1. The Committee has conducted the consultation with Ghana under paragraph 12(b) of Article XVIII, taking into account the decision of the CONTRACTING PARTIES that consultations on the balance-of-payments problems of developing countries should give particular attention to the possibilities for alleviating and correcting these problems through measures contracting parties might take to facilitate an expansion of the export earnings of these countries. The Committee had before it the following documents: (a) a basic document for the consultation provided by the Government of Ghana (BOP/85); (b) the Executive Board Decision taken on 16 February 1968 at the conclusion of the International Monetary Fund's most recent consultation with Ghana; (c) a background paper provided by the International Monetary Fund, dated 18 January 1968 and supplementary material dated 15 August 1968; (d) a secretariat background paper dealing with Ghana's export expansion problem and prospects (BOP/83/Rev.1 and BOP/83/Rev.1/Add.1).

2. In conducting the consultation the Committee covered all of the headings of the plan for consultations recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The order and emphasis of the various topics were, however, altered in line with the purpose of the expanded consultation. The Committee may at some later stage wish to submit separate recommendations to the CONTRACTING PARTIES on the subject of possible modifications in the plan for the conduct of these consultations. The consultation with Ghana was held on 9 and 10 September. This report summarizes the main points of the consultation and contains in its final section a summary of principal points covered in the discussion of Ghana's export position and prospects. The views expressed by representatives on various detailed points discussed are also to be reflected in a further revision of BOP/83/Rev.1 which the Committee recommends be prepared by the secretariat for release for general circulation.
Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with the consultation with Ghana. In accordance with the agreed procedure, the representative of the Fund was invited to make a statement supplementing the Fund’s documentation concerning the position of Ghana. The statement was as follows:

"The Fund invites the attention of the CONTRACTING PARTIES to the Executive Board decision of February 16, 1968 taken at the conclusion of its most recent Article XIV consultation with Ghana, and particularly to paragraphs 2, 3 and 4 which read as follows:

'2. The growth rate of the Ghanaian economy, which was around 1 per cent a year in real terms in 1965-66, appears to have been about 3 per cent in 1967. Government expenditures for development have been reduced and the increase in other expenditures has been moderated. Consequently, the Government's deficit requiring financing by the banking system has been virtually eliminated. The monetary expansion and the increase in prices have been arrested and the deficit on the current account of the balance of payments has been reduced substantially in 1966 and 1967. This latter result has been brought about by a reduction in imports and, in 1967, by an improvement in exports. Repayments in suppliers' credits have been stretched out in agreement with creditors and no new suppliers' credits have been contracted. However, international reserves continue to be very low: allowing for liabilities of the Treasury and other official institutions and for clearing account balances, they totaled $11 million as of the end of December 1967.

'3. Restrictions on trade and payments have been eased and reliance on bilateralism reduced. The Fund believes that further measures along these lines would be desirable.

'4. With the devaluation of the currency and the accompanying fiscal and monetary measures, the stage has been set for balanced economic growth, the environment for which is also favored by the present world price of cocoa, Ghana's principal export. The Ghanaian authorities have shown determination in implementing their programme of economic rehabilitation and are now preparing a development plan. The Fund welcomes the steps already taken and hopes that the Ghanaian authorities will persevere in their efforts to strengthen the economy."

"Since that consultation was completed the Fund approved a stand-by arrangement on May 27, 1968 authorizing Ghana to draw up to the equivalent of $12 million over a period of twelve months from that date. This arrangement is in support of efforts by the national authorities to accelerate Ghana's economic growth within a framework of financial equilibrium."
"Ghana's net international reserves at the end of June 1968 were provisionally estimated at $72 million compared with $26 million at the end of June 1967 and a revised figure of $8 million at the end of December 1967. The improvement in reserves in the first half of 1968 partly reflects increased shipments of cocoa that were delayed from the fourth quarter of 1967.

"At the present time the general level of restrictions of Ghana which are under reference does not go beyond the extent necessary to stop a serious decline in its monetary reserves."

Opening statement of the representative of Ghana

4. In his opening statement, the full text of which appears in an Annex to this report, the representative of Ghana described the progress of Ghana's stabilization effort since the last consultation, noting that Ghana was now moving into the plan phase under a two-year development plan only recently published. He emphasized the effort being put into increased agricultural production and development of effective export promotion, and the importance of diversifying export earnings, including manufactures as well as new agricultural products. He appealed to the developed countries to provide needed assistance in four particular areas: in greater freedom concerning the utilization of aid loans, in early conclusion of a cocoa agreement, in reduction of tariffs and removal of non-tariff barriers and in adoption of a general preferential treatment, for commodities of export interest to developing countries.

