1. As instructed by the Council of representatives, the Committee has conducted the consultation, under paragraph 12(a) of Article XVIII with Ghana, concerning the re-imposition in December 1961 of balance-of-payments import restrictions. The Committee took note of the minutes of the Council meeting held on 26 February 1962 at which the consultation had been initiated (see C/M/9). In conducting the consultation the Committee had before it: (a) the basic document for the consultation (BOP/1) and the text of the statement made by the representative of Ghana at the meeting of the Council on 26 February 1962 (BOP/2), and (b) documents provided by the International Monetary Fund as mentioned in paragraph 2 below. The discussion in the Committee was completed on 9 May 1962. The present report summarizes the main points of discussion 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 this 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 made was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES the Executive Board decision relating to the last consultation completed with Ghana under Article XIV of the Fund Agreement and the background material prepared in connection with that consultation. The Fund has also provided a supplementary paper, dated April 24, 1962, to supply background information on recent developments. It is possible that minor corrections will be made to the supplementary paper. If so, they will of course be made available to the CONTRACTING PARTIES. At this time I should like to express the Fund's thanks to the authorities of Ghana for the provision of material which facilitated the preparation of the supplementary paper.

"Concerning the intensification of import restrictions now under consideration by the CONTRACTING PARTIES, the general level of restrictions of Ghana which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves.

"With respect to system and methods of the restrictions and to alternative corrective measures which may be available, the Fund is presently conducting its 1962 consultation with Ghana and expects to transmit to the CONTRACTING PARTIES the Executive Board decision relating to that consultation when it becomes available."
Opening statement by the representative of Ghana

3. In opening the discussion the representative of Ghana expressed his Government's sincere regret about the necessity to depart from its liberal import policy. As a result of successive measures of liberalization in previous year, almost 100 per cent of Ghana's imports had been free of restrictions from all countries before the new restrictions were imposed in December 1961. The high level of import liberalization during the last few years had been maintained despite a continuous drain on Ghana's foreign exchange reserves, due largely to the high and increasing level of imports accompanied by a serious deterioration in Ghana's terms of trade.

4. Ghana was almost entirely dependent for its export earnings on a few primary commodities and particularly on cocoa which, on the average, had accounted for about 60 per cent of Ghana's total export earnings in recent years. Nine primary commodities had accounted for 98 per cent of all exports. The representative of Ghana explained that the spot price for Ghana cocoa in London, which had averaged 352/5d per cwt. in 1958, had declined to 179/1ld in 1961 after averaging 225/10d in 1960. Obviously this development frustrated the considerable efforts by the people and Government of Ghana to finance a growing volume of imports through increased efficiency, production and exports. Despite an increase of approximately 34 per cent in the volume of cocoa exported in 1961, as compared with 1960, the value of cocoa exports had only increased by approximately £G3.0 million to a total of approximately £G70.0 million.

5. While official figures for the year 1961 as a whole had not yet been released, preliminary returns noted in the IMF background document indicated that overall export earnings in 1961 had amounted to £G117 million, while imports had reached a record level of £G133 million. Total imports in 1961 had been some 7 per cent above the record level reached in 1960. There had been an almost uninterrupted increase in imports since 1954; increases had been registered both with regard to capital goods and imports of consumer goods.

6. These developments had been reflected in a steady decline in Ghana's international reserves (included are the overseas assets and gold-holdings of the Central Bank, the Central Government, the Cocoa Marketing Board, and other official entities) from £G169 million at the end of 1958 (assets at nominal value) to approximately £G142 million (assets at book value). At the end of 1961 Ghana's reserves had fallen by more than one half of that amount to £G69.9 million.

