1. In accordance with its terms of reference the Committee conducted the consultation with Ghana under Article XVIII:12(b). The Committee had before it the basic document prepared by Ghana (BOP/62) and documentation prepared by the International Monetary Fund.

2. In conducting the consultation the Committee followed the plan for such consultations recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The consultation was held on 7 December 1966. The present report summarizes the main points discussed during the consultations.

Consultations with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the International Monetary Fund has been invited to consult with the CONTRACTING PARTIES in connexion with this consultation with Ghana. In accordance with the customary 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:

"With respect to Parts I and III of the Plan for Consultations, the Fund invites the attention of the CONTRACTING PARTIES to the Executive Board decision of May 16, 1966, taken at the conclusion of its most recent Article XIV consultation with Ghana. At the present time the general level of restrictions of Ghana which are under reference does not go beyond the extent necessary to stop a serious decline in its monetary reserves.

"With respect to Part II of the Plan for Consultation, the Fund again invites attention to the decision taken at the conclusion of its most recent Article XIV consultation with Ghana\(^1\). The Fund has no additional measures to suggest at this time."

\(^1\)For the text of this decision see Annex A.
Opening statement by the representative of Ghana

4. In his opening statement, the full text of which is reproduced in Annex II to this report, the representative of Ghana described recent developments in his country's economic situation. He said that since the last consultation in 1964, the balance-of-payments situation had continued to deteriorate; the current account deficit had increased from GH 83.3 million to GH 195.6 million in 1965. Foreign-exchange reserves had been virtually exhausted by the end of 1965 while an external debt of GH 580 million had been incurred. There had also been during this period, a strong upward movement of retail prices.

5. After February 1966 the Government embarked on a comprehensive programme, divided into three phases and designed to put the economy on a sound footing. The first one, the Emergency Phase, was designed to avoid collapse of the economy. The Government received assistance from abroad in the form of food and other gifts. Some loan agreements were also contracted. Consultations with the International Monetary Fund on suitable policies to be followed were conducted and a standby credit of $36.4 million was arranged.

6. The second phase, the Review Period, began with the introduction of a budget on 20 July 1966, which provided for a reduction of Government expenditure from GH 444 million in the previous year to GH 402 million and in general aimed at rehabilitation of the economy. This phase would last until June 1968. All possible encouragement would be given to the private sector, while in the public sector, emphasis would be placed on labour-intensive investments. Agricultural production would be stimulated and food distribution improved. It was expected that these measures would alleviate the unemployment situation which was already in evidence and might become even more severe under the rehabilitation programme.

To encourage foreign private investment, Ghana had ratified the Convention for the Settlement of Investment Disputes while the Capital Investment Act gave generous concessions to investors. Public-operated enterprises not considered suitable for Government operation were being offered for sale to the private sector. A rescheduling of the external debt was also under way in order to lessen the heavy servicing burden on the economy. On the question of trade credits, plans for dealing with the arrears had been announced. Commercial banks were being provided since 1 June 1966, with the necessary foreign exchange to cover current import payments and authorized personal remittances.
7. On the foreign trade side, a vigorous export promotion campaign was under way. Nonetheless, an international agreement on cocoa would be indispensable to a stabilization of Ghana's export earnings. Bilateral agreements were being reviewed and the system of import licensing rationalized. It was also the intention of the Government to place more items on Open General Import Licence, as soon as the situation permitted. The third phase would cover the period from June 1968 to June 1970 during which steps would be taken to introduce a new development plan. Since it was rather early to evaluate the results of the measures outlined, the Government of Ghana believed that the restrictions actually imposed on imports did not go beyond those necessary.

