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UNIVERSITY OF GHANA

CHINA-GHANA TRADE RELATIONS ON THE GHANAIAN TEXTILE INDUSTRY: A CASE STUDY OF GHANA TEXTILE PRINTING COMPANY LIMITED AND AKOSOMBO TEXTILES LIMITED

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DECLARATION

I, Abigail Akua Safoa, do declare that, this work is entirely by my personal effort, supervised by Dr. Emmanuel Codjoe. I further declare that all the works that have been consulted or quoted have been duly acknowledged. I also declare that this dissertation has not been presented either in part or in whole for any other degree elsewhere.

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DEDICATION

I dedicate this work to my brother, Isaac Osafo Osei who sponsored my postgraduate studies..

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LIST OF ABREVIATIONS

ATL	-	Akosombo Textiles Limited
CEPS	-	Customs Excise Preventive Service
CPP	-	Convention People's Party
EPR	-	Economic Recovery Program
FDIs	-	Foreign Direct Investments
FOCAC	-	Forum on China Africa Cooperation
GDP	-	Gross Domestic Product
GIBADA	-	Ghana Integrated Bauxite Aluminium Development Authority
GIPC	-	Ghana Investment Promotion Centre
GRA	-	Ghana Revenue Authority
GSS	-	Ghana Statistical Services
GTMC	-	Ghana Textile Manufacturing Company
GTP	-	Ghana Textile Printing Company Limited
ICT	-	Information Communication Technology
ICU	-	Industrial and Commercial Workers' Union
IMF	-	International Monetary Fund
ISI	-	Import Substitution Industrialization
ISSER	-	Institute of Statistical, Social and Economic Research
JTL	-	Juapong Textiles Limited
MDGs	-	Millennium Development Goals
MOTI	-	Ministry of Trade and Industry
MPSA	-	Master Plan Support Agreement
PRC	-	People's Republic of China

SAP	-	Structural Adjustment Program
TEGLEU	-	Textile, Garment and Leather Employees Union
TTL	-	Tema Textile Limited
UNIDO	-	United Nations Industrial Development Organization
VALCO	-	Volta Aluminium Company
VAT	-	Value Added Tax
VRP	-	Volta River Project
WTO	-	World Trade Organization

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ABSTRACT

The Ghanaian textile industry was one of the most vibrant sub-sectors in the 1970s. However, the sub-sector is struggling to survive the numerous challenges it is facing. Cheap Chinese textile imports because of trade liberalization have resulted in unhealthy competition in the Ghanaian textile market. This study therefore investigates the impact of China-Ghana trade relations on the Ghanaian textile industry and makes recommendations towards revamping the Ghanaian textile industry. The study used a qualitative approach whereby respondents were selected using purposive, convenient, and snowballing sampling techniques. The study also employed the case study approach whereby the effects of Chinese textile imports were examined through ATL and GTP. Data was summarised and analysed under thematic areas with relevant tables and pictorial evidences for clarity and better understanding. The study revealed that, China-Ghana economic relations has had a negative effect on the Ghanaian textile industry in relation to market share and employment. Chinese textile companies pirate some designs of the local textile companies but due to weak control mechanism, these cheap pirated textiles get access to the Ghanaian market. Moreover, the study revealed that; cost, cultural identity, designs, and patterns influence the behaviour of Ghanaian consumers. Therefore, it will be important for the Ghanaian textile companies to increase their ability to compete effectively with Chinese textile products. The study concludes that, government, textile companies, textile consumers, textile importers, fabric sellers among other stakeholders in the Ghanaian textile industry must work together to revamp the Ghanaian textile industry.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Research Problem

The advent of globalisation has enabled increased access to cross-border trade. Intercontinental trade in recent times has been very accessible due to increase interdependence of states, technological advancement, and limited restriction in relation to movement of persons from one country to the other. China and Africa though located on different continents have had increased trade relations. Ibrahim (2017) notes that, China-Africa relations in recent times commenced with the Bandung Conference in Indonesia in 1955 involving twenty-nine states from both Africa and Asia continents. The essence of this conference was to enhance economic and cultural cooperation between both continents. Furthermore, according to Ibrahim (2017) an agreement of peace and cooperation between Ghana and China was signed in 1961 during the period of Nkrumah. In recent years, China –African relations has developed, and China has emerged as the largest trading partner of Africa. In September 2018, China pledged to invest 60bn US Dollars toward the development of the African continent. Moreover, in 2018, the seventh Forum on China-Africa Cooperation (FOCAC) was held in Beijing to broadly deliberate on new and existing cooperation agreements that China has with African countries including Nigeria, South Africa, Ethiopia, Egypt, Ghana among others (Africa-China Reporting Project, 2018).

Ghana is one of the African states which have strong relations with China. According to Aryeetey et al, (2008) Ghana and China established official diplomatic ties in 1960. In 1966, the overthrown of Dr. Kwame Nkrumah’s government, led to withdrawal of 200 Chinese workers and embassy staff in Accra. The withdrawal led to suspension of diplomatic ties for 6years. In January 1972, the National Redemption Council made efforts to improve Ghana's diplomatic relations with China (Nyarku, 2017). Since then, both countries have built strong and healthy friendly relations. This relation has overtime been strengthened by personal associations between leaders of both nations.

China and Ghana economic relations can be traced back to the early 1960s following the establishment of diplomatic relations between both nations. Nyarku (2017) argues that, bilateral trade agreement between China and Ghana has been positively skewed in favour of China. According to him, it is evident in the huge trade deficit of about -1,113.88 in the name of Ghana. However, China`s financial assistance to Ghana, as part of the bilateral cooperation, covers the most important and crucial sectors of the economy. These include; health sector, agriculture, food, defence, education culture, roads and building industry (ibid). According to Sarpong (2015) Ghana's debt to a tune of US$ 12.5 million was written off by China to reduce fiscal burden as well as promote Ghana's economic development. Furthermore, bilateral economic and trade volume between China and Ghana have increased over the years. In 2010, the trade volume hit US$2.06 billion breaking through US$2.0 billion for the first time and up by 27.5% years on year basis (Nyarku, 2017).

Moreover, Ghana exports commodities to China, and these exports have been increasing over time. For example, in 2012, Ghana's total export to China amounted to US$ 4,144.66 million compared to that of US$ 1,648.01 million in 2008. It can be inferred that, there has been a tremendous increase in quantity of exports from Ghana to China from 2008 to 2012 (Cited by

Danquah, 2017). Although Ghana's exports to China have increased, Danquah (2017) noted that, natural resource have been the dominant commodity Ghana export to China and manufactured goods accounts for less than 15% of Ghana exports to China. However, China exports large volumes of finished products to Ghana many of which could be locally produced. With the competitively lower prices of finished products from China, Ghana's manufacturing industries are being negatively affected. This also results in increase preference for made in China products over goods made in Ghana (Nyarku, 2017). The local industries already faced with the challenge of inadequate resources; have to compete unfavourably internally as well as with imported goods (Tsikata, Fenny & Aryeetey, 2008).

Ghana's increasing imports of manufactured goods has offered unhealthy competition to the local manufacturing companies of which the Ghanaian textile industry is included. The Ghanaian textile industry was one of the vibrant industries which employed over 25,000 workers (Quartey, 2006). According to MOTI (2004), the textile industry contributed 10% - 12% of the Ghana's Gross Domestic Product (GDP) (Cited by Bruce-Amartey, Amissah & Safo-Ankama, 2014 p. 36). Similarly, according to Ibrahim (2001), the textile industry was a significant foreign exchange earner for Ghana. In recent years, the industry has gone through difficult moments and has been gradually receding in terms of growth and development. From over 20 large scale textile companies established in the 1960s, the country now has only four textile companies employing less than 2500 workers (TEGLEU, 2012; Cited by Bruce-Amartey et al., 2014).

Ibrahim (2017) attributes the decline of the Ghanaian textile industry to the influx of Chinese textile product on the Ghanaian textile market. Similar, Quartey, 2006 associates the decline to lack of competitiveness of the local textiles with cheap imports from Asia. The woes of the industry started in the early 2000s when original designs made by Ghanaian textile companies were pirated by Chinese textile companies (citionline.com). According to Bruce-Amartey et al. (2014), the Ghanaian textile industry has experienced imitations, brand copying and selvedge marking, tickets and labels copying. These pirated textile products look similar to the Ghanaian textile products but are relatively cheaper and increases consumer welfare. Furthermore, Ghanaian textile market has been inundated with these Chinese wax brands such as, Hitarget, Binta, Phoenix, among others overshadowing the Ghanaian textile brands which includes, Ghana Textile Print (GTP), Akosombo Textile Limited (ATL), Printex among others. The Ghanaian textile industry is experiencing a decline and this study examines the implications of China-Ghana trade relations on the Ghanaian textile industry using Ghana Textile Printing Company Limited (GTP) and Akosombo Textile Limited (ATL) as case study.

1.2 Statement of the Research Problem

The Ghanaian textile industry which used to be one of the outstanding sectors in Ghana has seen a drastic decline over the past decade. Bruce-Amartey et al. (2014) argued that, the Ghanaian textile industry was not only a source of employment to many Ghanaians but also, accounted for about 10% -12% of the country's total GDP. They associated the major decline in the textile industry to the trade liberalization policy adopted in Ghana in the 1980s and the 1990s. According to Quartey (2006), trade liberalization reforms paved way for increased importation of textiles and other apparel which hastened the demise of many textile factories in Ghana.

Furthermore, Abdallah (2010) attributed the decline in growth and development of the Ghanaian textile industry to the importation of sub-standard textile products from China. He added that, the Chinese go to the extent of pirating the names of the Ghanaian textile companies. Similarly, the situation has aggravated by the importation of imitated Ghanaian textiles which carry lower prices (Quartey & Abor, 2011). According to Bruce-Amartey et al. (2014) in 2010 MOTI recorded that, imported fabrics constituted 70% of the total consumption rate of textiles in the country. Quartey (2006) added that, due to the low prices of the imported fabrics, it is profitable to the fabric sellers and affordable to consumers hence, the high consumption rate.

The imitation of the Ghanaian textiles by Chinese textile producing firms and lower prices of these Chinese textiles has offered unhealthy competition to the Ghanaian textile industry leading to the collapse of many Ghanaian textile producing companies. Abdallah (2010) attests to the fact that, over 40 textile firms is the last two decades has just 4 of these firms surviving. As of 2002, the four textile manufacturing companies that survived are Ghana Textile Printing Company Limited (GTP), Akosombo Textile Limited (ATL), Ghana Textile Manufacturing Company (GTMC) and Printex, with GTP maintaining the lead in the industry in terms of market share (Bruce-Amartey et al., 2014). Also, ATL is the only vertically integrated company in terms of processing the cotton to final printing of the fabric (Adikorley, 2013). As a result, this study will examine the China-Ghana trade relations on the Ghanaian textile industry through ATL and GTP.

1.3 Research Questions

The research seeks to answer the following questions:

- What are the effects of Chinese textile products on the Ghanaian textile industry?
- What factors are considered by consumers in purchasing fabrics on the Ghanaian textile market?

1.4 Research Objectives

The purpose of this research is to investigate;

- The effect of Chinese textile products on the Ghanaian textile industry
- The factors considered by consumers in purchasing fabrics on the Ghanaian textile market.

1.5 Scope of the Study

The Ghanaian textiles industry has always had competition from other markets like Hollandaise wax print. However, from 2009, there has been an influx of cheap Chinese textiles which have heightened the competition on the Ghanaian market. This study will focus on two large-scale textile factories which are GTP and ATL.

1.6 Rationale of the Study

The rationale of the study is to examine the intricacies and complexities associated with the importation of Chinese textile products and its corresponding manifestations on the Ghanaian textile industry. The study will further investigate the multiplicity of reactions from Ghanaian consumers visa-vis the factors that influences their consumer choice.