7. In order to arrest the accelerated decline in reserves, the Government in July 1961 had adopted a new budget which provided for a number of measures to reduce the level of demand, particularly for luxury goods, and to raise revenue with a view to financing recurrent expenditure and internal development plan expenditure entirely out of internal sources. At the same time, tariffs
on a number of items had been increased. Many of the measures adopted by the Government under its new and dynamic economic programme were introduced for the first time. Among these measures was the introduction of compulsory savings at the rate of 5 per cent on incomes from wages and salaries and at the rate of 10 per cent on all other incomes. In the case of the cocoa farmers, this compulsory saving was collected in the form of a specified levy per load of cocoa sold. He explained in this context that salary and wage earnings were subject also to normal income taxes. As a result of the introduction of these measures it was envisaged that tax revenue for the current fiscal year, ending 30 June 1962, would exceed internal government expenditure of £G104 million by £G1.0 million. This compared with an overall deficit in the preceding fiscal year of approximately £G29.0 million, financed mainly by local loans and the running down of government balances.

8. Despite the fiscal measures taken by the Government in July 1961 to restrain import demand, reserves had continued to decrease at a rapid rate during the remainder of that year. In these circumstances his Government had found it necessary on 1 December 1961 to revoke all open general licences and to subject the importation of all goods, except a few items, to prior licensing. The new import policy was designed to enable the Government to arrest a further decline in reserves and to permit the best possible use to be made of the country's resources of foreign exchange.

9. The representative of Ghana further explained that, in the interest of diversifying sources of supply and export markets, the Government had concluded new trade agreements with mainland China, the USSR and the countries of Eastern Europe. These agreements provided for the supply to Ghana of certain types of goods, mainly development imports, in exchange for agreed quantities of specific Ghanaian products. Exchanges were to be balanced bilaterally and no cash payments would be involved. The import facilities for Ghana arising from these agreements would not affect Ghana's normal import trade but should be considered as additional trading opportunities which would not exist in the absence of these agreements.

10. The representative of Ghana further stated that, in accordance with the Government's policy of promoting intra-African trade, trade-and-payments agreements had been concluded with Dahomey, Guinea, Mali and Upper Volta. All these agreements were based on reciprocal most-favoured-nation treatment. The agreement with Upper Volta in effect established a free-trade area between Ghana and Upper Volta, since goods moving between these two countries passed free of duty, and duties collected on imports into Ghana and re-exported to Upper Volta were reimbursed to Upper Volta. He stated that the agreement with Upper Volta would be submitted for examination to the CONTRACTING PARTIES.

11. In concluding, the representative of Ghana reiterated his Government's belief in a liberal trade policy. He expressed the hope that the difficulties facing his country at present would be overcome in the not too distant future and that, in the meantime, the CONTRACTING PARTIES would concur in the measures adopted by Ghana for the protection of its foreign exchange reserves.
Balance-of-payments position and prospects

12. The Committee thanked the representative of Ghana for the detailed and clear statement and joined with him in the hope that the present difficulties would soon be overcome. The Committee took note of the statement of the representative of the Fund on the level of restrictions maintained by Ghana in order to prevent a serious decline in monetary reserves. In view of the fact, however, that the Fund was at present conducting its consultations with Ghana, the Committee enquired if the representative of Ghana might be prepared to discuss further with it any other important aspects of its consultation which were not now apparent but might be revealed by the Fund decision. The representative of Ghana replied that his delegation would be pleased to discuss such matters with the Committee and to give any other relevant information.

13. While recognizing that little time had elapsed since the import control measures had become effective, the Committee enquired whether they had yet had any discernible effect on the balance of payments. The Committee also enquired about the prospects of Ghana's balance of payments for the rest of 1962. The representative of Ghana explained that precise figures for imports and exports for the first few months, following the imposition of licensing restrictions, had not yet become available. It was envisaged, however, that the level of imports would be maintained in 1962 at approximately the same level as in 1961, i.e. between £G130 million to £G140 million. This compared with average annual increases in imports during the four preceding years of the order of 10 per cent. He explained that requirements for essential imports including those for development, were increasing. In this connexion he explained further that such imports would, in many instances, permit increased import substitution or would increase Ghana's ability to export. Other development imports, although vital to Ghana's long-run economic development, such as imports for the Volta River Scheme, could not be expected to provide relief to the balance of payments during the next few years.

