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Master in Management Program

DETERMINANTS OF FOREIGN DIRECT INVESTMENT FROM EMERGING ECONOMIES TO SUB-SAHARAN AFRICA: A CASE STUDY OF GHANA

Master's Thesis by the 2nd year student
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ

ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Амеяо Абдул-Кадир, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Детерминанты прямых иностранных инвестиций из стран с развивающимися рынками в Тропическую Африку: Исследование Ганы», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата.

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02.06.2020

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THE MASTER THESIS

I, Ameyaw Abdul-Kadir, second-year master student, program «Management», state that my master thesis on the topic «Determinants of Foreign Direct Investment from Emerging Economies to Sub-Saharan Africa: The Case Study of Ghana», which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

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ABSTRACT

Master Student's Name	Abdul-Kadir Ameyaw
Master Thesis Title	Determinants of Foreign Direct Investment from Emerging Economies to Sub-Saharan Africa: A Case Study of Ghana
Educational Program	Management
Main Field of Study	0800200 Management
Year	2020
Academic Advisor's Name	Andrei Yurievich Panibratov, Professor.
Description of the Goals, Tasks and Main Results	The purpose of this paper is to elucidate why emerging market multinational companies and state-owned enterprises enthusiastically invest in Ghana and to also find the extent to which FDI in Ghana provides the country with economic aid. The main tasks are to; 1. Draw from literature analysis that there are two motives of investments – opportunistic and economic motives. 2. Develop a framework that will distinguish between the two types of motives 3. Track the evidence and the outcome of investments within each group of FDI and discuss the extent of the aid vs opportunism The results indicate that there is a distance between countries in terms of their determinants of investment. FDI provides socio-economic aid to Ghana by offering employment and knowledge spill-overs.
Keywords	FDI, emerging markets, country-specific advantage, firm-specific advantage, OLI framework, Sub-Saharan Africa, Ghana.

АННОТАЦИЯ

Автор	Амеяо Абдул-Кадир
Название магистерской диссертации	Детерминанты прямых иностранных инвестиций из стран с развивающимися рынками в Тропическую Африку: Исследование Ганы
Факультет	Высшая Школа Менеджмента
Направление подготовки	080200 Менеджмент
Год	2020
Научный руководитель	Доктор экономический наук, профессор, Панибратов Андрей Юрьевич
Описание цели, задач и основных результатов	Целью данной работы является объяснение притока прямых иностранных инвестиций из стран с развивающейся экономикой в Тропическую Африку и на примере Ганы определить, в какой степени данные инвестиции оказывают стране экономическую помощь. Основные задачи включают в себя: 1. Определение по итогам анализа литературы основных мотивов для инвестиций; 2. Создание рамочной классификации существующих инвестиционных мотивов; 3. Изучение результатов инвестиций в рамках каждой группы мотивов и определение степени экономической помощи по отношению к оппортунистическим целям инвестирующих стран. Результаты демонстрируют, что между странами существует различие в детерминантах инвестиций. Прямые иностранные инвестиции предоставляют Гане экономическую помощь, способствуя появлению новых рабочих мест и передаче знаний.
Ключевые слова	Прямые иностранные инвестиции (ПИИ), развивающиеся рынки, преимущество страны, преимущество фирмы, Тропическая Африка, Гана.

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Finally, I would like to express my heartfelt appreciation to my family for the continuous support and guidance throughout this journey and for the sacrifices made to seek that I accomplish my lifelong dreams. To anybody who has impacted my life in any way, I am extremely thankful. You made this possible.

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INTRODUCTION

In recent decades, advances in globalization and the falling of trade barriers have led firms to subset operations to other countries (Alfaro, 2017). This has steered a large scale of foreign direct investment (FDI) from emerging economies (EE) to other emerging markets, especially in Sub-Saharan Africa (SSA).

SSA has been a very attractive place for investment for decades now. Investment in the sub-region is dominated by advanced economies[1]. They are typically viewed as advantage exploiting in nature (Buckley et. al., 2016). Collis (2014) points out that, subsidiaries of multinational corporations are usually set up in emerging economies to take advantage of the country-specific advantages (CSAs) available such as resources and cheap labor. The market, however, was not usually the target for multinational companies (MNCs) from developed countries. Nevertheless, that has changed over the last decade, as more and more firms from emerging economies especially from Asia-pacific and also within Africa are investing in SSA.

The fastest-growing economies in the world are all emerging economies (UNCTAD, 2019). The average economic growth per year in the global economy is 3.4% per year; advanced economies 1.7% per year and emerging economies 4.6% per year. SSA has experienced a growth of 3.6% per year (IMF, 2019)[2]. The top five fastest-growing economies are all from emerging markets, three of which are in SSA (IMF, 2019). This has completely changed the landscape of investment thereby making the sub-region more attractive to investment especially from emerging economies such as China, South Africa, and India.

The phenomenon of FDI from emerging market economies to other emerging economies has become a very hot topic over the last decade (Yan & Luo, 2016). However, not much is known about the real motives of this investment into SSA because there have always been conflicting views about the core reasons for investment. Most official information given by governments of investing countries and companies is that these investments provide economic aid by increasing the GDP and providing jobs (Sun, 2017). Other scholars (Izuchukwu & Ofori, 2014; Ndikumana & Sarr, 2016) argue that FDI to SSA is a win-lose situation where African countries lose due to capital flight and overexploitation of resources. These conflicting opinions make it difficult to understand the real motives of investment by emerging market multinational companies (EMNCs) or emerging market state-owned enterprises (EMSOEs) that invest in

[1] See Appendix A.1
[2] See Appendix A.2

Africa hence the need to conduct this research using Ghana as a case study to find the real motives of investment.

It needs to be acknowledged that the decision for an EMNC or EMSOE to enter a foreign market depends on a wide range of factors. The geographical position of the country, its economic attractiveness, resource availability, and strategic goal of the EMNC or EMSOE in its internationalization, among other factors, are very vital in the decision-making process. Notwithstanding these factors, politics and bilateral relationships do play a major role when it comes to the internationalization of firms from emerging markets (Busse, Erdogan, & Mühlen, 2016). As soft power is a political tool used by countries to exert their influence around the globe, FDI is a very common tool countries use in influencing other countries to support their international, political strategy (Nye, 2015).

This research has both practical and theoretical importance. Theoretically, the research contributes to the South-South FDI literature. It fills the research gap about FDI from emerging markets to SSA, taking into consideration the determinants for investment, its influence on the decision-making process, and how FDI regulations of host countries in SSA attract these investments. Also, the research elaborates on how the determinants of investments affect which sectors receive FDI. A framework is developed to match the sectoral investment based on the determinants of investment. This framework can, therefore, be used in further FDI studies about the behavior of EMNCs and EMSOEs and their pattern of investment in SSA. Practically, this research has managerial implications that will allow EMNCs and EMSOEs to understand how, when, and where to invest based on the trend of investment from their competitors to SSA. Managers can influence some of these factors to their advantage and can therefore strategically invest in sectors based on their specific goals as to whether, they want a long, medium, or short-term return on investment. In terms of political factors and corporate social responsibility, it will be easier for firms to understand which sectors have social-political roles and which sectors are related to strictly economic benefits. This will then shape their strategy of investment in SSA.

The subject of this thesis is foreign direct investment from emerging markets while the object is Sub-Saharan Africa, using Ghana as the case study.

The main goal of this paper is to elucidate the factors that make Ghana an attractive location for EE FDI. In other words, to understand why emerging economies invest in SSA. The analysis countenances an inquiry into the factors that influence EMNCs and SOEs to choose Sub-Saharan Africa, especially locations such as Ghana instead of choosing advanced markets or other emerging markets closer to their countries of origin. These factors can be economic, cultural, geographic, or political.

There are **three major objectives** of this paper. First and foremost, the paper aims to contribute to the FDI literature by filling the gap in the extant literature about the motives of investment and its economic or political implications. The novelty of the topic (hot topic) abhors a multidimensional empirical framework that allows us to determine the influence that resources, cheap labor, economic growth, location, similarities in culture and political ties (bilateral relationship) have on the propensity of an EMNC or EMSOE to invest in Ghana. To derive this model, a thorough literature review is done to identify the determinants of investment by EMNCs and EMSOEs in the African sub-region. This enables understanding of the common entry mode chosen by these firms. The framework will latently be useful in ameliorating the knowledge in the behavior of EMNCs concerning investment in Ghana.

Secondly, the paper aims to explore sectoral investments by EMNCs. The industries in which EMNCs choose are determined by their motives. To understand why they invest in certain industries and their motives of investment, the researcher develops an evaluation system for classifying the motives of investment based on a) industries where investors benefit immediately (manufacturing, resources, hospitality) and b) industries where social effects dominate (education, infrastructure, medicine). The researcher argues that industries that EMNCs invest in are different and are influenced by the country of origin of the EMNC. Some countries invest more in industries where social effects dominate while others invest in industries where returns are instant. In rare cases do we find a mixture of both from the same country.

Thirdly, the researcher wants to point out the role of social contribution by FDI in the least developed economies. In the case of Ghana, the extent of economic aid provided by FDI, compared to the level of opportunism resulting from FDI is discussed. This will help in making recommendations for policymakers concerning FDI regulations.

The existing literature in the sphere of internationalization and entry mode choice focusing on Ghana, SSA, and emerging markets were used in making this research. Secondary data from the Ghana Investment Promotion Center, Oxford Economics, United Nations Industrial Development Organization, Ghana Statistical Service, UNIDO, World Bank, and UNCTAD were also analyzed. Notwithstanding, publicly available databases such as the ORBIS, and MarketLine were used for the firm-level analysis.

The master's thesis consists of three chapters. These three chapters provide a well-organized, logical, and coherent understanding of the topic, which focuses on providing a well-detailed explanation and framework to fill the gap in the existing literature about FDI to Ghana.

The first chapter focuses on the theoretical background of the study. It centralizes on the theory of internationalization strategies by MNCs as well as research on FDI to emerging markets, with the focus on SSA and Ghana. Dunning's Ownership-Location-Internalization (OLI) framework which is commonly referred to as the eclectic paradigm is used as the basis of the theoretical research. The researcher examines why EMNCs choose to merge, acquire, or wholly own a subsidiary in SSA instead of choosing a low-risk, a lower-return approach like export or licensing. Also, the researcher seeks to shed light on the impact of location on the decision of EMNCs and sometimes EMSOEs to invest in certain countries in SSA. Furthermore, the researcher analyses why firms choose to have most of their operations in-house by setting up subsidiaries in different countries rather than having suppliers along the value chain.

The second chapter focuses on research methodology chronicling the approach used in analyzing the data, the methodology of the research, and preliminary findings. It is inherent that the methodology and design of the research are discussed. A justification of a chosen method used, data collection, and analysis are accurately explained. In this regard, the second chapter seeks to explain the research strategy chosen to arrive at the empirical part of the study.

The third chapter further dives into the empirical study of the research. The focus on this chapter is on FDI as the main internationalization strategy of EMNCs to SSA. It studies how the country-specific advantages (CSAs) such as factor market and institutional conditions help Ghana to become an attractive destination for EMNCs and EMSOEs that are looking to augment their firm-specific advantages (FSAs) and arbitrage the factor cost differences to create a competitive advantage. I do so by exploring existing research on the effects of CSAs on attracting EMNCs to wholly invest in a certain country (Cantwell, 2014; Collis, 2014; Dunning, 2001; Ghemawat, Altman, & Bastian, 2018). The effects of institutions of emerging market countries on the propensity to invest is also explored. In this case, the impact of the ease of doing business, regulations to protect foreign companies, tax breaks among others are all factors that determine the likelihood of an EMNC investing in a country. The researcher also focuses on FDI as economic aid. It is vaguely said that the only way for emerging economies in SSA to catch up with developed countries is through foreign aid. Therefore, FDI is seen as a form of "corporate social responsibility" by EMNCs and is highly praised by governments and policymakers. A handful of researchers see it otherwise. However, it is unclear whether this investment does indeed provide the economic aid that is promised or whether opportunism is at the core of these investments. This leaves a gap in the literature that needs to be explored further. Consequently, this paper recesses the extent of economic aid provided to Ghana through FDI.

The remaining part of the research is devoted to further discussion on the contribution of the finding to existing theory as well as the managerial implication of the finding in helping EMNCs decide on which sectors (industries) to invest, how to provide economic aid and what factors to be taken into consideration when determining where to invest in SSA. On the other hand, governments are advised to be wary of FDI as economic aid, and made policies accordingly. The researcher provides a limitation of this research and possible ideas for future research.

CHAPTER 1. FOREIGN DIRECT INVESTMENT: THEORETICAL BACKGROUND

1.1. Globalization and Cross Boarder Investment: Overview

Globalization is substantially discussed in International Business (IB). Friedman (2005) argued that the world is flat, countries, and continents are interconnected. Taking the growing number of Fortune 500 companies from emerging markets, the offshoring of production and knowledge workers from the developed world to emerging economies, one would agree that we are now in a world of open economies. However, Rugman and Verbeke (2004) argue that most companies are home region oriented (90%) and only 3% of even the largest companies are truly global. Osegowitsch & Sammartino (2008) challenged the findings by using the same data while changing the threshold to prove that there are many more multinational companies than suggested by the previous scholars. Ghemawat (2017b) tends to see the world as "semiglobalized" by arguing that if the world was perfectly integrated, the distribution of activities across countries would simply match the populations of their share of GDP. Despite the growing anti-globalization tensions in many countries (Ghemawat, 2017a), global connectedness reached an all-time high in 2017 (Ghemawat et al., 2018). The number of multinationals has increased tremendously over the years and it is much seen in emerging economies (Ghemawat et al., 2018).

These changes have given rise to the emergence of new economic powers, competition for natural resources, and return to broad openness (Cantwell, 2014). The direction of trade in the past was that developed countries sent manufactured goods to developing countries in return for raw materials. Now developing countries are exporting manufactured goods to the developed world (Collis, 2014, p. 15). It is predicted that the majority of world economic growth will occur in developing countries over the next 30 years (Ward, 2011). Signé (2018) predicts that consumer expenditure in SSA will reach $2.1 billion in 2025. There is therefore a rising trend of FDI to SSA especially from other emerging markets due to the potential and growth of emerging markets all over the world.

Upon understanding the theory of internationalization in international business, it is imperative to focus on the subject matter of this research and proceed with analyzing the existing inquiry in the field.

To fully understand the determinants of FDI as an entry strategy, the factors in the host countries that attract these FDI to Sub-Saharan Africa, it is imperative to first analyze existing literature in the field of internationalization strategies of multinational companies with much emphasis on emerging market multinational companies. It is worth mentioning the relevance of up-to-date research in academia. Therefore, the literature review will focus mostly on the current research about FDI to SSA as well as a few most important theories and findings that are widely accepted in the field of international business. In as much as; research by Dunning, for example, may seem outdated, it is still fundamentally useful since much of his work especially the OLI framework has been the most predominant in analyzing FDI to date. To be able to holistically cover the topic and answer all the research questions, the literature review covers the following spheres:

- Theories of internationalization, with the focus on the eclectic paradigm, its strengths, and limitations.
- Internationalization strategy of emerging market multinational companies to Sub-Saharan Africa
- The peculiarities of internationalization of Chinese, Indian, and South African multinational companies.
- The benefits and drawbacks of FDI to receiving nations on the sub-region.

Besides, the objective of the research is to also establish if FDI from emerging market multinationals to Sub-Saharan Africa provides any economic aid and to what extent this aid is provided. Given this, the researcher will look at the following:

- The pattern of investment based on sectors and how those sectors contribute to the socio-economic development of the nation.
- The tools for assessing political influence through FDI in Ghana.

Notwithstanding the popularity of the topic, the trend of FDI from emerging economies (EE FDI) to other emerging markets, comparing and contrasting their motives of investments, based on the sociopolitical and economic motives haven't been discussed, hence the current research is intended to fill this gap in the FDI management literature.

1.2. Entry Modes into Foreign Markets

In a progressively globalizing world, firms are driven to expand their business to foreign markets. The strategy for a firm's internationalization process depends on the choice of market, timing, and entry mode. The entry mode to be chosen by a firm depends on a thorough analysis of FSA's, risks, and benefits to be attained from choosing a particular mode of entry.

The first step is for a firm to decide to pursue equity or non-equity mode of entry (Clarke et., 2013; Meyer & Peng, 2016; Panibratov et. al, 2018). Non-equity mode of internationalization (exports and contractual agreement) reflects comparatively lesser obligations to foreign markets. The risk, control, and returns are also lower in that regard (Hollender et al., 2017). Equity modes (Joint ventures and wholly-owned subsidiaries) on the other hand require larger commitment. A firm partially or fully owns an organization overseas. According to Meyer and Peng (2016), firms that enter a foreign market through equity modes are considered as multinational enterprises or companies (MNEs or MNCs). Our research, therefore, focuses on these MNCs. We further restrict the research to MNCs from emerging economies (EMNCs).