Balance-of-payments position and prospects

8. Members of the Committee thanked the representative of Ghana for his clear and informative statement which formed an admirable supplement to the background material already before the Committee. They expressed their understanding and sympathy for the severe internal pressures and critical balance-of-payments and financial difficulties facing Ghana. They welcomed in particular the description of Ghana's new economic policies to restore internal and external stability in consultation with the IMF and hoped that this collaboration would continue and prove fruitful. Thanks to Ghana's basic long-term position and advantages, it was felt that once the immediate difficulties were surmounted, the outlook should be favourable. Apart from the bilateral agreements, discussed in greater detail below, it was felt that import restrictions were, for the time being, justified and that Ghana was well advised to address itself first to the internal problems but they welcomed Ghana's expressed intent to ease or eliminate restrictions as rapidly as possible.

9. Much interest was expressed in learning more about whatever analysis and appraisal of past difficulties underlay the various internal rehabilitation measures now under way. With regard to the budget introduced in July 1966, members noted the great efforts being devoted to reduction of government expenditure, rather than to increased taxations, and assumed that this reflected a belief that the
main cause of inflation had been excessive government expenditure rather than autonomous internal demand. The representative of Ghana agreed and stated that there was first the need to reduce governmental expenditure by reducing or eliminating unproductive projects. He agreed that when new investments were to be contemplated, they would be carefully scrutinized to avoid waste. With respect to agriculture, members of the Committee welcomed indications that this basic sector was to be given priority in development expenditure. They inquired what kind of programmes were contemplated for improvement of production and distribution, for instance, whether it was a matter of new products to be developed, new techniques, more equipment, or reorganization of distribution units. The representative of Ghana confirmed that agriculture, as the mainstay of the country's economy, was now to receive priority attention. The immediate objective was to increase output and construct more feeder roads from villages to cities, a project which would create useful activity for many unemployed workers and one which would solve the situation of foodstuffs going to waste in the countryside for lack of adequate transportation to urban centres where shortages had sometimes occurred just when crops were rotting in the rural areas.

10. Turning to the balance-of-payments prospect as such, it was noted that even though the increase in imports registered in 1965 appeared to have been checked in the first part of 1966, it also appeared that there would be a fairly large trade deficit in 1966. The representative of Ghana agreed, though he noted that imports have been calculated on a minimum basis, with due consideration to the operational needs of local industries. Therefore, no further reduction in imports could be contemplated. The main hope for greatly reducing the deficit must therefore come from a larger return on cocoa. Ghana was also trying urgently to increase exports of timber, bauxite, manganese and other materials. The latest provisional trade figures were encouraging, as the September deficit was ₦9 million compared with a deficit of ₦11.9 million in
August. He pointed out in this connexion that a price of £ 468 per ton, c.i.f. London, cited in the background material, was only a break-even price for Cocoa Marketing Board. To carry out its operations over the years, reserves would need to be built up through profits so that this price should not be regarded as an indication of a suitable price. The representative of Ghana further drew the Committee's attention to the fact that world prices of cocoa were currently under discussion in another forum, when Ghana's views were being made known.

11. Other members noted that in the past government investment projects had involved Ghana in large imports of capital goods without yielding sufficient immediate benefits to the balance of payments. From the data on reductions in current and developmental expenditures they assumed that the government recognized that some of these long-term projects would have to be abandoned and the emphasis placed on projects which would yield a quick pay-back. The representative of Ghana confirmed that a shift in the investment base was in progress and that greater emphasis was now to be placed on productive projects with short gestation periods. It was added that some State enterprises established in the past had not succeeded in producing import substitutes, as had been hoped, and that these were now being reorganized for more efficient production. Many such enterprises were also being offered for sale to private enterprise. An encouraging number of applications had been received, valuation was proceeding on these projects. New investments were being weighed on three main considerations or objectives: first, Ghana must attain a higher degree of self-sufficiency in foods since agriculture was after all the main occupation of a high percentage of the population; second, exports of agriculture and agriculture-based products must be developed to include a much wider range of products; from such a beginning industrial development, and in fields mainly related to Ghana's basic agricultural vocation, could then proceed. In this connexion Ghana had in the past attempted to boost and diversify agricultural production through State farm and co-operatives but further consideration would need to be given to organization in agriculture.
Considering the second objective, the representative of Ghana drew attention to the long-term prospects in international commodity trade such as those affecting rubber and fats and oils, which would be some of the agricultural products other than cocoa which might advantageously be developed in Ghana. Nevertheless there have already been significant increases in production of rubber, palm oil and tobacco, and this last has contributed importantly to the local supply with a great saving in foreign exchange. When it came to the question of developing industrial exports based on Ghana's agricultural output, again factors beyond Ghana's control created severe difficulties, as for example in cocoa butter where sharp tariff differentials protect cocoa butter and powder in industrialized countries that are willing enough to import cocoa beans without restriction. Similar situations exist with respect to plywood and other sawmill products which might be manufactured in Ghana for export. Ghana would consequently urge other countries to take account of the impact of these protective tariffs on her economy and to consider again whether some such differentials could not be eliminated.