14. Referring to export prospects, the representative of Ghana stated that increased export earnings from cocoa were not promising. Although production of cocoa in Ghana, the world's largest producer, was expected to be lower by about 3 per cent in the current season, as compared to the 1960-61 season, world cocoa production was expected to increase by approximately 5 per cent. Large world cocoa stocks continued to exert pressure on prices. He stated that the Government of Ghana, together with other producing countries, had continued discussions with interested cocoa importing countries with a view to working out an international agreement on cocoa. A draft of such an agreement, prepared within the framework of the FAO Cocoa Study Group, was under consideration by governments, and it was his Government's hope that a satisfactory solution of the problems confronting cocoa exporting countries would soon be found. His Government was aware, however, and had repeatedly
stressed this point in other bodies of the GATT, that any lasting improvement in the world market for cocoa which permitted exporting countries to obtain a fair return depended not only on the stabilization of export prices at a reasonable level, but also on positive action by governments towards the removal of high fiscal charges and other barriers on cocoa and cocoa products.

15. In reply to questions concerning his Government's policy towards private foreign investment, the representative of Ghana explained that Ghana's policy differentiated between four economic sectors: (1) State owned (2) joint State/private owned, (4) co-operatives and (4) private enterprise. His Government was aware that Ghana did not have sufficient capital to finance its own economic development entirely and it welcomed private foreign investment in the large sector of the economy reserved to private enterprise. Recent examples of industrial expansion financed by inflows of private capital had been investments in the sugar and in the aluminium industries. He further explained that the Government's policy with regard to capital repatriation and transfers of profits continued to be liberal. For foreign funds invested in Ghana up to a limit of £15,000, the only requirement to qualify for automatic approval of eventual capital repatriation was notification of such investment to the Exchange Control. Repatriation of capital in excess of that limit, while subject to prior approval at the time of investment, was guaranteed by the Government as was the transfer of earnings on this capital. The efforts made by the Government to reduce risks to private foreign investors, and to make investment in Ghana as attractive as possible, were evidenced also by the assistance rendered by the Government to foreign investors who wished to liquidate their investments. For example, in a number of cases the Government had offered to purchase such assets at a price above their capitalized value.

16. Members of the Committee welcomed the statement that the Government's policy towards private foreign investment continued to be liberal. They expressed the hope that in view of the considerable contribution which private foreign investment could make towards further economic development, and to an improvement of the balance-of-payments position, the sector of the Ghana economy open to foreign investors would be as wide as possible.
Alternative measures to restore equilibrium

17. The Committee welcomed the efforts made by the Ghana authorities to reduce excess import demand in the first instance through fiscal measures. The Committee expressed the hope that, although fiscal measures alone had not sufficed to overcome the rapid deterioration in Ghana's foreign exchange reserves during 1961, such measures would prove sufficiently effective to permit the progressive dismantling of quantitative import restrictions.

18. In reply to questions by members of the Committee regarding the financing of the development programme, the representative of Ghana explained that it was the policy of his Government to proceed as fast as practicable with the economic development of the country by the fullest possible implementation of the Five-Year Plan. If necessary, reserves would be drawn down further to finance the Plan.

19. Replying to a question concerning the effect of the measures reducing the cocoa farmers' disposable income, the representative of Ghana said that these measures were not expected to discourage proper conservation methods or to have an adverse effect on Ghana's cocoa-producing capacity.

System and methods of restrictions

20. In the discussion of the system of import controls in operation in Ghana, members of the Committee enquired about the prospects for expanding the proportion of total imports and the range of products importable under Open General Licences. The representative of Ghana stated that, on the basis of import figures for 1961, it had been estimated that 16.5 per cent of the value of total imports would be admitted under Open General Licences, the balance being subject to individual licensing. It was not at present possible to foresee precisely to what extent the list of imports falling under Open General Licences could be enlarged. His Government was constantly reviewing the situation with a view to liberalizing imports to the greatest possible extent. It was his Government's hope to announce in the near future a new import policy for essential products. Any changes in this regard would be published in the Official Gazette and would also be communicated to contracting parties.