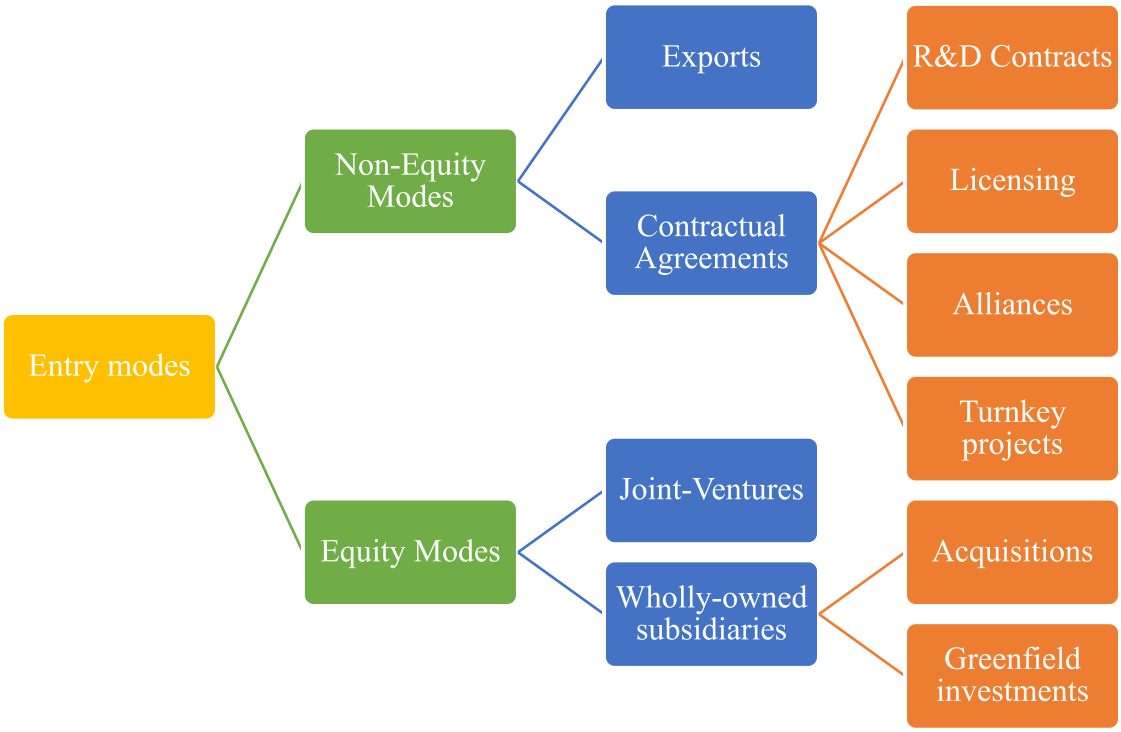

Figure 1.1. The choice of Entry mode (Meyer & Peng, 2016)

For the research, we will focus on equity modes of entry. An MNC uses the equity model of entry because it can transfer intangible assets to create a competitive advantage in foreign markets. Once the firm has decided to use an equity mode, it then has to decide on how much control[3] it wants to have. This is dependent on the risk, benefits, assess to complementary local resources and governmental regulations in the foreign country (Panibratov & Ameyaw, 2020). If investors prefer full control and are willing to take on the full risk of operating in a foreign country then the wholly-owned greenfield or full acquisition is chosen as the mode of entry.

[3] See Appendix A.3

The mode of entry can also be categorized into two main streams; the economic approach and the behavioral approach (Collis, 2014; Pitelis & Teece, 2018; Vahlne & Johanson, 2017). The Eclectic Paradigm (Dunning, 1977), the International Product Life Cycle Model (Vernon, 1979), and the Transaction Cost Theory (Hennart, 1988) are some of the widely known economic approaches. The behavioral approach also has very popular theories such as the Uppsala Model (Vahlne & Johanson, 2017), and the Decision-Making Model (Aharoni et. al, 2011). Both the behavioral and economic approaches take into consideration internal and external factors (Siefert and Machado-da-Silva, 2007).

Table 1.1. Internal and External factors of behavioral and economic approaches of internationalization

The main factors influencing the internationalization process	Economic Approach	Behavioral Approach
Internal factors	▪ Ownership advantages ▪ Tacit knowledge ▪ Product characteristics ▪ Communication ability	▪ Experiential knowledge ▪ Learning
External factors	▪ Location advantages ▪ Comparative advantages ▪ Government intervention ▪ Opportunism ▪ Uncertainty ▪ Industry characteristics	▪ Physic distance ▪ Geographic distance ▪ Cultural distance ▪ Inter-organizational networks

Source: Based on Siefert and Machado-da-Silva (2007, p. 42)

Considering the goal of the research, we will focus more on the internal and external factors to an economic approach that influences the firm's decision to invest abroad. Ownership advantage helps the firm to solve the asymmetric information regarding its intangible assets arising from market failures in a foreign market (Hennart, 1988) At the same time transfer of tacit knowledge requires learning by doing which can be done through internalizing operations within the firm. By looking at the ownership, internalization, and location advantages as well as analyzing the rate of opportunism and economic aid, it is imperative to dive into the Eclectic paradigm framework as well as the Uppsala model and justify why the OLI framework is the best fit as the ground theory for this research.

1.3. Foreign Direct Investment Theories

Since its inception in 1977, the Ownership-Location-Internalization (OLI) paradigm (Dunning, 1977, 2001) has been the prepotent theoretical framework for grasping FDI or MNEs. The fundamental question that bewildered Dunning was: why do firms invest overseas, or in a broader sense, what determines the amount and composition of international production? From the onset, the eclectic paradigm was enthralled with delineating the origin, pattern, level, and growth of firms' overseas activities. Today, the focus is on why firms invest abroad rather than fully investing at home, and on explaining the pattern of FDI across countries (Collis, 2014).

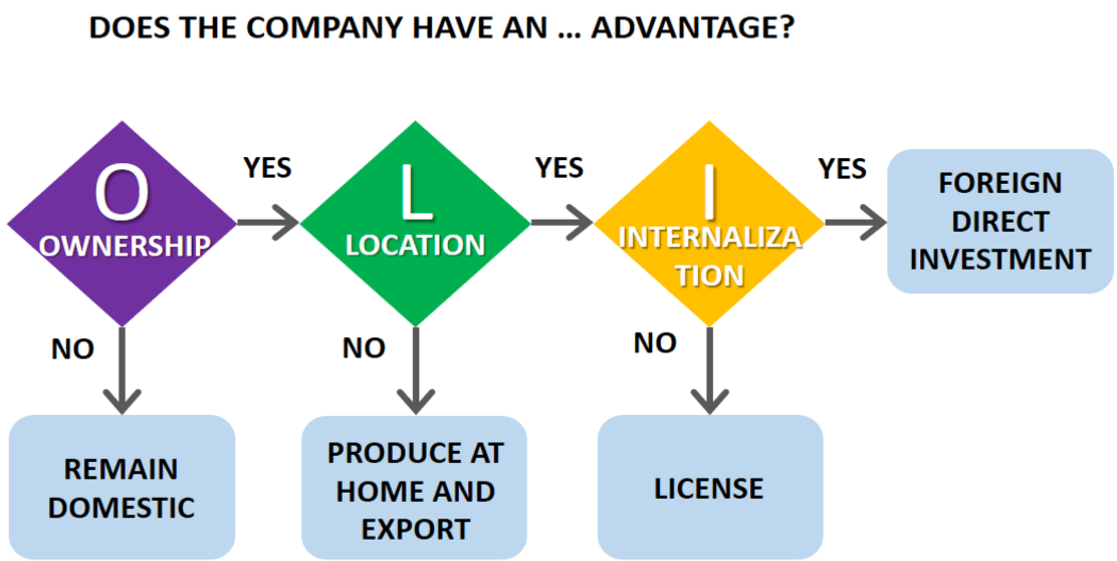

Figure 1.2. The Eclectic Paradigm (Dunning, 2001)

The model is a plain sailing "bigger picture" framework that firms can use in decision-making with regards to the benefits of multinational operations (Ruhl, 2016). The framework is a three-tiered evaluation model that multinational companies can follow when attempting to determine if pursuing FDI is propitious (*See figure 1.1*). According to the framework, a firm's decision to enter a foreign market as well as its choice of entry mode is dependent on ownership, location and internalization advantages (Dunning, 2001), as shown in figure 1.2.

While the ownership-specific advantages were revisited (Eden & Dai, 2010; Lundan, 2010), the location-specific advantages were explored by Narula and Santangelo (2012). Besides, Cuervo-Cazurra and Narula (2015) rendered a deeper cognizance of the investment motives, using the location advantage. Cantwell (2015) synthesized the antecedents and the extensive development of the OLI framework as a meta-framework.

The purpose of embarking on FDI is for firms possessing FSAs to leverage and arbitrage their competitive advantages abroad (Collis, 2014). This can be done through the dynamic ownership advantage. The ownership advantage compensates for the "liabilities of foreignness" that a firm may encounter from operating from afar (Eden and Dai, 2010).

The location advantages may be influenced by favorable government incentives, regulations in different countries and the aspiration to decrease transaction costs are all factors that may influence a firm to relocate operations or production abroad (Cuerzo-Cazura and Narula, 2015).

The last advantage tackled by the framework is the internalization advantage. This takes into consideration the benefits of in-house operations. It perceives a firm to benefit from retaining its tangible and intangible assets within the firm rather than allowing the involvement of third parties within the business process. Internalization, therefore, reduces transaction costs given through the ownership advantage (Cantwell, 2015).

Table 1.2. Alternative routes of servicing markets

Route of Servicing	O advantage?	I advantage?	L advantage?
FDI	yes	yes	yes
Export	yes	yes	no
Contractual transfer	yes	No	no

Source: Dunning (1988, p.28)

Some IB scholars have classified the traditional FDI, investment from firms in developed economies to emerging economies, as downward FDI, while upward FDI refers to FDI from emerging economies to developed countries (Bruton and Lau, 2008; Masron, 2017; Moon, 2019). They adduce that while the downward FDI is advantage-exploiting in nature, upward FDI is for advantage-seeking (Buckley et. al., 2016; Sutherland et. al., 2018). Some scholars (e.g., Wagner, 2020) argue that the OLI paradigm is only relevant for explaining downward FDI. Alternative theories such as the linkage-leverage-learning (LLL) model was developed to curb the limitation of the OLI framework (Mathrews, 2006). There have also been theories such as the imbalance theory (Moon & Roehl, 2001), which sees both the ownership advantage and ownership disadvantage as special cases of imbalance that resorts from resource imbalance of a firm in the home country that need to be compensated through FDI.

Another factor that needs to be taken into consideration is the choice of the country to enter as Dunning terms as the Location. The Uppsala model of internationalization (Vahlne & Johanson, 2013) postulates the complicacies in investing abroad. The authors claim that the complex nature of investing abroad requires that a firm slowly expands its international operations through lower-risk entry modes before gradually perceiving risky ventures. They also perceive a physic distance (culture, geography, language, markets, etc.) between countries that need to be taken into consideration in the decision-making process of internationalization. The model recommends firms to pursue FDI in markets that have relatively lower physic distance. This means that firms should pursue cross-border operations in countries with a similar culture, language, markets, and closer geographic proximity. The reason for this is that the risk of failure is lower in those markets as knowledge learned from operating in the home country can mostly be applied to the host country that is similar to the home country. Notwithstanding the popularity of the Uppsala model, it has some drawbacks. The physic distance as explained by the authors do not include the legal and competitive environment, which are extremely valuable in the decision-making process of internationalization.

Taking the drawbacks of the model into consideration, a revised version of the Uppsala model was created to include the capabilities of multinational business enterprises (Vahlne & Johanson, 2017). This includes capability-creation in the model. The authors explain what makes internationalization possible by considering the ownership, control, and other forms of privileged access to firm-specific advantages, efficient governance, and economies of scale. Unlike the previous model, this new model tries to understand what firms are “trying to do” instead of what they have “succeeded in doing”. Incorporating the model with the concept of multinational business enterprise (MBE) shows the process-oriented, network, business exchange, pro-active and entrepreneurial, heterarchical nature of the new model. This approach differs from the traditional studies of MNEs in that it integrates process and content. The authors thus intended to create a model that can be a substitute for the eclectic paradigm (Dunning & Lundan, 2008) in explaining MBE evolution. Vahlne and Johanson (2017) however argue that the Uppsala model relies on more realistic assumptions than the OLI framework and as such, it is expected that the Uppsala model will be superior to the OLI framework in the micro-level understanding of MBE evolution.

Regardless of the changes made to the Uppsala model, it still cannot fully explain why EMNCs invest in other emerging markets. Are there similarities between countries such as China and India that allows them to invest in SSA? If the culture, language, markets, and geographic proximity are different, then one will perceive the risk in investing to be higher then. It makes sense for South Africa to invest in other SSA countries such as Ghana but does it make sense for Chinese and Indian companies as well? Shouldn't Indian and Chinese multinationals invest in the Asian Pacific region instead? Due to the limitation of the Uppsala theory in understanding the process and leaving out the macro-level motives of investment, these questions cannot be fully answered, if the Uppsala model is adopted as the fundamental theory of our research.

In view of this, **the eclectic paradigm is the framework that best fits our case study. This is because it holistically tackles the motives of investment from the macro level, by explaining the pure motives of investments.** Dunning (2002) clearly says:

> *"Although I have sometimes illustrated the eclectic paradigm by reference to the individual firm, my main focus of interest is in explaining the international production of all firms from a particular country or group of countries. Because of this, I contend that it is inappropriate to compare the merits and demerits of the eclectic paradigm with that of internalization and other theories of the firm."*

Dunning & Lundan (2008) in their later paper on the OLI framework pointed out the drastic changes of the global economy which has impacted the competences and tactics of MNCs. The most momentous change in the motives of foreign direct investment has been the exponential growth of strategic asset-seeking FDI. Dunning views this new change as exploiting a prevailing ownership-specific advantage of an investing firm. Location preferences have also changed over the last decade and MNCs are constantly pursuing locations that offer the best institutional and economic facilities (country-specific advantage) for their core competencies (firm-specific advantage) to be efficiently exploited (Collis, 2014).

1.4. Existing Literature on Emerging Economy FDI to Sub-Saharan Africa

Even though Global FDI decreased by 23% in 2018, FDI to emerging markets remained stable at $671 billion while inward FDI to developed economies fell sharply by 37% to $712 billion (UNCTAD, 2019). Cuervo-Cazurra et al. (2018) find that outward foreign direct investment (OFDI) from emerging economies is greatly supported by their governments to redress the firms' competitive disadvantages in the global competition. For example, China's "going global" strategy is the second most important driving force behind Chinese OFDI today (UNCTAD, 2019).

Several studies have shown that the influx of FDI can be advantageous for the host nation, especially emerging economies (Adams & Opoku, 2017; Jude & Levieuge, 2017; Sayari, 2019). In addition to offering new capital, FDI is commonly understood as a means of encompassing new knowledge from overseas (Gaur et al., 2019). Multinational companies (MNCs) theory insinuates that MNCs possess a technological advantage over indigenous firms that offsets the cost of doing business in external markets (Walgenbach et al., 2017). The inflow of new knowledge could be advantageous to domestic firms through replication and learning, intensified rivalry in local markets, the expedition of human capital mobility between firms and vertical linkages; thus, raising the productivity level of sustaining a higher growth rate (Ahammad et al., 2016; Gaur et al., 2019; Harzing et al., 2016; Li et al., 2018). The extant studies also view FDI in emerging economies, as an economic aid that helps developing countries to catch up with the global level of economic development (Busse et al., 2016).

International business scholars list natural resources, cheap labor, lax regulations, strategic asset-seeking, and geopolitical environment of recipient countries as factors that influence inflow of FDI to emerging economies (Casanova & Miroux, 2017; Deng, et al., 2019; Fu et al., 2018; Hernandez & Guillen, 2018; Ramamurti & Hillermann, 2018; Verbeke & Kano, 2015).

The stock of FDI from China to Africa increased by more than 50% between 2013 and 2018 (U.N. Habitat, 2018). Ross (2015) finds that Chinese FDI to SSA is driven by access to natural resources, infrastructural quality, and regulatory environment. Brautigam et al. (2017) find that Chinese investment in SSA is mainly market-seeking. Sun (2017) perceives the rising cost of labor in China and the prospects of US trade restrictions to be the reasons behind over ten thousand industrial facilities operating in SSA that was constructed by Chinese private investors. South African FDI within SSA is predominantly market seeking (Boso et al., 2016; Kruger & Strauss, 2015). According to UNCTAD (2019), South Africa holds a sizeable FDI in mining, quarrying, manufacturing, telecommunication, and finance. Alden and Verma (2016) iterate that, Indian investment in SSA is mainly found in the resource and infrastructure sector. Using firm data, Ndiaye (2016) finds Indian FDI to SSA to be mostly resource seeking, concentrating on the oil and gas sector. Concerning the sector, India has also focused on manufacturing such as textile and garment, construction, and related activities, as well as services such as Information Communications Technology (Chen et al., 2019).