Balance-of-payments position and prospects

5. Members of the Committee congratulated Ghana on the general success of her stabilization programme, particularly with respect to restraint of demand and stabilization of internal prices which had permitted encouraging steps of trade and exchange liberalization to take place. They expressed appreciation for Ghana's courage in undertaking certain unpleasant but necessary internal and external measures including devaluation of her currency. They noted that Ghana's balance-of-payments situation had improved in 1966 and 1967 and inquired as to the prospects for continued improvement in 1968. The Committee recognized that the burden of debt severely restricted Ghana's freedom of manoeuvre and greatly complicated the carrying out of difficult long-term tasks still ahead. More particularly, they noted the intimate connexion between factors external to Ghana and beyond her control and the internal pattern of demand, entailing a need to adapt fiscal and monetary measures and the level of imports to a level of disposable export earnings that was in no case adequate and always difficult to forecast. On the other hand, the Committee noted the apparent rigidity of the internal structure of the economy in the face of exceptional needs for flexibility, as evidenced for example in the difficulties which had been encountered in bringing about an expansion of agriculture and diversification of exports. There
was also the suggestion that a shortage of specific skills was operating to prevent increases in productivity which could contribute to reduction in import dependence. Again, even without the rapid increase in population, it was doubtful whether industry could overcome its present cost handicap unless more adequate imports could be financed. In this context the relief to be obtained from a further rescheduling of Ghana's medium-term debt as well as the volume of external aid would be of key importance. Interest was expressed in hearing whether Ghana was managing to utilize aid receipts in the face of difficulties caused by tying requirements and what was being done to promote private investment. Was Ghana considering priority to an easing of restrictions on profits remittances as a means of encouraging new private capital inflow, and how fast might this feasibly be done?

6. In commenting on these various observations and suggestions, the representative of Ghana agreed in general with the analysis that had been presented. He hoped that for 1968 export receipts might reach N$ 358 million if cocoa prices held firm. There should be a lesser increase in imports with a resulting larger trade surplus. Freight and insurance expenses would develop in line with the movement of goods as would other transportation expenditures. Travel was expected to show a smaller deficit. As for direct investment, it was likely that an increased outflow would be recorded as a result of a certain easing in the restrictions on remittances. Concerning the outlook for development of imports, he held out no hope that sufficient increase in imports could be obtained to permit full capacity utilization of Ghana's industry; with an allocation of N$ 105 million for restricted imports plus some imports obtained on open general licence, industry was currently averaging only 60 per cent operation on a one-shift basis, although, of course, even present allocations would go farther when less costly methods of financing became possible.

7. On the matter of utilization of tied aid, the Government had established a special agency charged with helping potential importers to match their requirements with availabilities and to give assistance in filling out the complicated forms involved. To some extent dissatisfaction with changing supplier sources arose from simple reluctance to switch from past suppliers, but often also the needed goods simply were not obtainable from the only sources available. There had also been considerable difficulty arising out of the fact that manufactures made from raw materials imported on tied aid arrangements could not be exported. Streamlining of procedures would help, but the most desirable solution would be a more generous attitude towards untying of aid.

8. The representative of Ghana believed that the increase in foreign exchange reserves which had taken place was only in part a one-time gain. In the first half of 1968 there had been an inflow of an accumulation of receipts held up by
a dock strike but in the same period Ghana had also succeeded in reducing some payments arrears, which would indicate that some reserve increase might continue. As to the priorities in use of any increase in foreign exchange resources, the representative of Ghana assured the Committee that part of any increase in foreign exchange might be used to raise the level of essential imports of manufacturing inputs to reduce under-utilization of existing capacity. Ghana would also like to see a modest build-up in reserves to give additional room for manoeuvre. The delegate of Ghana assured the Committee that remittances of profits outstanding before July 1967 were now being released on the basis of both chronological order of accrual and occupational type of industry; preference was being given to the mining, manufacturing and other productive sectors. Remittances of current profits were to receive favourable consideration particularly in the case of productive industries.

9. Ghana’s efforts to rehabilitate its economy depended, however, to a large extent on the cooperation of other countries in helping developing countries like Ghana to enter or expand sectors of production, such as aluminium, from which earnings would be greater than could be hoped for from raw material exports alone.

