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FDI Inflows and Outflows in Ghana and Its Export and Import

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Abstract
This paper studies the effect of FDI inflows and outflows, export and import from the perspective of their influence on GDP and economic growth of the Ghanaian economy. We evaluate how the values of inward and outward FDI have become a major source of revenue and strategic economic development with less attention being focused on outward FDI. By considering the total values of foreign direct inflows and outflow, general export and imports it was revealed, that there is a direct relationship between export and import of the gross domestic product(GDP) and the overall growth rate. However, it was further indicated that, imports have been increasing rapidly between 2012 and 2016 whereas export have been declining. It is recommended that, the government should reduce import and also encourages outward FDI.
Keywords: FDI, Inflows, Outflows, Export, Import

1. Introduction

Foreign direct investment(FDI) in Ghana has increased the productivity level of most of the sectors within its economy. However, FDI impact has reduced unemployment and improved the standard of living of most people in Ghana. FDI is generally embraced by almost all the nations across the globe, but with a few countries enjoying a greater percentage share of the world's total inward and outward foreign direct investment (Evans,2018). The rapid expansion in both FDI inflows and outflows on the African continent is bringing massive economic development and efficiency in the distribution of resources among the various sectors of an economy. Over the past 27years, there has been an inverse relationship between foreign direct investment inflows and outflows in Ghana. In this century much of attention is geared toward FDI inflows and with less focus on outward FDI. There has been a continuing growth of investment in Ghana, of which most of these investments belonging to foreign investors. According the World Investment report (2012), the increment in FDI inflows is as a result of the discovery of oil. In the process of restructuring the law and regulation of investment in Ghana, much effort is being done by the government to create a business-friendly atmosphere after independence.

However, the value and registered projects from foreign direct investment inflows into the economy of Ghana are mostly allocated to the building and construction sector, service sector and manufacturing sector. To follow the flows of development the people involved have to invest, impute or allot more resources in the fields it deems fit and profitable (Frimpong&Nubuor, 2013). Agriculture sector is the major source of employment to about 60% of the citizen in the country but with less investment allocation. Conversely, outward FDI among African countries has been a major challenge facing governments and multinational companies due to the sole reliance on the FDI inflows.

Outward foreign direct investment from Ghana in the late 1990s to 21st century experiencing instability in value and volume, although Ghana contributes a significant share to the total value of outward FDI from the Western part of Africa. Moreover, Ghana produces numerous natural resources and cash crops for export and imports other manufactured commodities from other countries. Cocoa bean production from the Ivory Coast and Ghana constantly accounts for more than 50% of the world's total cocoa bean production in every cocoa year. Hence, this paper seeks to focus on the FDI inflow and outflow in Ghana's economy and its imports and exports.

2.Literature Review

There have been numerous studies on FDI inflows and its impact on the Ghanaian economy by many scholars and researchers which proved FDI to favorable in Ghana. Evans (2018), FDI in Ghana the distribution among the all the sectors and regions. he noted that Ghana's international trade and outward FDI contribution to the world's development seems to be insignificant by taken into account FDI growth, export and import of merchandise trade, whereas the result further indicates there are a greater percentage share of the total value accumulated from FDI inflow being allotted to the Greater Accra region at the expense of the other nine (9) regions.

Owusu-Antwi et al (2013), foreign direct investment: A journey to economic growth in Ghana-Empirical evidence, empirically indicate the determinants that influence FDI flows in Ghana, considering time series of data from 1998 to 2011, they used regression analysis to carry out relevant econometric techniques. The result of their study revealed trade openness, exchange rate, natural resource and infrastructure as the major drivers of

FDI in Ghana and macroeconomic variables, such as per capita gross domestic products and inflation, were also registered to influence the determinants of FDI inflows in Ghana.

Djokoto&Dzeha (2012), determinants and influence of FDI in Ghana- review of literature. using result of literature retrieved numbered twenty-seven (27), whiles twenty-three (23) were subjected to further review, their review finding captured publication bias towards FDI inflows, publishing in journals outside Ghana and a supremacy of use of time series data result of recent data tended to generate more statistically significant result compared to the previous and shorter span data.