Through FDI, investors strive to ingress more consumers or use new locations to support exports to third markets (Amendolagine et al., 2019). Multinational enterprises might be captivated in supplying a market through local production rather than through exports. Discernibly, larger and fast-growing markets are more attractive for this type of FDI. For example, Gundelach et al., (2019) and Feng (2017) find that EMNCs in SSA have very little competition in the SSA market because they leverage their FSAs such as economies of scale and scope to their advantage. The cost per unit of production for EMNCs is significantly lower than their local rivals leading to lower marginal cost and ultimately lower prices in an extremely price-sensitive market (Astorne-Figari & Lee, 2019). This creates a higher demand for their goods and thereby expanding their market shares tremendously (He et al., 2019). Xiaofang (2015) revealed that Chinese private firms in Africa are seen in the labor-intensive manufacturing sector due to access to the market, raw materials, and cheap labor. Upon analyzing the pattern of investment, using data from the Ministry of Commerce of China (MOFCOM) about OFDI, Chen, Dollar and Tang (2017) concluded that Chinese firms may be more predisposed to seek profits in arduous markets.

In some cases, firms seek not just markets but efficiency (Anyanwu, 2019, p. 132). Multinational enterprises seek to benefit from varying factor resource costs across countries through what Collis (2014) terms as aggregation. Firms would adopt efficiency-seeking FDI to reduce their inputs or labor costs, which transcribes to vertical FDI. Many EMNCs are motivated to outsource the production of labor-intensive products to low-wage, emerging economies to decrease their overall cost of production (Jia et al., 2019). It is therefore not surprising to see a significant number of Chinese, Indian, and South African multinationals in SSA, taking advantage of the low-cost of medium and lower-skilled labor (Gelb et al., 2016).

An important reason for investing in emerging economies is to seek resources to meet the growing demand for goods and services or in some cases resources that are not available in the parent country (Kang & Liu, 2016). This is typical for Ghana and many resource-rich SSA countries that attract significant FDI because of the abundance of natural resources (Acheampong and Osei, 2014). Resource seeking FDI emanates vertical FDI. This interest is highly common among EMSOEs aspiring to warrant food and rare mineral resources (Rudy et al., 2016). Resource exploitation in SSA is dominated by EMNCs especially from emerging markets such as China, India, and South Africa (Barasa et al., 2017). The hegemony of EMNCs in resource exploitation is attributable to the high cost of capital needed for investment in the sector, the high technological intensity and associated risk, which averts the less capitalized domestic investors hence the higher likelihood of foreign firms investing into the sector (Chen et al., 2016).

An underdeveloped institutional environment is an inherent feature of many emerging economies, with SSA being one of the worst cases. Bad institutions and corruption discourage FDI for-profit-maximizing firms and increase capital expenditure which, in turn, reduces returns on investment (Qian & Sandoval-Hernandez, 2016). However, these bad institutions have created opportunities for rent-seeking by EMNCs through bribery of local rulers, resulting in high resource-seeking FDI in many SSA countries (Ndikumana & Sarr, 2016), which leads to high capital flight due to the illegality of activities and unrecorded data about operations.

Baring the motivations originating from the firm itself, there are other motivating factors dependent on the home or host countries that would influence the decision of EMNCs to invest in other emerging economies. EMNCs may invest in developing countries due to liberalization that has led to tighter competition in the home country (Narula, 2018). Home institutions may support internationalization like the Chinese "Go Global" policy does (Wang et al., 2018). Companies facing softer financial curtailment may undertake in FDI for economic and political reasons (Elkomy et al., 2016). The attractiveness of the host country like the size of the market, wages, fiscal incentives, and most importantly natural resources may be a noteworthy pull factor.

1.5. Review of literature on FDI to Ghana

The extant literature on MNCs reflects similar viewpoints as FDIs in the SSA sub-region. The determinants of FDI to Ghana are very similar to that of the determinants of other countries in the sub-region. Therefore, this section will rather focus on the impact of FDI on the Ghanaian economy rather than the determinants of FDI to Ghana. There is a varied feeling about the impact of FDI on the socio-economic development of the country. This section explores those conflicting viewpoints about FDI in Ghana.

Scholars who view FDI as being positive to Ghana view MNCs as accomplices in the country's growth. Using time-series data and periodizing the connection between FDI and economic development in Ghana, George (2014) and Tee, Frank & Rebecca (2017) note that there is a strong link between FDI and economic development in Ghana. They then suggest that the government of Ghana should adopt policies that attract FDI and encourage collaboration between local firms and foreign ones. Sakyi, Commodore, and Opoku (2015) find the collaboration of FDI and exports to be vital in advancing the economic growth of Ghana. Boakye

& Gyamfi (2017) also reveal the positive effect of FDI on the Ghanaian economy. According to their study, a rising flow of FDI to Ghana has a direct correlation with the increase in GDP, thereby FDI being a driving force of Ghana's economic growth. The drawback, however, of all these research authors (Boakye & Gyamfi, 2017; George, 2014; Sakyi, Commodore & Opoku, 2015; Tee, Frank & Rebecca, 2017) is that they ignore the necessary environment needed to attract investment such as human resources to induce efficiency-seeking FDI. The Ghana Investment Promotion Center (GIPC), perceives a positive link between FDI and employment in Ghana. The organization reports that almost every project creates jobs for Ghanaians and non-Ghanaians alike (GIPC, 2019a). GIPC reported that 117 projects in 2018 created over 7054 jobs for Ghanaians alone and that FDI is a really important factor for solving unemployment in Ghana. These findings are extremely vital for this study. Provided these findings are accurate, one would expect the rising number of projects and FDI to lead to a drastic reduction in unemployment in the country but the unemployment has been increasing instead (World Bank, 2020).

Other scholars view FDI to be a drawback for the development of Ghana. Eshun & Jellicoe (2011) see MNCs as predators who seek opportunism to increase profitability. The authors find that the activities of MNCs in the mining sector's activities are aimed at filching the country's development. The authors argue that MNCs encourage corruption through rent-seeking and exploit the country's natural resources such as gold. These activities destroy variable lands and water bodies. Adams et al., (2019) find that resource availability in Ghana is indeed a curse. They claim that resource availability in Ghana only leads to MNCs getting richer and not the people of the country. A similar discovery was made by Lawer, Lukas & Jørgensen (2017). The authors find that local institutions were neglected and the people of Krobo are better off without mining MNCs as their water bodies and farmlands are being destroyed. Chou (2014) in his dissertation examined the role of MNCs in discharging their Cooperate Social Responsibility (CSR) in Ghana. He used Newmont Ghana, an MNC operating in the mining sector of Ghana. He reveals that Newmont Ghana has worsened the poverty situation in the area of operation. His findings reveal that Newmont has contributed to the high cost of living but has not generated any job opportunities for the locals thereby making life extremely arduous for the residents of the Ahafo area.

1.6. Research Gap

With differences in strategies and motives between MNCs from emerging economies and those from advanced economies, EMNCs have increasingly been investing in countries in SSA, with greater physic distance as compared to their home region, higher risk economies, politically unstable economies, among other factors. This raises a lot of questions as to why these firms and sometimes SOEs invest in such territories abroad.

Some researchers have explained some of the motives like resource seeking, market seeking, strategic-asset seeking, and efficiency-seeking (Collis, 2014; Dunning & Lundan, 2008, Deng, Delios & Peng, 2019). However, these motives seem to be too broad as an explanation to individual firms and even countries. We still do not understand why there is a cluster of firms from a specific country in some industries in Ghana and other SSA countries. Are the motives of all the firms from one country the same? Which sectors seem to be attractive to EMNCs? What is the motivation in investing in those sectors? What is the role of the home government in the internationalization strategy? Are there possibilities of expansion in the home market? Does their investment help the receiving country economically? These questions haven't been answered by the extant literature on the topic and hence the need for this master thesis to fill that gap in the literature.

Also, based on the discussion in the preceding chapter, it is clear that the discussion on the role of FDI as an economic aid in emerging economies or opportunism fails to reach a consensus, it is therefore essential to find out the role FDI from emerging economies plays in providing socio-economic aid to other emerging economies such as Ghana.

The new pattern of emerging economies investing in other emerging economies has substantially changed the landscape of the world economy and has naturally raised questions about their motivations, intent, and implications (Caccia & Baleix, 2018). Comprehending the variation among the motives of FDI can play a major role in exploiting more determinants of FDI (Li et. al., 2018). However, this new pattern hasn't been discussed well enough in the IB literature and hence this thesis aims to fill the **research gab** in EE FDI to SSA, thus the author shapes two **research questions**:

1) What are the determinants of emerging economy FDI to Ghana?

2) To which extent does FDI in Ghana provide the country with socio-economic aid?

1.7. Chapter Summary

Upon thorough literature analysis of the concept of internationalization, it is evident that the notion of internationalization by MNCs has changed over the decades. Many theories including classical, economic theory, and behavior of the firm has been discussed. However, since the business environment keeps changing, it makes it difficult for a specific theory to be able to answer all the underlying questions of investing abroad. At the same time, some steps and methods that applied to the process of internationalization are not relevant anymore due to changes in regulations in different countries, improvement in technology, the emergence of new economic superpowers from emerging economies, and changes in the investment landscape in general.

The global landscape has changed and global economic power does not lie only in the hands of advanced economies. Emerging economies are home to some of the top global firms now. These multinationals from emerging markets have a different approach to internationalization as compared to the traditional approach by MNCs from matured markets who have different motives and hence use different strategies (Panibratov & Ameyaw, 2020).

These differences in the landscape and the vague nature of classifying all FDI in the same category calls for separation in research. As noted, the pattern of investment and strategies of internationalization are different. Firms from emerging markets are willing to take more risk. We, however, cannot conclude based on the literature if their motives are the same as firms from advanced economies, or perhaps if the motives of investment are the same for all EMNCs or EMSOEs.

Concerning the benefits or otherwise of FDI in developing countries, a consensus cannot be reached from the extant literature. Hence this will be examined in the latter part of the research to ascertain if EE FDI is beneficial to the host nation or opportunistic. This will create an understanding of FDI from emerging markets, benefits, or opportunism to host countries as well as factors that attract these firms and what the host country can do to benefit more from these investments.

CHAPTER 2. RESEARCH METHODOLOGY

2.1. Research Problem

Appertaining to the literature review from the previous chapter, it is clear that the motives of investment to SSA by EMNCs aren't clear. The conflicting opinions by scholars and the inability to explain the motives using traditional internationalization theories call for an exploration of the topic. To do that, we need to focus on one country using the case study method to thoroughly study the pattern of investment and the activities of EMNCs in Ghana. By understanding the patterns of investment, we can also understand what the motives of investment are and how they provide Ghana with economic aid.

It is therefore imperative to look at the research questions and the procedure for the analysis. The research questions to be answered are:

1. What are the determinants of emerging economy FDI to Ghana?
2. To which extent does FDI in Ghana provide the country with socio-economic aid?

To answer these questions, we need to analyze the following:

- The sectoral distribution of FDI from China, India and South Africa to Ghana
- The contribution of these EMNCs to the Ghanaian economy
- The extend of economic or opportunism associated with FDI by country of origin

The author will then be able to identify the motives of investment based on the analysis. The motives of investment will then be grouped into opportunistic or socially-oriented motives. A framework will then be developed to distinguish the types of motives. This framework will help policymakers and businesses in their decision making.

2.2. Methodology

This study uses a qualitative exploratory method, with the subject of the study being FDI from emerging economies and Ghana and emerging market investors as the object. To achieve the objective of this study, a qualitative method is used due to several reasons. The qualitative method provides robustness in identifying trends and patterns among data acquired for this study. This method also helps to deeply investigate the motivating factors that contribute to Ghana as a choice of location for FDI in the SSA.

Another reason for choosing a case study approach is that the issue of FDI from emerging markets to other emerging markets such as Ghana still requires extensive conceptualization together with theory building. Eriksson and Kovalainen (2016) are of the view that the case study method is more of a research strategy rather than a method that can present onerous business cases most pragmatically. An exploratory study makes it sagacious to scrutinize the trends in FDI research and enables the researcher to obtain evaluative discovery from the data in a more proactive approach as compared to using hypothesis (Silverman, 2016). As indicated by Eisenhardt (1989), the qualitative approach is appropriate in new topic areas. The novelty of this study makes the qualitative approach befitting for this study.

Based on the literature review of this study, it can be inferred that very little studies have been conducted in this domain, therefore limiting the amount of conceptual framework for hypothesis testing (Betancur-R et al., 2019; Gelman & Carlin, 2017). The incommodious nature of data collection for this study makes the exploratory method suitable. The findings of this study are critical for further research and therefore make it crucial to use the most appropriate data available.

2.3. The country selection

Given the general interest of understanding the motives of FDI from emerging economies to other emerging markets, this thesis aims to assess the determinants of FDI for emerging economies, especially in SSA. Instead of concentrating on a hefty number of countries, it focuses on a specific country: Ghana. While large cross-country studies can recognize the elements that drive FDI and observe their impact across countries, they cannot postulate an in-depth analysis. The country case study however provides that advantage.

There are five reasons why the analysis of the present study is limited to Ghana. Firstly, Ghana's proven track record of executing political and economic reforms makes it an ideal choice for such a study. Ghana was one of the first SSA countries to implement market-friendly economic reform programs such as the Economic Reform Programme (ERP) in 1983, Mining Code in 1986, Investment Code in 1994, and the Free Zone Act in 1995. The World Bank (2020) recognizes Ghana as one of the best SSA countries for doing business due to the significant implementation of economic and political reforms in recent years. Besides, Ghana's economic growth rate has surpassed the global economy, and most of SSA over the last five years (World Bank, 2020). Adding to that, the government has put in place additional measures to make

Ghana the business hub of SSA. This has, therefore, made the country a very attractive location for FDI.

Secondly, Ghana has one of the fastest-growing economies in the world (IMF, 2020). With an economic growth rate of above 5% over the last four years the country doesn't seem to be slowing down. This has caught the interest of investors and has seen the number of projects and amount of FDI tremendously increase over the last couple of years (GIPC, 2019). Other reasons for the higher rate of FDI in Ghana are the regulations allowing full ownership, provision of task breaks, and the Tema free zone which mostly attracts EMNCs seeking to export their made-in -Ghana products to third party markets (GFZB, 2020). With Ghana being classified as a middle-income country (World Bank, 2020), the purchasing power of its residents are relatively higher than many other SSA countries and therefore attracts market-seeking EE FDI.

Thirdly, the availability of natural resources induces resource-seeking FDI. Ghana is one of the most differentiated resource-rich countries in SSA. The country possesses natural resources such as gold, bauxite, manganese, and recently crude oil. Due to the capital intensity of the mining industry, firms operating in this industry are mostly foreign firms with the majority being EMNCs. On top of the natural resources, Ghana is the leading producer of cocoa in the world and plays an essential role in the value chain of chocolate production. Due to this, EMNCs in the chocolate production sector have set up industries to have access to the cocoa beans for the production of chocolate and related products. Last but not the least, the availability of fertile land and a great climate makes the country attractive for agriculture. EMNCs seeking to establish an industry in the food processing industry are attracted by such attributes.

Fourthly, there is s higher literacy rate with skilled and trainable labor which induces labor seeking FDI. With the introduction of the free compulsory secondary and technical education in Ghana, the literacy level in the country has gone up by 10 percent in just the last two years. Ghana's literacy rate is at 7percentnt (World Bank, 2020). This provides a higher percentage of educated labor to provide personnel for EMNCS especially for strategic-asset seeking EMNCs.

Finally, the location of Ghana strategically benefits the country in attracting the market-seeking FDI for the SSA market. Many EMNCs establish factories in Ghana to get access to the SSA market. Logistically, it is easier and cheaper for companies to have their production plants in Ghana serving the SSA market than exporting them from China or India for example. Ghana's access to the Atlantic Ocean makes it easier for machinery and raw materials to be shipped to the factories for efficient production in the factories. Bilateral trade agreements with many SSA countries, allow companies in Ghana to have access to the Economic Community of West African States (ECOWAS) and the SSA market as a whole (Deloitte, 2017).

Unlike most previous research that focused on Chinese FDI at the exclusion of other emerging markets, this paper examines investment from three emerging market countries to Ghana by comparing the similarities and differences in their motives of investment. Data analysis was done based on data collected from GIPC quarterly reports over five years, from 2014 – 2018. The top 3 emerging market countries with the highest number of projects were selected for the study. These include China, India, and South Africa. The three countries combined are responsible for 30% of FDI to Ghana, as well as a third of all projects from 2014 – 2018 with an estimated value of about US$ 4,809 billion, spread across 277 projects.

