Committee on Balance-of-Payments Restrictions

1983 CONSULTATION WITH GHANA

Background Paper by the Secretariat

1. This paper has been prepared in accordance with Paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes, adopted by the CONTRACTING PARTIES on 28 November 1979 (BISD 26S/205), in order to assist the Committee in carrying out the full consultation procedures referred to in Paragraph 6 of that Declaration.

I. Ghana's previous consultations

2. The last full consultation with Ghana took place on 10 March 1971. It was followed by five simplified consultations in 1974, 1976, 1978, 1980 and 1982. At the 1982 meeting it was decided that, since full consultations had not been held for more than a decade, they should now be held.

3. Since the last full consultation, Ghana's internal and external economic situation has deteriorated considerably. (See Section IV below). With effect from 1983, a four-year national recovery programme has been instituted, involving, inter alia, the adjustment of the exchange rate, prices and incomes measures, interest rate measures and measures to revitalize the cocoa, forestry and mining sectors on which Ghana's export revenues largely depend.

II. Status of restrictive measures taken by Ghana for balance-of-payments purposes

(a) Institutional framework

4. The Imports and Exports Act (1980), which replaced the Import and Exports Decree of 1974, empowers the Secretary of Trade, as the Controller of Imports and Exports, to "prohibit, restrict and regulate imports of goods into Ghana in the manner which is consistent with foreign exchange availability in relation to the needs of the country". The Act is the basis for the import licensing system under which all imports into Ghana are controlled.

5. Under the 1980 Act, the Government prepares an annual import programme covering all sectors of the national economy. The programme is implemented through the issue of import licences to registered importers. Imports are prohibited unless covered by one of the following licenses:
(i) Specific Licences. Specific licences are required for all commercial imports purchased with foreign exchange held in Ghana. They are allocated by the Controller of Imports and Exports on the basis of the annual import programme drawn up on a sectoral basis by a committee of ministerial representatives. A specific licence also entitles the importer to obtain foreign exchange from the Bank of Ghana via commercial banks. Shortfalls in actual foreign exchange receipts (as compared to expected receipts) have meant, on occasions, that some import licenses which had been issued could not be used. In an attempt to solve this problem and ensure that any licences issued could be utilized, the government decided in the May 1982 budget to change Ghana's fiscal year from 1 July - 30 June to 1 January - 31 December, thus bringing the year for the State budget into line with the year for the issuing of import licences.

(ii) Special Licenses. These cover imports of commercial goods financed by foreign exchange held by local importers outside the country. Suspended in July 1978 to curb illegal importation, these licences were reinstated in 1980 due to acute import shortages.

(iii) Open General Licences. The Open General Licence allows the import of goods specified on the licence without further authority from the Secretary of Trade (see BOP/238, page 8). At present, such licences are not granted. The Open General Licence system was last used in 1969/70.

A certain number of goods are importable without licence. These are primarily non-commercial items such as personal or household effects, domestic pets, trade samples; but also include fish caught by Ghanaian-owned vessels.

6. Imports of some goods, including all textiles and textile products, chocolate, and chilled or frozen fish, are prohibited. A list of restricted imports is issued periodically. Applications for the importation of items on this list are not normally approved. The present list contains goods produced in Ghana and commodities considered luxury goods.

(b) Import duties and other charges

7. Ghana has no tariff concessions bound under GATT. In August 1981, import duties on a wide range of products were increased from 35 to 60 per cent or from 60 to 100 per cent, giving a four-level tariff structure: free, 35 per cent, 60 per cent and 100 per cent. This structure was modified in the April 1983 Budget, as part of the four year economic recovery programme, as follows:

(a) Goods and services imported by the oil refining sector: duty free.

(b) Category I imports [raw materials, day-old chicks, agricultural and horticultural machinery, tractors, etc.]: 25 per cent.
(c) Categories II and III imports [meat, clinker, packing materials; all other non-oil imports previously subject to ad valorem duty at 35 per cent, 60 per cent and 100 per cent]: 30 per cent.

(d) Category IV imports [all non-oil imports previously subject to specific duties]: a new schedule of specific duties was established.

In addition, a new imports sales tax was introduced at a rate of 20 per cent on all merchandise imports in Category IV. Imported palm oil and sugar certified by Customs as not for sale to the public, are exempt from this tax.

