

# Analysing the impact of chinese fdi in africa: a case study of nigeria and ghana....

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## INTRODUCTION

### **Research Problem**

The proposed research aims to examine the effect of Chinese Foreign Direct Investment (FDI) in Ghana and Nigeria in order to perform a cross-country analysis of the respective impacts of such investments in these countries.

Ghana and Nigeria share a number of similar characteristics, which make for a useful comparison, as it is posited in this study that the similarities between the two African countries will allow for a cross-national comparison of the impacts of Chinese FDI in these countries. The results of the analysis will be used to make recommendations on how Ghana and Nigeria should make appropriate use of China's FDI to achieve development in these countries.

Analyzing the impact of Chinese FDI in Ghana and Nigeria has been the topic of some academic research. However, previous studies have focused on the individual relationships between these African countries and China (SWAC/OECD, 2011). With the rapid changes in the global investment environment, especially in light of the global recession, it is essential to identify the key determining factors of FDI inflows to Ghana and Nigeria, in order to analyze the impact of these FDIs in this region. Although economic growth has been specified as a developmental goal in this region, academic research exploring the nature of the economic relationship between China and Ghana / China and Nigeria suggests that the influx of FDI into these developing economies may have the effect of retarding the overall

development in these countries, as it prioritizes the exploitation of natural resources over essential developmental goals (Oyeranti, et al., 2010).

## **Aims and Objectives**

This research has two main goals. First is to assess the impacts of Chinese FDI in Ghana and Nigeria in order to conduct a cross-country analysis of their respective economic relationships. Second is to analyze the overall impact of Chinese FDI on the development of these countries.

In order to realize the primary goals of this study, the following objectives have been identified:

To establish a theoretical framework for analyzing the impacts of FDI in developing countries, specifically within the context of countries in the West African which have abundant natural resources

To construct a theoretical framework for measuring the impacts of FDI in Ghana and Nigeria, taking into consideration the differences in economic development and investment climate.

To determine the factors influencing the economic relationship between China and Ghana / China and Nigeria, and to analyze these in terms of the established framework.

To compare and contrast the respective impacts of Chinese FDI on Ghana and Nigeria in order to draw conclusions regarding how to manage and improve their relationships

## Research Questions

A set of research questions has been formulated based on the main goals and objectives of the study. These questions help to guide the study by ensuring that the analysis stays focused on the primary research subject.

Below are the research questions for this study:

What are the determinants of FDI impacts in African countries and how are these measured

What are the specific impacts of Chinese FDI in Ghana and Nigeria

How do these impacts correlate with the determinants identified in question 1

To what extent are the impacts of Chinese FDI in Ghana and Nigeria comparable

What cross-country recommendations can be made in order to ensure that developmental goals and positive determinants of FDI are achieved in both countries

## Background information

Due to rapid globalization and the growing interdependence among countries, FDI has been recognized as one of the most significant means of international capital transfers. Over the years, FDI has grown to be an essential component in the economic development of many nations (Benacek et. al., 2000).

Morgan (2003) and Johnson (2005) have highlighted the beneficial impacts that FDI can provide to a host country. These include: (a) generating additional resources such as capital and technology, to help boost the level of

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domestic outputs and deliver better, more affordable goods and services; (b) outflow of human resources, management practices and technologies from foreign firms to domestic businesses , which enables the host country to improve their operations and competitiveness; and (c) increased involvement of the host country in transnational markets, such as foreign exchange market and international trade.

Due to the economic growth and welfare that FDI brings to the host country, this investment is preferred by most developing countries because it offers a faster way to achieve a more advanced level of economic development.

However, FDI presents a lot of risks for investors. Due to these risks, countries are compelled to offer tangible incentives, as well as to put supportive regulation and systems in place to draw investors. Unfortunately, most developing nations frequently neglect to build an incentive system for foreign financiers (Botric & Skuflic, 2005). Consequently, the bulk of FDI is offered to developed countries such as the US, Germany, and Belgium (UNCTAD, 2011a).