21. The representative of Ghana confirmed that two new Open General Licences (OGL No. 7 and OGL No. 8) had been established since Ghana had supplied the basic document for the consultation. Open General Licence No. 7 covered a number of foodstuffs and soap. The proviso to OGL No. 7 that Open General Licence treatment applied only to shipments made on or before 30 June 1962, did not imply that the Government, in establishing OGL No. 7, had intended to restrict imports of these items after that date. The time limit had rather been imposed to permit the Government to re-assess its import policy with regard to these items in the light of actual developments. Open General Licence No. 8 covered imports of pharmaceuticals. There were no controls on imports of pharmaceuticals other than the drug control prescriptions by the Government's Chief Pharmacist's Office, applied in the public interest and in conformity with the provisions of Article XX of the General Agreement.
22. In reply to questions concerning the administration of the Individual Licensing System, the representative of Ghana explained that, on the basis of estimated foreign exchange availability, the Government apportioned foreign exchange among the seven categories into which imports falling under the Individual Licensing System had been divided. In granting licence applications by importers the licensing authorities would take into account the availability of foreign exchange, the number of licence applications and the relative essentiality of the products concerned as compared with other products in that category. Licence applications by newcomers were generally granted up to the amount applied for subject to the above considerations, while for established importers, past performance was an important criterion. The issue of licences was based on quarterly allocations since it was felt that this method permitted the authorities to follow developments more closely. Quarterly allocations also enhanced the possibilities for smaller import firms to maintain a fair proportion of the trade. In reply to a question concerning the publication of the quotas established for the seven categories of imports referred to above, the representative of Ghana stated that the amounts provided for each category, although included in the foreign exchange budget, were not made public. It was thought that the publication of amounts allocated for different categories of products would interfere with the effective administration of licensing controls. The licensing authorities, within the possibilities of the sector allocations, attempted to grant licences as liberally as possible. Members of the Committee recognized Ghana's difficulties in administering its newly introduced licensing system and expressed the hope that they would have regard to the relevant provisions of the General Agreement.

23. Referring to the increase in the number of Ghana's bilateral trade and payments agreements during the past year, members of the Committee expressed the hope that Ghana would find it possible to increase trade without reliance on bilateralism. In any event, in the long term, reliance on bilateral arrangements could be expected to cause disturbances to the normal pattern of trade and would thus not be in Ghana's interest. The representative of Ghana stated that the conclusion of new trade agreements with countries in Eastern Europe and with mainland China had been motivated by the necessity of finding additional outlets for cocoa. He explained that per capita consumption of cocoa in these countries was on the average only one tenth of per capita consumption in Western Europe. Exports of cocoa to these countries could thus be expected to move directly into consumption without increasing already large stocks. A provision was made to prevent deliveries of cocoa under bilateral arrangements from being re-exported. Exports of cocoa under these agreements would not interfere with Ghana's normal trade but would provide additional facilities for much needed imports of machinery and capital equipment.

**Effects of the restrictions**

24. The representative of Ghana assured the members of the Committee that every effort would be made by his Government to avoid protection or encouragement to uneconomic lines of production as a result of the imposition of import controls or of trade being conducted under bilateral agreements.
General

25. The Committee thanked the Ghanaian representatives for the co-operative manner in which they had engaged in the consultation and for the clear and detailed account of the difficulties which had led to the rapid deterioration of Ghana's foreign exchange reserves and had prompted the Government to re-impose quantitative restrictions on most imports. The Committee noted the fiscal measures adopted by Ghana to counteract the decline in foreign exchange reserves. The Committee expressed the hope that the problems which had led to the re-introduction of import controls would soon be overcome and would thus make it possible for Ghana to revert to its traditional liberal trade policy. The hope was expressed that Ghana would find it possible to implement licensing controls in a manner avoiding disturbances to the normal patterns of trade and development and to reduce its reliance on bilateral arrangements.

26. The representative of Ghana thanked the Committee for the understanding and sympathetic manner in which the consultation had been conducted. He assured the Committee that the import control measures applied by Ghana were under constant review and that progress in the relaxation of restrictions would be made to the extent permitted by the development of the country's foreign exchange reserves. The representatives of Ghana stated that they would not fail to bring the views of the Committee and the suggestions made during the discussion to the attention of the Government.