Alternative measures to the restoration of equilibrium

10. Members of the Committee reiterated their satisfaction in noting the determination with which Ghana had addressed herself to curbing inflation whilst preparing the ground for resumption of growth. They suggested that Ghana’s present stabilization programme, which included credit ceilings, tight controls on Government expenditure, improvement in the tax system, transfer of State enterprises to the private sector and devaluation should be viewed as a more desirable means of pursuing equilibrium than restrictive commercial policies. Ghana had recently provided a fine example of the value of a degree of austerity to the country itself, though vigorous efforts would still be required to consolidate the gains.

11. The representative of Ghana stated that his Government too was gratified at the improvement achieved but did not see enough progress to permit much increase in imports for some time to come, much as Ghana would like to relax restrictions on investment goods and raw materials, lack of which were hampering the reduction of costs and expansion of exports. It would take effective management to reach the modest plan objectives which set a target for growth in gross domestic product of between 7 per cent and 4 per cent depending on export prices, with a 1 per cent increase in consumption. The Government was aiming at utmost economy in its own expenditures and had for example limited the percentage of total expenditure allocation which each Ministry could spend on its own motion. The tax structure was being reviewed with IMF assistance, as was the credit structure. He thought there was at present no lack of disposition to saving, as evidenced by the speed with which certain new stock issues had been subscribed. Ghana was also investigating the possibility of opening a stock exchange.
12. The point was made that as a means of encouraging exports, export taxes could be reduced or eliminated and that there could be possibilities of reducing costs in export industries by eliminating duties on imported materials and capital equipment used in such industries, as was being done in the timber industry. It was recognized that such moves would have important budgetary implications because of the loss of revenue involved. The representative of Ghana replied that his authorities also recognized the value of such action but that the cocoa export duty, which was the main export tax of this kind, did not fall directly on the farmer but was absorbed by the Cocoa Marketing Board. Ghana would have to move very slowly in reducing this tax, which had provided about 20 per cent of total Government revenue in recent years, especially as direct taxes had been a relatively recent innovation in Ghana and as it would be hard to substitute direct taxes in sectors where they were many small producers. Ghana did, however, have a system of drawbacks in effect to encourage manufactured exports containing imported raw materials. Export licensing, about which a question had also been asked, might look cumbersome but for the present seemed necessary in order to ensure repatriation of foreign exchange. He acknowledged that in border trade it would be desirable to reduce duties and stated that this was already under discussion with Upper Volta.

13. It was pointed out that although the Government of Ghana can have relatively little control over the levels of official capital inflows and debt service payments, Government policy can have a major impact on private capital inflows; in fact private foreign investment was making an important contribution to economic development in Ghana. It was believed that reliance on external assistance could be reduced somewhat if private capital inflows exceeded the $25 million until now anticipated. Although it was recognized that the Government had encouraged private capital through policy statements and new fiscal measures, it was suggested that there appeared to be room for improvement in the investment climate and that specific additional measures might be instituted to attract more foreign private investment.¹

¹ Such measures as enumerated on pages 91-93 of the Stikker report (UNCTAD document TD/35/1/Revision 1).
System and methods of the restrictions

14. Acknowledging Ghana's temporary need to economize her scarce available foreign exchange resources, members of the Committee noted that import restrictions had sharply curtailed imports of many raw materials and certain capital goods. Many of the producing units were as a result operating below capacity and an estimated one third of Ghana's working force was unemployed or under-employed. These conditions spoke for themselves as to the need for further liberalization. Meantime, members of the Committee found the licensing system overly complex and wished to know what criteria were used for determining the allocation of exchange to different sectors of the economy. They also enquired whether an import licence automatically entitled an importer to foreign exchange, as there had been some reports of delay and difficulty in the provision of foreign exchange cover even after an import licence had been granted. A recalling of licences had also been reported.

