REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS RESTRICTIONS ON THE CONSULTATION WITH GHANA

1. In accordance with its terms of reference, the Committee has conducted the consultations with Ghana under Article XIV:1(g). The Committee had before it: (a) the basic document prepared by the secretariat on the basis of data supplied by the Ghana Government, and (b) documents provided by the International Monetary Fund. In conducting the consultations, the Committee followed the "plan" for consultations under Article XIV:1(g) recommended by the CONTRACTING PARTIES. The consultation was completed on 2 July 1959. The present report summarizes the main points discussed during the consultation.

Consultation with the International Monetary Fund

2. 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 consultations with Ghana. As a part of the consultation between the CONTRACTING PARTIES and the Fund, the latter transmitted the results and background material from its latest 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 Fund representative noted that the International Monetary Fund had transmitted to the CONTRACTING PARTIES the results and background material from the first consultation which it had held with Ghana under Article XIV of the Fund Agreement and which was concluded on May 1, 1959. The background material was in the form of a paper bearing the date February 26, 1959 and a supplementary paper dated April 27, 1959. This documentation had been distributed to the members of the Committee.

Opening Statement by the representative of Ghana

3. The full text of the opening statement of the representative of Ghana is attached to this report as Annex I. The following is a brief summary of the statement:

4. It was the policy of the Government of Ghana to achieve full liberalization of trade, as far as this could be done in the light of its balance-of-payments position and its membership in the sterling area. Most goods could already be freely imported into Ghana from all countries with the exception of Japan and the countries of the dollar area. Imports from Japan and, with the exception of one product, imports from the dollar area, were subject to individual licensing. Imports from the dollar area had been progressively accorded more liberal licensing treatment.
5. The representative of Ghana informed the Committee that a number of machinery items (cash registers, tractors, earth-moving machines) together with newsprint, salmon and motor vehicles were to be placed on open general licence for the dollar area, and that the Government was continuing with an examination of existing import restrictions with a view to effecting further liberalization. It would be necessary, however, to take account of the requirements of the new five-year development plan, which was about to be introduced.

6. Restrictions on imports from Japan had also been relaxed. The number of prohibited imports from Japan had been reduced to five. All other Japanese goods received the same liberal licensing treatment accorded goods from the other non-dollar countries in spite of the extreme imbalance of trade between Ghana and Japan.

7. The liberal licensing policy and forthcoming relaxations had been made possible, in general, by the improved balance on Ghana's current account. The gradual deterioration in the external balance which started in 1954 as a result of a downward trend in the price of the main economic crop, cocoa, was checked in 1958.

8. In concluding his statement, the representative for Ghana assured the Committee that his Government would actively pursue a policy of liberalization. He expressed the hope that the balance-of-payments position and other relevant factors would continue to be favourable in order that his Government would be in a position to remove the remaining restrictive measures on imports into Ghana.

9. The Committee expressed appreciation for the very full and clear statement made by the representative of Ghana and particularly welcomed the announcement of the forthcoming removal of the discriminatory restrictions on certain imports from the dollar area. Certain members maintained, however, that in the light of Ghana's balance-of-payments position there was scope for substantial further progress in the removal of the discriminatory restrictions. It was noted that the terms "hard" and "soft" currencies, used in the opening statement were no longer strictly applicable in the light of external convertibility; no doubt these terms had been used merely as a convenient way of identifying particular groups of countries.

10. Several members of the Committee expressed sympathy with the difficulties faced by newly independent countries such as Ghana, and complimented the Government of Ghana on the way many of these difficulties had been approached. It was noted that one of the more serious problems faced was the instability in the terms of trade resulting from fluctuations in the price of cocoa, the most important export product of Ghana. In this connexion it was noted that the various development projects envisaged in the second five-year development plan would tend to reduce Ghana's dependence on cocoa exports for its external earnings.
Basis and Background for the Application of Discrimination

11. A member of the Committee referred to the significant improvement in Ghana’s export earnings during 1958 and noted that present overseas assets of Ghana equalled two years' normal import requirements. He enquired about the prospects of the balance of payments of the coming year and about the expected effects on the balance of payments of the Second Development Plan which was about to be implemented. The representative for Ghana explained that although the overseas balance rose from £182 million in 1957 to £189 million in 1958, it must be remembered that the balances had fluctuated considerably since 1954. At that time they stood at £193 million, had increased to £211 million in 1955 but had fallen again to £196 million in 1956. It was difficult to predict any future trend in view of the instability of the world price for cocoa. Ghana's Second Development Plan was an ambitious one and the external balances were bound to be affected. The Government of Ghana believed that in spite of the size of the external holdings, additional funds would be required for the implementation of the plan.

