

The One Belt One Road Initiative; Possible Implications On West Africa- Ghana,.

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Abstract: The One Belt One Road (OBOR) Initiative which started in the year 2013 is made up of the Silk Road Economic Belt (SREB) and the New Maritime Silk Road (NMSR). It is considered by many as the revival of the former silk route which has existed since the Han and Tang Dynasties. The main aim or objectives of the One Belt One Road (OBOR) initiative is to steam up trade between the People's Republic of China and other countries most especially with neighboring Asian countries. This paper employs the use of a qualitative research method where through the review of written literature, the possible (future) implications of the one belt one road were discussed. Very little (almost nothing) has been written by other researches concerning the implications of the OBOR initiative on Ghana. This is due to the fact that Ghana has not yet been listed as a part of the OBOR countries. This paper however discussed the possible (future) implications of the OBOR Initiative on Ghana based on the outlined objectives of the initiative, the already existing implications of the Sino-Ghanaian trade on Ghana and the current pressing needs of the Ghanaian people. Some of the speculated or implications of Ghana's involvement in the OBOR initiative in the near future were measured in terms of its impact on Balance of Payment (BOP), infrastructural development and the creation of employment opportunities. The major negative implication is the worsening of the already existing problem of the redundancy and bankruptcy of local manufacturing industries. The paper however concludes that being part of the OBOR initiative is not an urgent need for the nation Ghana. The urgent need for Ghana now is to focus on how to rely less on foreign aid and to advance and strengthen its domestic economy through local industrialization.

Keywords; One Belt One Road, possible implications, Ghana

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I. Introduction

The One Belt One Road (OBOR) Initiative which is also known as the Belt and Road Initiative in itself generally consists of the Silk Road Economic Belt and the New Maritime Silk Road. According to (Huang 2016), this initiative started at a point in China's development when there were tendencies of overproduction of domestic products, hence the need for a bigger market for the consumption of domestic Chinese products. In 2013, the president of china, Xi Jinping declared the intentions of the Chinese government concerning the revival of the former silk route which originally started during the Han and Tang dynasties. This took place during one of his visits to Kazakhstan and Indonesia where this initiative was branded as the Silk Road Economic Belt and the New Maritime Silk Road respectively (Huang 2016). Different writers and policymakers have expressed varying opinions about the 'real' motives behind the one belt one road initiative. While others believed this was a step aimed at making the China the most powerful country in the world, others have also viewed the initiative as containing a boundless business opportunities for the countries involved.

The republic of Ghana in West Africa does not form part of the 60 or so countries along the One Belt One Road, hence, it is logical to say that the One Belt One Road (OBOR) initiative does not have any direct implications on Ghana. This paper therefore evaluates the possible (future) implications of the One Belt One Road (OBOR) Initiative on Ghana. However, there has been a very good relationship (Sino Ghanaian relationship) between the Chinese and the Ghanaian government since the 1960s and this relationship has promoted the China-Ghana trade (Sino-Ghanaian trade) making China the second largest exporter to Ghana. The Sino-Ghanaian relationship which has its objectives as similar to the objectives of the One Belt One Road (OBOR) has had a lot of implications, both positively and negatively on the Republic of Ghana. No studies have been done concerning the implications of the China's OBOR initiative on Ghana. This study is the first of its kind and will not only discuss China's OBOR initiative implication on Ghana but also discuss the current implications of the Sino-Ghanaian relation on Ghana. This paper:

i. Discusses the concept and objectives of OBOR initiative.

- ii. Reviews written literature on the OBOR initiative and the different opinions of other researchers concerning the initiative.
- iii. Examines the current relationship (both positive and negative) between the People's Republic of China and the republic of Ghana.
- iv. Evaluates the possible (future) implications of the One Belt One Road (OBOR) initiative on Ghana

Finally, the paper evaluates if being part of the OBOR initiative is an urgent need for the nation Ghana? The objectives, questions and answers raised in this paper would be of great interest to policy makers both in Ghana and outside Ghana as well as those in industry and academia. It would help policy makers to make an informed decision concerning the future of the Republic of Ghana in relation to the "famous" OBOR initiative.

