

# Ghana-China Bilateral Relations, (Figures of Controversy)

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**Abstract**—This paper investigates the perceived notion that China's goals are ideological as well as material. It is not in competition with United States or Europe for Africa or to score in the ongoing battle for global hegemony (Rothberg, 2008). Two different areas will be considered: one of which is in the area of bilateral relations and the other in investment. The relations between Ghana and China dates back to 1960 when the countries first established diplomatic relations. According to the Ghana investment promotion center, China, continuous to remain on top of foreign direct investment in Ghana, with a cumulative total of 23 new projects registered in just the first quarter of 2011.

The Research philosophy here is based on Positivism and phenomenology that is associated with clarification of assumption about China's increased engagement with Africa which has sparked a debate in development circles. One group believes that the China demand for Africa's natural resources, has not only helped to re-establish Africa as a source of valuable commodities for the global market, but also, has helped to focus attention on why the continent still remains poor. The other group are voices believes that China's increased engagement with Africa is no different from earlier times which largely cast Africa as the supplier of cheap but abundant raw materials as well as a market for cheap manufactures. While Beijing and Accra have enjoyed relatively strong and stable bilateral relations since the 1960s, the backdrop of a recent surge in Chinese activities in Ghana warrants a closer examination of China's presence in Ghana and its implications for China's West Africa and pan-African strategy.

The results of the research suggest that, Ghanaians are making efforts to build a better Ghana, while the Chinese people are striving to realize the China Dream. With the sincere efforts of both sides, the dreams of the two peoples will eventually come true and the relationship between the two countries will move ever forward like the Yangtze and Volta rivers.

## 1. INTRODUCTION

During the 1960s President Nkrumah lobbied for the PRC's recall in the United Nations. Nkrumah also supported the PRC throughout the Sino-Indian War in 1962. After the Nkrumah regime was overthrown, Beijing withdrew about 200 Chinese relieve staff and embassy personnel. In the 1990s, China built Ghana's National Theatre as an award for Ghana's diplomatic support during the Tiananmen Square protests in 1989. Ghana is only one tinkle in the series of interest amid China and African resources.

In the late 1940s and early 1950s relatives of ethnic Chinese migrated to Ghana, coming from Hong Kong. Ghanaian Chinese are a racial set of Chinese diaspora in Ghana. They began arriving in the late 1960s and early 1970s; a number of of the Hong Kong migrants began to bring their wives and children over to Ghana. Migrants from Shanghai also began to arrive round this time. With the financial reform and opening up in the PRC, migrants from mainland China began arriving. Migration from mainland China intensified in the 1990s; some came as workers, but the majority was independent traders operating import-export businesses or restaurants. Immigrations from China has stretched out to Guangdong and Henan as well as the Republic of China on Taiwan. As of 2009 there were an estimated 700,000 ethnic Chinese migrants that have settled in Ghana.

Ghana explores opportunities through combined collaboration for shared beneficial trade. Ghana have drawn media awareness and spiked a debate about China's heavy investments and growing interest in Ghana. The fast escalation in Chinese imports of raw materials from Ghana, particularly ore and crude oil, and exports to Ghana, in the form of cheap consumer goods of often dubious quality, has strengthened allegations that China's interest in Ghana is mainly to look for natural resources to supply its economic development and also foster a market for its consumer goods in low income, border markets like Ghana.

Ghana continues to experience remarkable and continued growth across a number of sectors, and for this reason the country appears on record of key economies in Africa. Ghana is well situated for such potential investment in view of Government course of action to make Ghana the Gateway to West Africa, serious hard work are still being made to make the business situation friendlier thus tumbling occupancy costs. Ghana is the best place to do business in West Africa and among the top ten in Africa, since ECOWAS formation, execution of the ECOWAS set of rules on trade has considerably enhanced intra-regional trade as well as Ghana's position as an economic power in the sub-region.

The Ghana Investment Promotion Act guarantees the free will on behalf of non-Ghanaians to set up and run enterprises in

potentially gainful areas such as natural gas. People of both countries are unwaveringly pursuing improved lives.

China's investment in Africa keeps growing. Lately in Accra the Head of Chinese government delegation Mr Huo Jianguo, said - "Having established Ghana as the best economy with high investor confidence, it is now time for China to increase her imports and seek areas where she could invest," Chinese products are based on the dictates of the market, explaining that the manufacturers design the products based on specifications offered to them by importers of respective countries. There are lots of Chinese goods that are competing favorably in Europe and in other parts of the world. In view of this, much has not been researched or written about Ghana-China business benefits and effect this warrants a closer examination.

