Ghana Ministry of Communications. This project aims to link up all 10 regional capitals and 36 towns to the Internet. In 2007, a second loan of \$30 million was granted to undertake the first phase of an ICT infrastructure project called the Dedicated Communications Project for Security Agencies. This project's aim is to develop ICT facilities for the various security agencies in Ghana including Immigration, Prisons, Fire Service, Customs, Ghana Armed Forces, Police Service and also the Ministry of Defense and National Security. These concessional loans have identical terms: an interest rate of 2% per annum, a maturity period of 20 years, a grace period of 5 years, a commitment fee of 0.5% and a management fee of also 0.5%. Negotiations are currently underway to secure funding for the second and subsequent stages of the two projects.

In 2007, the Chinese government provided Ghana with an aid package for the construction of the Bui Hydro-Electric Power Dam consisting of \$270 million in concessional loans and a \$332 million buyer

¹Information used to write the section on Aid was largely taken from notes made during an interview with Mr. Abou-Bonsrah of the (Ghana) Ministry of Finance and Economic Planning.

credit facility. The buyer credit facility is from the China Eximbank and is at a semi-commercial interest rate. The concessional loans are at an even lower interest rate. This project, like most others funded by the Chinese government, is to be executed by a Chinese company, this time the Sino-Hydro Corporation.

The Chinese government has also provided Ghana with grants and interest-free loans. In arranging grants, the Chinese government customarily first gives the amount before then undertaking negotiations with the Ghana government about how the funds are to be used. The Chinese government almost invariably writes off interest-free loans, for all intents and purposes making them grants. In 2002, an agreement was reached for the Chinese government to provide Ghana with an interest-free loan of \$30 million for the construction of the 16.9 kilometer Ofankor-Nsawam section of the Accra-Kumasi road which was completed and commissioned in 2006. In 2004, China gave Ghana a 20 million yuan grant and a 20 million yuan interest-free loan. In 2006, the grant amount was for 20 million yuan grant and the interest-free loan was for 30 million yuan. These and other aid packages have been put to diverse uses including: the construction and refurbishment of the National Theatre, the establishment of a Vocational Training Centre at Dansoman, the setting up of the Kumasi Youth Centre, the ongoing construction of an Office Complex for the Ministry of Defense (at an estimated cost of \$9 million with a \$7.5 million grant from the Chinese government) and the rehabilitation of the Peduase Presidential Lodge (for which a grant of \$1.34 million has been approved by the Chinese government). In addition to grants and interest-free loans, the Chinese government has helped Ghana in terms of debt-relief and, in 2007, \$25 million of Ghana's debt with China, accumulated since 1985, was written off.

Technical cooperation is another way by which China gives aid to Ghana. This has primarily taken the form of infrastructure development and has included such projects as the National Theatre, an agricultural cooperation project, the construction of a rice- grinding mill, the Afefi Irrigation Project and grain depot, the Nobewam Farmland Irrigation Project and the Ghana Vocational and Technical Training Centre. China has also provided Ghana with cotton-textile machinery and methane gas equipment. In the area of human resources development, the Chinese government has over the years granted scholarships to Ghanaians to study in China and has also organised training courses and seminars. In 2006, more than 300 Ghanaian professionals and bureaucrats benefited from training programs and seminars. The number of Chinese scholarships also doubled from 20 to 40.

It is thus clear that China is one of Ghana's important aid partners. The Table 4.1 below shows Ghana's total aid receipts from traditional OECD partners over the last few years. Although the total amounts shown dwarf the aid received from China, in the infrastructure sector China is gradually replacing the traditional aid donors. It is also worth noting that China's aid has been ramped up dramatically in recent years with the fostering of closer diplomatic ties with Ghana. Thus, it is likely that in the near future, China's importance as an aid partner will grow remarkably.

Table 4.1: Official Development Assistance Received by Ghana 2000-2005 (\$ millions)

| Year | Total Net ODA | Grants | Loans | Technical Cooperation |
|------|---------------|---------|---------|-----------------------|
| 2000 | 376 | 316.65 | 59.35 | 115.86 |
| 2001 | 386.71 | 384.06 | 2.64 | 103.79 |
| 2002 | 406.18 | 423.45 | -17.27 | 113.77 |
| 2003 | 478.78 | 455.04 | 23.74 | 125.80 |
| 2004 | 896.79 | 1757.57 | -860.78 | 135.42 |
| 2005 | 602.71 | 899.95 | -297.24 | 122.01 |

