LEGAL AND ADMINISTRATIVE BASIS OF RESTRICTIONS

The import control measures now in force in Ghana were introduced in June 1974 by a decree of the National Redemption Council NRCD.260 and its subsequent amendments which empowered the Commissioner for Trade and Tourism to regulate the import and export of goods in commercial quantities.

The purpose of the present measures is to further regulate imports and exports in a manner more consistent with the foreign exchange availabilities of Ghana and in particular to halt the further drain on Ghana's foreign exchange reserves as a means of improving the country's balance-of-payments position and to increase the rapid promotion and growth of domestic industries.

The new measures differ in some material ways from the old measures. Now the Open General Licence has been abolished and a Special Unnumbered Licence has been introduced since 1975. Power is however given to the Commissioner to issue such other forms of import licence as he may deem fit. Before goods are imported into Ghana for commercial purposes the importer must have registered as a trading concern with the Registrar-General's Department unless it is a body corporate established by or under any enactment.

The possession of a licence in respect of any goods does not, however, absolve the importer from compliance with any other provisions of law relating to importation, e.g. Exchange Control Regulations, Health and Sanitary Rules, etc.
The exercise of the authority to grant licence or create exemption in connexion thereof is vested in the Commissioner of Trade and Tourism. Other Government departments and agencies are kept constantly informed or consulted on all aspects of the administration of the system. The Ministry of Finance and Economic Planning and the Bank of Ghana advise on policy issues; the Customs and Excise Department offers checks and balances and a Foreign Exchange Committee establishes a ceiling for global imports in the light of the annual Foreign Exchange Budget which is prepared by the Committee. Also consulted from time to time is a Trade Advisory Committee composed of representative interests from commerce, industry and government. In order to ensure the regular flow of essential food items such as sugar, rice, mackerel, sardine, corned beef, etc. a Logistics Committee is charged with the responsibility of importing these items at competitive prices and distributing them throughout Ghana. At the moment a National Procurement Agency is being contemplated which would take over this function from the Logistics Committee in addition to importing other selected items.

Method used in restricting imports

For the purpose of the present decree all commercial imports are prohibited unless otherwise covered by the following:

(a) Specific licence
(b) Special unnumbered licence
(c) Such other forms of import licence as the Commissioner may prescribe by regulations

(i) Specific licence

This permits an importer to order and bring into Ghana any goods specified in the licence. Only essential goods are included in this category.

(ii) Special unnumbered licence

These are issued on application for importation of goods where satisfactory evidence could be produced to the effect that there was no transfer of foreign exchange now or in the future for the payment of the imports. However the decision to issue this category of licence is done on ad hoc basis.

For administrative purposes, the Director of Imports maintains a Register in which all importers have been registered and graded according to categories. The object of both the registration and grading is to ensure the proper classification of importers mainly according to size of establishment and network of internal distribution system and the most effective utilization of import licences.
Treatment of imports from different sources

Import licensing is not used in Ghana to discriminate between the sources of supply. Quality and price considerations are the main determinants of the licensing system. However in keeping with both her policy of non-alignment, diversification of sources of supply and the continual search for new export outlets, Ghana's trading partners have been divided into two broad categories, namely, countries with which Ghana has Bilateral Trade and Payments Agreements and countries whose trade with Ghana is conducted in freely convertible currencies. Foreign exchange availabilities are thus divided to cover imports from the two areas and licences issued accordingly. Licences issued for convertible currency countries can be used to import from any of such countries while licences issued for bilateral agreement falling in the group. At the moment, Ghana maintains Bilateral Trade and Payments Agreements with Romania, and the Peoples' Republic of China. In the case, however, of Hungary, German Democratic Republic, Czechoslovakia, Poland, Bulgaria and Yugoslavia, Ghana has re-negotiated the Trade Agreements while the payments agreements have also been re-negotiated on the basis of convertible payments.

Through official publications, the Director of Imports keeps the general business community informed about licensing procedures to be followed.

The only sources of supply that are still discriminated against are South Africa, South West Africa and Southern Rhodesia.

Commodities affected by the various forms of import restrictions

All goods except those prohibited and restricted require licences before they can be imported into the country. Lists of prohibited and restricted items are published from time to time. Applications for licences are not considered for the importation of restricted items except under special circumstances. Restriction is of a protectionist character in favour of local infant industries. Restricted items may in exceptional cases be imported to supplement local production.

State-trading or government monopoly used as a measure to restrict imports for balance-of-payments reasons

At the moment no monopolist exists. The Ghana National Trading Corporation (GNICT) which is a corporate body of the State is authorized to engage in trade in the same way as other trade and commercial organizations in Ghana. The GNICT is used mainly as the vehicle for distribution of goods to all parts of Ghana, especially in the remotest towns or rural areas. The contemplated National
Procurement Agency might play a quasi-monopolistic rôle in certain areas of the economy. If it is established it would be the sole importer of some selected goods for distribution in the country.

The effects of restrictions and prospects

In trying to assess the effects of restrictions and future prospects, one must be clear about first why restrictions were deemed necessary and secondly, the objectives for which the restrictions were instituted.

The reversion to restrictions was necessitated by the worsening of the balance-of-payments position in Ghana. The import liberalization policy instituted in 1971 backfired with the result that the year ended with the largest balance-of-payments deficit ever to be recorded since 1965 - N£ 202.4 million. Against this background restrictions were introduced primarily to reduce imports in order to restore some sort of balance in the external payments position. At the same time the currency was revalued so as to reduce the prices of imports and hence the cost of living.