Table 2.1. Total Inward FDI Stock to Ghana by Selected Emerging Market Countries, 2014 – 2018

FDI	**Value (US$ million)**	**% Share**	**Projects**	**% Share**	**Investment Pattern**
Total FDI in Ghana	16278,59	100%	841	100%	-
Chinese FDI	3057	19%	156	16%	SOEs (Grants, Zero-interest Loans, Concessional Loans) and Private Sector
Indian FDI	1070,73	7%	87	13%	SOEs (Line of Credit) and Private Sector
South African FDI	680	4%	34	4%	Private Sector
Total FDI from Selected Countries	4808,66	30%	277	33%	-

Source: *Author's calculation based on data from the GIPC Quarterly report from 2014 – 2018*

Indian companies usually invest in education, information communications technology (ICT), service, chemical, and retail industries, whereas Chinese investment is more diversified with most of the investment in manufacturing, construction, oil and gas, agriculture, mineral processing, and more recently the energy sector. South African investment on the other hand is mostly private investment that focuses on telecommunication, media, banking, and mining industries. The diversified portfolio of investment from different sectors and the leading emerging market investors to Ghana provides a holistic overview of the study as well as achieve the objective outlined for this study.

2.4. Data Collection

To gather data for the master thesis, I first identified publications that report FDI from emerging markets to SSA. This was done through an elaborate search strategy. Firstly, I examined publications that were referenced in prior research (Ndikumana et al. 2016; Santangelo 2018; Izuchukwu & Ofori 2014; Acheampong & Osei 2014). Secondly, I used EconLit, Kluwer Online, ScienceDirect, ABI/Inform, and PsycINFO a computerized bibliographic search. Thirdly, I searched the web for working papers on FDI.

Having used empirical data for the literature review, I then went ahead to collect secondary data. The secondary data was collected from multiple sources. The first source of secondary data was the official website of the Ghana government that administers FDI in the country, Ghana Investment Promotion Center (GIPC). The search was limited to the top three emerging economies in terms of value and number of projects in Ghana. This includes China, South Africa, and India. Firms with registered projects between 2014 – 2018 were selected. This list also included M&As within this period. A focus was then placed on the firm-specific data for analysis.

The firm-specific data were collected through primary and secondary sources. Upon identifying firms that have invested in a project between 2014 – 2018 from the GIPC database, the author did a comprehensive research about the activities of these firms. MarketLine, MOFCOM, Orbis databases, and websites of the firms were used. However, since many small and medium-sized firms aren't in those databases, the author tried contacting these firms. Some of the firms responded while others were unreachable. Therefore, the sample size of the data is based on large firms in the ORBIS and MarketLine databases with an adequate description of activities. This includes 40 Chinese firms, 24 Indian firms, and 14 South African firms.[4] Only small and medium-sized firms that the author was able to confirm to have active operations were included in the sample. Some of the small firms responded to the request for an interview and therefore interviews were conducted to understand the determinants of investment, benefits and

[4] List of companies and their activities is provided in Appendix A.4

challenges of investing in Ghana. Others did not answer the phone when called. In some cases, the phones were switched off, and emails were not replied to either.

The author also interviewed some government officials go get the official position of the government of Ghana on these investment in the country. A Chinese government official from the Embassy of the People's Republic of China in Accra was also interviewed to understand the role of the Chinese government in the internationalization of Chinese firms. Two locals were also interviewed to ascertain the impact of FDI on their communities[5]. This was done to provide the reality on the ground and not just focus on the information provided by the government and news agencies.

2.5. Design and data analysis

The inductive approach is used as the basis for the data analysis. This approach allows us to observe the activities of selected firms, draw a pattern, and build theories to explain the motives of investment.

The choice of research questions was formulated based on understanding the real motives of investment from emerging market economies to others such as Ghana. The principal methods of research were secondary data analysis and analytical reports about the phenomenon. Secondary data were collected from state data collection centers responsible for FDI and economic growth, economic indicator data from the World Bank, IMF, UNCTAD, and UNIDO. Market and economy report from leading global consulting firms such as PwC, and E&Y, as well as market analysis databases such as Market Line, ORBIS, and EBSCOhost. These data were thoroughly analyzed to gather overall information across industries that attract FDI and the country specificity as well. Data from official governmental institutions provided official reasons as well as the official data on FDI to Ghana.

Data collected from official sites and organizations of the Ghana government were only reported data. These data represented registered FDI to Ghana in general including FDI from emerging market economies. It also indicates the official positions of these FDI as market-seeking, resource-seeking, as well as economic aid. It however doesn't provide unofficial positions of these investments or backdoor dealings. Relying wholly on this type of data meant that, the overall picture of the situation can't be seen and a better conclusion can't be drawn. It is

[5] See Appendix A.6 for respondents' profile

for this reason that, I went further to get data from unofficial government sources but rather independent analysis from consulting firms, audit firms, World Bank, IMF, UNCTAD, and blogs, publications from experts on the matter as well as news reports on the phenomena. The focus was on extracting data from diverse sources to develop a content analysis to categorize and organize data about the important characteristics of FDI from emerging market countries to Ghana.

With regards to SMEs in our sample, primary data was collected through in-depth interviews. This was done to build the robustness of the research. The activities of SMEs are not in the databases used so to understand the determinants and contribution of these investments, it is imperative to collect primary data through interviews of investors, officials, and locals. The author asked broad questions that allowed owners and managers of these firms to talk about their motives, experiences, and challenges in doing business in Ghana. Once the interviews were conducted, the author read the transcripts and made notes. Dross were identified and cross out, to keep only statements which are related to the topic. All the phrases and sentences were then put together and duplications were crossed out. This was done to reduce the categories (Wilson, Onwuegbuzue & Manning, 2016). Informed by the analytical and theoretical ideas developed during the research, these categories were further refined and reduced by grouping them. This reduced the list to the final determinants of EE FDI to Ghana as well as the socio-economic contribution of these FDI. The data is then interpreted in the next chapter, verification of which was reviewed by my academic supervisor by comparing the interpretation with the raw data.

2.6. Chapter Summary

The research methodology provides a strategy that will be used to achieve the goal of the research. Based on the objectives of the research, the qualitative research, with emphasis on the case study is adopted. Ghana is used as the host nation with China, India, and South Africa as the origin of EE FDI. These countries were selected based on the significant number of projects in Ghana from 2014 – 2018.

Data about the research were collected from both primary and secondary sources. In-depth interviews of owners and managers of multinational companies in the sample were used. Experts, government officials, and local people were also interviewed to understand the official position of the government on this topic as well as the impact of FDI on the local people. Secondary data were collected from the GIPC, MOFCOM, UNCNADStat, Orbis, and

MarketLine. These databases provided detailed information on the activities of the firm, news about M&As, FDI, and the official position of the companies during the deal project announcement. This data was analyzed qualitatively to find the determinants of EE FDI.

The Inductive approach was used to analyze the data. Data collected were observed, a pattern was drawn and theory was built based on the findings from both the primary and secondary data analysis.

CHAPTER 3. EMPIRICAL STUDY OF FOREIGN DIRECT INVESTMENT FROM EMERGING ECONOMIES TO GHANA

The literature on the history of FDI in Ghana stipulates tremendous changes after the adoption and implementation of neoliberal policies. The average inflow of FDI from 1992 to 2006 was US$ 545,000. However, since 2008, the inflow of FDI has tremendously increased to US$ 3,466,000,000 in 2018 (see table 3.1.). The rise of FDI flow especially from emerging markets to Ghana has therefore caught the interest of the government and, therefore, the core motive of the government of Ghana has been to attract more FDI to develop the country. This chapter seeks to empirically ascertain the determinants of FDI and whether the increase of FDI in Ghana has provided economic aid to Ghana.

3.1. FDI Trends in Ghana

Ghana's aim at creating an environment conducive for doing business has attracted investments from all over the world especially from emerging market economies. The 2019 Index of Economic Freedom ranks Ghana 109th out of 180 countries, with an overall score of 57.5%. This indicates that the country is "mostly unfree" and freedom is below average. However, the country's highest freedom is investment freedom with 70% which is above the world average of 58.5% (The Heritage Foundation, 2020). The freedom of investment has therefore been an ultimate factor in attracting investment into the country.

FDI inflows to Ghana started in 1970 when the country received an annual inflow of US$67,8 million was below a billion dollars until 2008, when it finally kicked off and started experiencing inflow. It then fluctuated for several years to the extent that in some years, the was negative net FDI flow into the country, for example, US$ -18,26 million in 1976, as well as US$ -2,8 million in 1979. These may have resulted from the political instabilities in Ghana resulting from military coups and nationalization of assets in the country. In the 1980s single-digit million values were recorded. In 1992, the country adopted full democracy and moved into the fourth republic. Policies to attract investment were implemented and the country started receiving FDI, most of which were from developed countries. The inflow began to slowly rise as Ghana's democracy stood the test of time. It was not until the late 2000s did the country start seeing a massive influx of FDI to the country, from both emerging economies and matured economies. This explains why FDI influx over a billion US dollars was first recorded in 2008. Because our trends and the purpose of the paper is to examine, FDI from emerging markets, it is imperative to consider years, where FDI from emerging markets were significant parts of inflow. Owing to this, we look at inflows between 2008 and 2018, which recorded above US$ 1 billion, each year.

Table 3.1. Net inflows of FDI in Ghana from 2008 - 2018

Foreign direct investment, net inflows (Balance of Payment (BoP), current US$ million)		
Year	**FDI (US $ Million)**	**Annual Change**
2008	1220,42	-
2009	2897,36	137%
2010	2527,36	-12%
2011	3237,39	28%
2012	3293,43	2%
2013	3226,33	-2%
2014	3356,99	4%
2015	3192,3	-5%
2016	3485,3	9%
2017	3255	-7%
2018	2989	- 8%

Source: Author's calculation based on the data from GIPC (2020); UNCTADStat (2020)

The FDI stock in Ghana is now at over US$ 37 billion, representing 5% of all FDI to Africa which is the second-highest in West Africa (UNCTADStat, 2020). However, FDI flows haven't always increased. Table 3.1 shows that FDI tremendously increased by 137% from 2008 to 2009. The increase is largely due to the vexation of the economy in the years leading to 2009, which forced the Ghana government to join the Highly Indebted Poor Countries (HIPC) initiative in 2001, to persuade its developing partners to cancel its debt in return for solutions to revive the economy. During this period, the developing partners suspended their assistance to the country to give way for the reorganization of affairs of the country. This, however, deterred investors from investing in a highly indebted poor country due to the high risk and uncertainty of the economy. This led to the fluctuation of the inflow of FDI until 2005 when Ghana moved out of HIPC. The country then slowly saw an increase in FDI inflows from 2006. However, it wasn't until 2008 did Ghana receive a massive influx of FDI valued at almost US$ 2,9 billion (Bank of Ghana, 2019).

There was some fluctuation in 2010, possibly due to the return to normalcy and concentrating more on re-investing in developed countries after the 2008/09 financial crisis (Adams, et al., 2019). In 2013, the Ghanaian Cedi dropped by 15% against the dollar which made the Central Bank of Ghana implement foreign exchange controls in 2014 (Bank of Ghana, 2019). These controls had little effect on the dollar but increased inflation, leading the IMF to project a current account deficit of 9,1 in 2014 (Oxford Business Group, 2014). This ultimately caused a decline in the inflow of FDI by 5% in 2015.

Even though Ghana's economy has been mostly growing, FDI in Ghana has not always experienced continuous inflow. Many countries in Africa are also competing for FDI. Favorable policies have been developed in many other nations such as Congo and Ethiopia, which have been attracting a higher level of FDI over the last 5 years (UNCTAD, 2020). Also, investment from emerging markets to Africa has been declining since 2017. Intra-regional and Asia-pacific investment has dropped by 12% and 13%, respectively.[6] This is partly attributable to slower emerging markets growth and weak commodity prices (EY, 2018). This, therefore, explains a decline of FDI inflow to Ghana in both 2017 and 2018.

FDI in Ghana goes to different sectors of the economy. Some sectors are more attractive than others. The number of projects and jobs created depends on the amount invested and the average salary of employees in that sector. The sectors that attract the greatest number of projects are based on the motives of the investment of these firms. The investment landscape, the economy of Ghana, and regulations regards to investment all have a huge influence on a firm's propensity to invest in a particular sector. The most recent data on sectorial distribution (2014 - 2018) is used to show how FDI from 2018 was distributed among sectors (see Figure 3.1)

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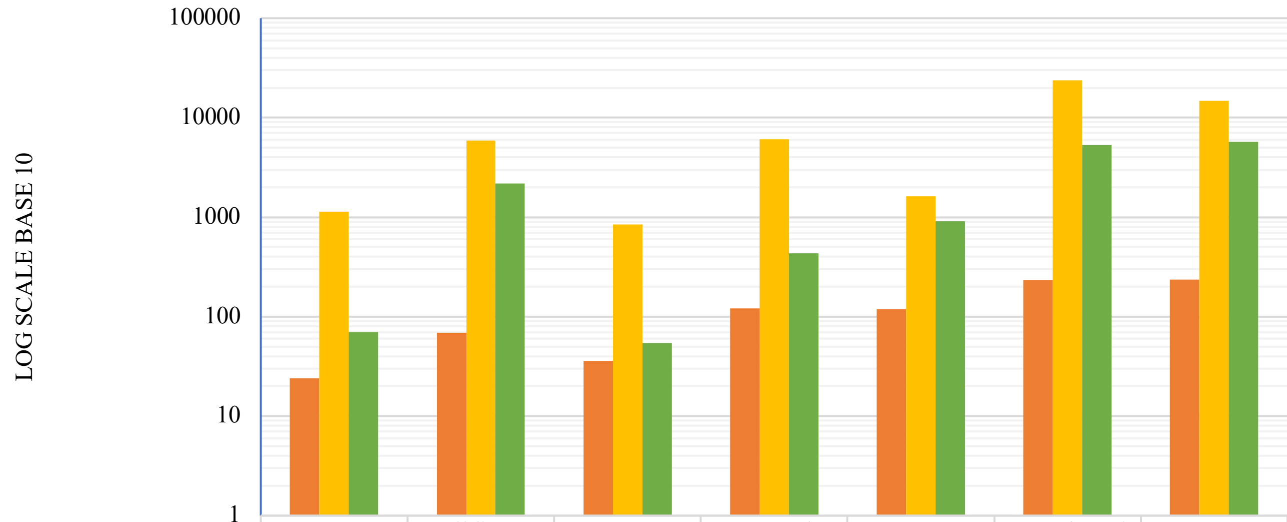
[6] See Appendix A.1



	Agriculture	Building & Construction	Export Trade	General Trade	Liaison	Manufacturing	Services
№ of Projects	24	69	36	121	120	234	237
№ of Jobs	1144	5906	849	6114	1612	23780	14774
Value (US $ Million)	70,27	2173,75	54,35	435,5	914,97	5336,33	5759

Chart 3.1. Author's calculation of Sectoral distribution: FDI, Projects, and Jobs from 2014 – 2018 (GIPC, 2020)

Data obtained from GIPC from 2014-2018 indicates the sectors that attract FDI. The total number of projects within this period was 841 registered projects, with FDI value of US$ 14,8 billion, and 53798 jobs created. This value of FDI is substantially high for a country in the SSA. What is much interesting, however, is the diverse dispersion of FDI across sectors. Unlike many SSA countries, for example, Nigeria, South Africa, and Angola (Ndikumana & Sarr, 2016) that attract FDI mainly to resource-rich sectors, Ghana's FDI are spread across different sectors. This means that MNCs who invest in Ghana have different motives and not just resource-seeking motives.

The service sector received the highest number of projects, with 237 registered projects. The most notable projects were financial, hospitality, education, transport, tourism, IT, logistics, and healthcare. The value of FDI to the industry was US$ 5,759 billion and created 14774 jobs for Ghanaians. The manufacturing sector received the second-highest number of projects (243), valued at US$ 5,337 billion. However, it is the industry that has employed the most Ghanaians. Within the period, the sector employed 23780 Ghanaians.

The general trade sector also received investment valued at US$ 435,5 million spread across 121 projects, which created 6114 jobs. The trade industry consisted of both e-commerce, retailing, and traditional brick and mortar medium of trade. It is worth mentioning that, this sector focused only on the domestic market and all investments in this sector are market-seeking with Ghana as the target market. The export trade received US$ 54,35 million worth of FDI, spreading across 36 projects while creating 849 jobs within 5 years. This sector, however, focuses on MNCs, who use Ghana as part of their supply chain. These investments were targeted at companies whose distribution bases are in Ghana and registered under the Ghana Free Zone Board, which gives tax breaks to entities that export more than 70% of its goods and services for ten years, and thereafter required to pay corporate tax of 15% on exports (GFZB, 2020). The main goal of this investment is to have access to Ghanaian products and export them to different countries.

The sector, which has been growing rapidly is the building and construction sector. According to the Ministry of Works and Housing (2020), the housing deficit is 2 million units. In the past, the construction of houses was predominantly governmental projects. However, over the last decade, the real estate market has increased dynamically as a result of the increasing population and the higher demand for housing in the country. Also, real estate firms approved by the Ministry of Works and Housing are entitled to a five-year corporate income tax concessionary period in connection with the construction of affordable housing. This has attracted FDI in the sector and is reflected by the 69 registered projects in the five years, valued at US$ 2,174 billion, which has provided 5906 jobs.