## 2. REVIEW OF LITERATURE

The literature review captured current debates on Chinese economic engagements with Ghana. The data analysis used quantitative data from sources such as the World Bank Investment Climate Assessments, World Bank Doing Business Reports, Ministry of Finance external assistance data and statistics from the Ghana Investment Promotion Centre. These facts facilitate our comprehension about the rapid growth in China-Ghana cooperation in economy, trade, culture and many other areas. In 2010, China-Ghana bilateral trade volume hit US\$2.056 billion, breaking through US\$2 billion for the first time. Within a mere two years, the bilateral trade volume between China and Ghana rocketed to \$5.4 billion in 2012, through an increase of 163 per cent over 2010. Ghana has emerged a vital business centre in West Africa. Some recent reports have suggested that Ghana was the fastest growing economy of 2011, with reports of over 20 percent growth.

The first meeting was held in October 2000 in Beijing, China, to establish a cooperation system between China and Africa for common development (Xinhua News Agency November 18, 2003). The second ministerial meeting of the China-Africa Cooperation Forum is expected to be held on Dec. 15-16 in Addis Ababa, Ethiopia, during which ministers from China and 46 forum member countries in Africa will hold discussions over the further cooperation between China and Africa in such fields as agriculture, infrastructures, investment and trade.

On December 30, 2009, "The Agreement on Economic and Technical Cooperation between China and Ghana" was signed at the Ghanaian Ministry of Finance and Economic Planning in Accra. According to this agreement, China will provide two concessional financial facilities including a grant and an interest-free loan to the government of Ghana in 2010 (Gh.china-embassy.org, January 1). At the same time, state-owned China National Offshore Oil Company (CNOOC) made a bid for a share of U.S.-based Kosmos Energy's assets in Ghana's Jubilee oil field in October 2009 (Chinadaily.net, October 13, 2009).

In the first nine months of 2009, Chinese companies launched 14 projects in Ghana and topped the list of foreign firms registered in terms of Foreign Direct Investments (FDIs) in the country this trend follows in line with China's growing footprint in the rest of Africa. According to the Ministry of Commerce of the People's Republic of China (PRC), in 2009 Chinese investments in Africa rose 77.5 percent to \$875 million (Ghanabusinessnews.com, January 6).

In the year 2000 China's interest in Ghana in terms of investments and trade grew strongly, alongside China's quest for natural resources to feed economic growth. Xinhua News Agency (June 18, 2006) reported that there are many reasons to be confident of the bright prospects for Sino-Ghanaian relations. Both countries are pursuing the goal of development, and with a solid foundation for their ties and strong complementarity, bilateral cooperation can only become stronger in the future.

In 2002, China wrote off 100 million yuan (US\$12.5 million) debts owed by Ghana in hope that this would reduce Ghana's fiscal burden and benefit its economic growth. The Ghanaian Government signed a total of US\$ 13 billion in agreements with the China Development Bank and the China ExIm Bank, representing 33% of Ghana's gross domestic product (GDP) in 2012. The deals included a US\$ 3 billion China Development Bank facility for the Western Corridor gas commercialization project, a US\$ 9 billion deal with the China ExIm Bank for road, railway and dam projects, and a US\$ 250 million deal for the rehabilitation of the Kpong water works.

**Diplomatically China has established embassies in 38 of Sub-Saharan Africa's 48 countries and exchanged military attaches with 14 African nations (ibid.). There are scholarships available for study in China for African students.** In Ghana, China has invested in Ghanaian national airlines that primarily serve domestic routes, in addition to partnering with the Ghanaian government on a major infrastructural project to build the Bui Hydroelectric Dam. China-Africa trade rose from \$10.6 billion in 2000 to \$106.8 billion in 2008, at an annual growth rate of over 30 percent.

**China's growing internal market provides a significant market for some Ghanaian export products. China currently buys 60% of Ghanaian metal exports (Jenkins and Edwards 2005; Kaplinsky, McCormick and Morris 2006).** Ghana's discovery of oil in commercial quantities in June 2007 has further rekindled investor enthusiasm in the country. In 2010, Ghana signed a series of multi-billion dollar deals with China to finance infrastructure projects and transform its economy through gas and proposed oil-driven industrialization.