15. The representative of Ghana pointed out that any restrictive system necessarily involves some extra paper work, as Ghana had found out in dealing with the complex procedures involved in use of certain tied aid. Ghana's main problem, he felt, was not with the allocation or the mechanics of issuing licences but stemmed from the necessity of severely curbing the total. Given the difficult situation, Ghana was rather pleased to be able to report that there were now nine open general licences instead of the five which existed at the time of the last consultation, and the new licences, listed in BOP/85, contained substantial lists of commercially imported goods. Ghana's own interest in increasing the level of industrial activity, in improving her infra-structure and in avoiding unemployment would certainly push her to liberalize imports as rapidly as might be possible. The inter-departmental framework within which the overall import allocation was fixed, and allocations made to sectors, was described in BOP/85. Allocations to different importers depended on various factors including the amount of investment in the applicant's industry, turnover, past licensing records. One problem was to avoid hoarding of scarce materials or speculative purchases, and it was in part to avoid such practices that importers were required to be registered. The difficulty in obtaining foreign exchange, which had been mentioned, was a thing of the past when arrears had still been a problem, and this difficulty no longer existed; in fact current import bills were being met on maturity. The instance in which licences had been recalled was a special case in which this device was used in effect to permit reconsideration of the desirability of allowing imports under certain licences already granted which appeared not to serve the general interest.

16. A question was asked as to what steps were planned to relax or eventually to eliminate the requirement under which financing of most imports is on the basis of 180-day letters-of-credit arranged with commercial banks of Ghana. Members of the Committee pointed out that the imposition of this requirement had been a regrettable though understandable temporary expedient.
It had been estimated that this might be increasing the cost of some imports by as much as 14 per cent. The representative of Ghana agreed that the 180-day requirement was expensive, and stated that there were some plans to gradually dispense with this requirement; some payments were permitted on a sight basis even now.

17. Members of the Committee welcomed the liberalizations reported, and also the signs that since 1965 Ghana's trade under bilateral trade agreements had declined markedly. They urged that progress continue to be made towards placing all trade with market-economy countries on a multilateral basis, and enquired what further steps were being planned to reduce Ghana's reliance on bilateral trading arrangements. The representative of Ghana noted that although Ghana had some accumulated credit balances under existing agreements, which she naturally wanted to use up, some progress was being made towards liquidation. Purchases and sales were made only at world prices at the time of the transaction and the agreements did not contain quotas but only indicative lists.

18. Some members of the Committee whilst expressing sympathy for the difficulties caused by aid tying, called attention in this connexion to their countries' difficulties in maintaining the present level of foreign aid and noted that there was no real hope for immediate improvement in this respect, although simplification of procedures might be looked into further. It was suggested that where aid could not be obtained freely, it might at least be possible to obtain an extension of the lists of goods which might be bought from that country source. One member stated that his country was still granting a considerable part of its aid untied and that it was also willing to adopt a more flexible attitude towards tying of commodity loans if others would follow the same practice; he urged more countries to ease their aid procedures in regard to commodity loans, especially as to quota restrictions, so that Ghana might make the best use of this kind of aid.
Summary of the Discussions on the Expanded Part of the Consultation

19. The Committee as a whole were highly impressed by the marked success of the stabilization programme within a very short space of time, particularly with respect to the stabilization of prices and restraint of demand which has permitted encouraging steps of trade and exchange liberalization and reduced reliance on bilateralism. The Committee welcomed this progress. Undoubtedly the upturn in cocoa prices had been of great assistance in this connexion, but the improvement in the balance of payments would not have been possible without an accompanying reduction of imports of the order of 20 per cent of the 1965 level for two successive years. Certainly also the rescheduling of payments on the medium-term external debt was valuable in providing a breathing space, though the current prospect of maturities falling due after the end of 1968 posed a serious problem for the immediate future. The possible means of maintaining even present low levels of imports would be greatly increased capital inflows, both public and private, a very dramatic but lasting increase in export earnings, or a rescheduling of the now mounting debt service obligations.

20. The Committee heard of the importance of the link between debt obligations, foreign exchange availabilities and import control measures and of the vulnerability of the Government's economic, social and financial programmes to external forces beyond its control. The Committee also noted the constraints imposed on Ghana by the vicious circle of high costs of manufacturing stemming in part from gross under-utilization of capacity which in turn result from the severe restriction of foreign exchange to pay for vital imported inputs.

21. The Committee examined with Ghana the possibilities of attaining increased exports and, though the discussions yielded many positive elements, none seemed likely to yield quick or dramatic results of the kind which would be required to break out of the circle of restriction and stagnation which threatened to strain Ghana's present determination.