II. The Boor Initiative and Its Objectives

The OBOR initiative, which started in the year 2013, is made up of the Silk Road Economic Belt (SREB) and the New Maritime Silk Road (NMSR). It is considered by many as the revival of the former silk route which has existed since the Han and Tang Dynasties. The One Belt One Road (OBOR) initiative is considered by the Chinese government as a great vision for the economic integration of China with Europe, Africa and Asia (Du and Zhang 2017). As at May 2017, besides China, there are about 65 countries that have been listed as part of the One Belt One Road initiative (OBOR). This number includes only four (4) countries in Africa of which Ghana is an exception, with the majority of member countries in Asia. The four African countries are Egypt, Ethiopia, Tunisia and Kenya, which is the newest addition and the only country from eastern Africa to be part of this initiative. It is however important to note that, any country is welcomed to participate in this initiative if and only if that country is willing not to oppose trading and investments with China (Cheng 2016).

The OBOR initiative is aimed at developing the underdeveloped areas in western China and to bridge the gap in the income levels between the western provinces and the other provinces in China (European Parliament, 2016). According to the researchers, the main aim or objectives of the OBOR initiative is to steam up trade between the People's Republic of China and other countries most especially with neighboring Asian countries. This is as a result of the overproduction of domestic Chinese products resulting from a decline in the population growth rate of China resulting in the need for new markets for the outlet of raw materials (Humburg et al., 2017). Trading with other countries will therefore increase the demand for Chinese products thereby stabilizing the issue of overproduction within China.

Interestingly, other writers have argued that the above objectives are not the real objectives behind the One Belt One Road Initiative. Studies by Cheng (2016) in his paper titled "Three Questions on China's Belt and Road (OBOR) Initiative" outlined the following as the real objectives of the One Belt One Road Initiative (OBOR);

1. "To conquer world markets by opening up the markets of emerging and developing economies to deal with (i) China's excess production capacity, (ii) equate Chinese domestic demand, and bottleneck in further expanding the saturated export markets in developed economies";
2. "To make direct investment in these countries, thereby securing supply of resources, especially in the natural resource sector".
3. "To extend the country's global strategy of promoting the internationalization of China's currency (the Renminbi) and to make it part of the foreign reserves".
4. "To strengthen the diplomatic relationship with partner countries, increase the popularity of the nation China and to build strategic friendships with partner countries".
5. "To counter the economic aspects of the aspects of the U.S' strategic "pivot to Asia" policy, which include the Trans-Pacific Partnership (TPP) FREE-TRADE agreement that appears to explicitly and intentionally exclude China's participation".

III. Ghana's Relationship with China (The Sino Ghanaian relationship) and Its Implications on Ghana.

Besides trade, Ghana's relationship with China dates back to as far as the 1960s. In 1960, a diplomatic relation was started between the People's Republic of China and the Republic of Ghana after which, Ghana has ever since provided diplomatic services to China in return for material provisions. This historical bond is usually referred to as the Sino-Ghanaian Relationship. The Sino-Ghanaian Relationship led to the creation of the China-Ghana trade which is also known as the Sino-Ghana trade. The relationship between Ghana and China is rapidly deepening over the years in the area of trade.

Currently, there is a huge number of Chinese migrants from Hong Kong, Beijing, Guangdong, Henan and a lot more Chinese cities who have settled in Ghana with their families. In the year 2009, a total number of about 700,000 Chinese indigenes who have settled in Ghana was recorded (Aosa 2006). These families have opened up businesses in Ghana and have gradually adapted to the Ghanaian way of living.

3.1 What Are The Major Determinants Of Ghana-China Trade (Sino-Ghanaian Trade)?

Ajayi (2004) listed the following as factors that influences China's decisions in trading with other countries, specifically African countries.

1. The size and growth of a country's market, that is, the other country involved should have a large market or a high demand for manufactured products. This would create a larger market for Chinese manufactured products and also indirectly, tackle the major issue of high unemployment rates in China.
2. The cost of labor in that country must not be expensive. Likewise, labour must have a certain degree of skills.
3. Availability of good infrastructure.
4. The country must be politically stable and have an open and friendly economy for businesses to thrive. A socially and politically stable nation reduces the possible risks involved in investments in the said nation. Also, corrupted and shadow economies are likely to deter outsiders from having business relations in a country (Morisset, 2000).
5. Another important factor is, the country must have a store of untapped resources or natural resources. This will serve as a source of raw materials for the Chinese manufacturing industries.

