OPENING STATEMENT BY THE REPRESENTATIVE OF GHANA

Ghana's economy, in recent years, has been seriously overstrained. This has led to severe deficits in the balance of payments. In 1964 when we had our last consultations, Ghana's balance of payments on current account was already heavily in deficit amounting to £83.3 million. In 1965, the position deteriorated further. The deficit in that year increased to £195.6 million.

The main factor contributing to the imbalance in the current account is the visible trade gap. The value of exports has remained stagnant because increases in volume of the main export, cocoa, have been offset by falls in price. Imports on the other hand have been rising due in part to the accelerated development effort and in part to price increases in the industrialized countries.

On the domestic scene, persistent budgetary deficits resulting from high Government expenditure, financed largely by inflationary methods, and the failure of domestic production to keep pace with demand coupled with shortages of imported essential commodities led to an upward movement in prices. Over the period 1964 to 1965, retail prices rose by as much as 50 per cent.

The worsening of the balance of payments as already indicated has resulted in a continuous drain on the country's foreign exchange reserves. At the time of our independence in 1957, Ghana's foreign exchange reserves amounted to about £468 million. By the end of 1965, however, not only had these reserves been virtually exhausted but also an external indebtedness of about £580 million had been incurred.

It is this chaotic economic legacy that the new Government inherited from the previous régime after the events of 24 February 1966.

And now, Mr. Chairman, permit me to review the programme that the new Government has embarked upon in an attempt to put the economy on a sound footing. The programme falls under three distinct phases. These are:
1. **Phase I** - The Emergency Phase, covering the period from 24 February 1966 to early July 1966.

2. **Phase II** - The Review Phase, extending over the period July 1966 to June 1968.

3. **Phase III** - The Plan Period, covering the period from June 1968 to June 1970 during which steps will be taken to introduce a new Development Plan.

**Phase I** was meant to hold the economy temporarily and to stop it from collapse and further deterioration while vigorous measures were being worked out for the Second Phase. During this period, temporary assistance was sought and obtained from the International Monetary Fund in the form of a stand-by arrangement amounting to $36.4 million. Up to the end of November 1966 $31.4 million out of this amount had been drawn. Immediate assistance in the form of gifts of food, clothing, pharmaceuticals, spare parts and other essential items was also received from some sympathetic governments, notably the United States, Federal Republic of Germany, the United Kingdom and Canada. Additional assistance was received from the West German and United Kingdom Governments under certain loan agreements.

A review of the Government's expenditure, both internal and external, was immediately carried out. At the same time, steps were taken for an immediate consultation with the IMF on suitable policies to be followed for the resuscitation of the economy.

**The Review Period** began with the introduction by the National Liberation Council of a budget on 20 July 1966 on the basis of which the Government has been working. In the budget, great emphasis was placed on reducing expenditure, rather than increasing taxation, by eliminating or curtailing projects whose economic viability was in doubt. Though a deficit appeared even in this budget, it was far smaller than in the previous year's budget by 40 per cent, i.e. from $75 million to $45 million.

A review of public-operated enterprises has been carried out, and those considered not suitable to be operated by the Government have been offered for sale to private enterprise. In connexion with others, private participation has been invited.

We are, of course, conscious of the fact that a stabilization programme, such as the Government is pledged to pursuing, is fraught with many economic and social side-effects. First among these is unemployment. The Government fully recognizes this and has already announced plans to deal with the problem.
The Government has indicated that all possible encouragement will be given to the private sector to increase their operations with the hope that they will be able to absorb some of the displaced labour. Meanwhile, a Special Commissioner of Labour has already been appointed to see to the immediate redeployment of employees declared redundant elsewhere. The Government has further announced a policy for encouraging labour-intensive projects, while at the same time the operations of the National Productivity Centre are being streamlined. Since Ghana is mainly an agricultural country, my Government is pledged to putting greater emphasis on the agricultural sector in an effort to increase local food production as well as production for export and to feed some of the local industries. It is envisaged that the efforts being made to stimulate greater activity in the agricultural sector would also give alternative employment.

As already indicated, Ghana's external debt has risen steeply in recent years. The rise is due largely to increased use of suppliers' credits. This has consequently placed a heavy servicing burden on the economy. In an endeavour to make the burden less onerous attempts are being made to re-arrange payments to the creditor countries. The first meeting with creditor countries during which representatives from Ghana were present was held in London in June this year. A second meeting is currently being held for the purpose of discussing specific proposals for a rescheduling of the repayments. A successful outcome of these negotiations will be of immense benefit to the efforts at stabilization now being undertaken by the Government.

On the question of trade credits, I would like to mention, Mr. Chairman, that the Central Bank has announced plans for dealing with the arrears that were outstanding as at 31 May 1966 because of the non-availability of foreign exchange. The first announcement on the settlement of the arrears was made by the Bank in August 1966 while a second announcement for increasing the rate of settlement was made on 2 December 1966.

I should also mention that since 1 June 1966 the Central Bank has been providing foreign exchange cover to the commercial banks to enable them to meet all current maturities of import payments and to make transfers under Personal Remittance Quotas and for overseas students' expenditure.
Mr. Chairman, I now turn to my country's foreign trade. Our policy here continues to be non-aligned and based strictly on commercial principles and considerations. The system of import restrictions is now being rationalized to avoid shortages of essential items of consumption and production. It is also the intention of the Government to review the situation from time to time and to place some items of imports on Open General Import Licence as soon as the situation permits.

As members of the Committee are aware, Ghana maintains bilateral trade and payments agreements with a number of countries. Some of these agreements have since proved to be not favourable to the economic interests of Ghana. The new Government has already taken steps to have such arrangements reviewed in an attempt to reduce their adverse effects.

In the field of private foreign investment, Ghana offers a number of advantages. We have already signed and ratified the World Bank's Convention for the Settlement of Investment Disputes. The Ghana Investment Act carries provisions which guarantee the safety of private investment and offer very generous concessions to investors. Since 24 February 1966 the Government has worked vigorously and relentlessly to restore confidence in the economy and has re-created a favourable climate for investment. The machinery for implementing the Capital Investment Act has already been streamlined and will be further strengthened in order to make the process of investment in Ghana as convenient and expeditious as it can be.

A vigorous export promotion campaign is also being worked out. Already an Export Promotion Council has been created while arrangements are almost complete for Ghana's First International Trade Fair due to be held in February, 1967.

Mr. Chairman, notwithstanding the fact that there appears to have been a slight improvement on the world cocoa market in recent months the absence of an international agreement still leaves the future position uncertain. It is for this reason that my Government attaches considerable importance to the early conclusion of an international agreement on cocoa. We are of the opinion that not only will such an agreement contribute towards the stability of our export earnings but will also help in improving our balance-of-payments position.

In conclusion, Mr. Chairman, I would like to state that though every effort is now being made to improve our payments position the situation continues to give cause for concern. Our net gold and convertible foreign exchange holdings continue to be negligible while it is rather too early for the corrective measures outlined above to yield results.

For the above reasons, we are of the opinion that the restrictions that we maintain on imports and monetary transfers fall within the scope of Article XVIII:12(b) of the General Agreement on Tariffs and Trade and do not go beyond the necessary measures.