8. An import tax on the value of letters of credit issued against licensed imports was raised from 10 to 20 per cent in the 1981/82 budget. In addition, a special import licence tax of 10 per cent applies to imported goods except those imported by diplomatic missions and their staff, or by charitable organizations. Cash margin deposits against letters of credit, applicable to all imports except crude oil and fertilizers, were in force from September 1974 until September 1981, when they were abolished.

(c) Bilateral trading arrangements

9. Ghana continues to maintain bilateral trade agreements with Bulgaria, German Democratic Republic, Hungary, Poland, Romania, the Soviet Union, Yugoslavia and Cuba, as well as with Brazil and India. Bilateral payments agreements are, however, maintained only with Romania and Yugoslavia; all payments for trade under other such agreements are made in convertible currencies (US dollars or pound sterling). An agreement with China lapsed during 1982. Bilateral trade and cooperation agreements are also maintained with a number of other African countries, namely, Algeria, Angola, Benin, Guinea, Ivory Coast, Mali, Senegal, Swaziland and Togo. Payments to Benin, Ivory Coast, Niger, Senegal, Togo, Upper Volta, the Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Nigeria and Sierra Leone are made through the West African Clearing House.

Exchange measures affecting trade

10. On 11 October 1983, the government announced the devaluation of the cedi to a unified rate of 30 to US$, as part of the economic recovery programme. The official exchange rate had previously remained unchanged at 2.75 = US$1 from August 1978 until April 1983. As an interim measure, in April 1983 Ghana had introduced a multiple exchange rate system comprising, on the one hand, surcharges of 7.5 times the face value of payments on oil and other necessary imports, and transfers in respect of official commitments; and of 9.9 times face value on other imports, freight and insurance payments, and foreign travel, medical and educational fees etc; and, on the other hand, similar bonuses of 7.5 times face value on receipts on exports of cocoa, cocoa products, coffee, shea nuts, logs, gold, diamonds, manganese, bauxite, residual oil and electricity, and 9.9 times face value on all other sources of foreign exchange including manufactured
goods, processed timber and transfers of foreign exchange to Ghana by foreign residents. With the introduction of the new par value for the cedi, these surcharges and bonuses have been abolished. The new par value, which was to be introduced within one year as part of Ghana's commitments to the IMF, has been introduced sooner than originally provided for.

(d) State trading

11. The Ghana National Trading Cooperation operates in general import trade alongside private-sector concerns. The Ghana National Procurement Agency, on the other hand, is solely responsible for import (but not distribution) of certain basic goods (sugar, wheat, rice, etc.). Procurement is made by open tender. Major imports for the public sector are generally handled by the Ghana Supply Commission.

III. Other relevant policy measures

Interest rates

12. Following increases in interest rates in July 1981, the new government reduced interest rates in the 1983 budget in order to help stimulate economic activity. The maximum lending rate was then cut from 25.5 to 14 per cent.

Prices and incomes policy

13. Price controls on home-produced food were removed in 1982/83. Prices of petroleum have been allowed to rise substantially, even though there are still subsidies on refined petroleum products. Public sector wages and salaries were raised as from 1 May 1983, and the fees charged by public utilities were also increased substantially.

IV. Developments in Ghana's Economy and Foreign Trade

14. In the last ten years, Ghana's total GDP tended to decline in real terms, while population increased by roughly one-third. Real GDP per head has fallen by over 20 per cent since 1978, its latest peak (Chart I).

15. The poor overall performance has been determined to a sizeable extent by the performance of the cocoa sector. Though slowly losing its preponderant position in the Ghanaian economy, this sector remains a major foreign exchange earner and supplies a substantial fraction of public income, apart from being an important source of employment. With a few - increasingly weak - upswings, cocoa production has fallen substantially in the last decade. In 1982, cocoa output was some 15 per cent lower than two years before, and a further fall is forecast for the current year. Developments in international cocoa prices in dollar terms are also shown in Chart I. Prices followed an opposite trend from output: they increased sharply in the second half of the 1970's then declined almost continuously until 1982, when they stood at the same nominal level as in the early 1970's. An upward trend is apparent from early-1983 in cocoa prices.
CHART I
GHANA'S REAL GDP AND OTHER SELECTED INDICATORS\(^a\)
(indices 1975 = 100; and percentages)

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**Inflation Rate**

\(^{a}\) 1983 data are estimated.