The liaison sector of the economy has seen tremendous growth over the past five years. The sector recorded 120 projects, with an investment value of US$ 914,97 million, with 1612 jobs created between 2014 and 2018. With many businesses and many intermediaries needed, there has been the need for liaisons or intermediaries to fill the gap and these projects do exactly that.

Finally, the agriculture sector, which has seen a steady growth in terms of its contribution to the economy attracted, the least investment in the number of projects at just 24 projects. In as much as the number of projects is far lower than the other sectors, the value of the investment is US$ 70,27 million, which created jobs for 1144 Ghanaians.

The sector is classified into 4 sub-sectors;

a) Crops: which are further classified into industrial crops such as cocoa, oil palm, coffee, cashew, soybean, coconut, and rubber; starchy staples, cereals, and legumes such as cassava, cocoyam, yam, maize, plantain, groundnut, cowpea, rice, millet, and sorghum; fruits and vegetables consists of pineapple, banana, okra pepper, eggplant, pawpaw, tomato, pepper, onion, and Asian vegetables.

b) Livestock: this sub-sector consists of turkey, chicken, and duck, goats, cattle, sheep, and pigs.
c) Fisheries: marine, inland, and aquaculture consist of all seafood.
d) Forestry and logging provide the raw materials for the construction sector.

Ghana offers agribusiness easy access to export markets in Europe at a lower cost compared to other African countries. On top of that, Agro-processing businesses are given a five-year tax holiday. This has created a good investment opportunity in the agro-processing sector in production, marketing, and distribution as well as technological and supporting services.

FDI influx into Ghana has increased tremendously over the last decade. With the very diversified sectoral contributions, it is prudent that some sectors indeed attract more investment than others. It is reflected in the number of jobs created by each sector based on the number of projects and FDI value. This is as a result of the strategic focus of investors as well as the sustainable growth of African countries such as Ghana. Based on this, it can be concluded that the manufacturing sector is the highest contributing to reducing unemployment in Ghana. It also affirms Ghana's stands of transforming the economy to an industrial economy. It seems the strategy to attract investment into the manufacturing sector seems to be working.

3.2. FDI from Emerging Economies

3.2.1. Chinese FDI in Ghana

Notwithstanding FDI to Ghana being dominated by advanced nations such as the Netherlands, United Kingdom, United States, and France, China is regarded as a major competitor in terms of the value of investment and number of projects, despite the late arrival to the country. Chinese FDI to Ghana has been on the rise over the last decade. The GIPC database shows that there have been 156 registered projects in Ghana, representing 16% of all registered projects from 2008 – 2018 (GIPC, 2020). China holds the lead in terms of FDI inflows from emerging markets to Ghana. The value of these investments is estimated to be around US$ 3,057 billion (19% share of the stock of FDI in Ghana. These projects cut across sectors with the manufacturing sector having the highest number of projects.

Chinese firms have significant market shares as well as the value of investment. The largest Chinese FDI investor in Ghana is Sonon Asogli Thermal Power Company with over $700 million of FDI. There are significant investments also from Dongfeng Motor Site (DFM), Sentuo Steel Limited, among many others spread across different sectors.[7]

According to Ndikumana & Sarr (2016), Chinese firms are attracted to resource-rich countries due to their opportunistic nature of the investment. This is no different from their American and European counterparts as seen in many resource-rich countries such as Nigeria which has a tremendous amount of Chinese FDI in the oil and gas sector. However, contrary to popular opinion there are fewer projects in the natural resource segments in Ghana. Most of the Chinese projects in Ghana are in the manufacturing and service sectors of the economy.

Chinese FDI in the Manufacturing Sector

One of the areas that Chinese FDI has tremendously transformed is the manufacturing sector. This is seen in areas such as plastics recycling and pellet production. Ghana, a country that was not known for recycling suddenly begun recycling due to the initiative of Chinese firms. The plastic business has been booming since its inception in 2010. The sachet water market in Ghana is tremendous since it is the main source of drinking water for the inhabitants. Millions of water sachets are littered on the streets after use. The government contemplated placing a ban on sachet water, however, one of the water sachet makers recommended collecting and recycling the water bags. This created a niche in the market and has subsequently seen several Chinese firms in this sector. About 20 Chinese plastics manufacturers operate in Ghana according to an official of the Ghana Plastic Manufacturers Association (GPMA).

> *"Ghana has two phases regarding the plastic industry; recycling and production. The production segment is dominated by Indian firms whereas the recycling segment is dominated by Chinese firms. The Chinese entered the market very late so the Indian companies had taken the first-mover advantage, therefore, they had to resort to the recycling segment." (Respondent 1, 2020)*

In as much as the plastic production industry is dominated by Indian firms, a few Chinese newcomers have managed to enter the market. Shifa and Lakerise, both small Chinese firms with investment less than US$ 400000, produce plastic tableware and bottles respectively. The biggest Chinese firm in the industry so far is Verse, which produces plastic sandals for the local market, after having imported them into the market years prior and seen a huge potential.

[7] List of companies in Appendix A.4

Another sub-sector that is being explored by Chinese firms is cartons and plastic. Shinefeel Ltd, with an initial investment of US$ 3 million, produces toilet paper from recycled paper waste, which reduces the cost and puts them ahead of the competition. In 2011, one of China's top companies, Huansheng Jiangquan Group also entered the paper sector, by investing in a plant in Gomoa. In 2014, the Group created another subsidiary, JQ Packaging, a carton factory, to produce cartoons for Ghana's poultry farmers, packagers, and potentially export products to other parts of Africa. The total investment of the group is about US$ 5 million.

There are two Chinese steel plants currently operating in Ghana. Ghana's booming real estate market has caused an increase in the demand for steel, used in making iron rods through recycling scrap metal. Both companies have an estimated investment of over $40 million. Another new entrant (S.F. International) with an investment of US$11,9 million, produces rolling gates and steel tiles for houses and plans expanding its operations to meet the demand of the West African market.

Other Chinese companies operate in different sub-sectors of the manufacturing sector. For example, the pharmaceutical firm, Sanbao has invested over $20 million into the Ghanaian economy, Rebecca Wigs has investment valued at US$18 million. It is worth noting that, the author found most of these Chinese manufacturers, sold their products entirely in Ghana indicating a market-seeking FDI.

Chinese FDI in Infrastructure

Though not as many Chinese firms as the manufacturing sector, there is still a recognizable number of Chinese firms operating in the building and construction sector.[8] The rising demand for housing and infrastructure in Ghana has led to a significant number of projects registered in Ghana to fill the demand. There are currently 9 registered Chinese construction and real estate companies in Ghana. An example is Gansu Construction, an SOE, which has been remarkably successful in the contract engineering market in Ghana, having completed top projects in Ghana. Other Chinese companies supply materials, provide architectural survey and design services for the infrastructure sector. Some of these companies such as the China Railway Construction Engineering Group Company Limited is contracted to building railways, roads, and other infrastructure in the country (Ministry of Works and Housing, 2020; Ministry of Railways, 2020). This therefore indicates, the increase of investment projects in the construction sector from 2014 – 2018 as recorded by GIPC.

[8] See Appendix A.4.

Chinese FDI in Power Generation

One of the biggest problems that Ghana faces is electricity. As with many African countries, the demand for electricity has far surpassed the supply and therefore has called for the need for the sector to be expanded further. As Ghana progresses to its goal of becoming an industrial country, its reliance on the energy sector has become vital. This need has caused investors to shift focus to solving the energy problem. There are currently 7 Chinese firms providing energy and utilities in Ghana. Some of these companies supplement the Electricity Company of Ghana in increasing the power supply while others focus on the clean energy sector by providing solar energy to real estate groups. The official claim of these firms is to support Ghana to provide sustainable energy to help its development.

Chinese FDI in Other Sectors

There are other Chinese projects, usually small and medium scale spread across other sectors. I was able to confirm 3 Chinese firms in the consumer goods sub-sector; Hill Pharmaceutical Company Limited, Tasly Pharmaceutical Group Company Limited, and Yantai Changyu Pioneer Wine Company Limited. EBSCO as well as MarketLine databases indicated the activities of these companies and official positions, which can be classified as economic (market-seeking). Also, there had been a few M&As by Chinese firms from 2014 through 2018. The most significant is the 80% acquisition of Ghana Bauxite Company Limited by Bosai Minerals Group Company Limited.

The author also found that many of the companies were not operating in the sectors that had originally registered to operate in. For example, the GIPC database has some 10 registered Chinese companies that manufacture bags and suitcases. However, the author found only one firm still in operations, phone calls and emails went unanswered and the websites seem to be inactive. An official at the ministry of trade and industry tells the author that many small-scale manufacturers do not manufacture but rather assemble the products to sell in Ghana because of the higher trade requirement of US$ 1 million-dollar seed asset.

> *"Many Chinese firms register with GIPC under manufacturing to evade the capital requirement but they end up doing petty trade. They import most of the parts of the product and just assemble them here and sell them in the market. This is because they don't meet the capital required to trade here so they have found a way around it"* (Respondent 2, 2020).

3.2.2. Indian FDI in Ghana

India places second to Chinese in terms of EE FDI in Ghana. The stock of Indian FDI is about 7% of the FDI stock, valued at US$ 1,071 billion. There were also 87 registered projects, representing 13% of all registered projects between 2008 – 2018. (GIPC, 2020).

Providing a favorable investment climate, Ghana is the home to 32,6% of Indian FDI in West Africa. Indian investment as a whole in Ghana has historically been in the service sector. However, the focus has changed to the manufacturing sector with the majority of the newly registered projects channeled into this sector. This is highly seen in the chemical sector, where a cluster of pharmaceutical companies such as Axon Drugs Limited, Laborate Pharmaceuticals Limited, Lincon Pharmaceutical Company, among others.

Indian FDI in Manufacturing

In terms of sectorial investment, the manufacturing sector attracted the most investment from India between 2014 – 2018. The sector constituted about 84,4 % of all projects and activities. Many of the projects were in the chemical industry, with an investment value of US$ 739 million over the five years. Other sub-sectors within manufacturing that received some few projects were Automotive original equipment manufacturer (US$ 147,7 million), communications (US$ 76 million), Metals (US$ 48,2 million), and Industrial Machinery, Equipment & Tools (US$ 23,6 million).

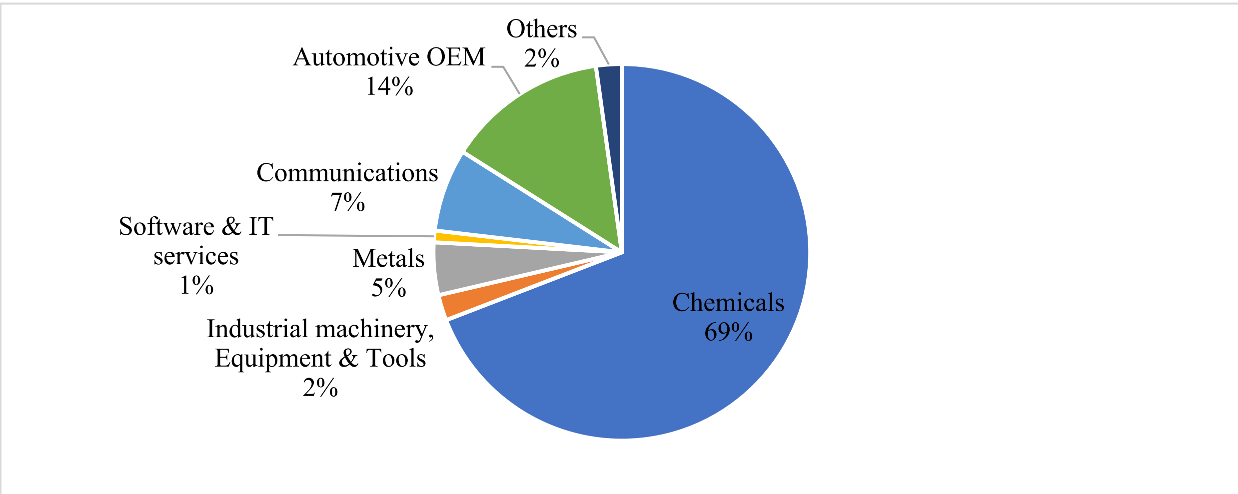


Chart 3.2. Author's calculation of Indian FDI in major sectors of Ghana from 2014 – 2018 (FDI Markets online database, based on 04.04.2020)

Notable companies with huge projects in the sector were Svani Motors, which invested in constructing an ultramodern plaza to house its assembly plant and service for motorbikes; Bajaj

Auto also acquired Stakes in Somoco Ghana to market Boxer motorcycles. The majority of the investment, however, was distributed among several pharmaceutical companies, notable of which are Akums Drugs and Pharmaceutical Company Ltd., Fredun Pharmaceuticals, and many others.[9]

Indian Investment in Service Sector

The service sector was the second-highest sector that attracted FDI from India. These investments ranged from projects in Maintenance & Services, Business Services, Technical Support Centers, and Sales, Marketing & Support, ICT, and Telecommunications.

The favorable investment climate coupled with the growth of the ICT sector has played a significant role in attracting these investments. With the ICT industry having an average annual growth rate of 26% from 2014 – 2018, the sector is highly attractive to the private sector. India is well known for its development in the sector and therefore Indian firms operating in the sector saw a huge opportunity in the Ghanaian market. The ICT industry benefits from a substantial number of projects funded through FDI. A very notable project is the Kofi Annan ICT Center of Excellence, a joint Indian and Ghanaian funded project aim at developing the technological workforce to provide labor for the industry. Indian firms such as NIIT provides ICT education to increase the workforce in the sector. Other such companies are Dispice Technologies Limited, which provides digital solutions to other companies in Ghana. The most notable Indian company is Bharti Airtel which merged with Tigo to form AirtelTigo in 2017.

3.2.3. South African FDI in Ghana

FDI in Ghana hasn't always been from other continents. Over the last two decades, there have been more and more African countries investing across borders within Africa. Notable of these investments is South African investment in Ghana. With an investment value of US$ 680 from 2014 – 2018, representing 4% of all FDI value, spread across 34 projects, South Africa cannot be ignored as one of the significant partners. In as much as there is also investment from other African countries such as Nigeria, Mauritius, and Egypt to Ghana, none of them is even closer to the level of South African investment in the country.

The pattern of South African investment predisposes that, investment is mostly carried out by the private sector through M&As as the preferred mode of entry. This is evident in the

[9] Full list of companies in Appendix A.4

number of M&A deals done by South African companies. The most notable of these is the merger deals between Anglo-Gold South Africa and Ashanti Goldfields Ghana to form AngloGold-Ashanti, valued at US$ 1,4 billion in 2004 to form the biggest mining company in Ghana (GIPC, 2020). Another huge investment was the acquisition of telecommunications firm Areeba by MTN South Africa for US$ 5,53 billion. The steel industry was revived through a US$ 40 million South African investment by the Scaw Metals Group. This shows that FDI from South Africa to Ghana cannot be overlooked.

South African Investment in the Mining Sector

Observing the pattern of investment, it is evident that South African companies in Ghana have expanded by acquiring more firms. In 2018, AngloGold Ashanti acquired a 45% stake in Asanko Ghana for US$ 185 million, this deal was described as a "great deal" because Asanko Ghana was strangling at the time and this acquisition helped save the company from going bankrupt.

With the focus on Ghanaian mineral resources, South African mining companies have acquired a significant portion of Gold Mines across the country. For example, Gold Fields Limited holds 71,1% state in the Tarkwa and Damang gold mines, Anglo-Gold Ashanti controls the Bibiani, Iduapriem and Obuasi mines. This shows the dominance of these firms in controlling the biggest gold mines in Ghana.

South African Investment in the Service Sector

The banking crisis starting from 2014, caused the central bank to pull the licenses of many banks from 2014 through 2019. The Ghana government had been trying hard to bail out of many of these companies but it knew it could not save all the banks. With a bailout of US$ 2,2 billion, the Central Bank was not willing to go any further. Banks were asked to seek investment by themselves or have their licenses revoked. This is where South African investors stepped in. Several banks that were struggling saw acquisitions that helped save the banks and their customers. For example, FirstRand (South Africa) acquired a 75% stake in Merchant Bank (Ghana) Ltd in 2014. This capital increase helped Merchant Bank recover and ultimately survive the banking crisis. Another example is the acquisition of Stanbic Bank Ghana Limited's Investment Management Services division by Stanlib Ltd.

Another industry that has experienced South African investment in the entertainment industry. In 2015, Kagiso Media Ltd acquired a 37% stake in Global Media Alliance Broadcasting Ltd, an Accra based public relations services company. As it stands, the

Multimedia Group Ltd is the biggest media conglomerate in Ghana. As a company that started operations with only one radio company, the media group wanted to expand operations, therefore the Times Media Group Ltd of South Africa, entered the Ghanaian market through an acquisition of 32,26% stake of Multimedia Group Ltd in 2014, thereby providing capital increase for expansion. Today the Multimedia Group as 6 radio and TV stations.