12. In discussing the general trend of Ghana's trade, the representative of Ghana described the recent movements in the price of cocoa and the changes in the country’s export earnings, and, as regards imports, he explained that during 1957, in anticipation of an increase in the production of cocoa, importers imported more than could be readily sold and were forced to carry large stocks over into 1958. This, rather than price factors, accounted for much of the reduction in imports during 1958.

13. Another member referred to the measures taken by the Government of Ghana to cushion the income of farmers against the sharp fluctuations of the world market price for cocoa. He observed that the price paid to the producer had varied from only £130 to £150 per ton since 1950, whereas the price realized by the Ghana Cocoa Marketing Board during this period had fluctuated widely reaching a high point of £550 per ton in July 1954, the lowest point of £182 per ton being reached in March 1957. Although the greater part of the Board's income was passed on to the Government in the form of export duties, the Board was still able to accumulate substantial reserves for price stabilization and other purposes.

14. The representative of Japan stated that although he realized that the question of Article XXXV did not fall within the terms of reference of this Committee, he would like to express the hope that the application of Article XXXV to Japan by Ghana would be withdrawn in the near future. He requested the delegation for Ghana to transmit this desire of the Japanese Government to the Government of Ghana. The representative of Ghana, in reply to a question, explained that the five items not importable from Japan were petroleum products, explosives, arms and ammunition, cinematographic film and gold, and that the import quota from Japan had been increasingly expanded and was expected to increase in the current year too.
System of Discriminatory Restrictions and their effects

15. A member of the Committee drew attention to the very broad scope of the discriminatory restrictions, which applied to almost the whole range of dollar imports. Until the new liberalization now announced by the representative of Ghana came into force, only one item was on open general licence when imported from the dollar area. The member enquired when, in the light of external convertibility, it could be expected that these discriminatory restrictions would be relaxed further and be brought into line with the restrictions on non-dollar imports. The representative for Ghana stated that it was his Government's intention to expand the list of goods on open general licence as soon as the detailed examination referred to in his opening statement was completed. Already, a number of less-essential goods such as clothing, radios, refrigerators, etc., were being liberally licensed for importation from the dollar area. He pointed out that whenever it was found that need for certain products existed, requests for licences would be considered without regard for previously determined ceilings. The Committee member suggested that, in that case, the effect of the removal of most of the remaining dollar restrictions on Ghana's balance of payments would not be particularly great.

16. Members of the Committee expressed the hope that, since there were no longer payments advantages in importing from one country rather than another, the Government of Ghana, in the process of revising its import control system, would give further consideration to the benefits to be gained by Ghana from non-discrimination. Convertibility should mean the rapid removal of the discrimination that had proved costly both to the importing and exporting countries.

17. Reference was made to the Government of Ghana publication "Control of Imports into Ghana, 1959" dated 28 January 1959, which contained a statement to the effect that in general, no expenditure would be authorized for a product from dollar sources unless the particular item was of a high degree of essentiality and no reasonable substitute was obtainable from other sources. A Committee member felt that such a stipulation did not appear to be in line with the current import policy as declared by the Ghana representative or warranted under present conditions of external convertibility. It could at any rate greatly discourage importers from applying for licences for imports from the dollar area. The representative for Ghana agreed that the position had changed substantially with the introduction of the external convertibility of sterling, that this quoted paragraph did not reflect his Government's present policy and that he would recommend its deletion from the document when it was re-issued in revised form.

18. The Committee discussed at some length the import licensing system employed by Ghana. Members observed that the same imports from certain countries were covered by several different open general licences and that the grouping of countries for licensing purposes did not seem to reflect any relevant criteria. The representative of Ghana informed the Committee that his Government realized that many anomalies existed in the present system of
import restrictions, some of which were carried over from pre-independence days. Since then the number of open general licences had been progressively reduced from thirteen to seven, although a number of those remaining still overlapped. He assured the Committee that the examination of the import control system presently being undertaken by his Government would also result in the removal of the anomalies referred to by the various members of the Committee.

19. Regarding the various open general licence facilities for sugar, the representative of Ghana gave the assurance that the intention was to allow free imports from all countries signatories to the International Sugar Agreement, and agreed with the representatives of Brazil and Denmark that these two countries, having acceded to that Agreement, should be included in the appropriate open general licence with regard to this product.