12. Members of the Committee suggested that there might be various ways in which governmental policy could contribute to the export expansion and diversification programme, as for example through care to include among essential imports the essential equipment needed to increase movement of raw material exports other than cocoa. The example of sawmilling equipment was cited. In reply the representative of Ghana explained that an Export Promotion Council had in fact been established to work on ways and means of increasing exports. As indicated above, there was an effort to develop other tree crops to supplement cocoa exports, especially rubber and palm, and they were actively looking for other raw material exports, including petroleum, discovery of which could help ease the balance-of-payments difficulties.

An ambitious programme to train personnel in export promotion work was also underway. The matter of licensing imports of essential machinery, including spare parts, for export production, had not been overlooked and logging equipment and sawmills were included in this category.
13. In reply to a question whether there was any news as yet concerning the outcome of the negotiations being held on Ghana's outstanding debts, the representative of Ghana said that it was too early to anticipate any decisions or conclusions.

**Alternative measures to restore equilibrium**

14. In addition to the points under this heading which had been discussed in the general opening debate, members expressed interest in knowing whether Ghana was considering a review and revision of its system of taxation. It was recognized that for the time being the effort was to reduce government expenditure but it appeared likely that before long there would be a desire to increase development expenditures so that it might be of value to have completed a study of the tax structure. The representative of Ghana replied that a serious review of taxation was in fact already in progress and that Ghana was benefitting in this connexion from the collaboration of an expert furnished by the International Monetary Fund who is now working with the Internal Revenue Department in Ghana.

**System and methods of the restrictions**

15. As had been indicated at the outset, members expressed sympathy and understanding for the situation which had necessitated severe restrictions on imports currently in force in Ghana. They inquired, however, whether a successful conclusion of the discussions on consolidation of Ghana's outstanding debt might enable quantitative restrictions to be eased in the near future. The representative of Ghana replied that he did not see any direct connexion between the debt renegotiations and the easing of import controls. Ghana, however, intended to review its import regulations from time to time in order to examine whether procedures could be streamlined and relaxed and that it was hoped that as the situation improved essential products could be placed on Open General License, that is, removed from the restricted list. Another question on Ghana's import system concerned the use of special unnumbered licences, mentioned in Ghana's background paper. As to whether much trade took place under this procedure, the representative of Ghana stated that this system had been used to admit those imports for which no transfer of foreign exchange from the country was required, e.g. to authorize imports effected as part of inter-company transactions. Licences of this kind were issued by the Comptroller of Imports on an ad hoc basis, typically in instances in which the foreign parent company agreed to finance the supply of materials or equipment to a local branch establishment.
16. Members of the Committee asked the representative of Ghana what progress was being made toward issuance in advance of announced quotas for imports of different categories of goods in a given period. They pointed out that where foreign exchange is limited, and controls are used to limit imports to priority goods, it would at least be of some help to foreign exporters to have certainty as to whether particular products would be admitted and in what quantity. The representative of Ghana replied that he could well understand the advantage of such a system to exporters abroad but feared that it would introduce too great a rigidity in the system for Ghana's present purposes, given the uncertainties concerning foreign exchange availabilities and the possible need to accord higher priority to some imports than might have been foreseen at the outset. Ghana had recently begun the practice of publishing the details of licences that had been issued, but it would be impossible to make commitments in advance.