Other service sectors that have received South African FDI within this period are insurance, retail, logistics, healthcare, etc. This indeed indicates that South African investment, are mostly market seeking since the service sector is dominated by market seeking FDI.

3.3. Determinants of EE FDI to Ghana

The trend of investment reveals similarities in the motives of investment in Ghana in many ways. The most important are market-seeking which are relevant for most firms in the sample. This is the case since many of the firms see great potential in West Africa and Ghana provides the perfect hub for expansion to other West African countries. This was the main reason why Kagiso Media acquired Global Media Group, as stipulated by CEO of Kagiso Media (Mr. Mark Harris) during the acquisition announcement:

> *"This investment is part of our continued drive to build partnerships with strong brands that have large and loyal audiences across the continent. As a content, broadcasting, and services company we are looking forward to operating in Ghana and using this as a base to expand our reach into other West African territories. It also offers us an opportunity to use our content production capability across more distribution platforms and to integrate with all our existing Kagiso Media brands."*

There were differences observed from the countries of origin of the EMNC. While South African and Indian FDI is predominantly market-seeking, Chinese firms receive support from their governments to invest abroad and to help implement the Belt and Road Initiative (Adams & Opoku, 2017). A manager of Bosai Minerals Group Company, Ltd. revealed:

> *"The government supports our investment in Africa since it strengthens our relationship with these countries."*

There are however different levels of analysis that influence a firm's decision to invest in Ghana. They can be classified into firm-level, sector-level, and country-level (Figure 3.1). Firm-level determinants take into consideration the strategy and strength (resources) of the focal firm, while the sector-level determinants are based on the attractiveness of the sector, and the country-level determinants are dependent on the size of the market, the potential of expansion into other countries, the availability of labor and infrastructure.

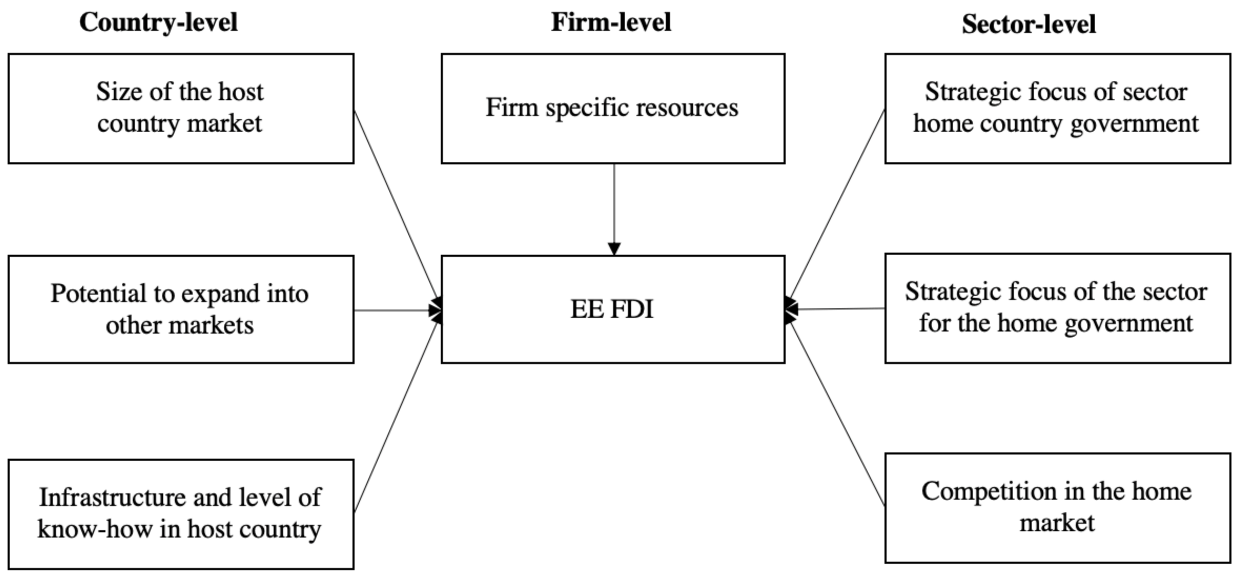


Figure 3.1. Determinants of EE FDI to Ghana

Country-level determinants of EE FDI

The pattern of investment of the studied firms reveals that market-seeking motives are very vital for firms from all three countries to decide to invest in Ghana. Notwithstanding the larger populations of all three countries, most of the firms face a home market limitation in terms of low per capita GDP. This means that they have market-related limitation in their home country, therefore augmenting to another emerging market that was easier to be tapped into was a key determining factor. This was indicated by Respondent 3, a manager of a Chinese agricultural material firm:

> *"The ease of tapping into the Ghanaian market was a very important factor for us as a company. When we decided to invest in Ghana, we looked at the market potential and as a fast-growing country, we saw that demand can only increase and therefore entering the market was the right decision to tap into the ever-growing market"* (Respondent 3, 2020).

Many of the smaller firms especially in the manufacturing sector imported goods from their countries to Ghana at the beginning. However, the cost of transportation, customs duty (import tax), and competition and regulations changed to protect Ghanaian firms in the trading sector. The seed capital for trading was increased from US$ 300000 to US$ 1 million, forcing many foreign traders to form alliances and manufacture in Ghana to serve the market.

> *"I began trading in Ghana in the late 2000s. There wasn't much competition at the time and the profit was good. However, as regulations strengthened and the competition became tougher, it was much difficult to trade so we decided to set up a factory here"* (Respondent 4, 2020).

Some firms did not enter the market through trading. They did market research and saw a niche and entered that niche market. An example is Chinese plastic waste recycling plants in Ghana that entered the market because of the underdeveloped market. Some industries such as mining had only big players such as Anglo-Gold Ashanti that acquired the biggest gold mines. Small scale Chinese mining firms saw the need to enter the medium end of the market to mine gold, while some "registered construction firms" illegally mined in the small-scale sector. An official at the Ministry of Lands and Natural Resources tells the author that these firms were really not in Ghana to manufacture but rather illegally mine natural resources such as Gold.

> *"Small-scale mining is illegal for non-Ghanaian citizens. However, we have seen an influx of Chinese firms registered with the GIPC in one sector, usually construction or manufacturing but are illegally engaged in small-scale mining. Their activities destroy our water bodies and land. Therefore, last year, we arrested about 84 Chinese nationals and deported them back to China"* (Respondent 5, 2020).

Firms also pay attention to the infrastructure in the host country as well as the know-how of the labor force. This means that a strategic-asset seeking motive leads the investment strategy. Ghana's investment in thermal, hydroelectric and other renewal sources of energy increases the reliability of power generation in the country, which is a problem in many other SSA countries, as indicated by the chairman of S.F. International:

> *"I decided to establish a steel tile factory in Ghana because of the secure provision of electricity and water, which is needed for production. This, even though a necessity is absent in many places in the sub-region"* (Respondent 6, 2020).

Firms seeking strategic asset, emphasizes the importance of having a workforce that is not only cheap but has the know-how. Many of them affirm that, in terms of cost, labor is a bit expensive in Ghana but the quality and expertise due to the higher educational level in the country make it worth it.

Although the Ghana government has encouraged investors to build huge projects in Ghana, the acquisition of land for those projects impedes the implementation. For example, in 2014, Huansheng Jianguan, a Chinese multinational, agreed to invest US$ 2 billion to construct an industrial park in Ghana. Even though promises of land acquisition was given by the ministry of trade and industry, those promises were intricate to implement. Hence the investment has not taken place as communicated by an official at the Chinese embassy in Accra:

> *"Chinese multinationals plan to have larger projects here, they want to have access to tremendous land so that they can profit from the booming real estate industry. However, those projects have to be put on hold due to the complicated nature of land ownership in Ghana"* (Respondent 7, 2020).

Many firms from emerging markets enter the Ghanaian market due to long-term prospects. With an increasing middle class and higher disposable income, the demand for goods and services in Ghana will be increasing. With many analysts predicting that consumer expenditure in Africa will rise to over 2.1 billion dollars in the next 5 years (Signé, 2018), EMNCs do not want to be left out. They have rather chosen a country that provides the location with the abundant, adaptable, and easily trainable labor force, a competitive daily minimum wage, strategic access to West Afric, a and access to the ECOWAS market with an estimated population of 250 million, and regulations to protect FDI to the country.

Firm-level determinants of EE FDI

The strength of a firm in its internationalization process is the most vital factor in going abroad. As stressed by Collis (2014), the firm-specific resources such as tangible and non-tangible assets are the most crucial assets that can help a firm to create a competitive advantage in a different country by leveraging its FSAs. This is seen among a sizeable number of firms in our sample such as AngloGold-Ashanti, Tata Motors, Akums Drugs, and Pharmaceutical Company Limited, Sanbao Pharmaceuticals Limited, Zhongmei Engineering Group Limited, MTN, and many others that had established themselves in their home countries before transferring those key FSAs to Ghana, which automatically gave them a competitive advantage.

Moreover, the resources needed to internationalize differ between countries. South African firms who enter the Ghanaian market for example do so through M&As rather than Greenfield, due to the extensive capital needed to start over. second-tier South African or Indian companies may find it a bit difficult to start greenfield due to the financial, technical, and personnel limitations. However, that doesn't seem to be the case for Chinese firms, with easier access to capital do so through Greenfield projects. There were a far greater number of Chinese firms of all sizes in Ghana. We can, therefore, conclude that FDI from EE is very likely when the firms possess very strong firm-specific resources.

Sector-level determinants of EE FDI

While South African and Indian firms in the study focus on a market-driven motive, some Chinese firms obtain support from the government to invest in Africa. This is particularly the case in sectors that are viewed by the Chinese government as strategic. These sorts of investments are usually resource-seeking and target areas such as mining, oil, and gas. In some cases, operations of certain Chinese firms, most notably in the building and construction sector serve Chinese foreign policy, rather than their business interests. With Ghana's focus on infrastructure, telecommunications, and power generation, Chinese firms have entered these sectors knowing they are underdeveloped and have taken contracts with the government on projects that have not been paid or being funded by the Chinese government. Therefore, economic motives alone do not adequately explain the international operations of Chinese firms (Busse, Erdogan, & Mühlen, 2016). In as much as government support for Indian companies is low, it was observed that tax breaks in pharmaceuticals and IT enables Indian firms to accumulate capital to invest in places such as Ghana. Therefore, outward FDI from EE is more likely when the sector in which the firms operate in is deemed valuable by the government of the home country.

In addition, firms are more likely to invest in a country if the regulations towards a particular sector make it attractive for the focal firms. The government of Ghana has made amendments to the investment regulations to shift the focus from extractive to "consumer-facing" sectors. This is attributable to the growing consumer market, and the goal of industrialization. Therefore, incentives for firms that invest in sectors such as manufacturing, infrastructure, and power are much higher than in other sectors.

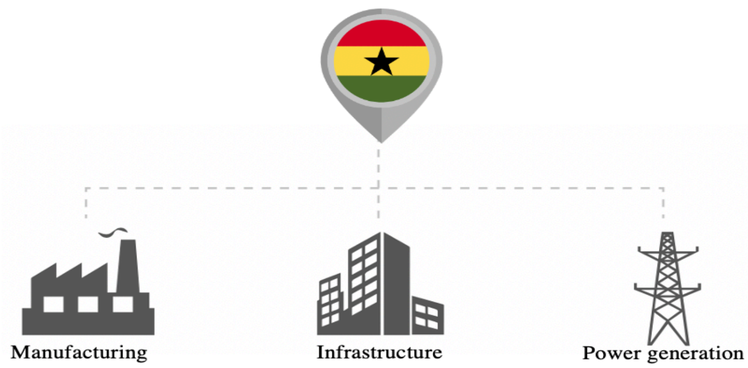


Figure 3.2. Next Generational Priority Focus Sectors

With Ghana hounding an enhanced development of its socio-economic infrastructure, the country has had to rely on the role of private financing and managing infrastructural assets. This has attracted quite many investments in the sector. For example, Indian companies in the service sector, specifically, the ICT and telecommunications sector see a very favorable regulatory framework that guarantees the safety of investments in the IT industry. The government of Ghana's long-term strategy to expand the sector through the ICT for Accelerated Development (ICT4AD), places the sector as an area of priority for investment. It can be inferred that a growing ICT sector, coupled with better regulations, makes the sector attractive to Indian investors who have the expertise to develop the sector while augmenting their FSAs. According to GIPC (2020), about 84% of Chinese FDI between 2014 – 2018 was directed towards the manufacturing sector due to greater incentives offered by the government. This was also seen in South African M&As in Ghana which was in financial services, technology, media, and telecommunications. With the government of Ghana's focus on increasing the energy capacity, through renewable energy, Chinese companies such as Shanghai Roy Solar Company Limited and Shenzhen Energy Group Company Limited, have stepped up to the task. It can, therefore, be concluded that, FDI from emerging economies more likely to go to sectors where there are incentives from the host country.

Finally, competition in a sector in the home country may force a firm to go abroad. Firms enjoy the first-mover advantage for some time until the competition catches up. With higher competition, profits are usually lower and, in those cases, firms look for alternative "safe" space elsewhere as discussed by one plastic factory owner:

> *"I owned a plastic pellet in China and was making a great profit until the competition got tough. I decided to look elsewhere when my friends told me about the huge potential in the plastic pellet market here, I then opened up a factory in Ghana, which is doing much better"* (Respondent 8, 2020).

Therefore, firms from emerging economies are more inclined to go abroad when they are faced with enormous competition in their home markets.

3.4. Socio-Economic Impacts of EE FDI in Ghana

This section emphasizes the positive and negative impacts of EE FDI in Ghana. This focuses on the social and economic impacts, as well as the role of FDI in helping Ghana achieve its developmental goals.

The social and economic impact of EE FDI on Ghana cannot be overlooked. EMNCs have invested in sectors that have received very little FDI from advanced economies. There are pull and push factors on the impact. The pull factors lead to local linkages which create more jobs, increases the livelihood of many individuals, increases their purchasing power, which transfers to a higher level of monetary circulation and a better economy. The push factors are associated with knowledge and technology spillovers. The social impacts are both positive and negative.

I. Impacts on employment

Reducing unemployment has been a key goal of the government of Ghana. According to GIPC (2020), investment from the three countries created 38196 jobs representing 71% of jobs directly associated with these projects. Creating more jobs is thus a vital goal of sustaining the development of Ghana in alleviating poverty. Boakye & Gyamfi (2017) find a correlation between the capital intensity of investment projects and job creation. This finding is similar to findings in this thesis as the manufacturing sector with the highest capital-intensive projects employs the most people.

In as much as the government of Ghana emphasizes job creation by FDI, the adverse effect was found through examples from the case study. The fundamental risk of FDI projects (especially in manufacturing, mining, and agriculture) related to the acquisition or leasing of lands for the projects is the displacement of the indigenous people leading to the loss of fertile lands and their livelihood. New jobs created may not fully compensate for job losses. This worsens their already poor standards of living as reported by one farmer in Obuasi:

> *"The government gave our farming lands to these foreign companies to operate a factory and paid us very little compensation. We were assigned to a different land for farming but the problem is, there is no access to water so it makes it difficult to farm in these areas. The factories haven't brought in any jobs to us either, they brought their workers from the big city and their countries"* (Respondent 9, 2020).

The last but not the least, a significant number of jobs created by these projects were temporary. It was observed that some of the projects required huge human capital at the beginning of the project, or during the construction face as determined in the building construction sector. These jobs were not sustainable once the projects became mechanized, thus reducing labor demand.

II. Impacts on trade

As an economic indicator, the level of export of a country is vital in the global economy. Resource-seeking FDI seeks to export a significant portion of the output to other markets. This was found as the ultimate driver of investment in the Ghana Free Zone, where firms are given tax breaks and are required by the investment regulation to export a minimum of 75% of produce. One of the positive impacts of this is the integration of local firms in the process. Local suppliers are, provided with a distribution channel to foreign markets, which wouldn't have been possible without these FDI. For example, export earnings in the food processing sector increased by 34% between 2014 and 2018 (Ministry of Trade and Industries, 2020). This had a positive impact on the farmers since their products were bought to be processed and ultimately increasing their standards of living with the increase in income.

Another benefit is the adoption of higher standards of productions. Safety and quality standards have been a significant drawback for African products to other markets. With investment from EE such as India and China, there is a transfer of technical know-how that increases the quality and standards of these products, thereby allowing the barriers to be overcome.

In as much as having a foreign supplier is great, overdependency on these foreign firms that export goods from Ghana may hurt these local firms in case of a negative turn of invests such as low demand in the export market, managerial problems related to the EMNC exporting the products, and many others. It is therefore recommended that firms do not over-rely on EMNCs for export but should rather build a local level market for the goods to reduce the risk.