Traditionally, investment relationships in Ghana and Nigeria are established with European and American investment partners, as these countries are the primary sources of FDI, trade, and financial and technical aid. These relationships involve a number of bilateral and regional agreements with Nigeria and Ghana. Despite the many years of economic relationships with these countries, there are still differing opinions as to the impact of these investments on the development of Ghana and Nigeria (Tsikata, et al., 2010).

FDI in Africa has been increasing steadily since 2002 with approximately \$53 billion worth of FDI in 2007, representing an increase from 2006 of 47.2%. This increase was the highest recorded level of FDI in Africa at the time. With the global recession, the percentage of global FDI into Africa has experienced a significant decline from 3.2% in 2006 to 2.9% in 2007. Since then, however, the African economy has proved resilient, growing to over \$61.9 billion in 2008, and the rate of return on FDI in Africa since 2004 has grown to 12.1%. In addition, mergers and acquisitions in Africa have risen by approximately 157% to \$2 billion in 2008 (Oyeranti, et al., 2010).

Investment in Nigeria and Ghana by Chinese investors has grown substantially since 1971 as a result of the complementary nature of their economies. Chinese investment in Ghana has been growing consistently in the previous decade with significant increase seen from 2004 to 2005, representing \$3.09 million and \$17.87 million, respectively. Research indicates that the Chinese share, as a percentage of total investment by China in Ghana, implies that FDI is increasing (Frimprong, 2012). Investment by the Chinese in Nigeria reveals a similar situation, as Chinese FDI grew twice as much between 2003 and 2005, increasing from \$3 billion to \$6 billion.

Ghana and Nigeria lack significant investments in infrastructure that is needed to support the development required to result in measurable economic growth. To this end, China has developed a successful and competent construction industry, coupled with the ability to provide Nigeria and Ghana with the requisite capital needed to drive this infrastructure

development (Oyeranti, et al., 2010). In this way, the flow of investment into Ghana and Nigeria is complementary due to the nature and needs of the respective economies. However, the Chinese industrialization drive and the subsequent inflow of FDI into China's economy has led to rapid growth in the manufacturing sector, which entails the use of oil and mineral inputs that are overwhelming China's internal resource capabilities (Ibid). As a result, China is looking to developing nations such as Nigeria and Ghana to supplement their energy resource requirements to support their growing economy. Consequently, the relationship between Chinese FDI inflows into Ghana and Nigeria are being described as exploitative and as having an upsetting effect on the Western development goals that have been set for the region (Tsikata, et al., 2010).

This negative perception about China's interest in Nigeria and Ghana are due to the fact that the oil and gas sector accounts for more than 75% of Chinese investments. This implies that China seeks to exploit Nigeria's natural resources. This further suggests that Chinese FDI in Nigeria is a relationship prone to exploitation and is potentially damaging to the developmental goals of the region (Oyeranti, et al., 2010).

Despite these negative views, Chinese FDI in Nigeria and Ghana has not been focused solely on the exploitation of natural resources. Chinese FDI has actually helped to achieve significant growth in the manufacturing and services industry in both countries (Frimpong, 2012).

The investment climate in Africa has become significantly more attractive as a result of the considerable efforts to liberalize investment regulations and

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offer incentives for FDI. The result, however, has not been as positive as originally intended due to significant concerns over the economic and political stability of the region.

## LITERATURE REVIEW

### **FDI definition**

The analysis of relevant literature has shown that there is not one universally recognized definition of FDI. Nevertheless, the various definitions of FDI do not differ considerably. FDI is commonly perceived as either a real phenomenon or a financial phenomenon (Moosa, 2002).