1.7 Theoretical Framework

According to Svenson (2015), the theory of comparative advantage which underpins the Ricardian Model of trade was formulated by David Ricardo a British Economist in 1817 in his book "The Principles of Political Economy and Taxation". According to this model, a nation is said to have a comparative advantage in producing a product or services if the opportunity cost of producing that good or service is lower compared to other countries. With comparative advantage, trade is solely due to differences in the productivity of labour but this is adequate in explaining trade between countries in symmetrical situations (Krugman, Obstfeld & Melitz, 2012). The model measures cost of production in terms of labour, and the value of goods in terms of labour hours/days taken to make them. Also, labour is considered absolutely movable within a country, but immovable between nations. Furthermore, the model believes in trade liberalization as it assumes that, international trade between nations is not hindered by any kind of obstacle or charges (Buchanan & Yong 2002, cited by Boudreaux, 2004)

One important tenet of comparative advantage is that, all actors involved at all times can mutually benefit from cooperation and voluntary trade. Comparative advantage assumes that there are gains from trade when there is complete specialization and interdependence in the international system. Svensen (2011) notes that, gains from specialization is measured by the increase in production which nations may derive through trade. Thus, through cooperation, countries can specialize, produce and export a good in which it has comparative advantage. Specialization brings about efficiency which eventually leads to an increase in productivity. This implies that comparative advantage brings about efficient use of resources which has a bearing on production and an increase in consumer purchasing power.

Despite the validity of this theory Krugman, Obstfeld & Melitz (2012), criticizes it as misleading in its predictions. The Ricardian model's assumption of extreme degree of specialization does not reflect the real-world situation. The model does not allow for differences in resources as a cause of international trade. Also, international trade has an effect on income distribution and it is not always true that countries gain mutually from trade.

Besides, globalization has increased countries' efforts into finding more strategic ways for their companies to be more efficient. Although comparative advantage is important in international trade it is inadequate to explain fully the positional strategy and performance advantage of countries (Korsakienė, 2012). Beyond comparative advantage, countries invest in technology, quality of resources, design, investment, innovation, higher education and training, infrastructure, labour, marketing among others. This is an extra layer which moves trade away from comparative advantage into more versatile way of trade creation through innovation and upgrade. Higher productivity and product quality has become important in today's trade which has moved most economies into high-value sector which helps in job creation. As a result, there is an increased global competition in trade creation which has shifted the conversation from comparative advantage to competitive advantage.

The term competitive advantage in the contemporary context was coined in 1985, by Porter (Porter, 1985). Hosseini, Soltani, and Mehdizadeh, (2018) note that 'competition issues' first entered the literature when Adam Smith wrote his popular book 'The Wealth of Nations'. According to Porter (1985) competition is at the centre of a business' success or failure, hence, competition defines the appropriateness of a company's operations, such as inventions, a coherent community, or successful execution that can lead to its success. Competitive advantage is obtained when an organization develops or acquires a set of attributes (or execution actions) that enable its competitors to outperform (Wang, 2014). According to Saloner, Shepard and Podolny (2001), most aspects of competitive advantage mean either that a business can manufacture a service or a product that is preferred by its consumers over those provided by its competitors or that it can deliver its service or product at a lower cost than its competitors. In other words, competitive advantage is identified when an organization's operations are more successful than those of its rivals in the industry or when it outperforms them with respect to other desirable results of operations, including market share, product efficiency or technical innovation (Huff et al., 2009).

Korsakienė (2012) argues that the competitive advantages include a positional and performance advantage over competitors due to the advantage of resources and capacities held and distributed by the firm. Hosseini, Soltani, and Mehdizadeh, (2018) posit that a company is considered to have competitive advantage when its profit rate is greater than the associated industry's average rate, and when it holds the high profit rate for many years, it is said to have retained competitive advantage. Therefore, the competitive advantage is defined as a firm’s significant advantage over its competitors due to the cost allocation and the results of the operation of which depends on the positioning strategy (Korsakienė, 2012). A study by Olson & Hult (2005) identifies three key points in achieving competitive advantage. These are efficient execution of the strategic advantage for superior corporate performance; marketing, which plays a crucial role in implementing corporate strategy.

Therefore, any business that wishes to be competitive must pay close attention to its rivals, evaluate them and consider the consumers who are its target. In order to achieve an edge over competition, it is necessary to make initiatives that satisfy the needs of the target customers to a greater degree than that provided by the competitors (Išoraitė, 2018). When selecting a marketing plan, the organization must take into account the tactics of its rivals and address the interests of its customers, so an overview of competition is of the utmost importance *ibid*. According to Kotler (2012), it is vital to establish a planned strategy that will stand out from its rivals, but first of all, it is necessary to know its market place, priorities, capability and capital.
In essence, it can be said that competition is the catalyst that allows businesses to respond quickly to problems that occur and to react to the environment, to pick up on the actions and failures of rivals, to communicate and learn from others (Išoraitė, 2018). This is a business pillar that pushes businesses to expand, to evolve and, of course, to satisfy the changing needs of their customers. Nevertheless, there are disagreements among researchers in the field on the specific description of the competitive edge, however, they show a number of variables and examine them in a variety of ways. Thus, business-oriented companies, in the face of extremely intense competition, must be able to maintain their business and even attempt to steal the business from rivals (Cegliński, 2016).

Despite the validity of this theory, scholars such as Waverman (1995), have criticised the theory, indicating that the theory is so general that it tries to explain all aspects of trade and competition, but ends up explaining nothing. According to Waverman (1995: 70) competitive advantage theory “does not differentiate between hypotheses, theorems, conjectures and evidence and cannot thus continue to prove causality”. Likewise, Klein (2002) argues that notwithstanding its ubiquity, the idea of 'competitive advantage' is somewhat under-defined, in the worst, it's nothing more than tautology.

In spite of these criticisms, competitive advantage is at the core of a company's success in global markets, thus, an organization that wishes to build up a successful marketing plan for itself would provide a lot of knowledge about its rivals. It is important to continuously examine the gaps between the main rivals and their goods, costs, customer support systems and distribution chains. In carrying out these measures, the organization discovers its own possible strengths and vulnerabilities and becomes more successful with its anti-competition marketing strategy.

1.8 Literature Review

1.8.1 Overview

Many studies have been done in recent times on the topic under study. The core areas of this literature considered very relevant are reviewed thematically to indicate how they contribute significantly to the topic under study. Gaps in these literatures are identified and this study attempts to address such gabs.

1.8.2 China-Ghana Trade Relations and the Ghanaian Textile Industry

Scholars have argued as to whether China-Ghana encounter is beneficial or detrimental to the Ghanaian economy at large and the Ghanaian textile industry in particular. Ibrahim (2017) submits in his article "*Impact of Sino-Africa Economic Relations on the Ghanaian Economy: The Case of Textiles*" that, Sino-Africa economic and trade relations impact on the Ghanaian textile industry negatively in areas such as employment, although some positive benefits such as cheaper prices for consumers accrue. He is of the view that, Sino-Ghana trade follows the pattern of the North-South model such that, Ghana exports raw materials to China and imports finished products. Ghanaian imports from China are mainly manufactures such as textile and apparel, travelling bags, shoes, automobiles and electronics. On the other hand, exports to China include metal ore, Cocoa beans, timber, rubber and soap. China's imports to Ghana are very low as compared to its exports. He established that, smuggling, counterfeiting and importation of Chinese textiles gives unhealthy competition and has led to the decline of the Ghanaian textiles industry.

Having researched the impact of China-Africa relations and using the Ghanaian textile industry as a case study, Ibrahim observed the negative effect of the influx of Chinese textiles on the Ghanaian textiles industry. He attributes the decline in the Ghanaian textile industry to trade liberalizations which is deemed to have led to the influx of textile products from China.

Moreover, according to Sarpong (2015), Ghana and China have had good diplomatic ties since 1960.Ghana strongly supports China over issues regarding the core and major interest of China while China always backs the endeavours of Ghana for economic change and regional incorporation. Sarpong (2015) argues that, the contact of Chinese investment in Ghana within itself is a double edge saw. She is of the view that, perception of some areas in Africa by Western countries as less attractive and occasional risky has led to Chinese to rather step up their demand to take advantage of local resources necessary for producing light industrial products. She noted that Chinese have also taken advantage of the African markets to sell their finished goods which she considers as substitute for products from the western countries which brings welfare to Ghanaian consumers. That notwithstanding, she identifies that, the China-Ghana relations is on unlevelled ground that has a possibility of subjugating Ghana's economy is the long run. She argued that, Chinese finished merchandise which floods the Ghanaian market place turns to lower incentive for Ghanaian native production.

Sarpong (2015) acknowledges the political dimension of China-Ghana relations and explains the increase engagement of activities of the Chinese on the African continent. Interestingly, Sarpong observes that, continue influx of Chinese products such as textile will lead to the extinction of local industries. She also identifies with Ibrahim's argument that, cheap Chinese products maximize consumer welfare. Furthermore, she added that these Chinese products are substitutes to products from the West that are relatively expensive. Extending her argument to this study, textile products from Europe such as Hollandaise wax are relatively expensive to the Chinese and Ghanaian textile products and as a result consumer will maximize welfare by patronizing Chinese or Ghanaian textile products.

Although Ibrahim (2017) and Sarpong (2015) suggest a negative effect of Chinese engagement in Ghana especially towards the Ghanaian textile industry, other scholars are of the view that, China-Ghana relation is very friendly and are mutually beneficial.

Lampert and Mohan (2014) in *"Sino-Africa Encounters in Ghana and Nigeria: from conflict to conviviality and mutual benefit"* are convinced that, though Chinese engagement in Africa cause tension, it does not necessarily lead to conflict. They associated the development of tension to how Chinese traders in Ghana treat local workers in Chinese enterprises and also, the development of social relations between Chinese migrants and some Africans. They are of the view that, there will be significant benefit if there is a friendly relation between Chinese migrants and some Africans. Friendly relations can enable African actors to leverage significant benefits from the Chinese presence. They emphasized that, these encounters are shaped by class dynamics meaning, the possibility of African actors to get benefits from the Chinese is highly uneven. Even though there are differences in nationality and cultural terms, class and other identities shapes the tension. They do not extend the tension to the mere presence of Chinese but rather, expose competing interest against African actors. Convivial relations between Chinese and African actors cannot represent warm growth of imperialism but it can represent an important channel through which at least some African actors are able to leverage benefits from the Chinese presence. They concluded that, China –Ghana relations is friendlier and mutually beneficial than often assumed.

Lampert and Mohan (2014) bring a new dimension to the argument. They are critical of the fact that, China-Ghana relations are mutually beneficial than often assumed, however, they established that there is a direct correlation between class system and benefits. Their work is significant to this study because, it brings to light that, tension arises between Africans (in this case Ghanaian) and Chinese actors as a result of competing interest.

1.8.3 Decline of the Ghanaian Textile Industry

In *"Explaining declining industries in developing countries: The case of textiles and apparel in Ghana"*, Amankwah-Amoah (2015) noted that, In the 1970s the Ghanaian textile industry was one of the vibrant industries that could stimulate economic growth in Ghana. However, the industry has seen a drastic decline due to unfavourable global competition, growth of second-hand clothing line and smuggling of textiles into the country. He is critical of the fact that, counterfeiting traditional clothing and textile products has reduced the revenue streams of the textile producing firms. He indicated that, Ghanaian textiles consumers have developed brand loyalty towards the domestic fabric products but, counterfeiting of domestic designs has rendered the products of the domestic firms uncompetitive. He noted that, smuggling of fabrics into the country leads to evade of duty and taxes on imported textiles which has led to a key source of competitive advantage in the marketplace for the Chinese textile products.