Enu el at (2013), the impact of macroeconomic factors on FDI in Ghana: A cointegration analysis, all the variables treated were integrated at first order, as an outcome the Johansen's cointegrateion approach was used and the result indicated that the variables were not cointegrated.

Frimpong (2012), research on the relationship between China and Ghana: Trade and FDI, in the effort of most African countries to revive their economic activities, they have reduced bureaucratic hindrance band intervention in their economies, embarked on privatization programs and are ensuring that there are pro-active investment measures and his result proves that China is the second highest country in terms of trade and FDI in Ghana.

Iddrisu et al (2015), the impact of FDI on the performance of the agricultural sector in Ghana, their result showcased that foreign direct investment negatively impact the agriculture sector productivity in the long run with a significant relationship in the short run whereas the depreciation of the Ghana Cedi negatively influences the growth of the agricultural sector in the long run.

Nkechi (2013), an econometric analysis of the impact of FDI on economic growth in Ghana: the role of human capital development, his findings show that FDI has a positive significant impact in Ghana in the long run and so as the human capital.

Evans et al (2017), the effect of FDI on the Ghanaian economic growth, it was established that FDI and other two control variables under consideration impact extremely on the economic development in Ghana and it was discovered in their research that the increasing trend of foreign direct investment inflow has also greatly expanded the GDP of the country.

Acheampong&Osei (2014), foreign Direct Investment (FDI) Inflows into Ghana: Should the Focus Be on Infrastructure or Natural Resources? Short- Run and Long-Run Analyses, the outcome of their studies reveals that infrastructural development and political stability have long-run positive and much impact on the level of inward FDI in Ghana.

2.1 What is foreign direct investment?

Foreign direct Investment is the movement of resources from one country to another, which gives the substantial investors the right to wholly control or participate with a long term plan (Evans et al,2018). However, a foreign investor can be an individual, companies, multinational enterprises and governments that bring resources in the form capital, technology and technical know-how from overseas to finance productive activities in the host country which is capable of enhancing development and economic growth.

2.2 Types of FDI

Foreign direct investment (FDI) is basically classified into two, which are inward and outward FDI. Inward FDI entails extrinsic or foreign people or governments investing in or buying goods in a local economy, whereas outward foreign direct investments are business and economic strategy used by multinational companies and governments to gain access to the global or local market share abroad.

2.3 Why Ghana is Attracting More Substantial Foreign Investors?

There are so many favorable conditions, factors, investment policies that attract potential foreign investors to pull resources and funds into production activities in the economy of Ghana. With the establishment of the Ghana Investment Promotion Centre(GIPC) and the government motive of making the country the gateway to West Africa a lot has been done to attract investors. The following some of the reasons and factors why Ghana is attracting a significant number of foreign investors.

The location of Ghana, the geographical of the country on the African continent and the West African regional zone has given Ghana advantages over other countries. Foreign investors see Ghana's location as a strategic business plan and a major key means of entering the Economic Community of West African State(ECOWAS) market. The ECOWAS market is considered as one of the biggest market in terms of population, ready labor and available resource for business operations compared to the other sub-regional zones in Africa.

Ownership, the investment polices and regulations in Ghana grant 100 percent ownership of an investor production operation. This allows a substantial investor to freely manage and control its business activities without any pressure from the government. However, in the situation whereby the purpose and motive of investor's activities is being deviated from the main core of the investment purpose, the government halt its

operations.
Political atmosphere, Ghana's political environment has calm and stable over the past 26 years. There was some political instability after Ghana gained independence from the British which made the country, not attractive to foreign investor to invest in the mid 1990s. Conversely, with the establishment of the 1992 constitution, which is the supreme law of Ghana gives rights to the citizen select any candidate of their choice. With the existence of the 1992 constitution, there has been a peaceful and smooth transfer of power from one government to another through general elections.
Availability of labor, there is an abundant, adaptable and easily educable workforce in Ghana. The minimum wage for employing both skilled and unskilled labor is not expensive and foreign investors pay same wages and salary as local employers. Investment regulations permit the recruitment of both local and foreign labor force. Apparently, for certain investment that requires special and technical know-how, the investment laws allow a 100 percent recruitment of expatriates.