20. In response to an enquiry concerning the forthcoming relaxation of certain dollar area goods, the representative for Ghana stated that the restriction on "American type" automobiles manufactured or assembled in countries other than those of the dollar area had been necessary only as long as motor car imports from North America were restricted and therefore would also be removed.

21. In response to various questions, the representative for Ghana stated that the relaxations announced in his opening statement would become effective in a matter of days. Regarding future policy of Ghana in the removal of remaining discrimination, he emphasized once again that the Minister of Trade and Industries had already undertaken an examination of the entire import system. While this examination was being undertaken, the criteria used to determine imports from the dollar area would continue to be based on the essentiality of the goods. Allocations were made out of specific funds set aside for such imports. The essentiality principle, however, had not been strictly adhered to in view of the fact that the ceilings on the allocations had become increasingly flexible. He expressed the view that one of the main reasons for the fall in dollar area sales in the Ghana market was the lack of export promotion on the part of dollar exporters, and that prices of dollar area goods had become less competitive as compared to those of other traditional suppliers. He felt that a greater interest should be taken by dollar exporters in the possibilities of the Ghana market and suggested trade fairs as one possible means of introducing dollar products.

22. A member of the Committee commented that international trade fair programmes were generally formulated with due consideration to the returns which could be expected in relation to promotional cost. Such returns could not be expected to warrant a dollar country's expense on a trade fair until the discriminatory treatment presently applied to the vast majority of dollar imports was removed.

23. In answer to a question regarding the estimated effects of discrimination on imports from the dollar area, the representative for Ghana expressed the view that the flexibility of import ceilings permitted the importation of all
goods from the dollar area which were really required. A member of the Committee observed that if import restrictions did not restrict, he could see little reason why they should be maintained. In view of the stated unfavourable price position of dollar products as compared to products of other suppliers to the Ghana market, there should be even less risk in removing the discriminatory restrictions. The representative for Ghana referred again to the study which was being conducted on the import controls. He assured the Committee that the aim of his Government was to remove all such restrictions as soon as possible.

General

24. Summing up the discussion, the Chairman noted that general appreciation had been expressed for the manner in which the delegation for Ghana participated in this exchange of views. They felt that the discussion had contributed greatly to a mutual understanding of the problems involved in Ghana's balance of payments. It was realized that while Ghana continued to enjoy a relatively favourable balance-of-payments position, account had to be taken by the Ghana Government of such factors as development requirements. The Committee was pleased to note that the whole import policy was being reviewed by the Ghana Government, and that it was its aim to make early progress in the removal of restrictions and discrimination.

ANNEXES

I. Opening statement by the representative of Ghana.

II. Results of latest consultation between the International Monetary Fund and Ghana.
Annex I: Opening Statement by the Leader of the Ghana Delegation

1. I believe that members of the Committee who were present at last year's consultations with Ghana under Article XIV:1(g) will remember that the Ghana delegate, in his opening statement, outlined the basis and background for the application of our import restrictions. That outline was then considered necessary as that was the first of such consultation with Ghana. There had been no prior consultation with Ghana by the International Monetary Fund.

2. This year we are quite fortunate again to have well documented papers prepared by the IMF covering the economy of Ghana. I refer to IMF documents (background material paper dated 26 February 1959 and a supplementary paper dated 27 April 1959) copies of which have already been circulated to contracting parties. In addition to this documentation, the Ghana Government has already submitted to the GATT secretariat information on the legal basis, the policy, the administration, and the methods of applying the restrictive system. That information has already been embodied in secretariat "basic document" MGT(59)61 and also distributed. In the circumstances, in order not to cover material with which the Committee is already familiar, I shall restrict myself to explaining the Government of Ghana's current policy in the use of restrictions and the new relaxation of controls which have already been approved and will be effective shortly.

3. Members of the Committee, no doubt, are aware that most goods can be freely imported into Ghana on open general licence from soft currency countries (except Japan and the countries to which the quota licensing system applies). Imports from Japan require specific licences, and with the exception of wheat flour from Canada and the United States, all imports from dollar sources are subject to individual licensing.

4. It is the policy of our Government to achieve full liberalization of trade between Ghana and the rest of the world as far as this may be done without detriment to its balance-of-payments position and its international obligations as a member of the sterling area.

5. To this end, the Ghana Government aims at a progressive relaxation of controls in imports from the dollar area. Already relaxations have, in the last four years, been effected to permit the importation of general goods which are normally rated as less-essential, and dollar allocations made available for this purpose have proved sufficient to meet present requirements.

