DRAFT REPORT 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 connection 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. It was stated 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:

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It was the policy of the Government of Ghana to achieve full liberalization of trade, but due consideration must first be given to the balance-of-payments position and to Ghana's obligations as a member of 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 and the point had been reached when the Government of Ghana was able to announce certain relaxations.

4. The representative of Ghana informed the Committee that a number of machinery items, together with newsprint, salmon and motor vehicles were to be placed on open general licence, 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.

5. 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.

6. 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.

7. 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.
8. 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 felt that it would be in the interest of Ghana to proceed as quickly as possible with the removal of the remaining discriminatory restrictions.

9. 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. The Committee expressed the hope that the various development projects envisaged in the second five-year development plan, would help to alleviate Ghana's dependence on cocoa exports for its external earnings.

Basis and Background for the Application of Discrimination

10. A member of the Committee referred to the significant improvement in Ghana's export earnings during 1958 as a result of the rise in cocoa prices on the world market, and noted that present overseas reserves of Ghana were sufficient to pay for 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 balance has fluctuated considerably since 1954. At that time the balance stood at £193 million; it increased to £211 million in 1955 but fell 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 balance was 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.
11. 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 a rise 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. Restrictive measures remained unchanged during this period.

12. A member of the Committee suggested that where price was so important, as it was in the case of Ghana's cocoa exports, it may be useful for documents used in future consultations, to give in tabulated form particulars of volume as well as of price.

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 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 of £550 per ton in July 1954, the lowest point being £182 per ton 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 agreed.
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 asked whether 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 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, due consideration was given without regard for previously determined ceilings. In the opinion of the Committee member, the effect of the removal of most of the remaining dollar restrictions would not be too great in view of the present liberal licensing policy referred to by the representative of Ghana.

16. It was brought to the attention of the Committee that in the Government of Ghana publication "Control of Imports into Ghana, 1959" dated 28 January 1959, it was emphasized 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 currency 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 reissued in revised form.

17. 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 realised 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 with each other. 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.

18. 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 were necessary only as long as motor car imports from North America were restricted. The former restrictions would therefore also be freed from import control.

19. A member of the Committee expressed the hope that in this process the Government of Ghana would give further consideration to the advantages to be gained by Ghana by non-discrimination. As had been pointed out by contracting parties, the advent of convertibility had removed all financial grounds for discrimination. Convertibility should mean the rapid removal of the inequalities that had proved costly both to the importing and exporting countries.
20. 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 Ghanaian policy in the removal of remaining discrimination, he emphasized once again that the Minister of Trade and Industries has 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.

21. 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 of a trade fair until the discriminatory treatment presently experienced by the vast majority of dollar imports was removed.

22. 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 unfavourable price position of dollar products as compared to products of other traditional 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.

23. The representative of Japan requested, and the representative of Ghana agreed, that the Japanese delegation be allowed to take this opportunity to discuss questions relating to Japanese exports to Ghana, it being recognized that the Ghana delegation was not obliged to provide answers to the questions raised. The representative of Japan noted that licences for imports of Japanese goods during 1958 were only utilized to 54 per cent of their value, and wondered, as licences had been issued so liberally, whether it was possible for the authorities of Ghana to place imports from Japan on open general licence. If there was little actual difference between the treatment accorded Japan and most other countries, it would benefit importers in Ghana as well as Japanese exporters to have the two systems brought into line. The representative of Ghana explained that it was the intention of the Government of Ghana to continue with the present system of annually determined ceilings for Japanese goods which it inherited from pro-independence days when Ghana received a portion of the United Kingdom currency allocation for Japanese goods. Since independence, the ceiling had been increasingly expanded. The utilization of available quotas was expected to increase in the current year since the under-utilization during 1958 was due primarily to the over-stocked position of importers, referred to earlier in the report. The representative of Ghana informed the Committee that the ceilings fixed were constantly under review by his Government. He emphasized that his Government did not want to find itself in the position of having to reimpose restrictions once they were removed; for this reason, any move forward in regard to Japanese or dollar goods, would be made only after thorough study of all relevant factors. He added that in view of the liberal licensing treatment accorded to goods from Japan,
the present controls merely represented safeguard measures. The representative for Ghana in reply to a further question, advised that the five items not importable from Japan were petroleum products, explosives, arms and ammunition, cinematographic film and gold.

General

24. Members of the Committee expressed appreciation 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 the present monetary reserves of Ghana were at a relatively high level, account had to be taken by the Ghana Government of such factors as development requirements. Representatives of dollar area countries expressed the hope that further steps would be taken, as were consistent with the convertible status of currencies, to remove all discrimination. They noted with satisfaction that the whole import control policy was being reviewed by the Ghana Government.

Annexes

I. Opening statement by the Representative of Ghana

II. Results of Latest Consultation between the International Monetary Fund and Ghana.