2.4 Where does investment Goes in Ghana's Economy?
Ghana's economy is classified into eight (8) major sectors which are the Agriculture sector, building and Construction sector, Export trade sector, General trading Sector, Liaison sector, Manufacturing sector, Service sector and the Tourism Sector. However, since the late 1990s, foreign direct investment(FDI) inflows into Ghana are mostly allocated to the service and manufacturing sectors. Moreover, according to the Ghana Investment Promotion Centre(GIPC), there were 4714 registered projects between 1994 to 2013 of which 243 registered project were assigned to the agriculture sector,409 to building and construction, 220 to the export trade, 771 to general trading, 224 to Liaison, manufacturing sector received 1044, service sector had 1382 and the tourism sector absorbed 403. In the aspect of the estimated value received from FDI inflows in the country, the building and construction has been attracting a greater share than other sectors, followed by the manufacturing sector, whereas the export trade receiving the least value over the years. Conversely, all the various sectors contribute to the GDP of the country, but the manufacturing contributes more than half of the total contribution from each sector whiles the agriculture sector employs a higher percentage of Ghana's population.

3. Methodology
The data and finding of this paper have been collected from secondary sources. Most of the information has generated from the Ghana Investment Promotion Centre(GIPC) which is a governmental institution responsible for regulating and controlling investment activities in Ghana, United Nations Conference on Trade and development (UNCTAD) and World Integrated Trade Solution(WITS). However, other published papers and literatures were also being considered. The data for FDI inflows and outflows were collected from the period of (2012-2016), overall export and import was from 2011-2016 whiles the data on the merchandise export and import for some selected items were collected from 2011-2015

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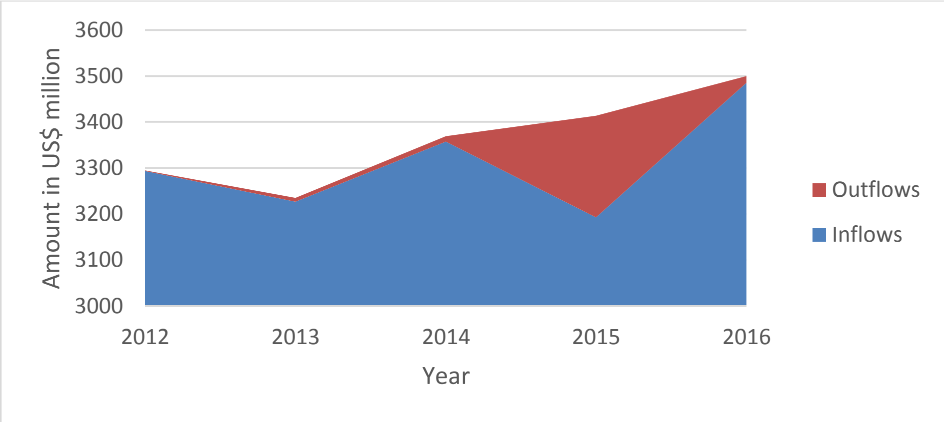
4.1 FDI inflows and Outflows
The values of FDI inflows into Ghana started expanding from 1990 with an estimated amount of $14.8 million whiles the value increased to $20 million. According to the world investment report statistics revealed, that the values and volume of FDI inflow was unstable between 1990 and 2005. The estimated values of FDI never attained a billion United States dollars. However, the inpouring of FDI into Ghana expanded at a yearly come up with development at an estimated rate of 42% from $636 million to $2.527.4 million from 2006-2010(Evans,2018). However, FDI inflows between 1990 to 2000 was $1249.6 million, indicating lower flow in value as a result of lack of sound investment policies attract investors. Conversely, Outward foreign direct investment(FDI) has become major challenges facing most countries in Africa and other part of the continent of which Ghana's situation is not different. Outward FDI from Ghana to other foreign nations is comparatively lower than the amount of inflows into its economy. According to UNCTAD world investment report (2017) there was no record on outflow from 1990 to 1995, representing less attention from the government, multinational companies and potential individual investors in Ghana in the late 1990, whereas $ 163.3 million was the highest amount of OFDI between 1990 to 1999.The figure below shows value of FDI inflows and

outflow from 2012 to 2016.