Amankwah-Amoah (2015), submission throw light on the fact that, evading of duties makes the imported fabrics affordable than the locally manufactured fabrics. This study will investigate other factors that make the Chinese textiles products flourish the Ghanaian market.

1.8.4 Textile Preference

Quartey & Abor (2011), in their *work "Do Ghanaians Prefer Imported Textiles or locally Manufactured One?*" argue that, most Ghanaian consumers prefer locally made textiles to imported ones. According to them locally manufactured textiles are of higher quality than the imported textiles. They noted that consumers patronize imported fabrics because they are relatively cheaper. Moreover, even though Ghanaians prefer the local textile products there is low demand for these textile products due to high prices. They added that due the significance of the local textile products, Ghanaians use it mainly for ceremonial functions like, funerals, engagements, festivals among others.

The importance of Quartey and Abor (2011) work to this study is that, their work outlines the fact that, most Ghanaians prefer locally manufactured textiles over the imported textiles. However, they attributed the low demand for these local textile products to high prices. This means that if some conditions like price remain equal, for the locally manufactured textiles and the imported textiles, there will be high demand for the Ghanaian textiles due to consumer preference. This work will address ways to improve the competitiveness of the Ghanaian textile products relative to Chinese textile products.

1.9 Methodology

The study utilizes qualitative research technique. Qualitative research gives detailed information and explanations on the issues being investigated. The study adopted the case study approach where by ATL and GTP were selected. The case study method of qualitative design was used because, the issues investigated demanded the need to identify and select relevant Ghanaian textile factories which have the market base and have survived the turbulence of the influx of Chinese textiles on the Ghanaian textile market.

1.9.1 Sources of Data and Data Collection

To achieve the research objectives, primary and secondary data sources were used. Primary data are the direct information gathered from the field. Primary data collection was from semi–structured interviews which allowed for flexibility and probing for further clarifications when the need arose. The primary data was collected through recorded interviews. Recorded interviews were played, listened and transcribed. Also, secondary data sources included reports from ATL, books, articles, journals and internet. Both primary and secondary data obtained were synthesized under themes and interpreted in order to draw conclusion.

1.9.2 Sampling Methodology, Sample Size and Target Population

Purposive sampling technique was used to select respondents in the two textile factories (ATL and GTP), and Textile Vendors which allowed for specific relevant data on each of the factories for discussion in order to meet the set objective. Also, Chinese textile importers were interviewed and the snowballing technique was employed as some respondents who were interviewed were based on recommendations from other respondents. In addition, textile consumers were randomly selected by the convenient sampling technique and interviewed at the Makola textile hub located in Accra Central.

The target population consisted of professionals and experienced participants with the ability to make a well-informed contribution to the research from historical to modern problems related to China-Ghana relations and its effect on Ghana's textile industry. A sample size of thirty-seven (37) participants was used in this research. The participants included two resource persons from GTP (the Marketing Director and the Technical Director), two resource persons from ATL (the Executive Director- Finance and Administration and the Marketing Manager), twenty textile consumers, ten fabric sellers, as well as three textile importers. These individuals are chosen on the basis of their experience in the textile market in Ghana. While the experts from GTP and ATL were selected to provide an insight on the decline in the demand for Ghanaian textile products and its ramifications, consumers, fabric sellers as well as importers were selected to provide reasons for the increase in demand for Chinese textile products.

1.9.3 Ethical Consideration

The study has obtained informed consent from the participants in this research on the basis of ethical considerations to ascertain information and gain trust. It was essential for participants to understand the goals and objectives of the research and give their informed permission before the study was undertaken. In principle, respondents in the study were fully notified about the processes and challenges associated with the disclosure of classified information. Participants did, however, give their approval. In addition, all respondents received in advance a copy of the interview guide to avoid surprise. The purpose and confidentiality of the respondents were clearly stated. Finally, the views and remarks expressed by the interviewees have not been suppressed, nor have quotations and information been doctored.

1.10 Arrangement of Chapters

The study comprises of Four Chapters. Chapter One is the Introduction. Chapter Two presents an Overview of China-Ghana Economic Relations and Industrial Evolution in Ghana. Chapter Three focuses on China-Ghana Trade Relations on Ghanaian Textile Industry. Chapter Four concludes the study with Summary of Findings, Conclusions and Recommendations.

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CHAPTER TWO

AN OVERVIEW OF CHINA-GHANA ECONOMIC RELATIONS AND INDUSTRIAL EVOLUTION IN GHANA

2.0 Introduction

This chapter presents historical context to China-Ghana economic relations. The chapter also provides an overview of industrial evolution in post-colonial Ghana. This is done by addressing the effects of economic policy regimes on the Ghanaian textile industry. The chapter also delves into the performance of the Chinese textile industry after the Chinese economic reforms.

2.1 China-Ghana Economic Relations

Despite the long distance, cultural and socio-economic differences, there is an enhanced cordial relationship and deepened cooperation between China and Ghana (Nyarku, 2017). China and Ghana established official diplomatic relations on July 5th, 1960 (China-embassy.org). This relation has been deepened with various diplomatic exchange visits between political elites. For example, the first President of Ghana, Dr. Kwame Nkrumah visited the People's Republic of China in 1961, 1964 and 1966. In 1964, the Chinese former President Premier, H.E. Mr. Zhou Enlai and the then Foreign Minister, Chen Yi reciprocated the visit to Ghana (Nyarku, 2017). Ghana has also provided critical diplomatic support to China through numerous means. Dr. Kwame Nkrumah campaigned for the reinstatement of China in the United Nations and supported China in the border conflict with India in 1962. Following the overthrow of Dr. Kwame Nkrumah, China recalled up to 200 Chinese officials including aid workers and staff of the embassy from Ghana. Despite the tensed relations, Ghana voted for the reinstatement of China to UN in 1971.With China renewing her friendship, a grant of US$2.4 million was giving to renovate the National Theatre which China built to reward Ghana in the 1990s (Idun-Arkhurst, 2008). In 1989, President Jerry John Rawlings Ghana's military leader at the time sent a high-level delegation amidst international criticism and isolation making Ghana the first country to do so. H.E J. J. Rawlings was said to have reached out to H.E. Deng Xiaoping (Paramount Leader in China, 1978-1992) for support and direction in the early 1980s while his socialist government did not want to engage with IMF and the World Bank (Frimpong & Nubuor, 2013).

Both nations are classified as developing countries but China has a far more advanced economy than Ghana, with China having achieved an impressive growth rate over the past decade and currently the second largest economy in the world (Tsikata, Fenny & Aryeetey, 2008). In 2006, China became Africa's third largest trading partner after the United States of America and France; this made Africa one of the major external sources of strategic resources, investment opportunities as well as a market for China. China's aid to Africa have culminated into significant effects on the socio-economic development of the continent; on its politics and policies, its business environment, its private sector, trade, among others (Frimpong, 2011). According to Zafar (2010) over the last ten years there has been increased integration of China with the world trading system consequently making China the world's manufacturing hub as well as the largest recipient of FDI. He noted that, China which was initially protected from international competition has undergone substantial trade liberalisation partially in the framework of the WTO accession in 2001. During 1980s and beyond, the Chinese trading system has been driven by market-determined system (Lardy, 2003 Cited by Zafar, 2010).

However, Ghana has been retrogressing in terms of economic development and has been unable to meet its development since 2000 (Tsikata, Fenny & Aryeetey, 2010).Since Ghana gained independence in 1957, it has taking deliberate steps to formulate and implement programs geared towards development which have received significant donor support from China since the 1980s (Idun-Arkhurst, 2008).

Ghana first concessional loan from China was received in 1964 – a total amount of US$12 million (*ibid*). China has continued to support Ghana over the decades taking forms such as loans, grants, debt cancellation among others (Jiang & Jing, 2010).

China also supported Ghana in ICT projects in the National Communication Backbone Infrastructure Project agreed in June, 2006. The Chinese Exim Bank financed US$31 million of a US$ 70 million project carried out by the Ministry of Communications through a concessional loan. The project was aimed at revamping and increasing fixed-line communications technology in Ghana (Foster, Butterfield, Chen & Pushak, 2009).

Moreover, China has undertaken the Kpong Water Expansion Project which was completed in 2014, a supplier's credit for extension rural electrification project and a construction of a natural gas pipeline which is funded through a US$3billion loan facility between the Chinese Development Bank and the Government of Ghana (Danquah, 2017). Owing to achieving the Millennium Development Goals (MDGs), Ghana had set a national target of reaching middle-income status with income per capita of USD$1.000 by 2015. As a result, China wrote down

Ghana's debt owed since 1985 which was worth US$25 million and also, provided much-needed additional loans to assist Ghana in order to achieve its goals (Danquah, 2017).

Furthermore, China assisted Ghana with US$562million loan from the China's Export and Import Bank to support the Bui dam construction. This was to expand Ghana's capacity to supply energy from 2,000 MW to 6,000MW by 2015 (Idun-Arkhurt, 2008).

Sino-Hydro infrastructure deal is a Master Project Support Agreement (MPSA) between the Governments of Ghana and China for the construction of the priority infrastructure projects within a period of three years. The deal is worth USD$2 billion signed in September, 2018.The project forms part of the government's agenda to bridge the country's infrastructural gap. The MPSA is a barter facility under which Sino-Hydro will execute various contractual works for Ghana with the state repaying the facility with refined bauxite. Bauxite mined by the Chinese will be refined by the Ghana Integrated Bauxite and Aluminium Development Authority (GIBADA) (Ansah, 2018).

Table 2. 1: Chinese Aid to Ghana: 2001-2011

Date	**Amount (US$)**	**Type**	**Description**
2001	$3.6 million	Grant	Economic development
2003	$1.2 million	Grant	Construction of Burma hall complex
2003	$28million	Interest free loan	Construction of the 17.4- mile section of the Accra-Kumasi road

2003	$963million	Grant	Military
2003	$2million	Grant	Restoration of National Theatre
2003	$3million	Grant	Afefi irrigation project
2003	$3.9million	Grant	Construction of barracks for the military
2003	$66million	Debt cancellation	-
2005	$75million	Loan	Telecommunication equipment ZTE
2005	$53million	Debt cancellation	-
2005	$3.6million	Grant	Economic and technical cooperation projects
2006	$66million	-	Upgrading telecom networks, school and malaria centre construction
2006	$30million	Concessional loan	Security communication between agencies
2006	$25million	Donation	Treatment of malaria
2006	$3.75million	Interest free loan	-
2006	$275million	Loan	Construction of Takoradi stadium
2006	$38.5million	Loan	Construction of Tamale stadium
2006	$1.25million	Grant	Military
2007	$30million	Concessional loan	Foster close military ties, construction of the Ghanaian ministry of Defence
2007	$662million	Export credit	Bui Dam
2007	$30million	2nd load agreement	Communication, contractor is ZTE
2007	-	Grant in Kind	Training of Ghanaian government officials
2007	$533million	Interest free loan	Various developmental projects