22. Certain elements were identified which appeared to the Committee to offer prospects for significant improvement within or partly within Ghana's own possibilities. These are presented first, not as offering by any means a complete or preferred solution but as essential in Ghana's own interest. Most are, incidentally, matters of which the Government appeared to be fully aware and in some of which significant progress had already been made.
Agriculture

23. The Committee recognized that the continuing development of the Ghanaian economy was inextricably tied to the development of agriculture. They noted that the Government was actively concerned with efforts to raise the existing low level of productivity in agriculture and to improve domestic marketing and distributional channels. They further welcomed the intention of the Agricultural Development Bank to extend its activities to all the principal farming areas though they recognized that, for the moment, the credit so channelled would have to remain strictly limited.

24. Apart from the cocoa sector, where production and marketing seemed to present less acute problems, they felt that Ghana's best chances for early improvement in its trade position lay in an intensive effort to promote agricultural production so as to obtain a higher proportion of food requirements and also more needed raw materials from domestic sources, and possibly some new exports as well. Ghana's development plan called for modest increases in production, only a little above the present rate of population growth in the next two years. Ghana had many of the requirements for a much more effective agricultural production: an enterprising farm population, land and climate suited to needed crops. In the circumstances it appeared that priority attention should be given to development of aids to increased productivity, as through establishment of co-operatives, farm credit institutions and improved distribution facilities, in the interest of reducing the very heavy current expenditures for food which have amounted to over N$ 50 million in recent years (up to 16 per cent of total imports). Although Ghana's modest goals in regard to increased agricultural output appeared realistic for the immediate future, they urged that advantage be taken of all possible means, including technical assistance, to promote and improve production, distribution and use of local foodstuffs and raw materials as offering a greater potential balance-of-payments improvement than any possible short-term expansion of non-traditional exports.

25. The Committee were of the opinion that the marketing experience of more developed countries, and particularly of their co-operative organizations could, if transmitted through technical assistance, produce significant results in this field where, though agricultural potential was recognized, difficulties had been encountered in translating programmes into practice.

Cocoa

26. It was recognized that cocoa, which remains the source of 60 per cent of Ghana's export earnings, supplying about one third of world requirements, had been the object of much governmental attention and that most problems connected with domestic production and with marketing seemed to be in hand. However, it was suggested that attention must be focused on the eradication of disease, and, in particular, on measures to redress the unsatisfactory age composition of the trees.
27. It was noted, however, with respect to processed cocoa products, that Ghana had installed capacity sufficient to process one quarter of the main crop and that the Ghanaian authorities had stressed the need to revise the tariff structure for cocoa products in the industrialized countries on the ground that this would increase the returns on investments in cocoa processing made in the cocoa producing countries and would reduce the price of processed cocoa and thus further stimulate consumption.

Timber and wood products

28. The Committee were of the view that provided domestic problems of marketing, production and transport could be solved, exports of timber, in all forms, faced the most favourable long-term market situation of all traditional Ghanaian exports. It was suggested that particular attention should be directed towards improving the transport system and raising the efficiency of many of the smaller timber concerns and sawmills. It was also suggested that intensified research directed at determining the qualities and potential uses of secondary species and promotional measures were an essential prerequisite of any effort to expand the range of marketable species. It was pointed out in this connexion that the expected establishment of European and North American timber bureaux might help to serve as promotion points for sales of tropical hardwoods in developed countries. Finally, it was noted that tariffs in some cases represented obstacles to the promotion of existing exports and the development of new exports by Ghana's wood processing industries. Additional investment in Ghana's wood processing industries might be stimulated by tariff and trade liberalization measures on sawn and processed timber and other wood manufactures from tropical countries.

Mineral products

29. In this area, important as it is for providing something like one fifth of Ghana's total export earnings, the Committee found little to suggest that was specific to mining except as regards aluminium. It was suggested that as much activity in mining was in the hands of large international corporations obviously there was relatively little scope for governmental concern, though this was less true with respect to gold, where both the State itself and some small enterprises are involved. A question was raised with respect to aluminium, for the production of which Ghana has working bauxite mines, abundant cheap hydro-electric power and also one plant for the production of aluminium from alumina, but no facilities for smelting bauxite into alumina. It was suggested that completion of this chain by the building of such a smelter, combined with an expansion of present bauxite production, might offer one feasible way of not only expanding earnings but also of substantially diversifying the export base of the economy. This would however presumably be dependant on finding private capital willing to make a heavy investment in the requisite smelter.
Manufactured products

30. It was suggested that although there had in some cases been faulty original planning and shortcomings in regard to personnel and management, some of Ghana's more viable manufacturing enterprises offered potential for export if they and industries producing for the local market could break out of their present high-cost situation by greater utilization of existing plant, now averaging no more than 60 per cent of single shift theoretical capacity; this would however require more adequate supplies of various imported inputs than Ghana has been able to afford in the present balance-of-payments situation. The industries which seemed most likely to benefit in this way appeared to be pharmaceuticals, cotton fabrics, footwear, plastic articles, household utensils, printed articles, certain processed fruits and vegetables, jute sacking, rubber and leather products.