Source: figure extracted based on the data from UNCTAD

Figure 1: The values of FDI inflows and Outflow in Ghana between 2012-2016

From the figure 1 above clearly shows that there is instability in FDI outflows and the highest estimated amount generated from outward FDI occurred in 2015 and a decline in 2016, whereas the maximum value received from FDI inflow was in 2016. However, there was a decline in inflows in 2013, an increase in 2014 and a decreased in 2015.

4.2 Benefits of FDI to Ghana?

Through foreign direct investment has gained much impact from individual investors and governments investing in its economy. The benefit of FDI supports Ghana's economic growth and development in many areas. As a result of careful utilization and a sound economy with good macroeconomic factors between 2001 to 2007, the economy of Ghana absorbed, about $770 million in foreign capital inflow, which represented about 25 percent of the government revenue in 2007 and 6 percent of gross domestic product in 2008(Abodakpi, 2015). Conversely Ghana receives technical assistance through investment from countries such as the United States of America, European Union and other nations. The gains range from educational exchanges and scholarships to technical assistance entailing personnel, equipment and training, with their respective spillover impact in various sectors in the economy (Abodakpi, 2015). However, technology transfer is one of the ultimate aspect of FDI benefits. The National Communication Backbone Network project was the recipient of a $ 32 million financial package to finance phase one of the project in 2007, which aims to link the various regional capitals and their major towns with telecommunication access (ACET 2009a, pp. 15–17).

4.3 Ghana's Export and Import

International trade between nations through export and import has enhanced the consumption certain commodities a country cannot produce with its available resources. The exchange of good, capital, services across foreign boundaries is reflecting a significant share of the gross domestic product of Ghana. Ghana plays an important role exportation and importation of some essential natural resources, raw materials and other agricultural products. However, Ghana's primary exporting commodities are cocoa, cash crops, timber and gold, which contributes a greater share of its gross domestic product(GDP). These commodities/products a made up of over 75 percent of Ghana's total commodity in 2008(Abodakpi, 2015). The economy of Ghana relies heavily on raw materials and commodities for exports, which in the long run affect economic growth due to unstable prices on the international market. The, commodity price blow of 1999 is a clear instance- between 1998 and 2000, a reduction in the world's commodity prices affected the economy with a negative 20 percent fall in Ghana's gross domestic growth rate(IMF,2012). Conversely, according to the World Trade Organization, Ghana ranked 78th in merchandise export and 86th in import in 2016.

4.3.1 Exports

Exports of commodities from Ghana has been growing over the past years with the government motive of transforming the countries into an industrial economy. According the observatory of Economics Complexity(OCE) Ghana ranked 64th biggest export economy in the world. In 2013, the major trading partner were the European Union with 29.9 percent of Ghana export commodities. South Africa's share of Ghana export commodities was 22.4 percent whereas Switzerland had 9.3 percent as the major trading partner on the European continent for export trading with Ghana. The major export commodities are cocoa beans, Brazil nuts, gold, cashews, crude petroleum and sawn wood. However, in 2016, there was an estimated amount of $11 billion from the total export of which gold accumulated about 43%, cocoa beans 17.5%, crude petroleum 9%, brazil nuts, and cashew had 9.5% and sawn wood absorbed 3.5%. The table below shows the top six (6) selected items for exports in terms of values from 2011 to 2015.