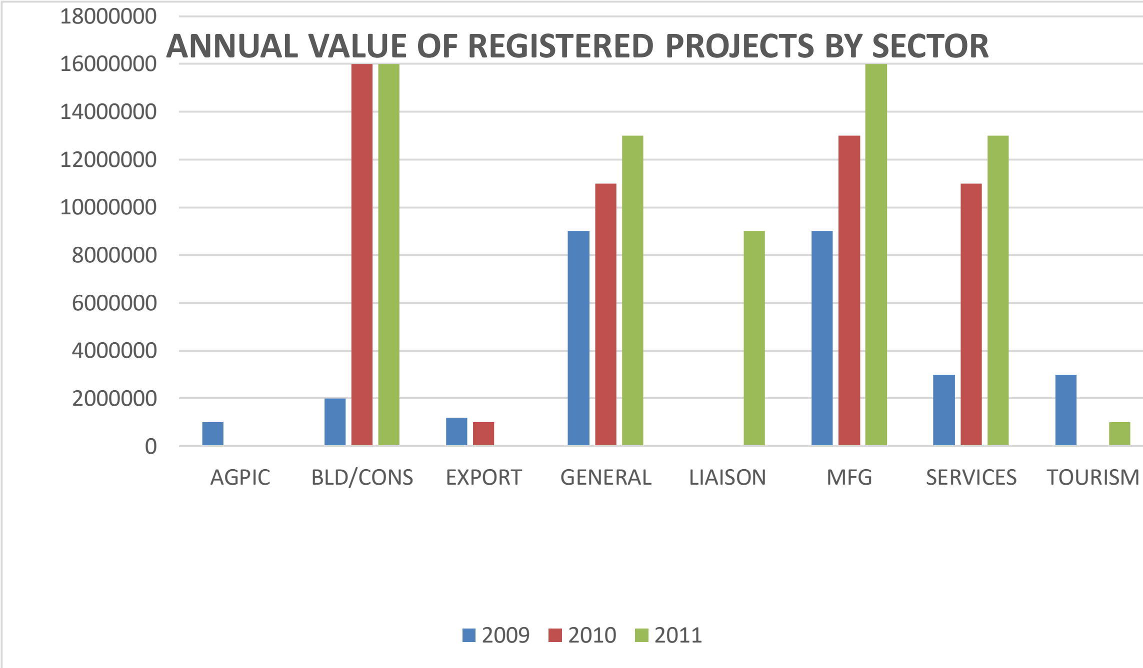
2007	$24million	Debt cancellation	-
2008	$99million	Interest free loan	Landing sites for fishing communities
2008	$1.34million	-	Peduase presidential lodge
2009	$3billion	Loan	Oil and natural gas development
2010	$10.4billion	Concessional loan	Kumasi to Paga railway development, energy infrastructure and education
2011	$7.3million	Grant	100 –bed hospital in Teshie
2011	$3billion	-	Infrastructure project

Source: Ghana Statistical Service (2017)

Table 2.1 chronicles Chinese assistance to Ghana in terms of grants, interest free loans, loans, debt cancellation and concessional loans from 2001 to 2011. The table indicates that, China has assisted Ghana in many areas of the economy such as communication, roads, railways, energy among others.

According to the Ghana Investment Promotion Centre (GIPC), China is one of the leading countries with the highest number of registered projects and FDIs in Ghana. The sectorial composition of these Chinese projects covers agriculture, building/construction, export trade, general trading, manufacturing, services and tourism and a host of others. China's total FDI inflows in 2012 was a little over US$500 million and was ranked 6th in terms of the value of registered investments in Ghana. Similarly, the GIPC report in 2014 indicated that China's FDI had reached US$1.1billion; representing 65.7% of total FDI to Ghana (MOTI, 2019). This indicates a tremendous growth in Chinese FDIs to Ghana over the years.

Figure 2.1: Registered Chinese projects in Ghana by sector: 2009-2011



Source: Ghana Statistical Service (2017)

From figure 2.1 it can be deduced that, there has been an increase in Chinese registered projects in Building and Construction as well as the manufacturing sector in Ghana. For example, in 2009 the value of Chinese registered projects in Ghana was aroundGH₵2,000,000 by 2010, it galloped to about GH₵16,000,000. It can be inferred that there has been an increase engagement of Chinese economic activities in Ghana.

Also, Natural resources have been the most dominant commodity Ghana exports to China in form of gold, diamonds, bauxite and a host of others. Manufactured goods amount to about less than 15% of the total export commodities to China (Danquah, 2017). There will be a need for Ghana to increase the export of manufactured goods to China in order to increase its balance of trade.

Table 2. 2: Ghana's External Trade figures for Exports to China: 2008-2012

Year	China ($ Million)	Total Exports ($ Million)	China's Share as % Of the Total
2008	26.9	1648.01	1.58
2009	23.16	1796,11	1.67
2010	7.69	1,659,30	0.45
2011	18.32	2,621.33	1.79
2012	31.27	4,144.66	2.65

Source: Ministry of Trade and Industry (2014)

Table 2.2 establishes the trend of Ghana's exports to China from 2008 to 2012. It can be inferred that, apart from 2010 whereby exports dropped, Ghana's exports to China has increased over the years.

China and Ghana have had long-standing diplomatic relation since the 1960s and over the years this relation has been deepened with increase trade relations. This is evident in the increased volumes of trade, investments and assistance, exports and imports among others.

2.2 Industrial Evolution in Ghana

Since Ghana gained independence in 1957, the country has been through faces of economic head winds. The quest for industrial development has been one of the means to ensure sustainable growth. This is obvious in the policies formulated and implemented by various government regimes. Typical of this is the policy of import substitution industrialization.

Post-independence industrial growth in Ghana has developed from import substitution industrialization (ISI) strategy to the present program of private-sector led industrialization (Ackah, Adjasi & Turkson, 2014). Before independence Ghana exported raw materials like coffee, timber among others to Britain her colonial master and import manufactured goods for local consumption. The few inherited industries were underdeveloped primarily because the colonial rulers concentrated on extracting raw materials from Ghana (Gold Coast) while creating an economic system strongly dependent on British produced products (*ibid*). Inferring from this, the Ghanaian economic was purely agrarian where the British used as raw material hub which they extract to feed their industries and export manufactured goods into Ghana. While other raw materials like timber was exported to Britain, manufactured goods like textile were imported into the country.

However, the post-independent economic architecture saw a radical evolution of the Ghanaian industrial sector where political independence needed to reflect in other areas. In lieu of this, numerous industries were established to produce manufactured goods to substitute the importation of such goods - Import Substitution Industrialization (ISI). Moreover, the established industries were owned and operated by the government. Killick (2010) posited that, in the early 1960s a significant number of sectors producing products that had to be imported were already in service, the financial system was well established and expanded. Killick's submission gives evidence of the first policy initiative towards ISI where the CPP government established more industries to add value to the raw materials to produce finished goods. Similarly, Abdulai (2015) noted that, the Nkrumah government promoted an industrialization initiative that increased manufacturing's share of GDP from 10% in 1960 to 14% in 1970. This led in the development of a comparatively broad spectrum of industrial businesses, including the biggest smelter, Volta Aluminium Company (VALCO), sawmills and wood processing plants, cocoa processing plants among others. Ackah, Adjasi & Turkson (2014) added that, although misconceived, the ISI led in the production sector's fast development from a 2% share of GDP in 1957 to 9% in 1969. Production rose at a rate of 13% per annum during the 1960s, while its share of total industrial production rose from 10% in 1960 to 14% in 1970, resulting in an average growth rate of 8% per annum.

According to Quartey (2006) the ISI resulted to the establishment of sectors that worked behind tariff barriers. Some of the industries established to manufacture products that were originally imported include textile companies, soap manufacturing industries, aluminium and metal industries, among others (Quartey, 2006; Abdulai, 2015). Drawing from these submissions, the Ghanaian industrial sector developed from an inward-looking policy approach where local industries operated and produced goods within its “hard borders”.

The Nkrumah government envisaged as the key to the development, an integrated aluminium industry based on the exploitation of Ghana’s large bauxite reserves and its hydroelectric potential. As a result, the Akosombo Dam which was the centre piece of the Volta River Project (VRP) was built with the assistance of Britain, the United States and the World Bank. Also, the government embarked on capital intensive-industrialization and one of these flagship industries is the VALCO which became the main consumer of VRP hydroelectricity, using 60% of the energy generated by VRP and generating up to 200,000 tons of aluminium annually in the 1970s for local consumption and export (Abdulai, 2015)

However, the Ghanaian economy in the late 1960s through to the 1980s experienced difficulties and this influenced policies and brought about new architecture for economic activities in the country. Scholars have accounted this economic adversity to different reasons. For example, Ackah, Adjasi & Turkson (2014) are convinced that, the economic hardships were as a result of balance of payment deficits resulting from Ghana's importation of raw materials to feed her industries coupled with stagnant export earnings.

Moreover, Abdulai (2015) associated the economic hardships to severe drought, changing global economic conditions and the discovery of vast bauxite reserves in Australia and Brazil. This discovery led to global oversupply of the mineral and induced a prolonged recession in the aluminium trade which was one of the major foreign exchange earners for Ghana. According to Kolavalli et al. (2012), importing semi-processed alumina from Australia and Brazil rather than to rely on local supplies was economically prudent. Thus, Ghana was comparatively disadvantaged in producing alumina. Moreover, the World Bank acknowledged that, the period was defined by a decrease in export income, a substantial decrease in capital flows and formal assistance, as well as a loss of credit worthiness (As referenced by Ackah, Adjasi & Turkson (2014). Drastic currency devaluation after 1983 made it exceptionally expensive to purchase inputs and difficult to obtain bank credit, which hurt businessmen in the manufacturing sector (Kolavalli et al., 2012). Based on these arguments, it can be inferred that, both domestic policies and external shocks contributed to the economic deterioration in the late 1960s to 1982. Due to the fact that, most companies including the textile companies were state-owned, the economic hardship had an adverse impact on most companies. In 1983, the Government initiated a Structural Adjustment Program (SAP) and eventually, Economic Recovery Program (EPR) to salvage the situation. The SAP eventually liberalized the economy through which the local industries were exposed to foreign competition.

As noted by Ackah, Adjasi & Turkson (2014) in 1983 as part of the SAP, the ERP was launched to reverse the decline in economic growth and to rehabilitate the ruined productive and social infrastructure. The SAP brought about economic reforms which includes, trade liberalization, privatization of state-owned enterprises, abolition of import licensing system, and introduction of market-determined exchange rate among others *(ibid*). Furthermore, according to Killick (2010) the SAP/ERP era can be divided into two periods; 1984-86 and 1987-89, the former concentrating on macroeconomic stabilization and the latter on the longer term, structural developmental issues.

Following the SAP, the industrial sector achieved remarkable growth. However, growth fell from 17.6% in 1985 to 1.3% in 1991. Some scholars have attributed this decline to the poor response of the private sector to industrialization and their inability to resist international competition. As a result, domestic companies were unable to reap the benefits of trade liberalization (Ackah, Adjasi & Turkson, 2014). Abdulai (2015) also noted that, local media reports estimated that, at least 120 factories were closed down in 1988 due to their inability to compete with imported goods. However, according to Sandefer (2010) SAP opened up capital markets and increased the size of informal trade which consequently reduced the average size of industrial companies (Cited by Kolavalli et al., 2012).

Marr (1997) noted that, during Ghana's pre-reform years in the 1960s, 1970s, and early 1980s, the government made little commitment to promote private investments and also, FDI was very low. However, between 1986 and 1995, FDI flows increased drastically from around US$5 million per year in 1986 to US$245 million in 1995, mainly driven by the privatization of the Ashanti Goldfields Corporation. Indeed, Ghana was one of the top three Sub-Saharan African low-income countries that received FDI during the 1990s, attracting investors in part by the availability of natural resources. By 2006 FDI in Ghana accounted for almost US$450 million (Kolavalli et al, 2012).