As available figures indicate, an important objective of the restrictions is being achieved. The 1972 adjusted trade balance (exports f.o.b. on imports c.i.f.) recorded a surplus of N£ 171.7 million. Imports for 1972 were N£ 337.5 million compared to N£ 583 million in 1971. Imports for 1975 were also comparatively very low. There is little (if any) doubt that the low levels of imports partly account for the improvement in the external payments position and this is directly attributable to reversion to restrictions.

Admittedly restrictions are by themselves not the answer to balance-of-payments problems, but experience has shown that they will be necessary for some time whilst Ghana tackles the basic structural problems facing the country. Through the judicious application of restrictions Ghana is slowly ensuring adequate investment in the desired sectors of the economy without the balance of payments getting out of hand.

The shortages potential or actual usually posed by restrictions is being vigorously tackled by efficient administration. With the recent re-organization in the Ministry of Trade to give due prominence to import programming as well as important changes in the distribution and marketing system the adverse effects of restrictions will be minimized to a very large extent.
1. Introduction

The rate of Ghana’s economic development, the demand requirements of her increasing population and the inflationary pressures in the developed western economies from where the bulk of her imports originate have resulted in the need to disburse increasing amounts of foreign exchange resources on imports to ensure the smooth running of the economy and to satisfy the rising standard of living. However, there have been serious constraints on the country’s foreign exchange resources owing largely to the continuing dependence on a few exportable commodities, the most important of which is cocoa which contributes over 60 per cent of export earnings. Export proceeds do not only fluctuate from year to year but also the rate of growth is far less than that of import requirements. The vulnerability of the balance of payments to the inadequate and highly fluctuating export earnings is aggravated by burdensome external debts, especially the short-term commercial credits, the backlog of profits and dividends awaiting transfer and the pre-1966 suppliers credits.

2. 1974 period

At the beginning of 1974, Ghana’s balance-of-payments prospects appeared quite promising. Two successive years of current account surplus had permitted a substantial build-up of foreign exchange reserves. It was expected that the then prevailing high prices for Ghana’s main export items would be sustained and this would help in absorbing the increased prices for crude oil and oil products.

As it turned out, the high export prices were maintained during the first half of the year but the volume of the main exports declined significantly. As a result, export receipts rose sharply as a result of a move to accommodate an already pent-up import demand and increased world import prices, especially oil prices.

The increasing import payments brought undue pressures on the external payments during the second half of 1974. Consequently, a series of emergency measures were taken in September of 1974 to restrict imports. These included 50 per cent reduction in the value of all outstanding import licences, imposition of cash margin deposit requirements for imports and restrictive guidelines on bank credit, especially for financing imports. Also some measures were taken to reduce the pressures on the external payments position. These included the suspension of the payments on pre-1972 arrears of current payments and a massive central bank borrowing from foreign banks.
In spite of the foregoing measures, the balance of payments recorded a current account deficit of Ns 192.6 million compared with a surplus of Ns 146.9 million in 1973. Net external reserves fell by Ns 207.6 million to Ns 26.2 million. Moreover, new arrears of current payments amounting to Ns 30.3 million emerged at the end of 1974.

3. 1975 period

Recognizing the need to avoid in 1975 the problems that arose in the 1974 balance of payments, cost of the 1974 measures was retained in 1975 albeit in revised forms. Consequently, there was a considerable improvement in the 1975 balance of payments.

According to tentative balance-of-payments estimates for 1975, the current account deficit fell from Ns 192.6 million in 1974 to Ns 47.3 million in 1975. The improvement was due to a significant increase in exports and reduction in imports. Exports rose from Ns 730.8 million in 1974 to Ns 903.1 million. The increase was largely due to increased cocoa exports. Total imports, on the other hand, fell from Ns 814.3 million in 1974 to Ns 761.5 million in 1975. The decline was attributable to a significant reduction in volume as a result of an improvement in the management of the 1975 import programme. The visible trade surplus of Ns 141.2 million was, however, more than offset by an invisible trade deficit of Ns 188.9 million. The deficit was largely the result of substantial payments on freight and insurance and other transportation accounts.

The current account deficit was financed largely by a net private long-term direct investment inflow of Ns 75.1 million and Central Government net long-term borrowing of Ns 30.4 million. It should be noted that the current payments arrears (trade credit) were reduced by Ns 25.7 million. As a result of medium-term borrowing under the gold tranche and the 1974 iol facility, the net transactions with the IMF showed an inflow of Ns 68.5 million.

The foregoing transactions resulted in a net reserve accumulation of Ns 100.2 million compared with a loss of Ns 207.6 million in reserves during 1974.

4. 1976 period

The latest balance-of-payments forecast indicates that prospects for 1976 do not appear promising. This assessment is largely based on the fact that the forecast foreign exchange receipts available for imports will not be adequate to support import levels in value terms, let alone in volume terms, similar to that achieved in 1975, which even appeared to have been well below industrial and consumption demands.

Visible imports are forecast at Ns 627.3 million in 1976 compared with an estimate of Ns 761.5 million for 1975. Since import prices in 1976 will be higher than those in 1975, volume of imports in 1976 will be considerably less than the 1975 import volume.