III. Impacts on Production

The study found that FDI projects had a positive impact on the productivity level of the domestic market. Competition in the manufacturing sector has led to higher output levels. For example, investment by Chinese firms in the plastic recycling sector has increased the output of plastic related products. This is due to the advanced use of technology to increase production than possibly could have been possible. For example, the plastics recycling industry is divided into three phases: waste collection, pellets making, and pellets recycling into plastic bags and produce. Ghanaians dominate the first phase, while the second phase is spread between Ghanaians and Chinese firms. However, the third phase which requires higher levels of technology is dominated in the third phase. As production goes up in the third stage, firms in the first stage employ more people to collect waste to meet the growing demand in the second and third stages. Therefore, the increase in output has created more jobs for all firms and individuals within the supply chain.

However, the increase in productivity isn't automatically related to all EE FDI. The increase in productivity is dependent on the expertise of the investment firm as well as the professionals hired. Firms that hired low skilled workers and brought in no expertise were not able to increase productivity as opposed to firms that hired skilled labor and had expertise in manufacturing.

IV. Technology transfer and Spillover

Due to the limitation of human capital in businesses today, there has been great reliance on technology. However, most SSA countries lack behind in terms of technological progress. In light of this, technological transfer is perceived as a great benefit of FDI. This is because EMNCs transfer their FSAs from the domestic market to foreign ones. These FSAs include technology and knowledge sharing. This transfer of technology and knowledge fill the gaps in other emerging economies and provides the opportunity to catch up. This was indicated by one of the owners of Haojie Plastic Company Limited:

> *"When we began operations in Ghana, my factory did everything: collect waste plastics, crush them, and then transform into finished products. However, as the business grew, we had to limit to making the finished products so we paid some Ghanaians to collect plastics. We also provided them the crushing machines to set up their businesses to supply crushed waste to us."* (Respondent 4, 2020).

As the competition grew, Chinese manufacturers in the plastic recycling industry begun selling crushing machines to Ghanaian firms. Not only do they sell the machines, but they also send technicians to teach the locals how to operate these machines, thereby providing better quality pellets for the final phase. It can, therefore, be inferred that the presence of EMNCs in Ghana is advantageous to local competitors, thereby contributing to the amassed productivity of these local firms.

V. Development of infrastructure

EMNCs such as AngloGold Ashanti, MTN, have invested in infrastructure through their CSR programs. These include the construction of schools, hospitals, toilets, provision of water, and other social amenities. Indian companies in the ICT sector such as NIIT have provided computers to basic and secondary schools in Ghana. In situations where the projects are in undeveloped territories, these firms build roads as part of the project. These roads are used by locals to facilitate transactions such as visiting the market in the nearest town to sell their produce. This was evident in many small towns and confirmed by one of the locals:

> *"Our roads were very bad and it was very difficult to make the journey to the nearby towns to sell our produce. We pleaded on the government but nothing was done about it. These foreign companies have fixed the roads and now we all benefit from it."* (Respondent 10, 2020).

Therefore, it can be implied that many investment projects lead to the development of infrastructure.

3.5. The distinction between Opportunism and Socially Oriented FDI

Determining the motives of investment and the pattern of investment from investing firms, we will then assign the motives of investment based on the opportunistic character or social contribution. Opportunistic character entails economic or political motives whereas social orientation covers economic aid and developmental approach of FDI to the host nation. Based on the pattern of investment using the sectorial analysis, countries will be assigned to specific motives, i.e. purely social, purely economic, or sociopolitical motives.

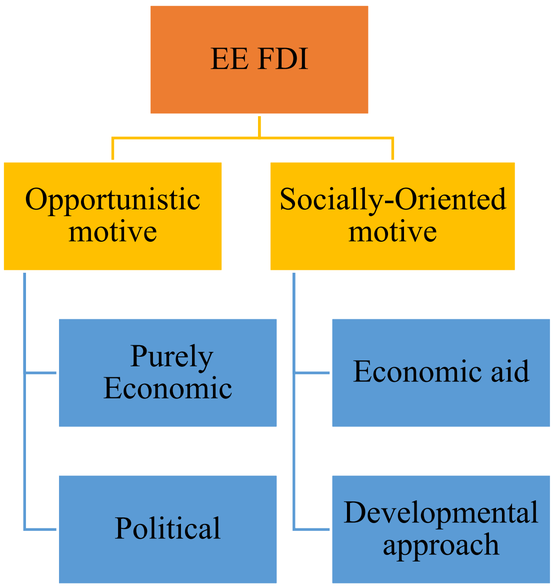


Figure 3.3. Motives of EE Investment

The economic motive is based on the strategic decision of the firm to seek better opportunities in different markets. This motive transcends market-seeking, resource seeking, and sometimes strategic asset seeking FDI. Thus, profitability and increasing the value of the firm is the most significant goal of the firm. Therefore, economic motives are only taking advantage of opportunities available in the host market to increase profitability, hence this motive is classified as an opportunistic motive.

Political motives are opportunistic in a way that, this FDI provides aid in enhancing the developmental goals of the host country, however, there is a political expectation, in terms of influencing other nations, and hence FDI is used as a "soft power weapon" to exert political influence through investment.

Economic aid motives are based on investment to sectors with low profitability or in some cases underdeveloped sectors to develop these sectors and contribute to the economic development of the host nation. These kinds of investments entail technology transfer and a higher level of knowledge sharing to enhance production in the host country.

The developmental approach considers sectors that need urgent investment to improve the social welfare of citizens. These include investment in agriculture through mass-scale farming to reduce hunger, investment in energy to increase the energy supply in a. country or investment in infrastructure to provide for the needs of the citizens of the country.

Upon careful analysis of sectoral investment, **South African FDI to Ghana has an opportunistic motive.** This is reflected in the sectors of investment. With over 90% of South African firms in the service or mining sector, the investment is motivated by either market seeking or resource seeking. Market seeking FDI seeks only to make a profit from the available foreign market whereas resource seeking targets extraction or use of resources available in certain country for-profit purposes.

Indian firms are clustered in the IT and chemical sectors of Ghana. These investments are influenced by the decision of the firm and opportunities provided by the Ghana government in these sectors. The incentives of investment such as tax breaks, the opportunity to transfer earnings, and most importantly the available market in Ghana, which also serves a hub to other West African countries warrants these investments. Hence **Indian FDI to Ghana has an opportunistic motive.**

Finally, Chinese firms are split across industries majority however are in the building construction /infrastructure sector. Even though the profitability of the construction sector is not instant, majority of these firms decide to invest. They operate on a credit basis by accepting contracts from the government of Ghana to build roads, railways, housing, etc. This is characterized by a developmental approach. There has been technology transfer, knowledge spillovers associated with Chinese projects, as well as investment in sectors to urgently needed by to boost the economy. However, firms in the manufacturing sector are in Ghana mainly for the market and the opportunity to access other markets in the sub-region. Also, some Chinese FDI has the backing of the Chinese government to support the Belt and Road initiative. Taking the political, economic, and developmental approach, **Chinese FDI in Ghana has both an opportunistic and socially-oriented motive.**

3.6. Discussion

Considering the immense investment from EE to Ghana, the motives of these investments can be explained by the fast growth of the local market, incentives for foreign investors, ease of doing resources, availability of cheap labor and resources, and lower competition. EE firms benefit in Ghana due to their lower cost of operations and the availability of cheaper lower-skilled labor.

With a population growth rate of 2 percent per year and increasing urbanization that is fueling huge expansions in the cities, there is pressure on the housing stock as 1.7 million households will join the middle class by 2025. There is pressure on the housing stock requiring investment in this sector to meet the deficit of 2 million units. This has attracted investments from EE especially, China who invest tremendously in the construction and housing sectors of the economy through steel manufacturing and real estate.

Notwithstanding sectorial attractions to Ghana, the location of the country plays a major role in attracting foreign investment. One of the highest costs of doing business internationally for EMNCs is the cost of logistics. There is a complicated value chain; from inbound logistics to the final consumer. With the African continent rapidly growing, most EMNCs want to tap into the market. The problem however is that the purchasing power of consumers is different in different continents and even countries. In addition to that, EMNCs succeed through reverse innovation (Govindarajan and Euchner, 2012). EMNCs are bound to fail if they just copy-paste or modify products that were created for developed markets or markets with high purchasing power. Due to this, EMNCs have developed brand-new cost-effective products inside Africa and Ghana is one of those locations where these products are made. The proximity to the sea, zero import taxes on industrial equipment, growing infrastructure, makes the country the hub for EMNCs especially from emerging markets, target the ever-growing African market.

It can, therefore, be inferred that the determinants of EE OFDI to Ghana are the investment climate, low taxation laws, 100% ownership (privatization), presence of resources and cheap labor, availability of markets, growing infrastructure facilities to aid production and transfer of goods and services, and political stability.

FDI does provide economic aid as discovered from the study. In Ghana, FDI consists of at least 4% of the country's GDP every year. This is a significant cash flow to boost the economy. Notwithstanding, there are thousands of jobs created by these investments of which more than 90% of employed are Ghanaians. This reduces the unemployment rate, increases the tax revenue through income tax, improves monetary circulation, and increases the purchasing power of consumers. This pushes the economy to work better and raises the standard of living of the locals in Ghana. However, FDI also causes job loss, especially in cases where farmlands are leased for projects and farmers are not employed by the firm.

Finally, the strategic focus of the government of Ghana to build infrastructure, improve manufacturing and telecommunications is being supported by EE firms. This is seen in the sectoral investment of these companies as the investment has shifted from other sectors to mainly these sectors over the last five years.

Managerial Implications

For a little over a decade, outward foreign direct investment by EMNCs has grown at a very substantial rate. This expeditious growth has been expedited by many factors, including economic growth in many economies, governmental policies, as well as the flourishing business and industrial fortitude of firms (Alfaro, 2017). EMNCs have been progressively affected by global competition, driving them to recognize the growing importance of entering foreign markets and joining global knowledge networks and production systems.

It is observed that home governments support EMNCs to be active on the global stage. Captivating full advantage of home government support is beneficial to EMNCs. To capitalize on those benefits, EMNCs need to get acquainted with government policies by constantly communicating with governmental agencies, join-in government-sponsored initiatives, and vigorously sway new policies and measures. In India for example, the pharmaceutical and IT sectors took advantage of government policies of easing foreign exchange controls, which enabled Indian multinationals to seek asset-building prospects overseas.

Also, EMNCs should pay more attention to sectors that are perceived as a priority focus in emerging markets. Policies channeled towards these sectors are too attractive especially for the first movers. As in the case study, investors in the manufacturing sector are given a 5-year tax break, zero import taxes on machinery, and many others. This policy is not the same for all countries, but with the developing infrastructure in Ghana, such a policy is too attractive for a market-seeking firm to bypass.

Finally, EMNCs should help build the infrastructure in other emerging markets rather than waiting for those countries to be developed. The decision of MNCs from advanced markets is partly based on the availability of infrastructure in the target country (Rudy, Miller, & Wang, 2016). However, some EMNCs were not bothered by the lack of infrastructure but rather entered other emerging countries to build those infrastructures, which has helped cement their place in those markets with far greater returns. Therefore, EMNCs willing to augment their FSAs in other emerging markets should provide some form of “aid” to the infrastructural development, which will provide positive returns in the long-run.

Policy Implications

By virtue of the key findings of the study, some broad policy implications can be drawn to enable Ghana to attract more FDI and boost the development impact of foreign investment. To attract more FDI, Ghana needs to quickly implement reforms in land administration and property registration. As the current regulations impose restrictions add additional costs to foreign firms. This might even be vital for smaller firms that do not have connections to top officials who will aid them in securing land for investment.

Notwithstanding the recent development in the secondary level education due to the free senior high school policy in Ghana, there is still a deficiency of adequately adept labor. This is much applicable to managerial and technical skills. Therefore, Ghanaian firms cannot adequately capitalize on the spillovers. There has to be a transformation in the education sector to make it functional to meet the desiderata of firms. As foreign firms complain about the lower level of productivity of Ghanaian workers as well as the scarcity of skilled technical workers, Ghana must understand the labor needs of these investors, especially in priority sectors of the economy and transform the educational sector to ascertain the country has the right cadre of workers to meet the demands of these firms.

Theoretical Contribution

The pace at which EMNCs are investing in SSA has made this topic fascinating. Not much research has been done in this field. Besides the fast changes in the business environments in different countries, and the economic growth of emerging markets calls for exploration in this field. To exploit the peculiar aspects of this topic, I suggest that researchers diverge from exclusively focusing on Chinese multinationals in Africa.

The framework presented by this research enhances our understanding of EMNCs by diversifying our knowledge base. It adds to the novelty of studies in the internationalization of EMNCs in the SSA context by providing a comprehensive explanation of the processes that bind the conditions that depict emerging markets to the international expansion of their firms. This adds to the foundation of an EMNC research agenda. This research provides a theoretical lens that helps to understand the motives and processes of internationalization within the EMNC and SSA context. Also, insights attained from this research can aid us investigate how research on micro-processes may prompt a more in-depth explication of outward foreign direct investment.

CONCLUSION

After careful examination of the patterns of investment, several insights into the determinants of FDI from emerging economies to Sub-Saharan Africa can be provided. First, it was found that the determinants of EE FDI to Ghana are based on three levels; the country-level, firm-level, and sector-level. The country-level determinants are based on the size of the market in Ghana in terms of the average income, purchasing power of consumers, and the overall standard of living of the people in the country. These location determinants are also influenced by the possibility to expand operations (mostly market-seeking) to other SSA countries. As indicated, most of the firms who invest in Ghana do so because they see the potential to expand into other SSA countries. With firm-level determinants, the author found that all firms that invested in Ghana had some key FSAs in their local markets that allowed them to augment their operations into other countries. These key FSAs were tangible such as access to capital and technology, and intangible assets such as the know-how, brand image, and trademarks. In some cases, these key FSAs provided a first-mover advantage or economies of scope and scale advantages that were used to crowd out local competitors. The sector-level determinants were based on the attractiveness of the sector, the prioritization of the sector by the host nation, and the competition in the home country. It was found that most investments from 2014 – 2018 were in the manufacturing, housing and telecommunication sectors due to the incentives (tax cuts, no import duties, full foreign ownership, ability to transfer profits to the home country, etc.) provided by the Ghana government as a result of those sectors being prioritized. This indicates that EMNCs investments to Ghana is not wholly resource-seeking as found by other scholars (Barasa et al, 2017; Chen et al, 2016; Kang & Lui, 2016) and perceived by the general public. However, the new shift to market and efficiency-seeking are based on the benefits they derive from investing in those sectors, the provides or expands their competitive advantages.

The motives of investment had to be looked at in terms of opportunism or socially-oriented motives. The author found that investment from India and South Africa was mostly market-seeking to augment the specific FSAs by taking advantage of the CSAs in Ghana. These investments mostly benefited the firm in the long-run and therefore they are perceived as opportunistic. At the same time, some South African investment was found in the resource-seeking sector, which is purely opportunistic since the presence of these firms in Ghana is solely to extract resources available, which is to seek opportunities available in Ghana. With Chinese investment, the author found both opportunistic and socially-oriented motives. This is due to the widespread Chinese investment across sectors. On the one hand, Chinese FDI in manufacturing is influenced by market-seeking motives, while in resource extraction are influenced by resource-seeking motives. However, in infrastructure development, Chinese multinationals were embarking on projects contracted by the Ghana government to fill the housing deficit on the line of credit and these companies were financed by the China Development Bank and Exim Bank of Ghana, to project the belt and road initiative of the Chinese government. This is perceived as a political motive and therefore some Chinese FDI to Ghana can be perceived as opportunistic. On the other hand, investment in infrastructure and power generation supports Ghana's developmental agenda into becoming an industrialized country. Better infrastructure and electricity attract more investment which creates more jobs, the balance of trade and provides economic aid in general. Therefore, some Chinese FDI is influenced by a socially-oriented motive.

Also, the author found that EE FDI does provide socio-economic aid. Investment in the manufacturing sectors in the Ghana Free Zone required that at least 75% of the goods produced are exported. This had a positive impact on the trade balance. The firms also incorporated the local suppliers in the supply chain hence providing an international market for local producers. Also, EE FDI in Ghana creates jobs. Over 38,000 jobs were created as a result of projects from the selected countries within 5 years. There was also knowledge and technology spillover resulting from these investments as technology especially in the manufacturing sector was imported into the country, incorporated local producers in the supply chain, and hence transferred technology needed to make the processes effective. Furthermore, by incorporating locals in the supply and value chains, they were trained to use sophisticated machinery and effective processes in the production and manufacturing processes which helped some of the locals to start their businesses using the knowledge learned from EE firms. With regards to infrastructure, the 2 million housing deficit and poor infrastructure have been improved partly due to investment in those sectors by EMSOEs and EMNCs, especially from China. This provides the socio-economic aid in the sense that lives are better and the country has a better infrastructure to meet the growing needs of investors and the citizens.