According to Ackah, Adjasi & Turkson (2014), the early 2000s was marked with Private sector-led accelerated industrial development strategy and Industrial architecture based on value-added processing of Ghana's natural resource endowments. Jedwab & Osei (2012) noted that during the early 2000s, the macroeconomic situation was still unstable but the economy rapidly took off, recording annual growth of 5-6%. This evolution was not coincidental as there was continued improvement across all dimensions. The business environment has become more favourable, captured by rising investment rates in both public and private sector. Manufacturing and service sectors have become more competitive and more productive after 2008.That notwithstanding, a World Bank(2009a) report points out that Ghana's economy in both export and domestic markets lacks competitiveness (Cited by Kolavalli et al, 2012). Moreover, all the countries outside Africa that have achieved middle-income status, had their exports structure changed considerably, with a decline in the share of agricultural exports and an increase in the share of manufacturing (Breisinger, Diao, Thurlow, Yu & Kolavalli, 2007). Ghana needs to improve upon its manufacturing sector by industrializing in order to become more competitive to international markets.

Industrial development has been one of the means to achieve a sustainable growth of states. As a result, most African countries pursued ISI after independence and Ghana is no exception. The Ghanaian textile industry was one of the industries established through ISI. According to Howard (2013) for about two decades after the ISI was initiated, the textile sub-sector dominated the manufacturing sector. Furthermore, The Ghanaian textile industry was operating behind tariff barriers. Over the years there have been several economic policy regimes of which trade liberalisation which was part of SAP opened up the Ghanaian textile market to competition from external textile products like the Chinese textile products.

2.3 The Effects of Economic Policy Regimes on the Ghanaian Textile Industry

In the early 1960s, Dr. Kwame Nkrumah's initiative of the Import Substitution Industrialization led to the establishments of many industries to produce for local consumption. Among these industries established was the textile industry. Mensah (1998) points out that, following ISI, a number of textile manufacturing factories were established in the early 1960s. He noted that, the textile manufacturing companies were largely owned by foreigners until the subsequent government policies especially in the 1970s which led to the increased state participation in the industrial sector. Among the major textile companies established within the period of 1960 to 1970 includes Akosombo Textiles Limited (ATL) at Akosombo, Ghana Textile Printing Company (GTP) at Tema, Ghana Textile Manufacturing Company (GTMC) at Tema, Tema Textiles Limited (TTL) at Tema and Juapong Textiles Limited (JTL) at Juapong. Quartey (2016) cited MOTI (2004) that, for more than two decades after the ISI, the textile sub-sector dominated the production industry and contributed substantially to the livelihood of 25,000 workers in 1977, representing 27% of total industrial sector employment.

According to UNIDO, 1986 in 1970 the share of manufacturing value for the textile and garment sector added to about 15% (Cited by Mensah, 1998). The fabric industry established was protected under trade barriers whereby external textile producing companies did not have easy access to export fabrics unto the local Ghanaian market. Although the Ghanaian textile industry was protected, raw materials were imported to feed the local textile industry. According to Quartey (2006) in 1982 the foreign exchange shortage for importing raw materials led to the sub-sector, producing at extremely low capacity. The situation deteriorated during 1980s and 1990s when the structural adjustment program liberalized trade. By 2,000 the local textile sector had declined to 5,000 workers. It can be inferred hat, the government’s policy on trade liberalization through SAP/EPR exacerbated the crisis of the textile industry. This is because, prior to the SAP the textile industry was already facing crisis of foreign exchange shortages for the importation of raw materials. Consequently, the crisis had adverse effects on production and employment.

Table 2. 3: Employment within the textile Industry: 1975, 1995 & 2000

	1975	1995	2000
Output (million yards)	129	46	65
Employment	25,000	7,000	5,000

Source: Ministry of Trade and Industry, 2002; referenced by Quartey (2006).

From table 2.3, it can be deduced that, there was a steep decline in employment and the quantity of fabrics produced from1975 to 2000. Thus, within a period of 25years (1975 to 2000), production dropped by 49.62%, also employment dropped by 80%. During the 1970s there were 16 textile factories/companies in Ghana, however, only four of these companies survived the turbulence in the textile sector by 2002.These four are ATL, GTP, Printex and GTMC (Amankwah-Amoah, 2015). The four surviving companies are producing at only 30% of the total textile consumption rate. According to MOTI in 2010 textile import represented 70% of total domestic consumption (Bruce-Amartey et al., 2014). The condition appears to deteriorate further as the index of jobs continues to decline. As at March 2005, a total of 2,961 workers were hired by the four main fabric firms (*Ibid*).

Moreover, many scholars have attributed the near collapse of Ghana's textile industry to the trade liberalization strategy adding that trade liberalization in Ghana has led to the flooding of textile products from China and other nations (Egu, 2009). Furthermore, MOTI (2010) attributes the decline of the textile industry in part to the unintended adverse impacts of the trade liberalization program resulting in strong competition for Ghana's local textile industry (Cited by Bruce-Amartey et al., 2014). The arguments raised suggest that, trade liberalization in the 1980s brought unhealthy competition to the Ghanaian textile industry and led to its decline.

Also, this argument contradicts the tenets of comparative advantage which suggests that, there are gains from international trade for the parties involved, if there are limited or no restrictions to trade. If trade liberalization brought unintended effects, then, is it viable to question the position of Ghana before the liberalization. According to MOTI (2018) other variables which have contributed to the decline of the Ghanaian textile industry include the smuggling and importation of cheap textiles from China into the country. Cheap goods from China may increase consumer welfare but can have negative effect on local manufacturing and the industrial sector (Tsikata, Fenny & Aryeetey, 2008). Furthermore, there has been a continuous increase of quantities of imports from China. As established by IMF (2006) imports from China from 2001 to 2005 increased more than four folds from US$160.5 million to US$ 740.1 million.

Also, while China's total exports share from Ghana between 2000 to 2006 increased from US$1,648 million to US$4,145 million, exports to China only marginally increased from US$25.8 million to US$28.6 million (*Ibid*).

In the early years of the Ghanaian textile industry, various trade regimes have had different impacts on the sub-sector. Though the textile industry was once a vibrant industry, its current situation is quite unhealthy of which many scholars have associated with the adverse effects of trade liberalization. The government of the Republic of Ghana through the Ministry of Trade and Industry has announced initiatives to revamp the Ghanaian textile Industry but implementation of some of these measures need to be accelerated. These supportive government policies include:

- Three-year exemption on zero rating VAT for product price competitiveness with imports from China with the view of gaining market share and profitability for the Ghanaian textile companies.
- Implementation of tax stamp on all manufactured and imported textile prints.
- Single corridor of all imported textile prints and managed through a portal to ensure the ownership of the design and brands among others.

- Setting up of a task force to monitor the compliance of the measures put in place to curb the influx of textiles imports from Asia etc. alongside that of GRA. (ATL, 2019; GTP, 2019).

These measures are discussed in Chapter three. The goal the Government of Ghana wants to achieve is to create a fair ground, so the local textile companies can compete with textile products from Asia. In lieu of this, the government intends to reduce taxes paid by the local textile companies and also ensure that, textile importers pay all taxes through a single corridor system managed through a portal to ensure ownership of designs (ATL, 2019).

2.4 Economic Reform in China and the Chinese Textile Industry

China has become one of the economic giants in international trade, taking over many sectors including the textile industry since the initiation of its new economic architecture. China has become one of the fastest growing economy due to its economic reforms initiated in the 1970s.When China commenced its financial reforms and opened up its market, the country's economy has grown at a rate of approximately 10% annually and its internal trade has expanded by more than 15 percent annually. In 1999, China's trade volume reached $360.7 ranking 9th in the world with export volume reaching US$195 billion (Li & Zhai, 2000). From 1990 to 2010 China's growth record was spectacular and maintained, with GDP growth levels averaging over 9%.The nation has had a fast financial and structural transition in less than 10 years, with GDP per capital rising from US$150 in 1978 to more than US$1500 by 2006.China's share of the world economic output has risen from less than 3% before 1978 reforms to nearly 15% in

2008.Over the past three decade the quantity of global trade has risen more than eight-fold and trade outgrown GDP during the 1978-1993 reform era. (Zafar, 2010).

Chinese industries enjoy trade balance and this is as a result of competitive advantage. China is a net exporter of labour-intensive manufacturing, and a net importer of capital-intensive manufacturing. China's biggest share of trade surplus comes from apparel and textiles (Li &Zhai, 2000). Due to its advantage from factor endowment and market scale, the textile industry has long been a pillar of the Chinese economy. The trade volume of the textile sector has increased by 27.11 times during the past 25 years (from the Reform and Opening). In 2005, textile exports accounted for 15.4% of total Chinese exports and 24.4% of total textile exports worldwide. Nevertheless, China's textile industry faces numerous challenges such as excessive resource dependency, low technology and added value, unrest in the framework of trade and extremely focused export markets. More and more trade sanctions against Chinese textile products are worthy of note, as they restrict the competitive advantage of China in the textile sector. (Tao & Fu, 2007)

On April 24th 2012, China unveiled the Adjustment and Revitalization Plan for its textile industry for the period of 2011-2020. There are five main points in this plan, that is:
China’s government will emphasize on the expansion of domestic consumption and stabilize international trade share. In China’s local markets, the government encourages developing new products and exploring rural markets. As for the foreign trade, expanding export diversity is the way to stabilize & strengthen China’s international market share.

Strengthen technical innovation and brand building. The government will allocate specific funds to support enterprises in yarn manufacturing, dyeing and chemical fibre industries during their process of technical innovation and domestic brand building. China will also do more to eliminate obsolete capacity, reduce energy consumption and increase efficiency in the domestic textile industry. The plan encourages textile and garment manufacturers to relocate from south eastern parts to central and western areas of China. Government looks to provide more financial support for the industry. Government has raised the export tax rebate rate from 14% to 15% in the plan. It also encourages financial institutions to provide credit guaranty and financial support to small and medium sized textile enterprises (Chinese textile industry, 2019).

The Chinese Adjustment and Revitalization Plan for the textile industry is an initiative which seeks to expand the Chinese share of the world's textile trade. Moreover, the policy seeks to increase efficiency and economies of scale. This is evident in the 5th initiative whereby the Chinese government increased export tax rebates to encourage textile companies to produce in larger quantities. China's textile industry demonstrates evident economies of scale and cost impacts in supply of materials, labour costs, product characteristics, compatibility between upstream and downstream, contributing to its strong competitive export benefit (Tao & Fu, 2007).

In conclusion, the Ghanaian textile industry is a recipient of these Chinese textile policies. The Chinese textiles produced in larger quantities end up flooding the African textile market of which the Ghanaian textile market is no exception. These Chinese textiles have low prices relative to the Ghanaian textiles and as a result, have a competitive advantage over the Ghanaian textiles leading to dwindling market share of the Ghanaian textile companies. Hence, the Chinese textile policies have had adverse effect on the Ghanaian textile industry.

2.5 Conclusion

China and Ghana have had deepened economic relation strengthened after establishing diplomatic ties in the 1960s.While China exports more of manufactured goods to Ghana, Ghana’s exports to China are dominated by raw materials. China has arguably become the world’s manufacturing hub while Ghana is less relatively industrialized. The Ghanaian textile industry was one of the few vibrant sub-sectors in the manufacturing sector of the Ghanaian economy in the 1970s. However, the Ghanaian policy regimes after the early years of the textile industry exposed the industry to unhealthy competition emanating from cheap textile imports from China. The Chinese economic reforms have revitalized the Chinese textile industry signified by increasing trade volumes and becoming a world giant in the textile production. These imported Chinese textiles are known to be of a lower quality than the Ghanaian textiles. It is imperative for the government of Ghana to implement means to revamp the Ghanaian textile industry which used to employ up to 27% of entire working force in the manufacturing sun-sector (MOTI, 2004 cited by Quartey, 2006).

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CHAPTER THREE

CHINA-GHANA TRADE RELATIONS ON THE GHANAIAN TEXTILE INDUSTRY

3.0 Introduction

This chapter presents China-Ghana trade relations on the Ghanaian textile industry; by addressing the objectives of the study. The objectives of the study are as follows:

- The effects of Chinese textile products on the Ghanaian textile industry
- The factors considered by consumers in purchasing fabrics on the Ghanaian textile market.