At the same time, state-owned China National Offshore Oil Company (CNOOC) made a bid for a share of U.S.-based Kosmos Energy's assets in Ghana's Jubilee oil field in October 2009 (Chinadaily.net, October 13, 2009). Obama visited Ghana in July 2009, where he met President John

Evans Atta Mills and addressed the nation's parliament. "Ghana has become a wonderful success story economically on the continent," Obama said. " In part because of the initiatives of President Mills, you've seen high growth rates over the last several years. Food productivity and food security is up. There's been strong foreign investment."

### 3. ANALYSIS

#### Chinese-Ghanaian political relations

In 1964, the Chinese Premier, Mr Zhou Enlai, accompanied by the Foreign Minister, Mr Chen Yi, successfully visited Ghana in spite of the weakening security condition pervading Ghana at that time. In the following years, the Chinese and Ghanaian people genuinely supported and strongly cooperated with each other in an attempt to pursue national independence and liberation and develop national economy, laying a solid groundwork for the outburst of further cooperation.

Over the past 55 years, a China-Ghana political relation has been consolidated by these two countries who have kept close high-level exchanges. The friendship between Chairman Mao Zedong, Premier Zhou Enlai and Dr Kwame Nkrumah are widely circulated in both China and Ghana. Presidents Jerry John Rawlings, John Agyekum Kufuor and John Evans Atta Mills visited China during their presidency and the Chinese side reciprocated visits to Ghana by several Chinese leaders. In the meantime, China and Ghana benefit from numerous communications at all levels. Since 1998 Chinese Foreign Ministers choose Ghana countries as the destination of their maiden foreign trip at the beginning of each year, Ghana strongly supports China over the issues regarding the core and major interests of China, while China always backs the endeavours of Ghana for economic change and regional incorporation.

**Trade and Investment** – China's trade with Ghana has now eclipsed that of the U.S., one of Ghana's principal trading partners. However, widespread illegal gold mining activities by Chinese merchants and businessmen in Ghana have drawn media attention and ignited debate about China's heavy investments and growing interest in Ghana. The nature of Chinese investments with Ghana does not favor Ghana's industrialization in terms of both capacity and jobs. China-Ghana bilateral trade volume hit US\$2.056 billion, breaking through US\$2 billion for the first time. Within a mere two years, the bilateral trade volume between China and Ghana rocketed to \$5.4 billion in 2012, with an increase of 163 per cent over 2010. Stepping into 2013, the cooperation on economy and trade between Ghana and China continued the good momentum. According to the Chinese statistics, the trade volume between both countries in the first nine months of 2013 reached \$3.8 billion.

Ghana's export volume to China during this period has seen an annual increase of 46.1 per cent. The rate of recently-signed contracts soared up to about \$1.5 billion while the non-

financial FDI reached \$112 million, more and more Chinese entrepreneurs switch their attention to Africa and show eager assistance in various economic sectors of Ghana, which will further tap the potential of the economy of Ghana and create more jobs to the Ghanaians. Ghana's finding of oil in profitable quantities in June 2007 has further rekindled investor interest in the country.

In 2010, Ghana signed a succession of multibillion dollar deals with China to finance infrastructure projects and change its economy through gas and anticipated oil-driven industrialization. The Ghanaian government signed a total of \$13 billion in agreements with the China Development Bank and the China ExIm Bank, representing 33 percent of Ghana's gross domestic product (GDP) in 2012. The deals included a \$3 billion China Development Bank facility for the Western Corridor gas commercialization project, a \$9 billion deal with the China ExIm Bank for road, railway and dam projects, and a \$250 million deal for rehabilitation of the Kpong water works.

Ghana has witnessed remarkable financial breakthrough amid yearly development averaging more in 2000 and then later in 2010 after rebasing of its nationwide accounts. An estimate from Ghana's Statistical Service from April 2013 shows that in actual conditions, the Ghanaian economy grew which compares well amid a standard worldwide development and an average sub-Saharan African growth in 2012. Ghana's development was mainly determined by increasing service and business sectors, particularly due to the beginning of oil production in 2010, a rising construction segment and continuously increasing mining activities. Projections made by the International Monetary Fund (IMF) show a growth rate 2013 and an anticipated average yearly development rate, according to the Ghana investment promotion center, China, incessant to stay on top of foreign direct investment in Ghana, even though the Netherlands has indicated high foreign direct investment in Ghana. The expected value of projects announced by the Ghana investment promotion center stands at 828.44 million cedis representing about 92% as a piece of the foreign direct investment component of China-Ghana investment and trade. Analyses of China's import to Ghana from the year 2000 to 2006 are in order. According to Ghana ministry of trade and industry, Ghana's external trade from 2000 to 2006 has seen continues increase in exponential growth in both China import and export trade with Ghana.