Within the perspective of a financial phenomenon, FDI is defined as:

A kind of transnational investment transfer; wherein FDI is the outcome of variations in interest rates between two economies, because the country with higher interest levels is more appealing for foreign businesses

An external supply of funding for the national economy ? FDI shows the influxes of foreign investment into the nation within a certain timeframe, which is indicated in the balance of payments

A means of reducing and eventually eradicating poverty through FDI-driven economic growth in developing countries, and in Africa, specifically in light of United Nations Millennium Development Goals (MDG) (Asiedu, 2006)

However, when FDI is considered exclusively in financial terms, there seems to be an underestimation of the degree to which FDI is related with a varied array of production elements. Among the most crucial non-financial inflows are managerial skills, expertise, and technology. This implies that although

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financial flows seem to be a main component of FDI, it is not necessarily the leading element. Furthermore, according to Moosa (2002) a distinctive characteristic of FDI compared with other kinds of international investments is its function in directing management policies and decisions. As such, describing FDI as purely a financial phenomenon appears to undervalue this aspect.

A more inclusive definition of FDI that is mostly acknowledged by other international organizations (e. g. IMF, Eurostat, UNCTAD) is proposed by OECD. According to the OECD (1999, p. 7), FDI 'reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident of another economy (direct investment enterprise).'

The term 'lasting interest' refers to the formation of a long-standing association concerning the investor and the direct investment establishment. This also involves important impacts on the management of such enterprise. A direct investor is 'the owner of 10% or more of ordinary shares or voting stock'(OECD, 1999, p. 8). The IMF recommends applying this requirement of a minimum 10% ownership to differentiate direct investment vis-a-vis portfolio investment through shareholding. Based from this perspective, a direct investor can be any of the following entities: (a) individual, (b) group of associated individuals, (c) government, (d) incorporated or unincorporated company, private or public, and (e) group of associated companies, incorporated or unincorporated. The entity has a direct investment

establishment situated in a country that is not where the direct investor resides (Duce, 2003).

Direct investment enterprise can have any of the subsequent forms:

Subsidiary ? a direct investor controls greater than 50% of the voting power allocated to shareholders. Controlling the shareholdings can be done either directly or indirectly, via a different subsidiary. The direct investor has the authority to secure or terminate members of the Supervisory Board or Management Board.

Associate Company ? a direct investor owns between 10 to 50 % of the voting power allocated to shareholders. Likewise the control of shareholdings can be done either directly or indirectly.

Branch ? a direct investor is also the owner of an unincorporated establishment (whole or joint ownership) in the host country. This can be in several forms, such as a joint venture, an unincorporated partnership, or a permanent office for the direct investor. This may also be in the form of fixed/immobile equipment, movable equipment, property, or constructions located in the host country (OECD, 1999).

Choosing a specific kind of direct investment business also depends on different considerations, the most significant of which is the present law in the host country (Duce, 2003). In considering the impact of Chinese FDI in Ghana and Nigeria, it is useful to consider the form of investment that FDI takes, with regard to the respective economies. Based from preliminary research, it is clear that Chinese FDI in Nigeria is significantly higher than its FDI in Ghana, when compared to one another.

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Considering the high concentration of FDI in the oil and gas sector, it is possible that the economic relationship between Nigeria and Chinese may be contradictory to the developmental goals and overall well-being of the country. Whilst Chinese FDI in Ghana is seen across a variety of sectors such as aluminum, iron ore, manganese, alloy, timber, waste materials, cocoa beans, cotton linters, and frozen fish (Rahman, 2012). This indicates that the overall impacts of Chinese FDI in Ghana may be more attuned to developmental goals, compared to China's relationship with Nigeria.

### **FDI determinants – Theoretical Approach**

As FDI became a focal point in the current global economy, researchers have attempted to describe the conduct of multinational firms and FDI determinants through the proposal of different theories.

Adam Smith (Concept of Absolute Advantages) and David Ricardo (Theory of Comparative Advantages) had originally discussed FDI as a feature of international trade. Smith and Ricardo proposed that countries should focus on producing goods where they can offer a cost advantage (i. e. absolute advantage for Smith; comparative advantage for Ricardo). The surplus of goods generated by a country is intended for export. Simultaneously, the country imports goods that it cannot produce domestically because it lacks cost advantages for their production (Sen, 2010). The theories of Smith and Ricardo are the foundations of current views on FDI. Therefore, these will be considered in the design of the theoretical framework.