In Ghana's case, Ghana has a high demand for manufactured goods. This is because, as at 2016, there were not enough policies that promoted the thriving of local manufacturing companies. This has led to the discouragement of a huge number of local producers leading to inadequate supply of locally manufactured goods in Ghana, resulting in the high demand for manufactured imports. Also, there's not enough technological know-how on how to process or even to tap some of the natural resources such as oil. This has led to a large store of untapped and unprocessed resources. The above factors coupled with Ghana's political stability and peace makes it a hub for potential foreign investors. Despite the unavailability of good infrastructure in Ghana, the factors listed above are enough motivation to attract China to trade with Ghana.

3.2 Positive and Negative Implications

Ghana's trade with china has undoubtedly boosted Infrastructural Development in Ghana. Out of the total aid Ghana receives from China, a large percentage is used by the Ghanaian government to aid infrastructural development in Ghana (Aryeetey, 2008). As a result of the trade relations between China and Ghana, China has continually supported the Ghanaian government in the forms of loans and grants in order to speed up infrastructural and telecommunication developments in Ghana. One of the few remarkable instances was in 2013 where in order to aid the first stage of a huge telecommunication project in Ghana which linked all the ten regions of Ghana, the Chinese government gave the Ghanaian Government a concessionary loan of US\$30 million (Austin et al., 2013). Similarly, in the same year, the China Export Import Bank (CEIB) gave a loan of about 6 billion US dollars to the Ghanaian government to aid the extension of its railway network. (Austin et al., 2013).

Also, Ghana's trade with china helps to improve Ghana's terms of trade. This is currently being achieved through the increase in demand for Ghanaian exports in China, particularly natural resources such as timber, cocoa, etc. In addition, the importation of cheap manufactured Chinese products has led to an improvement in Ghana's Balance of Payment (BOP) system through the drastic reduction of local inflation (Quaicoe et al. 2017).

Furthermore, Ghana's trade with China has led to employment and the reduction of poverty in Ghana. As a result of the Chinese government's investments in Ghana through trade, there is an increase in Foreign Direct Investment (FDI) in Ghana which leads to the creation of jobs (employment) and a resultant decrease in poverty. Also, from our personal observations, the average Ghanaian working for a Chinese firm in Ghana earns more than the average Ghanaian employed by the government of Ghana. This is a clear evidence that reemphasizes the reduction in poverty levels. Ghana's trade relation with China has also helped in the reduction of poverty through debt reliefs. In the year 2007 for instance, the Chinese government wrote off a debt of about twenty five million dollars which Ghana had been owing since the year 1985 (Aryeetey et al., 2008).

The importation of Chinese products by the Ghanaian government has led to a lower demand for locally manufactured goods as mentioned earlier. This results from the fact that, the Chinese goods come in at a cheaper price which is very affordable to the average income earner in Ghana. The cost of production of locally manufactured goods in Ghana is very high resulting in very high prices of domestic products. As a result, the Chinese investors take away investment opportunities from the local Ghanaian investors (Ajayi, 2007). Consequently, competition from the imported goods from china lead to the bankruptcy of the domestic production companies.

IV. Possible (Future) Implications of the Boor Initiative on Ghana

Some of the speculated implications of Ghana's involvement in the OBOR initiative could be measured in terms of its impact on Balance of Payment (BOP), infrastructural development and employment opportunities. The possible implications of the OBOR initiative on Ghana would be discussed base on the outlined objectives of the initiative, the already existing implications on Ghana resulting from the Sino-Ghanaian trade and the current pressing needs of the Ghanaian people.

A very good infrastructure particularly in the area of roads and railway networks is a necessity for Ghana's development. From the year 1901 to the year 1923, two very important railway lines were built in Ghana to connect the northern parts to the southern parts of the country. This gave people access to the large tropical forest of Ghana, and led to the cultivation of cocoa in the large tropical forest of Ghana making Ghana the world's largest producer of cocoa (Remi 2011). This is an example to bring to light the impacts that a good infrastructural services in Ghana could have on the economy of Ghana. Currently, the nation Ghana is still considered as a developing country. According to Aheto (2014), "the availability of efficient infrastructure services in developing countries is an important determinant of the pace of market development and output growth".