Table1: Exports of Selected items, 2011-2015

Selected items	2011 GHC	2012 GHC	2013 GHC	2014 GHC	2015 GHC
Gold bullion	5,111.7	8,947.7	8,155.8	12,416.8	14,605.0
Cocoa beans, superior quality raw beans	3,127.7	3,530.4	2,694.3	5,787.4	10,146.6
Petroleum oils and oils obtained from Bituminous minerals, crude	4,325.8	6,613.7	5,885.9	12,807.1	9,822.8
Unwrought gold (non-monetary)	1,395.2	2,338.3	2,106.8	416.9	1,183.6
Cashew nuts, in shell	709.4	273.0	454.0	293.9	1,069.1
Cashew nuts, shelled	51.3	11.6	359.7	293.9	461.1

Source: GSS 2016

Note: all the values are in Ghana Cedi million

4.3.2 Imports

Imports of goods and services from other foreign countries into the Ghanaian economy has been growing rapidly over the past years, becoming an ultimate challenge facing the government and other local industries. For instance, Ghana's export commodities to China is lower than its imports in terms of volume and value. It is clear that the quantity of products/commodities exported from Ghana to China is greatly lesser than the percentage and volume of imports from China in terms of goods and services(ACET,2009a). This always runs Ghana a balance of trade deficit with China. Although imports play a significant role in the general development, but a regular expansion in imports affects a country's economic and GDP growth. Between 2006 and 2011, imports reached its peak in 2012 with an estimated amount of $13.6 billion and started declining from 2012 to 2016. Conversely, in economics point of view, there a continuous increasing in imports when tracing back in the 90s to the present year. The import products into Ghana includes agricultural products, fuels and mining products, manufactured and other products. In 2015, the total breakdown of import indicated that, the agricultural product accounted for 11.7%, fuels and mining products 1.8%, manufactures 63.1% and other products obtained 23.3% of the overall value of imported commodities. The table below shows some of the top six (6) imports of merchandise trade from 2011 to 2015.

Table 2: Imports of Selected items, 2011-2015

Selected items	2011 GHC	2012 GHC	2013 GHC	2014 GHC	2015 GHC
Petroleum oils and oils obtained form Bituminous minerals	1,345.2	1,060.9	945.5	1,149.4	3,684.5
Cement clinkers	402.5	507.7	824.2	1,646.1	1,352.3
New pneumatic tyres, of rubbers of kind Used on motor cars	32.5	40.9	30.8	50.6	965.4
Rice, broken	314.6	398.9	510.9	682.9	876.6
Other generating sets	-	-	2.2	907.2	784.1
Polyethylene in primary form	152.1	181.5	210.8	286.4	443.0