31. The importance of closer economic relations between Ghana and its neighbours became particularly acute in the context of manufacturing production for export. Ghana had the potential to supply a large number of products in demand in the neighbouring countries while providing a market for their products. The difficulty of easing trade with neighbours in these products, which they too were in some cases manufacturing, was recognized, but it was nevertheless felt that Ghana should press forward efforts to seek participation with other African countries in the same region in the development of a mutually beneficial regional common market for these and similar products especially in view of the very high existing burden of taxes and duties which were to some extent self-defeating in that they encouraged smuggling. Here joint tariff action was necessary, and in some cases it might be a sufficient condition for opening up new possibilities for intra-trade. Assistance in organizing new market ties might be a useful area for provision of technical assistance if such negotiations could be carried out.

Manpower in agriculture and industry

32. Though somewhat less directly a matter for the Committee's concern, and also even less susceptible to quick remedy than most of the difficulties in the way of increased exports, the Committee noted at many points the need for the greatest possible economy in deployment of scarce skilled technicians and managers in agriculture and industry; skilled manpower shortages were having a marked effect on the productivity of investment, and low productivity in turn meant that imports continued to be necessary even when most of the elements required for domestic production were available. Lack of technicians or managers was often resulting in waste (as in smaller sawmills), reduced output (some gold mining). There was also loss through spoilage of goods which could not be transported to markets promptly (farm produce). Technical assistance was contributing significantly to overcoming certain problems in this area, but it appeared that more might be accomplished even with available manpower resources, even though the basic problem was to bring skills to wider segments of the population.
Export promotion

33. The Committee welcomed the efforts which Ghana was making to broaden and expand export markets through the establishment of an Export Council, which seemed to them well conceived, and of an Export Company intended to facilitate in particular the marketing of exports by small firms new to export trade. They called attention to the assistance which established export promotion services of the various developed countries might be able to give to this effort, to the possible usefulness of representation at trade fairs. They pointed out that the International Trade Centre was created to assist developing countries in the promotion of their export trade by providing them with information on export markets and marketing and by helping them both to develop their export promotion services and to train personnel required for these services. It was suggested that Ghana might wish to explore the possibility of seeking UNDP resources to finance a Trade Promotion Advisory Service mission to Ghana to help strengthen the new Export Council which would appear to be an especially appropriate recipient of such assistance. It was also suggested that the attention of Ghana's exporters might be drawn to the advantages offered by Australia's preferential arrangements which had been established as a means of helping in the promotion of exports of developing countries.

Measures by other contracting parties

34. As for the contributions which other countries could make to Ghana's rehabilitation and development, the Committee noted the analysis presented by the representative of Ghana that major contributions might be grouped under the following headings:

- Greater liberalization in the utilization of aid loans
- The early conclusion of an international cocoa agreement
- Reduction of tariffs and removal of non-tariff barriers
- General preferential treatment without discrimination, for commodities of export interest to developing countries
- Technical assistance
- A generous renegotiation of Ghana's debt to spread the burden over a longer period.

Debt renegotiation

35. The Committee noted that doubts about the extent of future debt obligations introduced a major difficulty for the Ghanaian Government in planning for the increased imports needed for growth in general and for export expansion in particular. External debt service payments for the next few years, on present schedules, would amount to about one third of the value of total exports in a relatively good year. It was noted that the Ghanaian Government's remarkable achievements with respect to stabilization and its positive attitude
towards rehabilitation should assist in creating a favourable atmosphere for the forthcoming debt rescheduling meeting; they also noted the appeal of the Ghanaian authorities for adequate funding arrangements in order to enable Ghana to fulfil its foreign obligations at less domestic cost. Moreover, the need was recognized for a more rapid disbursement of existing foreign aid coupled with an easing of the more restrictive procedures surrounding the use of future aid.