6. We are happy to announce that the Ghana Government has already approved of further relaxations on dollar imports to come into effect shortly. This step will place on open general licence the following items from the dollar area:

Cash registers and parts
Tractors and spares
Earthmoving machinery and spares
Timber machinery and spares
Salmon and salmon trout
Newsprint
Motor vehicles
This, the Committee will appreciate, is in line with the proposals put forward by the United Kingdom delegation and welcomed by other delegations at the Commonwealth Trade and Economic Conference held in Montreal in September 1958. Our Government still intends to continue with the examination of our existing import restrictions with a view to effecting further liberalization in Ghana's trade with the dollar area. However, we would wish to indicate that any further liberalization will be governed by the requirements of our five-year development programme to be launched this month. Nevertheless, we believe that any further adjustment will be in keeping with the provisions of the GATT.

7. Similarly, with respect to imports from Japan, relaxations have recently been effected by reducing the classes of goods not allowed to be imported from Japan from twelve to five. The Ghana Government thereby accords to Japan the same treatment as that accorded to other soft currency countries, even though Ghana has reserved its right under Article XXXV not to be bound in its trade relations vis-à-vis Japan to accord full GATT privileges. It must be emphasized that, in spite of the extreme imbalance of trade between Ghana and Japan, the Government of Ghana still maintains a liberal policy in the allocation of funds for trade with Japan.

8. Our recent relaxations, in general, have been possible on account of the fact that the gradual deterioration in Ghana's external balance which started in 1955 was checked in 1958 when the current account showed a surplus of 10.8 million Ghana pounds. By and large, fluctuations in Ghana's external balance are mainly due to variations in export earnings because of changes in the value of cocoa exports. In 1958, cocoa exports amounted to 197,327 tons which was 24.2 per cent lower than the 1957 figure of 260,224 tons. I should like to draw the attention of the Committee to the fact that this lower volume of export in 1958, by virtue of the then comparatively high world cocoa price, fetched an amount of 62.3 million Ghana pounds which was 22.5 per cent above what was realized by the considerably greater quantity exported in the previous year.

9. The fluctuations in the price of our major economic crop, is the principal underlying cause of our difficulties, and as we have pointed out time and again, the implementation of the provisions of the Rome Treaty with respect to the association of the Overseas Territories will tend to further aggravate our difficulties. On this problem, we have done our best without much success to consult with the "Messina Six" under the provisions of Article XXII of the General Agreement.

10. In conclusion, I should like to confirm that the Ghana Government is actively pursuing a policy of liberalization. We hope that our balance-of-payments position and other attendant factors will continue to be favourable to allow us to remove the remaining restrictive measures which in practice are negligible.
Annex II: Results of the 1958 consultation between the IMF and Ghana, concluded on 1 May 1959

1. The Government of Ghana has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

2. Since 1951, when its first development plan was launched, the gross national product of Ghana has increased by about one-sixth. The economy still depends heavily on cocoa, which accounts for about two-thirds of exports. Production of cocoa declined considerably in the crop year ended September 30, 1958, but is expected to recover in 1958/59. The world market price of cocoa has risen substantially from the relatively low level to which it fell two years ago.

3. The ordinary budget showed a small surplus in the fiscal year ended June 30, 1958. Development expenditures were financed largely out of export duties on cocoa that had been kept outside the ordinary budget; some drawings were made on previously accumulated reserves. The Government intends to maintain a balanced ordinary budget and it is expected that cocoa export duties will again meet most of the expenditures on development in 1958/59. The development of the economy in the past few years has proceeded without exposing the country's resources to undue pressures. The Fund stresses the importance of maintaining a balanced and financially sound expansion, particularly under the new Development Plan scheduled to come into operation on July 1, 1959.

4. After two years of deficits, a current account surplus reappeared in Ghana's balance of payments in 1958 owing to a rise in the value of exports resulting from the increase in the world price for cocoa, and to a reduced volume of imports at virtually unchanged prices. Throughout this period the current account showed surpluses with the dollar and OEEC areas and deficits with the sterling area and Japan.

5. In recent years the Government of Ghana has, despite balance-of-payments deficits in 1956 and 1957, followed a policy of liberalization. Most imports other than those from the dollar area and Japan are now admitted under various kinds of Open General Licence. The Ghanaian authorities have stated that the remaining restrictive effect of the system is small, and that, in practice, the discriminatory features are not substantial. The Fund believes that Ghana should simplify its restrictive system and, in the light of its present payments position, proceed towards the further removal of the remaining restrictions and discrimination.

6. In concluding the 1958 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Ghana.