To fulfil these objectives 37 respondents were interviewed. This includes 2 respondents from ATL, 2 respondents from GTP, 20 textile consumers, 10 fabric sellers and 3 fabric importers. A semi-structured Interview guide was used to collect data from respondents.

To provide evidence of the effect of the Chinese textile products on the Ghanaian textile industry as provided by respondents interviewed, the discussion is presented along themes which came up. The themes include the effects of Chinese textile products on the market share of the Ghanaian textile companies, intellectual property, institutional weaknesses and employment.

Also, the second objective is analysed under sub-sections. The themes for the sub-sections are the category of respondent interviewed which includes textile consumers, Fabric sellers and importers. Furthermore, some information were summarised and presented in tables and percentages.

Also, respondents who were interviewed suggested ways to revamp the Ghanaian textile industry. These suggestions are summarised under an additional section; "revamping the Ghanaian textile industry". The various suggestion raised by respondents are presented under themes which include, government policies, initiatives by local textile companies, intellectual property regulation and patronising made in Ghana.

3.1 The Effects of China-Ghana Trade Relations on the Ghanaian Textile Industry

In addressing the effects of China-Ghana trade relations on the Ghanaian textile industry, respondents from ATL and GTP were sampled purposively and interviewed. ATL and GTP were selected as case studies because, these two companies were part of the initial companies established through ISI in the 1960s. Also, they are the two largest textile companies among the four existing textile companies in Ghana. Moreover, ATL is the only vertically integrated company in terms of processing cotton to final printing of fabrics (Adikorley, 2013). Respondents from the companies gave an assessment of the performance of the Ghanaian textile industry from the 1970s and the state of the industry as at 2019.

3.1.1 The effects of Chinese Textile Products on the Market Share of the Ghanaian Textile Companies

In order to examine the effects of Chinese textile products on the market share of the Ghanaian textile companies, the Marketing Director and Technical Director of GTP were interviewed. The two respondents gave historical overview of the vibrancy of the Ghanaian textile industry from the 1970s to 1990s. Furthermore, the Marketing Director of GTP mentioned how the patronage of the locally produced textiles began to fall from 2009 when Chinese textile products got access to the Ghanaian market. These textile products admittedly had their own designs while a significant number of them were GTP copied designs. Due to the fact that, the difference between the copies and the original GTP products were difficult to tell, most fabric consumers patronize the Chinese textile products which are relatively cheaper and of lower quality.

Moreover, two respondents from ATL were interviewed. This includes the Executive Director-Finance and Administration and the Marketing Manager. These respondents were critical of the fact that, the Ghanaian textile industry has been in decline and gave documents to buttress this assertion. Table 3.1 below shows the dwindling market share of local textile companies.

Table 3.1: Market Share of Local Textile Companies: 2009 & 2019

YEAR	Total Market Volume (Yards)	Percentage Share (Local Companies)	Actual Share in yards (Local Companies)	Percentage Share (Imports)	Actual Share in yards (Imports)
2009	80 million	70%	56 million	30%	24 million
2019	130-150 million	30%	39-45 million	70%	91-105 million

Source: Akosombo Textiles Limited, 2019

It can be deduced from Table 3.1 that, in 2009, the total market volume of textile products on the Ghanaian market was about 80 million yards of which the local textiles accounted for 70% share. In 2019, the total market volume increased to about 150 million yards, of which local firms accounted for only 30% share. This represents a steep decline of about 40% share of the total output of the Ghanaian textile companies over a decade. It has been previously argued by

Quartey and Abor (2006) that, there has been a reduction in the production and sales of locally produced textiles. This argument has been confirmed as relevant to the recent output of the Ghanaian textile companies.

The Marketing Manager of ATL stated that, while consumers may be satisfied with happenings in the industry because they have cheaper alternatives, which increase consumer welfare, the local textile companies are struggling to meet up with the competition which has some dire repercussions on the Ghanaian economy. Respondents from ATL and GTP alleged that, about 90% of Chinese textile imports are smuggled into the country and thus no taxes are collected from them which contribute to the low prices of these imports hence, inability of the local textile companies to compete on the basis of pricing. Furthermore, The Executive Director of ATL was not happy about the fact that, the company struggles to break even not to talk of making profits. In addition, he was emphatic that, the actions and inactions of successive governments on economic policy regimes have contributed to the situation the industry finds itself. A decline that has been steady for over ten years could have been salvaged with a more proactive approach from various governments.

Within the framework of competitive advantage, it can be inferred that, China has a competitive advantage in textile production over Ghana. This is evident in the low prices of Chinese textile products relative to Ghanaian textile products as mentioned by the Marketing Director of GTP. However, these Chinese textile products are widely known to be of lower quality than that of Ghanaian textile products. It can therefore be argued that, the Chinese textile products are not comparatively better than the Ghanaian textile products because, they produce at different quality level. China may have lower opportunity cost in the production of lower quality textile products. Also, Ghana may have lower opportunity cost in printing higher quality textile products. Furthermore Abdul-Rahim (2015) argues that, there is no mutual benefit when strong and weak countries engage in trade. This stems from the critique by Todaro and Smith (2011) that in trade relations between countries with different levels of economic strength, the benefits are unfairly skewed towards the richer country such that the aim of comparative advantage is defeated. This is obvious in China-Ghana textile trade. The Ghanaian textile industry which was one of the few vibrant industries in Ghana is on the verge of collapsing due to the fact that, its market share has been skewed towards China's products.

3.1.2 Intellectual Property

The four respondents who were interviewed at ATL and GTP emphasized on the significant price differences between the Chinese textile products and the Ghanaian textile products. According to them, it makes it difficult to compete with the Chinese textile products even though their textile products are of higher quality than the Chinese textiles. GTP asserted that, they employ graduates to create new designs and after a few months of putting these designs on the Ghanaian market, some importers steal their designs and pirate in China. The Marketing Manager of GTP referred to these pirated products as "copies" of GTP products. He noted that, the Ghanaian textile consumers cannot tell the difference between the pirated copies and the original GTP products. As a result, some consumers are virtually deceived by the similarity of the designs and this adversely affects GTP's business. These claims point to serious issues about the security of the country with regard to the lack of protection for intellectual property. The disregard for intellectual property can create a culture where there is a lack of motivation to invest in research and development. The importance of paying attention to intellectual property cannot be over-emphasized. Axelsson (2012) noted that, instead of industry players to focus on trade laws to be strengthened, Ghana's intellectual property law is the most effective tool to combat the issue of Chinese piracy of indigenous textile designs and patterns.

Plate 3.1: Original Textile Print (GTP)

Plate 3.2: Pirated Textile Print (Hitarget)

Source: Field interview, Makola Market-Accra Central (2019)

Plate 3.1 is an original GTP print while Plate 3.2 is an example of a pirated copy of the design by a Chinese textile company called Hitarget. This design is locally known as "ani bere a enso gya" literally translated "red eyes cannot start a fire". This is one of the locally acclaimed GTP designs. Observing the two prints above, it is obvious that, it will be difficult for a lay person to make out the differences. This lays emphasis on the need for the government to be committed in implementing intellectual property rights.

3.1.3 Institutional weaknesses

In an attempt to investigate the factors that have enabled the Chinese textile trade to flourish the Ghanaian market, respondents from ATL and GTP gave their opinions. According to the Marketing Director of GTP, control mechanisms to ensure that importers pay all taxes including duties were weak. Specifically, blame was apportioned to the Customs Excise and Preventive Service (CEPS) which is under Ghana Revenue Authority for their ineffectiveness that allowed the textiles to be brought into the country without paying the appropriate tariffs. Furthermore, an interview with Aunty Mary, a fabric seller and importer gave evidence to this assertion. Aunty Mary confirmed that, she sometimes pays bribe in order to clear her goods. In her words "sometimes one is likely to lose all pirated prints, so in order to clear your goods with less cost and also not losing the pirated prints, you are better off paying bribes. We hide these pirated prints on the market and bring it out when customers demand for it because, GTP sends task force to the market unaware". It is evident that, Ghanaian traders are willing to trade Chinese pirated textiles due to higher margins of profit.

Other issues of concern were the lack of enforcement of the laws which leaves culprits with impunity. Respondents from both ATL and GTP felt the government has generally not shown commitment in the fight against the influx of Chinese textile products that greatly threatens the existence of the Ghanaian textile companies.

3.1.4 Employment

ATL and GTP emphasized on their inability to expand in terms of staff numbers. The Managing Director of GTP noted that, GTP laid off 270 workers in 2016 in order to stay in business.

Furthermore, Volta Star Ltd., a supplier of greybaft to GTP also has staff strength of 600 in 2019 which compares unfavourably with a staff strength of 1300 in 2004. With unemployment across all sectors being a major issue in Ghana, there is the need to revamp the Ghanaian textile industry which had the potential of employing 25,000 workers in the 1970s contributing to 27% of total manufacturing employment (MOTI, 2004, cited by Quartey, 2006).These challenges are what caused the formation of the Textile Garments and Leather Employees Union (TEGLEU) in 1993 as a breakaway union from the Industrial and Commercial Workers Union (ICU) who were seen not to be radical enough in fighting for the cause of the textile industry. The influx of Chinese textiles which is relatively cheaper than the Ghanaian textile products have led to job losses and lack of job opportunities in the Ghanaian textile industry.

3.2 Behaviour of Consumers

This sub-section looks at the behaviour of consumers particularly what informs their decisions to patronize one brand of fabric over the other. This is important for the purpose of understanding the measures to fix the myriads of problems in the industry of which the shift in consumer preference is central. To draw a holistic conclusion on consumer behaviour, fabric sellers and textile importers were interviewed because they directly and indirectly influence consumer behaviour.

3.2.1 Textile Consumers

In response to the question about the brand of textiles consumers prefer; 20 textile consumers were randomly sampled and interviewed. The views of these respondents are categorized and defined. Out of the 20 respondents interviewed, 50% preferred the local textiles, 40% opted for

Chinese textiles and 10% had no preference for any specific brand. The table below summarises and defines the views of respondents in relation to their textile preference.

Table 3.2: Consumer Preference for Textile products

<table>
<tr><td colspan="2">CATEGORY A
(Local textile products preference)</td><td>CATEGORY B
(Chinese textile products preference)</td><td>CATEGORY C
(No preference)</td></tr>
<tr><td colspan="2">50%</td><td rowspan="3">40%</td><td rowspan="3">10%</td></tr>
<tr><td>CATEGORY A1
(Prefers local textile products and patronize it on a regular) basis</td><td>CATEGORY A2
(Prefers local textile products but do not patronize it on a regular basis</td></tr>
<tr><td>10%</td><td>40%</td></tr>
</table>

Source: Author's Construction

The reasons for these responses are discussed below:

Respondents in Category A prefer local textile products. This group can further be divided into two categories thus Category A1 and A2. Respondents in Category A1 prefer the local textile products and patronize it on a regular basis. This category adds up to only 10% of the total respondents. Category A2 prefers the local textile products but patronize it occasionally. This category adds up to 40% of the total respondents. Also, respondents in Category B prefer Chinese textile products and patronize it on a regular basis. Respondents in Category C have no preference for any of the textile products.

Category A1 gave two reasons for their choice. Firstly, they claim brand loyalty for the Ghanaian textile products because of its authenticity and uniqueness. Secondly, they noted that, the local textile products offer a sense of identity as contemporary Africans. In the exact words of Mr. Dadzie who falls under this category; "I patronize GTP because, it offers Afrocentric swag and it's authentic". According to him, "Afrocentric swag" means it represents the African culture. It can be inferred that, this category of consumers prioritize the prestige of wearing what is authentic and Ghanaian over the mere cost of a fabric. Furthermore, this group of respondents are the "everyday buyers" of the local textile products. However, they add up to only 10% of the total respondents, which means, just a few numbers of persons prefer the local textile products and patronize it on a regular basis.