Cocoa agreement

36. Wide support was expressed for a cocoa agreement which would reduce the fluctuations in cocoa prices and so remove a major uncertainty regarding Ghana's export earnings. Some optimism was expressed concerning recent developments which might make successful negotiation of an agreement more likely. The representative of Ghana agreed with other members of the Committee that this would be no panacea and that continued attention must be given to other problem areas, but this in no way lessened the need for the agreement any more than did the current firm trend in cocoa prices.

Direction of trade

37. The Committee felt that it would be in Ghana's interest to pursue more actively the negotiations among developing countries for an expansion of their mutual trade. The need for reciprocal tariff reductions in the direction of facilitating regional trade on a preferential basis, such as through the development of a mutually beneficial regional common market, was also suggested. However, as none of the West African countries involved was represented at the meeting the subject was not pursued at any length; the Committee expressed the hope nevertheless that negotiations might be undertaken to this end.

Reduction of tariffs and removal of non-tariff barriers

38. The Committee noted that there was need for early action directed particularly to the reduction of tariffs on Ghana's exports, especially those which were higher for processed goods than for primary products. Negotiations specifically directed to reduction of tariffs on products of interest to Ghana would be all the more desirable, if they succeeded, as reductions on such products might also benefit the trade of other developing countries. It was also noted that some of the suggestions regarding elimination of non-tariff barriers could also be pursued in other GATT bodies including the Committee on Trade in Industrial Products, the Committee on Agriculture and the Committee on Trade and Development.

General

39. The Committee thanked the Government of Ghana for its wholehearted co-operation in making possible this first consultation under Article XVIII:B conducted with the specific objective of attempting to focus on the longer-term export expansion problems of a developing country. It has justified the hope that, in a spirit of mutually constructive effort, areas could be identified in which the contracting parties acting individually or jointly may contribute to development through trade expansion.
40. Ghana was an almost ideal candidate for this first trial consultation not only in that its internal economy is so closely linked to and dependent upon world trade currents largely beyond its control but also in that the Government of Ghana has, over the last two years, taken the first-and most difficult steps towards re-establishing internal stability and now stands ready to enter into a phase of sustained development where its people may enjoy the benefits of present sacrifices in the form of greater production, expanded earnings from exports, and higher living standards. Owing to the heightened vulnerability of the Government's economic, social and financial programmes to external forces beyond its control, continued reliance on sympathetic co-operation of other countries will be necessary if this effort is to be carried through successfully.
ANNEX

Opening Statement by the Representative of Ghana

As contracting parties will recall, Ghana last consulted on her balance-of-payments restrictions in December 1966. At the time, we had just had a change in government brought about in an attempt to remedy the economic maladministration that had plagued the country for a number of years.

At the last consultations, we outlined a three-phased programme for stabilizing the economy and for laying the foundations for normal growth. The three phases of the programme were as follows:

(a) the emergency phase;
(b) the review phase; and
(c) the plan phase.

I am happy to report that through the diligent pursuit of clear cut policies together with assistance from friendly countries, we have successfully carried through the first two phases. We have been able to achieve a satisfactory measure of internal stability through the curtailment of public expenditure which had been the main source of monetary expansion and inflationary pressures.

Other stabilizing measures included the adjustment of taxes and duties to a level consistent with the demand and supply position and the elimination or reduction of export duties to boost the export sector of the economy.

Through financial assistance from friendly nations and international institutions, particularly the IMF, we have been able to avert short-term payment crisis and at the same time maintained supply of essential commodities.

During this period of stabilization, the efforts of the Ghana Government were greatly assisted by the successful outcome of the first debt renegotiations in which many of the creditor countries agreed to a rescheduling of debt repayments.

On 8 July 1967 the Ghana Government had to take a bold step to devalue the cedi by 30 per cent in an effort to establish a more realistic external rate for the currency. This measure was further destined to boost our exports and to restrict imports particularly of inessential commodities.
These monetary and fiscal policies have had the salutary effect of restraining excessive demand and significantly reducing the deficits on the balance of payments. Whereas the current account deficit of the balance of payments in 1965 amounted to (post devaluation) N$ 233 million, by 1966 the deficit had been reduced to N$ 132.6 million. There was a further reduction of the deficit to N$ 89.3 million in 1967. The continued pursuit of sound economic and financial policies is expected to reduce further the pressure on Ghana's balance of payments during 1968.