Foreign Direct Investment, (FDI) in Ghana's economic development process did not become a reality until after the 1990s when Rawlings began his privatization policy of development that moved away from the statist paradigm to a more pragmatic capitalist system that is consistent with the world bank and the IMF recommendations. (ATPC P.3) The delay of the integration of Ghana's economy into the world economic system was largely because of fear political sovereignty to foreign companies, which is also consistent with the statist development was largely due to protection of indigenous industries, and local manufacturing companies that

may unlikely survive foreign competition by foreign firms, and (3) & finally, the problem of environmental degradation and pollution.

#### 4. FINDINGS

But are the terms and conditions of these Chinese loans good for Ghana's industrialization? The contact of Chinese investment in Ghana within itself is a double edge saw even if there is encouraging economic development that accounts for this association, the analyses at this point shows that the prima facie association is on unlevelled playing ground that has a possible of subjugating Ghana's economy in the long run. As extra import continues to flood the Ghanaian marketplace of Chinese finished merchandise, it threatens restricted manufacturers to extinction thereby lowering incentive for native production. A prominent example is the local textile and manufacturing industry, the Akosombo Textile Company restricted which suffered Chinese textile importation in the previous decade.

According to report released by the United States (US) Government Accountability Office, Chinese firms and materials are to make up about 60 percent of the content used under these agreements, which will be bid competitively among Chinese firms. Even though the report further indicated that Ghanaian workers constitute the majority of labour hired by Chinese contractors under these projects, local contractors and manufacturers are hugely sidelined, a condition which cripples their global competitiveness and also undermines the purpose for contracting these loans. Chinese companies are involved in sectors such as agriculture, construction, energy, fishing, manufacturing, and telecommunications. One poised to question why the exodus of Chinese foreign investment at the turn of the 21st century?

The answer is two-fold; first and foremost, the increasing expansion of Chinese economy in the last two decades has meant that if China's economy need to sustain its growth in the future, then it is likely that china will be confronting certain challenges that are inimical to its manufacturing and industrial growth. A situation similar to the British industrial revolution of 19th century, in which Britain needed raw materials in order to feed its industrial machines.

The second is also consistent with Tsikata et al argument that the perception of some areas in Africa by western countries as less attractive and occasional risky has led the Chinese to rather step up their demand for, and to take advantage of local resources necessary for producing light industrial products and at the same time, market for Chinese finished goods. Also, Chinese foreign direct investment in Ghana is of cheap and poor quality of products. The influx of these cheap Chinese goods in the African markets has been lauded by many who consider the products as inferior, but a substitute for other manufacturers of good quality in the market. Tsikarta et al, argue that the quality of these products such as the electronic and other consumable products are of poor quality compared to other manufacturing companies from the western countries.

It is against this background that any evaluation of Chinese manufacturing in the economy cannot overlook the health and safety implications of these products. is essential in the manufacturing process.

According to the IMF, huge soft loans from China deepen worries that progress made under the HIPC initiative may be eroded, and increase corruption among public officials. Ghana's total public debt at the end of December 2012, stood at \$18.8 billion, equivalent to 49.4 percent of GDP, and up from \$ 15.4 billion at the end of 2011. The IMF and the UK have rightly warned that cheap Chinese loans to African governments may undermine efforts towards democratic and accountable administrations, and risk driving countries that have only recently benefited from debt relief back into debt. Ghana has not been able to stay out of debt, despite HIPC interventions and heavy US investments in the country.

#### 5. CONCLUSIONS

Arguably, Chinese manufacturing compromise on health and safety standards in the manufacturing process. For instance, in 2005 china imported a host of dolls and toys into the US with high dose of lead when tested by the FDA which discovered that majority of the products were infested with lead, a dangerous substance for consumption. If China can often get away with standards such as this in African countries, and for that matter Ghana, then one wonders the health implication of Chinese products into the economy. Some Ghanaians expressed outrage at poor working conditions at the Bui construction site and the lack of compensation given to resettled people and feared that China's relationship with Ghana had become a neo-colonial one.

Other Ghanaians applauded Chinese natural resource extraction as an economic boost to Ghana that would assist in the transition to a more service-sector based economy. Chinese companies misrepresent their intention of doing a particular business after securing to themselves corporate license and certificate of commencement of business by doing something else that is outside their mandate of operation. There are questions about whether Ghana can afford to service so much Chinese lending. Ghana recently benefited from a debt relief program under the Highly Indebted Poor Countries (HIPC) initiative of the International Monetary Fund (IMF) and the World Bank.

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