One of the main objectives of the One Belt One Road Initiative is infrastructure connectivity. In other words, countries along this route will benefit immensely in the area of infrastructure. Irrespective of the fact that Ghana when compared to other low income countries in Africa relatively has a more advanced infrastructure platform, there is the need for her to advance her infrastructural development as she approaches a middle income country (World Bank, 2010). The publication of world bank in 2010, further suggest that even though Ghana is making progress in the increase of infrastructure service, the issue of quality infrastructural services also emerges as another huge problem which the country needs to pay attention to. Since the year 2000, policy makers and successive leaders of Ghana have had a major concern of improving the infrastructural development of the nation. Within the last five years, Ghana signed a six billion contract to rehabilitate the current road networks in Ghana and to build a new railway line that connects the north to the south (Remi 2011). The facts listed above re-emphasizes the dire need for the nation Ghana to improve its infrastructural services. This implies that, the involvement of Ghana in the One Belt One Road (OBOR) initiative would contribute immensely to the infrastructural development of Ghana. Therefore, if the objectives of OBOR as stated above are anything to go by, then, it is prudent for Ghana in the near future to be a part.

5.0 Conclusion

This research has emphasized the fact that, currently, Ghana is not yet part of the listed 65 countries that benefit from the One Belt One Road (OBOR) Initiative. Therefore, discussing the implications of the One Belt One Road Initiative on Ghana is almost impossible. However, there has always existed a very strong bond or relationship between Ghana and China since the 1960s. This historical bond is usually referred to as the Sino-Ghanaian Relationship. The Sino-Ghanaian Relationship led to the creation of the China-Ghana trade which is also known as the Sino-Ghana trade. It is not a wonder anymore that China is already the second largest exporter to Ghana.

Firstly, this paper reviewed literature related to the One Belt One Road (OBOR) Initiative and its objectives. Secondly, both the positive and negative implications of the Sino-Ghanaian Trade on Ghana were examined. Furthermore, the paper examined the possible (future) implications of the One Belt One Road Initiative on Ghana.

The results from this paper are as follows;

1. Ghana has a high demand for manufactured goods. This is because, as at 2016, there were not enough policies that promoted the thriving of local manufacturing companies. This has discourage a huge number of local producers resulting in the high demand for manufactured imports. Also, there's not enough technological know-how on how to process or even tap some of the natural resources such as oil. This has led to a large store of untapped and unprocessed resources. The above factors coupled with Ghana's political stability and peace makes it a hub for potential foreign investors. Despite the unavailability of good infrastructure of Ghana, the factors listed above are enough motivation to attract China to trade with Ghana.
2. Ghana benefits immensely from its trade relationship with china in terms of infrastructural development, the creation of employment, a rise in demand or bigger market for Ghana's natural resources and finally an improved terms of trade which leads to a reduction in local inflation.
3. The main struggle Ghana is facing as a result of its trade relationship with china is the low demand for locally manufactured goods. This is as a result of the importation of cheaper Chinese products which compete with the relatively expensive locally manufactured products. The leads to the redundancy and bankruptcy of local production companies.
4. Based onthe literature reviewed, this paper deduces that, if Ghana in the near future becomes a benefactor of the OBOR Initiative, the main positive implication it would have is a drastic improvement in its infrastructure which is a necessity for Ghana. According to Aheto (2014), "the availability of efficient

infrastructure services in developing countries is an important determinant of the pace of market development and output growth". However, on the other side, the already existing problem of low demand for locally manufactured products which leads to the bankruptcy of local industries would worsen if the situation is not controlled with good policies by the Ghanaian government.

Is being part of the One Belt One Road (OBOR) initiative an urgent need for the nation Ghana? No. The current government of Ghana is more focused on local industrialization. Generally, if the objectives of the One Belt One Road Initiative (as stated in section 2 of this paper) are anything to go by, then, it is prudent for Ghana in the near future to be a part. However, if the Ghanaian government deems it right to be part of the initiative, it has the responsibility of first creating an enabling environment to boost the execution of projects and also to implement policies that would protect her private sector. In developing the infrastructure of any country through the one belt one road initiative, the private sector plays a very crucial role (Liu and Tang 2014). Hence, the urgent need for Ghana now is to focus on how to rely less on foreign aid and to advance and strengthen its domestic economy through local industrialization.

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