\(^{b}\) Percentage change in consumer prices over corresponding period of the previous year.

16. In the last decade, slow economic growth has been often allied to high inflation in Ghana (Chart I). In 1982, mainly through a tighter monetary policy, the rate of increase in the consumer price index was brought down from the heights reached in the previous year (116 per cent on average) to 22 per cent. The latest available information points, however, to a re-acceleration of inflation in early 1983. Ghana's currency remained pegged to the dollar from 1973 to 1977, when it was adjusted downwards by 58 per cent, and from then to last October, when it lost 91 per cent of its value in terms of dollar.

17. Trends in Ghana's exports in 1973-1982 partly reflect conditions prevailing in the international cocoa market and its own cocoa sector performance, but they have also been increasingly linked to developments in other products, especially in gold, which supplanted timber as the second largest foreign exchange earner in 1978, according to available information. Falling unit values and low export availabilities for cocoa, coupled with relatively less favourable conditions in the world market for gold, explains most of the weak performance of exports in 1981 and 1982, when - on a customs basis - they declined by 15 and 18 per cent, respectively, to $870 million (Chart II).

18. Following a modest increase in 1981, the dollar value of imports into Ghana plunged by 36 per cent in 1982 (to $700 million, c.i.f., on a customs basis). According to preliminary estimates, non-fuel imports, the delay value of which had practically remained unchanged since 1979, fell by about one-half in 1982; the volume decline was even greater. The petroleum import bill is reported to have also declined in 1982, but much less than other imports.  

19. As a result of these developments, Ghana's trade balance (f.o.b./c.i.f., customs basis) shifted into surplus again in 1982. (See Chart II for developments in the trade balance in the last decade).

IV. Economic Aspects of Ghana's Measures

20. More than 10 years have elapsed since Ghana's last full balance-of-payments consultation. Though its trade regime has undergone several changes during that period, these have not always been geared to clarifying the system or to removing redundant impediments to trade. The measures recently taken point, in contrast, to more clarity in the country's trade regime and give ground for expecting a progressive return of Ghana's external trade to a more balanced growth.

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1 For some detail on the product composition of Ghana's exports in recent years, see IMF, Ghana - Recent Economic Developments, July 21, 1983, Appendix III, Table XXV, page 101.

2 The latest available detailed information on Ghana's imports refers to the year 1979, of which a summary is reproduced in the table annexed to this paper.
CHART II
GHANA'S EXTERNAL TRADE IN THE LAST DECADE
(Billion dollars)

Exports (f.o.b.)
Imports (c.i.f.)
Trade Balance

1973 74 75 76 77 78 79 80 81 82

aExports (f.o.b.) less imports (c.i.f.); customs basis.

### ANNEX

GHANA'S IMPORTS BY COMMODITY GROUP AND AREA/COUNTRY OF ORIGIN, 1979\(^a,b\)

(Million dollars, c.i.f.)

<table>
<thead>
<tr>
<th></th>
<th>WORLD</th>
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<th></th>
<th>Developing areas</th>
<th>Eastern Trading area</th>
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<td></td>
<td>Total</td>
<td>F.R. of Germany</td>
<td>United States</td>
<td>Japan</td>
<td>Other</td>
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<td>PRIMARY PRODUCTS</td>
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<td>Food (Cereals)</td>
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<td>3.6</td>
<td>12.5</td>
<td>12.4</td>
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<td>1.6</td>
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<td>1.0</td>
<td>5.4</td>
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<td>Fuels</td>
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<td>Non-ferrous metals</td>
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<td>Chemicals (Alumina)</td>
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<td>23.1</td>
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<td>Textiles</td>
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<td>2.4</td>
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<td>Iron and steel</td>
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<td>Other semi-manufactures</td>
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<td>Engineering products</td>
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<td>Other consumer goods</td>
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<td>1.8</td>
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\(^a\) For detailed commodity group and area definition, see GATT, *International Trade 1981/82*, Appendix.

\(^b\) Detail may not add, due to rounding.