Heckscher and Olin linked international trade and with the benefits brought by the factors of production. Thus, a country must focus in producing final

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goods of which the raw materials are reasonably plentiful in the country. Conversely, the country is recommended to import the basic components of goods that are in limited supply. This theory regards FDI as a component of transnational capital movement. FDI flows are seen amongst economies and are described by various capital concentrations. Countries that are well-off in terms of capital transfer their production to countries that have abundant labor supply. This is characterized by more returns to capital and lesser returns to labor. This process continues till labor and capital are equalized in the countries involved (Benacek et al., 2000). While these theories were able to associate FDI with labor costs and higher rates of investment returns, these were unable to completely rationalize FDI phenomenon (Assuncao, 2010). As such, these will not be fully utilized in the creation of this study's theoretical framework.

Another FDI theory is given by Kindleberger (1969), who presumes that direct investment can be cultivated in situations where market shortcomings or government interferences exist. In this context, particular economies produce commodities in which they can demonstrate a comparative advantage; while other products are exported because the country cannot produce them efficiently. Thus, the relationship between FDI and trade can be either substitutable or complementary. Kindleberger's (1969) theory is applicable to the context of Ghana and Nigeria because of its considerations of market imperfections and government interventions. These will be helpful in explaining some aspects of the theoretical framework.

Obstacles to commerce may affect FDI in two contradictory ways. On one hand, high trade barriers tend to boost FDI because these result in high export costs. This contention stresses the location advantage aspect of FDI. In contrast, high trade barriers are a hindrance for the parent company, especially in situations with high levels of trade with associated firms. Other researchers have also discussed the relationship between FDI and trade openness (Balasubramanyam et al., 1996) and majority of studies find a positive association among these variables (Benacek, 2000).

Dunning (1993) combined the components of Trade Theory and the Theory of the Firm. Based on the OLI model, Dunning (1993) classified FDI determinants into three groups. These are: (a) Ownership-specific advantages such as technology and know-how; (b) Location-specific advantages including market size, transport costs, etc.; and (c) Advantages that are particular to internationalization, wherein the firm supposes that selling of ownership advantages to third parties is not as lucrative as internally employing these advantages. Moreover, Dunning (1993) came up with the Investment Development Path based from the findings of his study. This framework identified five stages in the development of a country. These stages have a substantial effect on FDI inflows (Gorynia et al., 2005; Benacek et al., 2000). These stages of development will be one of the components in the theoretical framework; thus, this study is important to this research project.

The institutional approach presents a different perspective on the subject.

Root & Ahmed (1978) and Bond & Samuelson (1986) suggested that the

environment, where the enterprise conducts its operations, is unpredictable and unsure. Thus, the firm's decisions will be greatly affected by institutional forces (i. e. regulations and incentives). However, in actuality, government policy defines the options that are presented to a company and which influences the firm's decisions regarding FDI, licensing, and exporting (Assuncao, 2010). The role of government in FDI is another aspect which will be explored in the theoretical framework. The institutional approach will be part of this analysis.

Last but not least, it is beneficial to consider Ozawa's (1992) study, which connects the patterns in developing countries with Porter's theory of a country's competitive advantages. According to Porter, there are four groups of attributes that can be applied to a country. These are: (a) factor conditions; (b) demand conditions; (c) firm strategy, structure and rivalry; and (d) related and supported enterprises. These have an influence on the nation's competitiveness (Smith, 2012). Ozawa argues that the foreign investment received by developing countries, which are mainly allocated to labor-intensive sectors, results in a process of learning and technology purchase. It aids developing economies to raise their competitive advantages and thus, push the economy onward along the various stages of development ? moving from the fundamental factor-driven stage to the innovation-driven stage. This is described by an increasing external FDI (Ozawa, 1992). The discussion on competitive advantage is again a major component of the theoretical framework which will be the outcome of this research. As such, the study by Ozawa (1992) presents some arguments that are crucial to the discussion of this research.