Phase Three of our programme involving a two-year development plan has now been launched. The objectives of this plan are:

(i) To provide the foundation for self-generating growth.
(ii) To achieve growth with an improved efficiency in the use of imports and investment resources likely to be available.
(iii) To reduce the high level of unemployment and check the rate of migration to the cities.
(iv) To maintain internal financial equilibrium in avoiding on the one hand an inflationary rise in prices and, on the other, the creation of additional idle capacities.
(v) To maintain external financial equilibrium in such a way that the balance of payments shows no larger deficit after accounting for the debt service than can be covered by foreign aid and loans.
(vi) To aim at an improved rate of growth of national income through a sustained high rate of development well balanced between the sectors.
(vii) To achieve more equitable distribution of income between regions and between persons.
(viii) Diversification of the export base of the economy.
(ix) Development of the rural areas; and, finally
(x) Reduction of dependence on foreign aid.

Now it will be observed that this is a very short period development plan by all known standards, but this, to our mind, is an attempt to move from the stabilization period to a period of sustained growth. Immediate effect has been given to the implementation of the development plan in the current budget for 1968/69. It will also be realized that unlike previous budgets and development plans, considerable emphasis has been given to improvements in agricultural production and living conditions in the rural areas. This is so because we
realize that for a long time to come economic activity will centre around agriculture and that the immediate prospects for easing our balance-of-payments difficulties will come from the agricultural sector. Basically, we envisage increasing agricultural production for four main purposes:

(a) To meet an increased proportion of Ghana's food consumption from local production;
(b) To provide food for a larger number of people as the population grows;
(c) To provide raw materials for existing and prospective factories in Ghana;
(d) To provide surpluses for export of those commodities which Ghana can profitably sell on the world market, in either processed or unprocessed form.

Export promotion:

Along with the objectives enumerated in the two-year development plan, it is realized that a vigorous export promotion activity should be instituted. To this end, concrete plans have now been completed for the establishment of an Export Promotion Council which will be the centre of information, advice and assistance to all exporters and generally spearhead a vigorous export campaign to boost the exports of the country. At the same time, a company has been established to be responsible for the marketing overseas of Ghanaian manufactured products. It is hoped that the new organization which will shortly start functioning will help considerably in boosting our exports.

Future problems:

The background material produced by the GATT secretariat for this consultation (BOP/83/Rev.1) adequately identifies a number of economic problems facing our country as well as the export possibilities for the future. The prospects and problems of the traditional export items of cocoa, minerals, timber and small agricultural crops are well spelt out in the document. I do not, therefore, wish to add anything to what is contained in this very exhaustive review. It appears, however, that significant increases in exports can be achieved from some of the minor agricultural products, to which the Ghana Government is paying full attention.
At the same time, over the past few years, Ghana embarked upon a very high scale of industrialization which produced considerable investment in industrial plant from which production for export on a reasonable scale can be obtained to aid the balance of payments. Unfortunately, there is a large amount of unutilized industrial capacity which makes the cost of production on the present scale very high. It is estimated that about 60 per cent only of industrial capacity is at present utilized. The main reason for the excess capacity is that most of these industries use imported raw materials, the imports of which have to compete for foreign exchange allocation in a situation of balance-of-payments crisis.

We believe that a successful renegotiation of our external debts on easier terms at the next meeting will ease the burden of our debt service commitments and make resources available to reduce the degree of under-utilization of industrial capacity.

I would like to take the opportunity here to indicate the areas in which assistance from contracting parties would lead to resolving our problems:

(a) greater liberalization in the utilization of aid loans;
(b) an earlier conclusion of an international cocoa agreement;
(c) reduction of tariffs and removal of non-tariff barriers;
(d) general preferential treatment without discrimination and reciprocity for commodities of export interest to developing countries.

I am sorry it has not been possible to make a very short statement as much as I would have liked to. But it has nevertheless been possible to state clearly, I hope, the problem which the present Ghana Government inherited, the measures it has taken so far to restore stability in our economy and the future prospects of managing the economy on a sound basis. The Ghana Government can be justly proud of its achievement in rebuilding an economy which was at the point of collapsing. At the same time, judging from the problems still to be resolved, we cannot be complacent and would like the CONTRACTING PARTIES to endorse the measures taken so far as explained in GATT Document BOP/85. In doing so, I would like to draw attention particularly to the annex to the document in which we have indicated steps already taken to ease the restrictions on imports by placing more items on the open general licence.