Category A2 also prefers the local textile products but do not patronize it on a regular basis. The respondents in this category noted that, the local textile products are of higher quality than the Chinese textile products. However, the local textile products are expensive hence; they patronize it during relevant cerebrations such as traditional marriages, naming ceremonies among other festive occasions. A respondent in this Category had this to say; "The local textile products represent our cultural identity and I can never use Hitarget for my wedding, but on a normal day, I buy 2yards of Hitarget and sew for work". In effect, even though Category A2 (40%) prefers the local textile products over the Chinese textile products; they patronize the Chinese textile products for normal day's activities making their consumption rate for the local textiles very low.

Also, respondents in Category B noted that, the Chinese textile products are very affordable and consumers can purchase 2yards of the Chinese textile products while the local textile products are available only in 6 and 12yards. They admitted that, the local textile products are of higher quality than the Chinese textile products however; they patronize what is within their means. This group of respondents is only concerned about the cost of a textile product. This is because, when they were asked which fabric they would patronize if the local textile products and the Chinese textile products are of the same price, all of them (100%) opted for the local textile products because of its quality. Kilic (2002) affirms this assertion with the argument that the perception of the local textile products being expensive is as a result of foreign competition which is usually centred on low prices which is unfair and cripple the local economy. What this means is that, commodities are being produced at a lower cost due to advance technologies and this competes with domestic production, normally driven by labour leading to high cost of production. Kilic's arguments purports that, the Chinese textile products are cheaper than the Ghanaian textile products because, the Chinese textile companies have advance technologies than the Ghanaian textile companies which gives the Chinese textile products a competitive advantage over the Ghanaian textile products.

Moreover, respondents in Category C who make up of 10% of the total respondents do not have preference. These respondents make purchases based on their financial strength and how attractive a fabric is. According to them Chinese textile companies are much innovative because, they have colourful prints, unique patterns and designs. In effect, in spite of the valid concerns about evasion of taxes that has made it difficult for the local textile companies to compete, they should also take steps to produce more diverse designs. Producing new designs other than the traditionally acclaimed ones will enable the local firms meet the different needs of the market.

Fabric consumers are one of the most important stakeholders in the textile industry. The textile consumers who were interviewed had many suggestions for the local textile industry. 80% of the consumers interviewed hold the perception that, the local textiles are for high income earners in the society. They alluded to the mode of advertisement where by the local textile companies reach out using ostentatious bill boards. They made inference that, these adverts look posh and expensive, hence it communicates to just the “rich” in the society. They urged textile companies to produce fabrics that are affordable but authentic to enable more “ordinary” people to be able to afford. They noted that, local textile companies should diversify the patterns of their prints and make them more attractive to customers. All consumers interviewed consented that, the influx of the Chinese textile products have negative implications on the Ghanaian textile industry. They suggested that, the textile companies should collaborate with government agencies to implement policies to revamp the Ghanaian textile industry.

3.2.2 Fabric Sellers

The role of fabric sellers in the behaviour of consumers cannot be underestimated. Fabric sellers can influence consumer preference in relation to convincing textile consumers to patronise a textile product over the other. As a result, 10 fabric sellers were purposively sampled and interviewed at Makola textile hub (Accra-Central). All the fabrics sellers’ interviewed have been selling textiles for at least 10years. Among those who were interviewed, 70% sell “Hitarget” and “Auden” which are of Chinese origin but are usually imported from Togo. 20% of the respondents sell Chinese textiles and local textiles whereas, 10% sell only local or Ghanaian textile products. It can be deduced that, most textiles vendors sell Chinese textiles which means the Ghanaian textile market has been inundated with Chinese textile products. According to the fabric sellers, they trade more in the Chinese textiles because; GTP and ATL which are the popular locally produced brands are expensive and had low sales. They were also emphatic that, the Chinese textile products are very cheap and consumers patronise it relative to the Ghanaian textile products. The fabric sellers revealed that, they are able to purchase different designs from importers on credit basis. Also, many fabric sellers preferred getting goods on credit basis while the local textiles are not available on such conditions the Chinese textile importers provides fabrics on such basis. The fabric vendors also complained that, one has to deposit huge sums of money with the local textile companies before they will supply fabrics of which they do not have. GTP reacted to this by asserting that, this system was only available during the 1970s and 1980s when demand of textiles exceeded supply however, they are surprised the vendors still have this perception. They claim that, the only reasons the vendors do not want to work with them is that, they do not want to buy from the accredited distributors and the few who would do, want it on credit basis. More so, the fabric sellers seemed to have a better relationship with the suppliers and the importers of the Chinese textiles than the local textile companies.

Furthermore, among the fabric sellers interviewed, 30% doubled as textile importers. They argued that, they deal directly with textile producing companies in China or they can purchase any quantity they want from textiles hubs in Togo. However, the Ghanaian textile companies have refused to work directly with them and they are not willing to buy from GTP and ATL distributors. GTP reacted to this argument by claiming that, the company operates within a distributional chain as it will be problematic to deal with individual textile vendors across the country. GTP further added that, they have 220 key distributors and 11 depots across the country and advised the retailers to stick to worldwide standards in industries and register with their distributors. They further added that the impression in the minds of retailers that they will get better prices by dealing directly with the company is false since the prices at the distributors' depot is the same at the factory.

According to the fabric sellers, Chinese textile products were the most sought after wax prints amongst their customers relative to the Ghanaian textile products. The reasons however differed. Whiles most brought up the issue of cost again, others went further to put the popularity of the Chinese wax in proper context. In the words of one respondent "Consumers want the Ghanaian fabrics but because the prices are too expensive they patronize Hitarget which is GH¢10 and GH¢5 a yard". Another added "Due to the cost people patronize the local textiles during occasions such as Christmas and Mothers' day but on a normal day, Hitarget is dominant. It also depends on the financial status of the person; the rich will patronize GTP for reasons of prestige". It is interesting to note that, all the fabric sellers interviewed (100%) were confident that if prices of ATL, GTP and Hitarget were the same, the locally produced textiles will have higher sales than the Chinese textiles products. The reason they gave was that, the local textile products are quality than the Chinese textile products.

Fabric sellers were again asked to give an assessment of trend of the patronage of Ghanaian textile products for the past ten years. Responses were unanimous; they described an increased patronage of the Chinese textiles and a steep decline of the Ghanaian textile products. According to one respondent; "Consumers are aware of the fact that, Ghanaian textiles are quality but will only patronize occasionally instead of buying them on a regular basis".

Finally, fabric sellers made suggestions to the government and the local textile producing companies. Unsurprisingly, the issue of high cost was a recurring theme in all responses received. Some fabric sellers suggested collaboration between the government and the textile producing companies to work to reduce the cost of the local textiles. Specifically, the government should reduce the taxes that the local textile companies were required to pay so they can compete with the Chinese textile companies. Others also suggested that, the local textile companies should open up to retailers more in order to build a better relationship between the companies and retailers. The fabric sellers also made an interesting suggestion that sought to solve the conundrum faced by consumers in choosing between high quality textiles and what is affordable. They suggested to the textile producing companies to print their textiles in grades. In this way consumers can still patronize local textiles at affordable grades instead of having all local textiles priced expensively out of the reach of a lot of Ghanaians who are left with no choice but to patronize Chinese textile products.

3.2.3 Importers

Textile importers play an essential role in the industry. Textile importers determine the Chinese textile brand they import into the country. They also have important role to play in the issue of intellectual property because they decide to import pirated copies of the local textile products or not. A snowballing approach was used to sample 3 textile Importers who were interviewed. They revealed that the three major locations where they import their textiles from are Togo, China and Dubai. They import from these locations frequently with some being as regular as once every month. This places high premium on their responses since they are very active in the industry.

On the challenges faced in their line of work, respondents complained about customs officials destroying some of their goods during clearing. They also contended that, GTP and ATL pirated copies from Togo and China gets destroyed at the border and harbour respectively or is donated to the Osu Children's Home. They added that some of the pirated goods still get access to the Ghanaian textile market. They complained about the high duty which is adversely affecting business. Two of respondent importers assert paying bribes in order to clear goods. This is worrying because in an attempt to raise adequate revenue for the state, high rate of duties have created another avenue for bribery which ends up ripping the state off. On the other hand, these revelations confirm suspicions amongst some Ghanaians that corruption exists in our ports and harbours, and at the borders.

Furthermore, the importers asserted that, the depreciation of the Ghana Cedi against the major trading currencies is a problem affecting the textile import. The volatility makes planning difficult and also affects the quantity of textiles that can be imported and this ultimately results in high prices on the market. However, in spite of all these challenges comparatively the final costs of the imported textiles are still cheaper than the local textiles.

The importers who were interviewed felt that there is the need for the textile companies to diversify their products to meet the demands of the market. As an example, they bemoaned the lack of locally produced laces (fabrics usually made from cotton thread) which are in high demand on the market and used mostly for special occasions. They also urged ATL and GTP to reduce the prices of their textiles to attract more revenue. Finally, importers encouraged government to work and improve the stability of the local currency as well as import duties to enable them import at better prices so consumers can also purchase at affordable prices.

3.2.4 Summary of the Main Observations

China-Ghana trade relations have had a negative effect on the Ghanaian textile industry. This is evident in the declining market share of the Ghanaian textile companies which has negatively affected other areas in the textile industry like employment. Also, some Chinese textile companies pirate Ghanaian textile products. The pirated prints are cheaper but very similar to the original copies. Consumers end up patronising the cheaper brand which are the Chinese textile products because they want to maximize their welfare. Furthermore, the pirated textile products get access to the Ghanaian textile market due to weak control mechanism at the entry points of the country. With regard to consumer preference, consumers patronise the locally manufactured textiles because of prestige and cultural relevance and as a result, patronise it for festive occasions. Furthermore, consumers patronize Chinese textile products because they are very affordable. Moreover, other factors like the designs, colour and patterns of textiles influences behaviour of consumers.

3.3 Suggested Ways to Revamp the Ghanaian Textile Industry

All categories of respondents admitted to the decline of the Ghanaian textile industry and in their view, gave suggested ways to revamp the Ghanaian textile industry. This section presents these views under various themes below.

3.3.1 Government policies

In relation to government policies to revamp the Ghanaian textile industry, ATL gave an example of how a government initiative saved the company from collapsing. According to ATL the company was in a dire situation that could have led to its shutdown prior to the government intervention in July 2018. Under a transitional arrangement, a comprehensive stimulus package worth an initial GH¢17 million was invested into the company's operations. This package enabled the company make upgrades to its machinery, identify new export markets and improve overall operational efficiency.

Both ATL and GTP mentioned four (4) policies that the government was planning to unveil to address the challenges local textile companies faced. The first policy is the tax stamp policy which is a physical evidence of tax payment. This policy seeks to deal with the textiles smuggling and evasion of taxes. In lieu of this, a tax stamp will be placed on the fabric and without which it will be illegal for any retailer to sell such fabrics.

The second policy is a three-year tax holiday for local textile industries that covers 12.5% VAT they were required to pay. Both ATL and GTP were optimistic of the gains they will make when this policy finally takes off even though they will still pay 5% tax for NHIS and GET Fund. GTP particularly mentioned how this will enable them to be more competitive in their pricing.