## **FDI determinants – Classification**

Dunning (1998) identified four groups of FDI motives. The first two groups of motives are features of the initial stage of FDI, while other groups are related to sequential FDI (Gorynia et. al., 2005).

Resource Seeking - the firm intends to obtain specific resources at less costs than in the local/national market

Market Seeking - the firm intends to operate in a specific overseas market because of its size or anticipated growth. The firm builds a global strategy for the foreign market, or reduces the expenditures related to serving a certain market from a neighboring facility instead of from outside the country

Efficiency Seeking - the firm intends to justify its production, distribution, and marketing (Gorynia et. al., 2005, p. 65)

Strategic Asset Seeking - the firm seeks to extend its strategic goals; for instance, supporting their competitiveness in international markets

Clause (1999) and Calderon et al., (2002) categorized FDI determinants in two groups: (a) ' Push factors' or investor's intentions to position capital/investment overseas: (b) ' Pull factors'; or country-specific determinants, also referred to as location determinants. These factors influence the decision of the investor to find capital in a specific country. Additionally, pull factors are political, including growth estimates, or the country's system of rules/regulations and rewards/incentives. The authors also highlighted other pull elements in the case of transitional economies. These include the process of privatization and the intensification effect, in

which a direct investment results in other direct investments (Vita and Kyaw, 2008).

Lastly, UNCTAD (2011a) segregated FDI determinants into three categories: (a) policy framework such as economic and political stability, competition policy, etc.; (b) business facilitations, including the costs of business operations, investment motivations, etc.; and (c) economic determinants such as market growth and infrastructure. Although these determinants help to ascertain the overall desirability of the country, the significance of specific groups differs depending on the sector and entry modes.

The various FDI determinants will be explored as components of the theoretical framework. These will be investigated to find out which FDI determinants are applicable to the Ghanaian and Nigerian context.

## **Investment Climate in Ghana and Nigeria – A Comparative Analysis**

Attracting increasing amounts of FDI has been a significant priority of Ghana's government when developing and reforming economic policy. The Ghana Investment Advisory Council (GIAC) was formed with the help of the World Bank and is comprised of local and multinational companies and institutional observers from around the world. The aim of the GIAC is to ensure the removal of any regulations, which may discourage FDI in the country. The GIAC, however, does not have regulatory power over the natural resources sector, but does regulate investment in all other sectors, such as banking and other financial institutions, telecommunications, energy and real estate (Tsikata, et al., 2010). The most beneficial element of the



investment climate in Ghana is that there is no general economic or industrial strategy aimed at discriminating against foreign owned business or subsidiaries, but conversely there are incentives offered if the projects are deemed critical for national development.

Prior to 1995, Nigeria was considered one of the most unsuitable countries in Western African for FDI due to a combination of considerable restrictions and unsuitable investment climate ? the result of social, economic, and political tensions that continue to plague the country. In 1995, however, Nigeria changed the investment climate substantially by opening the economy to FDI and reversing these severe restrictions. The Nigerian Investment Promotion Commission (NIPC) was created to manage the approval of business licenses and motivations to improve the investment climate. All restrictions on limits in foreign shareholding were also abolished in order to promote and facilitate FDI. According to current Nigerian investment law, 100 % foreign ownership of firms is allowed in every sector, with the exception of the petroleum sector. In this sector, investments are restricted to existing joint ventures or new production sharing contracts (Oyeranti, et al., 2010). This, however, is not necessarily a restrictive provision specific to Nigeria, since production sharing contracts have become a modern way of ensuring that ownership over natural resources is held by the host nation.

It is evident, therefore, that both the Ghanaian and Nigerian investment climates are conducive and receptive to FDI from China. In determining the potential impacts of these investments on the economies of the country, it seems evident that there is a need and desire for large capital investments.