Using the findings from the research the author provides managerial, theoretical, and policy implications of the research. Managerially, firms looking to invest in other countries must ensure that they have some key FSAs that are transferable and can give them a competitive advantage in SSA. Also, they should work with their home country government into some incentives that would help in the internationalization process. With regards to the host country, firms should pay more attention to the priority sectors hence, there are more incentives to invest in sectors that are considered vital to the development of the host country than other sectors. Theoretically, this study contributes to the EE FDI to SSA. Studies such as this are very scant and therefore, I contribute to the management literature by providing an understanding of the phenomenon which opens up for future research. Also, the framework developed in this thesis can be used as the basics for understanding the determinants of EE FDI and can be developed in further research. Finally, policymakers, have to pay more attention to FDI regulations and shift the focus on socially-oriented motives (economic-aid and developmental approach). This type of FDI helps both the country and the firm and not just one side as seen in the opportunistic type of investment. To meet the high demand for quality of labor, a transformation to the education sector is paramount.

As with all research, there are bound to be **limitations** that need to be acknowledged. The sample included FDI from three countries within five years. This sample in as much as is representative of the of rent research could be expanded to provide a much wider perspective to include all emerging economies that invest in Ghana to generalize the findings. Also, due to the difficulties of COVID-19, the author did not meet the target of the planned in-depth interviews as the fieldwork (interviews) couldn't and only a few replies to requests for online interviews were adhered to. The findings of the research might also apply to only countries in SSA that have similar regulatory and economic conditions such as Ghana. In a country where regulations aren't favorable for FDI or an economy that is solely based on resource extraction, the determinants may be different.

Further research can be carried out through a cross-country analysis to compare the determinants of FDI in each African country and not just one country analysis. Furthermore, a distinction between FDI from emerging and developed economies can be analyzed to understand if the motives are the same depending on the origin of the firm. Finally, the impact of regulations on attracting FDI can also be researched further for policy and academic purposes.

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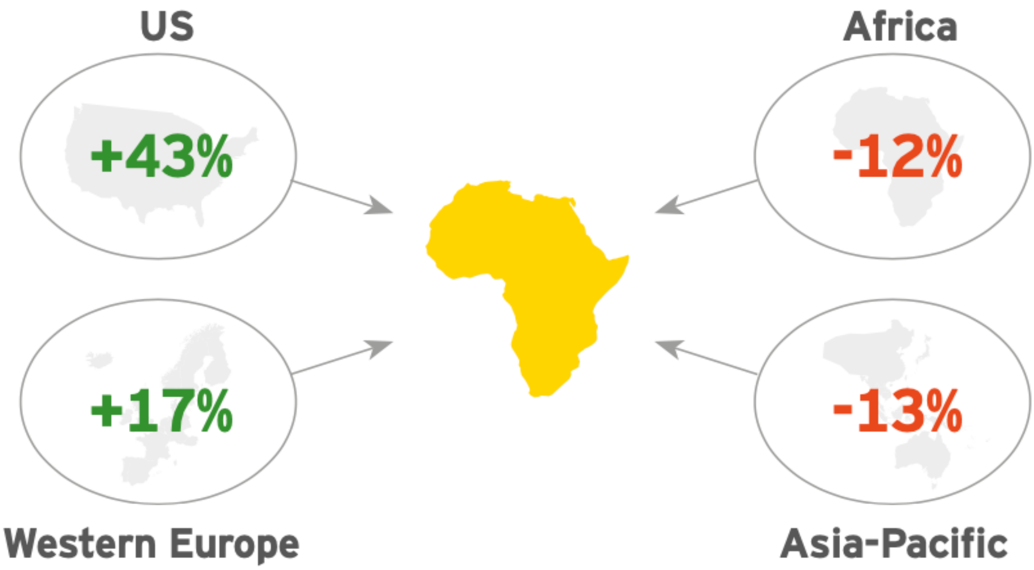
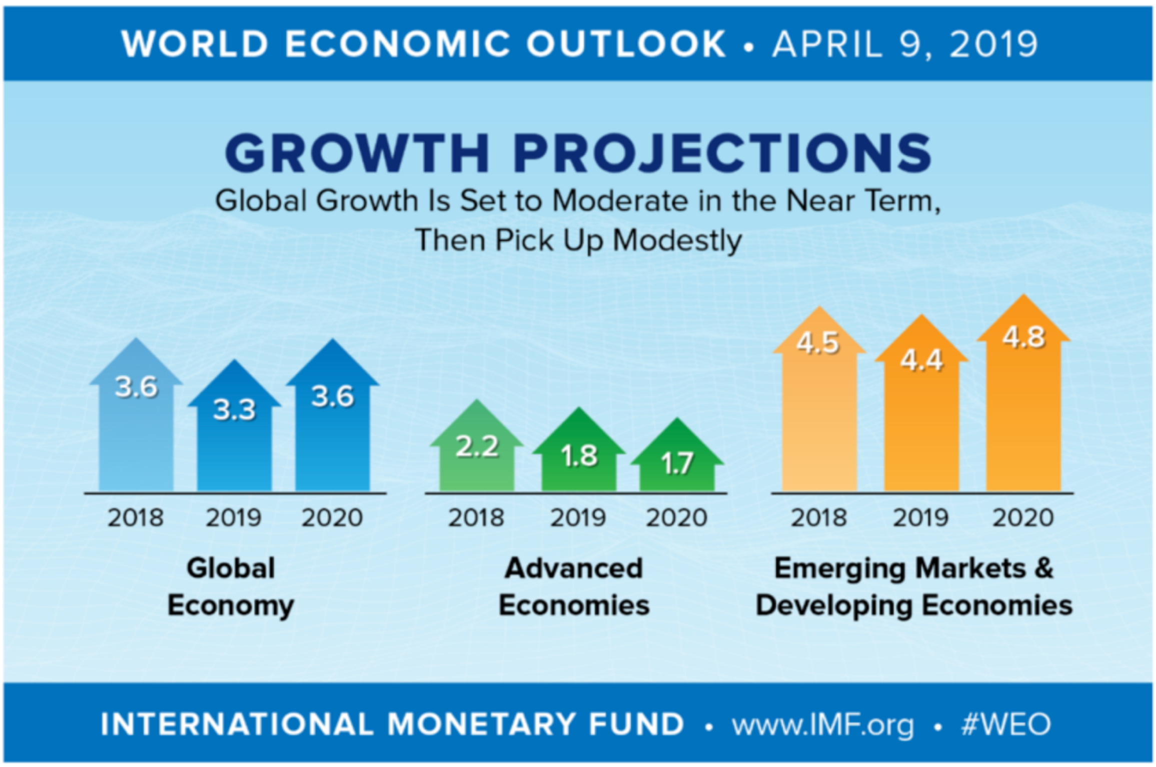
APPENDICES

A.1. FDI Projects by Source: Change in FDI projects vs. 2018



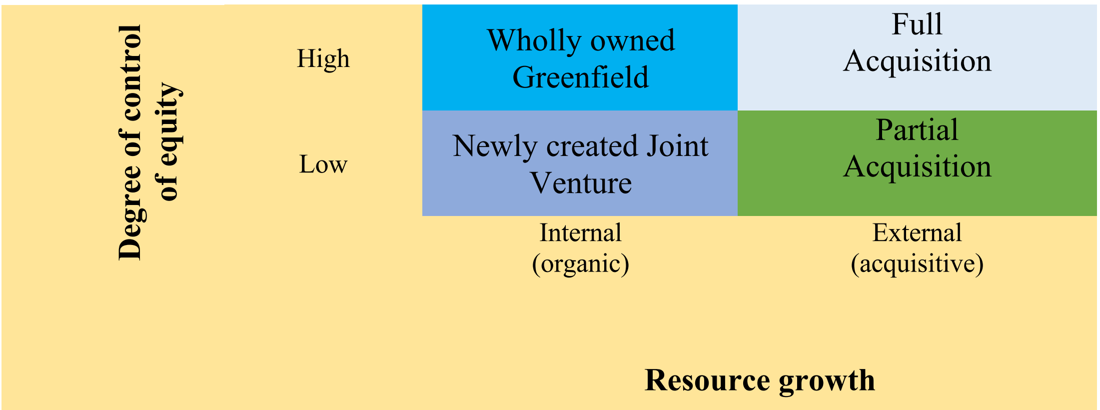
Source: FDI Markets (2019)

A.2. Growth Projections of Economies around the World



Source: IMF, (2019)

A.3. The Choice of FDI Entry Modes



Source: Meyer and Peng (2016, p. 369)

A.4. List of firms with projects between 2014 - 2018

Country Of Origin	Company Name	Company Type	Sector/Sub-Sector
China	Arising Plastic Company Ghana Ltd.	Private	Plastic Products
	Bosai Minerals Group Company, Ltd.	Public	80% acquisition of Ghana Bauxite Company Ltd.
	China International Water & Electric Corp	Private	Energy
	China Railway Construction Engineering Group Co Ltd.	Private	Building & Construction
	Chuang Hui Company Ltd.	Private	Mesh nets
	CNNC China Zhongyuan Engineering Corp	Private	Building & Construction
	Fu fa Company, Ltd.	Private	Furniture
	Fuxing Food Company	Private	Food processing
	Ghana Ohuade Plastics Products Factory, Ltd.	Private	Plastic recycling
	Gomoa Paper Mill Ltd.	Public	Paper products
	Haojie Waste Plastic Recycle, Ltd.	Private	Plastic recycling
	Hill Pharmaceutical Co Ltd.	Private	Pharmaceuticals
	JQ Packaging Ghana, Ltd.	Public	Packaging
	Lakerise Industrial Company, Ltd.	Private	Bottle Production
	Minzhe Company, Ltd.	Private	Plastic recycling
	Qingong International Machinery	Private	Machinery reparation
	Qinhuangdao ZenithSolar Technological Co Ltd.	Private	Energy
	Rebecca Fashion Company	Private	Wig Production
	Rider Steel Company	Private	Steel products
	Royal Motors Company, Ltd.	Private	Motorbike assembly
	S.F. International	Private	Steel and iron products

	Sanbao Ghana Pharmaceuticals, Ltd.	Private	Pharmaceuticals
	Sen Da Ghana Company, Ltd.	Private	Electric eqipument
	Sentuo Steel, Ltd.	Private	Steel and iron products
	Shaanxi Construction Engineering Group Corp	Private	Building & Construction
	Shanghai Roy Solar Co Ltd.	Private	Energy
	Shenzhen Energy Group Co Ltd.	Public	Energy
	Shifa Plastic Products Company	Private	Plastic Products
	Shinefeel Ghana Company, Ltd.	Private	Paper products
	Sunlight Engineering, Ltd.	Private	Roofing tiles
	Super Lin Packaging Products Ghana Company, Ltd.	Private	Plastics recylcing
	Tasly Pharmaceutical Group Co Ltd.	Public	Pharmaceuticals
	Verise Industry Company, Ltd.	Private	Plastics products
	Wynca Sunshine (Ghana) Agricultural Materials Co., Ltd	Private	Pesticide manufacturer
	Xin'an Sunrise Company, Ltd.	Private	Pesticide
	Yongya International, Ltd.	Private	Bags and Suitcases
	Yunfeng Plastic Production Company, Ltd.	Private	Plastic recycling
	Zhongmei Engineering Group Ltd.	Private	Building & Construction
	Sonon Asogli Thermal Company	Private	Energy
	Gansu Construction Investment Equipment Limited	Public	Building & Construction
India	Abellon CleanEnergy Ltd	Private	Energy
	Akums Drugs & Pharmaceuticals Ltd	Private	Pharmaceuticals
	Alpha Medicare and Devices Ltd	Private	Healthcare
	Axon Drugs Pvt Ltd	Private	Pharmaceuticals
	Bharat Electronics Ltd	Public	Energy
	Blue Cross Laboratories Pvt Ltd	Private	Healthcare
	CIRON Drugs & Pharmaceuticals Pvt Ltd	Private	Pharmaceuticals
	Digispice Technologies Limited	Public	IT
	Franco-Indian Pharmaceuticals Pvt Ltd	Private	Pharmaceuticals
	Fredun Pharmaceuticals Ltd	Private	Pharmaceuticals
	J.Duncan HealthCare Pvt Ltd	Private	Healthcare
	K R Pulp & Papers Ltd	Private	Paper products
	Krauter Healthcare Ltd	Private	Healthcare
	Laborate Pharmaceuticals India Ltd	Private	Pharmaceuticals
	Lincon Pharmaceuticals Ltd	Public	Pharmaceuticals
	Metropolis Healthcare Ltd	Public	Healthcare
	National Pharma Machinery	Private	Pharmaceuticals
	Parenteral Drugs India Ltd	Public	Pharmaceuticals
	Tata Motors	Public	Autormobile
	Bharti Airtel	Private	Telecomunication

	NIIT	Private	ICT Education
	Svani Motors	Private	Motor bikes
	Somoco (GH) limited	Private	Motor bikes
South Africa	AngloGold-Ashanti	Public	Minning and quarrying
	MTN	Public	Telecommunication
	Vantage Capital Group (Pty) Ltd.	Private	Electricity producer
	Sanlam Emerging Markets (Pty) Ltd.	Private	Banking services
	FirstRand Private Bank	Private	Banking services
	Stanlib	Private	Investment Management
	Times Media Group Ltd	Private	Media
	Imperia Holdings	Private	Portfolio management
	Tsebo Solutions Group Ltd.	Private	Catering, Cleaning, Gardening services
	Kagiso Media Ltd.	Private	Media and PR services
	Edward Nathan Sonnenbergs	Public	Law firm
	Imperial Logistics Consolidation Solutions Ltd	Private	Logistics
	African Infrastructure Investment Fund 3 GP	Private	Gas, Water, Electricity
	Growthpoint Investec African Properties	Private	Property Investment

A.5. Interview Guide

Introductory Component

I want to thank you for taking the time to meet with me today. My name is Abdul-Kadir Ameyaw, a second-year master's student from St. Petersburg State University in Russia. I am writing a master thesis about *"Determinants of Foreign Direct Investment from Emerging Economies to Sub-Saharan Africa"* and I would like to talk to you about **your experiences in investing in Ghana (this part for investors)** / **working with investors(this part for officials)** / **about how foreign business has impacted your life (this part for locals).** Specifically, why you decided to invest in Ghana, the benefits as well as challenges of operating a business in Ghana (**part for investors**)/ how the foreign companies have been operating, the benefits to Ghana and why the sectoral focus to attract FDI **(officials)** / how your life has changed since these companies were opened in your community, the benefits and drawbacks associated with it **(locals).**

The interview should take less than an hour. I will be taking some notes during the session because I don't want to miss some valuable comments. All responses will be kept confidential. This means that your interview responses will only be shared with my academic advisor and the university team responsible for reviewing this thesis and we will ensure that any information we include in the paper does not identify you as the respondent. Remember, you don't have to talk about anything you don't want to and you may end the interview at any time.

Are there any questions about what I have just explained? Are you willing to participate in this interview?

Thank you! Now let's begin!

Questions for Investors

1. Could you please give a brief description of your company (operations, industry, number of employees, etc.)?
2. Why did you choose to invest in Ghana?
3. Did strategic sectors (prioritized sectors by the government of Ghana) influence your decision to invest in this sector?
4. How does your home country government and the host country government support your company?
5. How do you incorporate locals in the supply chain?
6. Who are your biggest competitors?
7. How do you see the potential of market growth in the next couple of years and do you expect competition to be higher?
8. Do you have any long-term goals for your business in Ghana?
9. Are there any plans for expanding operations to other African countries, if yes how and which countries?
10. What are some barriers, if any have you encountered in doing business in Ghana?
11. How did you overcome the barrier(s)?

Questions for Government Officials

1. What processes does a foreign firm have to go through to invest in Ghana?
2. How have the FDI regulations changed over the last 5 years?
3. How does Ghana's government support investors?
4. Does EE FDI take a quid pro quo approach? Why (not)?
5. What are some of the challenges with FDI, if any?

6. What effects (positive and negative) do FDI have on local production and communities?
7. What can the government do to attract more FDI?

Questions for Locals

1. Could you please tell us about yourself (job, educational background, etc.)?
2. How has this FDI (projects) impacted your life?
3. Has your business been doing better since the inception of this project?
4. What difficulties have you encountered, if any, since this project started?
5. Do you think we need more foreign projects in your community? Why (not)?

Closing Component

Is there anything else you would like to add?

I'll be analyzing the information you and others gave me and will be used for this project. I will be happy to send you a copy to review, if interested.

Thank you for your time!

A.6. Respondents' Profile

RESPONDENT	POSITION HELD	ORGANIZATION	Sector
Respondent 1	President	Ghana Plastic Manufacturers Association	Manufacturing
Respondent 2	Member of the advisory board	Ministry of trade and industry	Governmental Organization
Respondent 3	CEO	Wynca Sunshine Agricultural Materials Co. Ltd.	Agriculture
Respondent 4	CEO	Haojie Plastic Ltd.	Manufacturing
Respondent 5	Acting Chief Inspector of Mines	Minerals Commission of Ghana	Governmental Organization
Respondent 6	Chairman	S.F. International Co. Ltd.	Building Construction
Respondent 7	Chinese Economic Counselor	Chinese Embassy, Ghana	Governmental Organization
Respondent 8	CEO	Arising Plastic (Gh) Ltd.	Plastic Manufacturing
Respondent 9	Farmer	Self-employed	Agriculture
Respondent 10	Trader	Self-employed	General trading