The government of Ghana plans to also implement a single corridor policy. This policy will see all textile imports having to be cleared through the Tema port. Also, the imported textiles will be managed through a portal to ensure the ownership of the design and brands among others. This is to make it easier for GRA to be able to monitor and collect required revenue and also apprehend those who fall foul of the law. Axelsson (2012) recalls how between 2005 and 2008 this policy was implemented using the Takoradi port. According to Axelsson, other state officials could not explain how the Minister of Trade at the time arrived at the decision to implement it and why he cancelled it before the 2008 elections. This time however it seems more consultation has gone into the decision to implement it again so the chances of success are higher.

Lastly, the government will set up a task force which will monitor the compliance of the measures put in place to curb the influx of cheap textile imports from Asia among others. The task force will comprise of officials from GRA, textile manufacturers and importers, who will go to the markets to check whether goods being sold are goods that have been approved and for which all taxes due the state have been paid. This is another policy that has been implemented before as pointed out by Axelsson (2012). In order for more success to be achieved this time the loopholes in the implementation that hampered the policy previously must be addressed and better monitoring by the Ministry of Trade and Industry will be required. These policies will go a long way to address most of the challenges that the local textile industry faces. However, these policies are still yet to fully take off and looking at how dire the situation is, it is important that government works to implement these policies as soon as possible.

More importantly, the local textile companies mentioned that, the government should have a political will to enforce the laws of the land. They asserted that, the government should be proactive in supporting the local textile industry. The textile companies urged the government to offer state contracts to them than giving it out to Chinese textile companies. They added that, there is a long-term benefit when the government awards them contract. They explained that the gains of supporting the local industry in terms of financial strength and their ability to employ more people far outweighs the short-term savings the government makes by giving contracts to Chinese companies who may produce at a lower cost and this will help revamp the industry.

3.3.2 Initiatives by Local Textile Companies

The textile companies are also making efforts in order to stay in business. The companies recognized the need to be innovative. In lieu of that, they have increased awareness on piracy and copied products in an attempt to discourage perpetrators of the crime. Furthermore, new designs are being introduced in order to stay ahead of the competition. ATL intends to invest in new machines and equipment that are more efficient and will reduce their overall cost of production. The company intends to increase sales and marketing not only in Ghana but in other West African countries and the Diaspora at large. Research and development have also seen more investment from the companies so they are able to always improve on their production methods. GTP on the other hand is gradually moving from labour-intensive production to the use of machines. The increased automation of production is expected to increase efficiency and effectiveness of the whole process of production.

Moreover, fabric sellers suggested that, the local textile companies should open up to them so they can purchase directly from the companies. They also suggested that, the local companies should produce new designs and in different grades in order to increase patronage.

Furthermore, some consumers noted that the low patronage of the local textile products stems from the fact that, the local textile products are sold in 6yards and 12yards. They suggested that the textile companies should find a way of ensuring that consumers can purchase 2yards of the local textile products on the Ghanaian textile market.

3.3.3 Intellectual Property Regulation

ATL and GTP were critical about the need to implement the regulation on intellectual property which seeks to protect their designs and bring to book the Chinese companies that make copies of their registered designs. It is however unfortunate that, most pirated designs are request made by Ghanaian textile importers from Chinese textile companies. In the absence of strict enforcement of regulations for the protection of intellectual property, this menace will continue bedevilling the local textile industry.

3.3.4 Patronizing Made in Ghana

ATL and GTP were emphatic that, the most important way to revamp the Ghanaian textile industry is for consumers to patronize made in Ghana textiles. They also urged fabric sellers to purchase made in Ghana products and encouraged them to buy from the right sources thus from their accredited distributors. According to them, patronizing made in Ghana will help boost the economy and create jobs avenues for the unemployed.

With the local industry on its knees and with pressure mounting on the government to act, it might be time for Ghana to re-evaluate whether the government has its hands tied because of its architecture on trade liberalization coupled with the fact that, China and Ghana have good diplomatic relations since the 1960's (Sarpong, 2015). There is the need to revamp the local textile industry without hurting relations. This will require means to increase Ghana's competitive advantage in producing quality fabrics. Moreover, whether the local textile companies are being left behind due to their lack of innovation and have to up their game is also one that will have to be answered.

3.4 Conclusion

The Ghanaian textile industry is one that has challenges that can be solved through concerted efforts of all stakeholders. This is because from the data collected, all stakeholders are negatively affected when the industry is in decline. The responsibility to fix the issues facing the industry is also a shared one because looking at all the problems; all stakeholders have arguably contributed to the decline of the Ghanaian textile industry.

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CHAPTER FOUR

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.0 Introduction

This chapter presents a summary of findings and conclusions based on analysis from data gathered. Also, recommendations are presented based on the findings from the study. This is done through outline recommendations for major stakeholders in the textile industry.

4.1 Summary of Findings

The following findings were made in respect of the study:

- The study revealed that, China-Ghana trade relations has had a negative effect on the Ghanaian textile industry. Ghanaian textile products are unable to compete with the imported Chinese textiles in terms of price. As a result, consumers patronize the Chinese textiles rather than the Ghanaian textiles. This has led to the decline of the Ghanaian textile industry. This is evident in the reduce market share of the local textile industry from 70% in the 1970s to 30% in 2019. Also, there has been redundancy of labour and inability of the Ghanaian textile companies to employ new people.
- The study revealed that, intellectual property regulations are flouted by Chinese textile companies through the pirating of registered Ghanaian textile designs, trademarks among others. Moreover, most of these Chinese textile imports are smuggled into the country without them paying the required amount of taxes to the government of Ghana.
- The study revealed that, the Government of the Republic of Ghana intends to implement four policy initiatives to revamp the Ghanaian textile industry. These initiatives include,

tax stamp policy, three-year tax holiday for local textile companies, single corridor policy and the setting up of a task force to ensure compliance to these policies.

- The study shows that, most consumers prefer imported Chinese textiles over the Ghanaian textile products because the Chinese textiles are affordable. However, consumers patronize the local textiles for occasions like, marriage ceremonies, Christmas, mothers' day celebration among others.
- Following the above, consumers perceive the local textiles as ostentatious and that it serves cultural and prestigious needs.
- The study also shows that, consumers will patronize the Ghanaian textiles if the prices are the same as imported Chinese textiles.

4.2 Conclusions

China and Ghana have had long standing economic relations since the early 1960s. In the early years after independence, Ghana embarked on ISI through which the Ghanaian textile industry was established. The industry dominated the manufacturing sector of the Ghanaian economy. The 1970s through to the 1980s saw the boom of the Ghanaian textile industry. Demand exceeded supply and the local textile companies required that, bulk buyers make deposits before they can purchase textile products. Over the years there have been changes in the economic policy initiatives of the country. As a result, the once protected Ghanaian economy has developed to accept foreign textile imports from China through trade liberalization. China-Ghana trade relation has had negative effect on the Ghanaian textile companies with regards to market share, employment and profit. Trade liberalization exposed the Ghanaian textile industry to cheap textile imports from China. The Ghanaian textile products have not been able to compete and this brought turbulence in the industry whereby most textile companies had to shut down. The Chinese textile companies pirate the Ghanaian textile products at a cheaper cost. There will be the need for the Ghanaian government and other stakeholders in the textile industry to formulate and implement policies to revamp the Ghanaian textile industry. The Government and the textile companies can conduct further research into sutainable policies to revamp the textile industry.

4.3 Recommendations

Based on the stated research findings, the following recommendations have been proposed to address the problem of Chinese textile products imports and harness its potential to be one of the pillars of the economy of Ghana. These recommendations are outlined by addressing the proposed role for government, textile companies and consumers.

4.3.1 Government

The Government of the Republic of Ghana must as a matter of urgency executes the four key policy initiatives it intends to implement.

- The tax stamp which is a physical evidence of tax payment will ensure that, imported textiles are taxed appropriately to generate revenue for the country. Also, this initiative could bridge the gap between the Ghanaian textile prices and the Chinese textile prices.
- Also, the three-year tax holiday of 12.5% for the local textiles will optimize gains for the Ghanaian textile companies. As result, the local companies can make profit and expand their production capacities.

- The single corridor can resolve the issue of smuggling of Chinese textiles and abuse of intellectual property rights. The government intends to ensure that, all imported textiles are cleared through the Tema Port and managed through a portal to ensure the ownership of designs and brands.
- Moreover, the task force should be established to ensure that, stakeholders comply with the measures put in place to curb the influx of cheap Chinese textiles on the Ghanaian textile market.
- Lastly,the government through the Ministry of Trade and Industry should embark on sensitization campaign to educate fabric sellers and importers from selling and importing pirated textile products.

4.3.2 Textile companies

- The Ghanaian textile companies should consider producing fabrics in grades to expand their market horizon such that low income and middle income earners can patronize.
- The textile companies should add value to the textiles by making clothing lines and targeting markets in the Diaspora.
- The textile companies should intensify campaigns on how to spot pirated textiles and encourage people to reject pirated goods and purchase original textile products.

4.3.3 Consumers

- Ghanaian textile consumers should patronize made in Ghana textiles in order to revamp the once vibrant Ghanaian textile industry.

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APPENDIX

Appendix 'A'

THE LEGON CENTER FOR INTERNATIONAL AFFAIRS AND DIPLOMACY

INTERVIEW GUIDE PREPARED BY ABIGAIL AKUA SAFOA

TOPIC: CHINA-GHANA TRADE RELATIONS ON THE GHANAIAN TEXTILE INDUSTRY: A CASE STUDY OF GHANA TEXTILE PRINTING COMPANY LIMITED AND AKOSOMBO TEXTILES LIMITED.

STUDENT'S INDEX NUMBER: 10423301

TELEPHONE NUMBER: 0500000526 / 0540282167

EMAIL ADDRESS: Safoa4u@gmail.com

OBJECTIVE: The purpose of this study is to examine the impact of China-Ghana trade relations on the Ghanaian textile industry. In lieu of this, the interview seeks to obtain relevant data in relation to the topic under study. This exercise is solely for academic purposes and as a requirement for the award for M.A in International Affairs. Data gathered through this interview will be treated with utmost confidentiality and used solely for this study.

Guidelines for interview

Section 1 – For Textile Companies - (the effect of Chinese textiles on the Ghanaian textile industry).

- In your view, how will you describe the performance of the Ghanaian textile industry since 2009?
- How would you describe the current state of the Ghanaian textile industry?
- Has the influx of the Chinese textiles on the Ghanaian textile market had any impact on the Ghanaian textile industry?
- In your view, what has enabled the influx of Chinese textiles on the Ghanaian textile market?

- Has the influx of the Chinese textiles influence employment in the Ghanaian textile industry?
- Has there been any government intervention to revamp the Ghanaian textile industry?
- What internal mechanism are the textile industries putting in place to revive the Ghanaian textile industry?

Section 2 (behaviour of consumers)

- **Consumer**
- Which brand of textiles do you patronize?
- What influences your choice of textile brands?
- When was the last time you purchased any of the locally made textiles?
- Are there any suggestions you would want to offer to the local textile industries?

- **Fabric sellers**
- What types of fabrics do you sell?
- What do consumers purchase most?
- Are there any reasons consumers give for their preferred choice of fabrics?
- How has the patronage for the Ghanaian textiles been for the past 10years?
- Are there any suggestions you would like to make to government and the local textile producing companies?

- **Importers**
- What fabrics do you import and why?
- How frequent do you import fabrics and in what quantity?
- Are there any challenges you are confronted with when importing textiles into the country?
- What suggestions will you make to the local textile factories and the Government of Ghana regarding the Ghanaian textile industry?

Section 3- For All Respondents- (Prospects/way forward for the Ghanaian textile industry)

- In your view, what can be done to revamp the Ghanaian textile industry?
- Are there any government policies on tax holidays for the textile companies?
- What measures should the Government adopt, by means of policies and regulations?
- What are your final words