At the same time, there is the need to stay in control of their natural resources, namely oil and minerals, which has resulted in the only restriction on FDI in the respective economies. The crucial difference between the two countries is the vast superiority of Nigeria with regards to their oil resources and the far-reaching effects that this has had on the country as a whole. This factor must, therefore, be critically considered to assess the impact of Chinese FDI in the country.

### **Chinese Interest in West Africa – FDI Analysis**

China provides an ideal investment partner to African countries and is often more beneficial to the host nation than traditional investment partners for a number of reasons, including fewer demands on the host country in exchange for investment, fewer conditions for assistance, offered assistance at lower rates of repayment and lower interest rates, and offered training for technical and professional personnel in doing so (technology transfer) (Renard, 2011). Historically, the interest in Africa from the Chinese perspective has been primarily based on the need to supplement their own natural resources, with the rapid development of their manufacturing industry necessitating a significant amount of resources far outweighing any domestic production in China itself and with an abundance of these resources in West Africa, China sought to increase their investment in and trade participation within the region. In 1987, China exempted raw materials and other components due for re-export from custom duties which bolstered their international trade with African countries as being a significant source of these products and raw materials (Renard, 2011). With the Chinese accession to the WTO, the protectionist barriers were further removed and

this served to increase trade even further. Trade in components is therefore a significant part of Chinese interest in West Africa, as well as raw materials in exchange for consumer products with low capital intensity with a commitment to moving towards more technology-intensive products.

In addition to the trade investment in West Africa, diplomacy in the region has focused on bilateral agreements with African governments. In 1994, the Exim Bank (China Export-Import Bank) was founded to encourage Chinese exports and FDI in Africa, with a specific focus on improving the infrastructure (Wang, 2007). On the other hand, China Development Bank (CDB), also established in 1994, opened the China-Africa Development Fund to assist Chinese FDI distribution into Africa, through the financing of Chinese firms looking to invest in the region. Finally, SINOSURE (China Export and Credit Insurance Corporation) provides these firms with insurance and protects against the risks associated with Chinese exports and foreign investment (Renard, 2011). These banks have a less risk-sensitive profile than most private banks in traditional Western investment partners, making them more willing to encourage to investment in often high-risk African countries, including Nigeria.

The opportunity to invest in Africa by Chinese firms is as a result of the long-standing history of trade relations and supported by less risk-sensitive banks. These banks aim to encourage FDI in West African countries in order to sustain and potentially increase trade relations with the Chinese economy. With many of the major players in the Chinese economy being state-owned (as a result of the prevailing political regime), there is a significant interest in

encouraging FDI with these West African countries due to China's desire to sustain its high economic growth. This supports the main assumption of this research that China's FDIs into Ghana and Nigeria are exploitative in nature. Because China's desire to sustain its economic growth as the main driving factor for its FDI, there is a lot of suspicion that Chinese state-owned investors will not care about the long-term effects of FDI, especially as it focuses on extracting natural resources and raw materials from Ghana and Nigeria.

## METHODOLOGY

### **Research Philosophy**

This study applies the positivist philosophy, based on the presumption that experiment and observation are highly significant in perceiving human behavior. According to this philosophy, the world can be understood in a rational way. This approach focuses on analyzing facts and seeks to understand connections; reduces experience to simple components; and tests formulated hypotheses. It usually produces qualitative data, which seeks to be unbiased and precise (Saunders et. al., 2009).

### **Research Approach**

This study is empirical and it acknowledges the significance of gathering and utilizing data, to achieve precise and clear conclusions. Inductive and deductive research approaches will be employed in the study.

The deductive approach is described as highly structured. Theories of FDI motivations are first presented, since they are especially relevant to the

Chinese FDI climate. Next, the relevance of these theories to both Ghana and Nigeria is discussed through the analysis of empirical data.

An inductive approach is observed throughout the gathering and examination of empirical data from trustworthy sources. From this perspective, the researcher analyses the data obtained by others, which has been integrated with the research procedures.

Given the research objectives, this study has an explanatory quality .

Explanatory research aims to explain if there is an association among two or more variables of a specific incident or phenomenon.