Source: GSS 2016, Note all amount in Ghana Cedi million

4.3.3 Total Export and Import, and its impact on GDP and Economic growth?

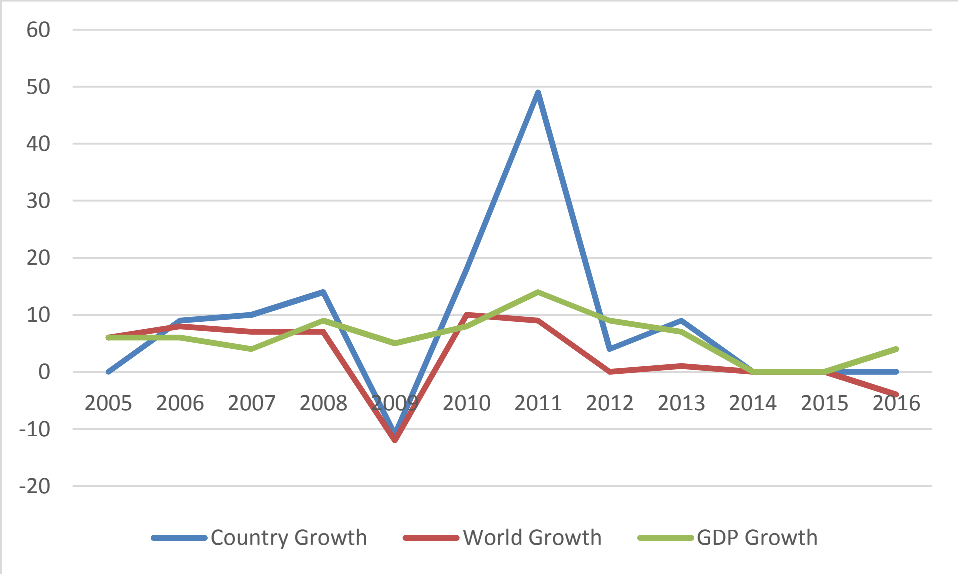
According to the world integrated trade solution import and export has influence Ghana's economic growth and development. Ghana achieved lower middle income as a result of a collective effort by government and policy-makers in the country. However, the gross domestic product growth was 6% in 2004, whereas in 2005 GDP remained at flat percent, but relatively a 0% in the country's growth. There was a continuous expansion in Ghana's growth from 2006 to 2008 of which the country achieved an overall growth rate of 14% in 2008. The world financial crisis in 2008 greatly affected most countries gross domestic product and economic growth rate in 2009. Consequently, in 2009 Ghana's economy suffered a decline in both GDP and economic growth. The table 3 below shows total values of imports and exports whiles figure 2 indicates the country's growth and GDP.

Table 3: Total exports and imports from 2012 to 2016

Year	export (amount in thousand US$)	import (amount in thousand US$)
2011	18,146,652.69	12,602,676.33
2012	15,761,184.04	13,578,112.62
2013	12,643,899.38	12,787,233.40
2014	-	-
2015	-	-
2016	10,655,796.41	11,361,004.40

Source: WITS

From the table 3 above clearly shows that between 2011 and 2016, the highest value received from export was in 2011 whiles Ghana only achieved a trade surplus in 2011 and 2012. The diminishing return in export started from 2012 and a continues decline. However, there were no records generated by the world integrated trade solution on both import and export between 2014 and 2015.



Source: WITS

Figure 2: Ghana Country Growth V/S World Growth V/S GDP Growth

4.4 Discussion of Ghana Situation

The current situation of Ghana's economy is in a recession period, of which the Ghana Cedi continues to depreciate against the USD, the British Pound Sterling and the Euro making trading within and outside the country very difficult. The depreciation of the local currency is affecting the productivity level of manufactures and exporters, which is directly influencing export and import. However, the economic growth statistics based on comparing the country's growth, world growth and GDP growth revealed, that there is a decrease in Ghana GDP and economic growth rate between 2012 and 2016. Conversely, since the country's imports keep increasing, the local market becomes very competitive as a result of tight competition from foreign competitors. The economy of Ghana is made up of more infant industries and companies which often collapse due stiff competition from international enterprises and multinational companies having absolute and comparative advantages over the local industries. On the other hand, FDI inflows have been expanding over the years, but instability in the value. Investment inflow to the agricultural is becoming much lower as a result of more attention given to the manufacturing and the service sectors. Moreover, the agricultural sector employs the majority of the citizens compared to other sectors of the economy. Outward FDI from Ghana performance in the world seems to be insignificant because of lesser values from the outflow. The government should enact good policies, which will protect and encourage domestic industries to increase for export as well as reducing imports, whereas giving incentives and support local investors and companies investing in foreign countries.

5. Conclusion

The aim of this paper was to analyze the relevance of foreign direct investment, export and import in the Ghanaian economy and to be of importance to policy-marker, government, foreign investors, manufacturers and exporters who would like obtain much information on the economic and investment situations in Ghana. To achieved this goal, we used qualitative analyses. we considered several factors and sectors of the economy and their contribution to the county's growth and development. However, the factors were classified into two parts, FDI inflows and outflow values, and export and import. The factors used for analyzing the various factors were the general inflows of FDI, which is made up of total registered projects and their values received by each sector.

The findings of the study show, that FDI, export and import significantly influenced the gross domestic product(GDP) growth and the overall growth rate of a country.

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