Source: OECD's International Development Statistics Online
[<http://www.oecd.org/dataoecd/50/17/5037721.htm>]

As has been shown above, China has contributed significantly to Ghana in terms of aid, especially in the area of infrastructure. However, it must be noted that a large amount of the aid given goes through turnkey operations which means that Chinese labour and other inputs are used. This limits the extent to which the local economy benefits. Indeed, the aid given is not entirely altruistic as the Chinese government aims to derive some benefit, economic, political or otherwise. China should not be criticized too strongly on this regard because it can be argued that Western aid is given for similar reasons and in fact imposes similar (if not more) restrictions on the recipient country, especially in terms of hiring of expatriate skilled labour and utilizing “Western” inputs.

5. Summary and Conclusions

With the emergence of China as an engine of growth, it is expected that investment in different sectors like the consumer, agricultural, banking, logistics and industrial sectors will grow. This will especially be the case in the extractive sector. Such investment may be a boon to a developing country like Ghana or alternatively may serve to stunt the development of local industries. The outcome depends on whether or not the particular country is able to respond proactively and take advantage of the new opportunities which emerge. An important first step in this process would be for the country (Ghana) to examine the nature of its relations with China, especially with regards to investment, trade and aid.

In the area of investment, data shows that Chinese investment in Ghana has been growing steadily over the past decade. In the last two years, however, there has been a dramatic increase in Chinese investment. From 2004 to 2005, the value of Chinese investment increased from \$3.09 million to \$17.87 million. In 2006, there was a slight decrease to \$15.2 million. Despite this ramping up of Chinese investment, China's share of total investment in Ghana is somewhat minimal and reached a maximum of 8.85 percent in 2005. Thus, China is not a major investor in Ghana yet but it is gaining increased prominence. Chinese companies over the past seven years have invested primarily in the Manufacturing and General Trade sectors of the Ghanaian economy. One notable feature of Chinese investment is that most of the funding has come from Chinese nationals, which raises the possibility

that most of the profits gained from these operations will be repatriated back to China. With respect to investment, one can tentatively say that Ghana is “losing” because of the Chinese investment’s negative effect on the Ghanaian manufacturing sector and the fact that investment in the General Trade sector is detrimental to the deepening of the local economy.

In the area of trade, a number of observations can be made. First of all, China’s share of total exports from Ghana is very low. In fact, since 2000, China has consistently received less than 2 percent of Ghana’s exports and the total value of Ghana’s exports to China have fluctuated from year to year. This is in stark contrast to the overall performance of Ghana’s exports which has shown a fairly consistent positive trend in recent years. For instance, between 2000 and 2006, the total value of Ghana’s exports increased from \$1,648 million to \$4,145 million. Over the same period, exports to China only marginally increased from \$25.8 million to \$28.6 million.

On the import side, Ghana’s imports from China have increased consistently over the past few years, from \$96 million in 2000 to \$503 million in 2006, mirroring the overall increase in Ghana’s total imports. This increase has been largely fuelled by a growth in manufactured imports and this observation has significant negative implications on the development of Ghana’s industrial sector. On the other hand, however, the availability of cheap manufactured goods might increase overall welfare of Ghanaians, especially low-income consumers. There is the need for critical cost-benefit analysis to determine the overall effect.

China has had a long-standing aid relationship with Ghana since the 1960s. However, it is only in recent years that the aid relationship has been taken to a new, higher level. Chinese aid is still, however, only a small percentage of the total development assistance received by Ghana. Figures for total amounts of Chinese aid to Ghana are not readily available but an examination of recently signed contracts gives some idea of the purpose of the aid and the amounts involved. The aid has comprised loans, grants and technical assistance. Over the years, Chinese aid has been used to build physical infrastructure like roads (for instance, the Ofankor-Nsawam section of the Accra-Kumasi road) and buildings (for instance, the National Theatre). However, in recent years, the focus has partly shifted to ICT development and China is currently providing part of the funding for two key ICT projects (the National Communications Backbone Network Project and the Dedicated Communications Project for Security Agencies project). Chinese aid is also going into the construction of the Bui Hydro-Electric Power Dam, which was recently commissioned. The important question is: Is Ghana gaining or losing as a result of Chinese aid? We can say, again tentatively, that overall Ghana is gaining. By not relying exclusively on Western donors, Ghana is thus able to negotiate at least to some extent for more favorable conditions for aid. The Chinese are serving a wide variety of infrastructure needs which it would be quite difficult and/or expensive for Ghana to meet on its own or have met elsewhere.

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