The aim of this study is to ascertain whether there is an association between FDI inflows from China to Ghana and Nigeria using a framework for the measurement of these impacts based on economic, political or social factors which may be influenced by foreign investments.

## **Data Collection Process**

Primary and secondary data will be gathered to analyze the possible impacts of FDI inflows from China. Selected economic indicators will also be analyzed using multiple regression analysis.

This research will examine the following economic indicators: GDP growth rates; GDP per capita; inflation rates; employment rates; unit labor costs; trade balances (represented as a percentage of GDP); foreign exchange rates; Corporate Income Tax Rates; percentage of people with higher education; developmental goals identified by the host country and other international bodies, and public spending on higher education.

The data that will be used in this research will be taken from several different secondary research sites. Data sources are national statistics, scholarly publications, UNDP, IMF and the World Bank, as well as any other directed research that is seeking to understand the relationship between Chinese FDI and its impacts in Ghana and Nigeria countries.

## **Limitations of Research**

The current research is limited to the extent that Ghana and Nigeria are compatible in conducting the comparative analysis. The main concern is that the vast difference in the oil dependency of these two countries will lead to a number of conclusions, which are not compatible with one another, due to the fact that the Nigerian economy revolves around oil production. It is reasonable, therefore, to think that the application of this theory to Ghana may lead to conclusions or recommendations for improvement, which cannot be applied to the Nigerian context due to its resource dependency and the influence of the social, political and economic climate. In order to mitigate this limitation, the researcher aims to look specifically at the dependence on natural resources (mineral and oil) in the Ghanaian economy in order to ensure that this factor is given sufficient consideration in reaching the conclusions of this theoretical research.

## **Secondary Publications**

Published secondary resources will also be utilized in this study. These sources discussed FDI determinants from a general perspective and presented global outflows of FDI from China. These also analyzed the general determinants of FDI impacts in Africa as a developing region, with a specific

focus on Ghana and Nigeria, and compared these impacts against one another to determine recommendations for the improvement or mitigation of FDI impacts. The application of secondary data in addressing the objectives of this research will add to the overall clarity of the research. Secondary data will be gathered by studying documents from various sources, such as international organizations and statistics offices. Other materials are peer-reviewed articles, research papers, books, and other scholarly publications. These will aid in recognizing and incorporating the most relevant literature within the context of the main research questions.

### **Limitations of Secondary Sources**

There are some limitations in using secondary sources. One limitation is that it involves the possibility of incurring knowledge gaps. This refers to the occasions when researchers are unable to find the specific data they are looking for. Moreover, data might be outdated or is not relevant to the research problem. Furthermore, the researcher might find contradictory points of view in the secondary data, which will result in confusion and ambiguities.

To lessen these kinds of risks, the researcher will seek the advice and guidance of academic staff specializing in this research subject regarding suggestions on literature. The researcher will also come up with a comprehensive list of international databases of FDI to find the most current data.

## Data Analysis

The data analyses that will be applied in this research are comprised of four important steps.

Data will be arranged in a rational way. The arrangement of primary and secondary data is based on the selection process (based on the researcher's judgment).

Data will be sorted into three categories. The categories are as follows: (a) Theoretical application of FDI in a Chinese context; (b) Ghanaian and Nigerian investment climate and context; (c) the relationship between Chinese FDI and the Ghanaian and Nigerian political, social, and economic factors.

Data will then be analyzed using a number of qualitative research techniques.

Results will be organized in terms of theoretical FDI themes identified in the initial research.

## DISSERTATION PLAN

Below is the Gantt chart for the dissertation. This outlines the main activities that will be conducted for this research.

Project Tasks Start Duration

Task 1: Writing the research proposal 05

Task 2: Writing the project plan 55

Task 3: Conducting the literature review 1014

Task 4: Gathering of secondary data 247

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Task 5: Creation of theoretical framework3120

Task 6: Analysis of the data5114

Task 7: Writing the final research report6514

Note:

Start – Represents the number of days from the start date of the research project

Duration – The number of days required to complete the task

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