17. This led to a series of questions concerning the system of registering and classifying importers according to the size of the business done. The representative of Ghana pointed out that one purpose of the registration, which members of the Committee could well understand, was to make certain that only qualified, experienced importers applied for and obtained licences. Considerable difficulty had been caused, not long ago, by licences having been issued to unqualified persons who had either sold the licences for profit or had tried to import merchandise which they were unable to store on arrival or had no means of handling in an orderly way. The committee had great sympathy for Ghana's desire to avoid recurrence of such incidents but still could not understand why it was necessary or desirable to classify importers according to size of business. The representatives of Ghana explained that part of the objective was to prevent applications for goods in excess of the normal requirements of the importing establishment and to keep imports in relation to past performance. In addition, the information supplied for classification purposes enabled a check to be made whether the firm in question had complied with the licensing requirements and had paid taxes. That there was no desire to accord unfair privilege to any trader was proven by the recent decision to publish in the
official Gazette a record of licences issued, including the name of the licencee and the amount and class of goods authorized. A corollary of the point that the register helped assure that no business house received more imports than it normally handled was that the register also helped ensure that large stores with heavy overhead expenses and employing many workers were able to obtain on a **pro rata** basis larger quantities of goods than small establishments. Likewise manufacturing companies using imported raw materials in the production of exports could be given needed licences to enable production to continue without hindrance. It was also emphasized that the categories were subject to review before the beginning of each licensing year and should not be regarded as permanently freezing an establishment in a particular category. Some irregularities had already been taken care of and revision of the register would continue.

18. In response to questions, the representative of Ghana described the method of deciding upon amounts of imports which could be afforded and of allocating the available exchange, as follows: a Foreign Exchange Committee in collaboration with other relevant Government Ministries and commercial organizations agreed upon an overall foreign exchange ceiling within which imports would be effected, the ceiling depending upon available and expected foreign exchange receipts. This inter-departmental collaboration had recently been streamlined to make it more effective. Within the ceiling fixed, the competent officials divided the total among broad categories of goods, giving priority to essential raw mate materials, spares, and the like. Import licences were then issued to qualified applicants according to their respective capacities to import and in a manner compatible with overall availabilities of exchange. This system provided a high degree of flexibility in allocating scarce foreign exchange. In reply to a question whether this flexibility was currently being used to direct trade as between the two main trading groups with which Ghana dealt, the representative of Ghana stated that the distribution of foreign trade as between convertible currency countries and others was a matter for decision by the Foreign Exchange Committee.
19. Another question sought to ascertain whether the issuance of an import licence automatically insured that foreign exchange would be allocated for payment or whether this was a separate process. In principle, stated the representative of Ghana, the Bank of Ghana co-operated with and served on the Foreign Exchange Committee in the procedure of allocations so that a licence once issued would guarantee availability of means of payment. Practice had, however, deviated from the principle considerably in the past, and it was because of excessive issue of licences and a breakdown of the procedures for advance clearance with the Bank of Ghana that the troublesome backlog of commercial debt had become so large. Often too, exchange revenues expected from current exports had failed to materialize, as when cocoa prices fell sharply, so that the means of payment had not been available when needed. Of late, importers had taken to the practice of asking for the opening of irrevocable letters of credit with their banks at the time when orders were placed to insure that remittance could be made when the time came. The Bank of Ghana had announced that current payments for imports would be met on maturity. In fact, this had been the position since 1 June 1966 with respect to all newly-issued licences.

20. A further subject discussed in the consultation and one of great interest to members was Ghana's bilateral trade and payments agreements. It had been mentioned in the background material that a comprehensive review of Ghana's seventeen bilateral trade and payments agreements had been undertaken through a special Committee appointed early in 1966, and more detail was therefore requested on what this Committee might have accomplished. The representative of Ghana explained that the Committee had in fact reviewed the old agreements and had submitted a report to the National Liberation Council in April 1966. Acting thereon, a delegation had been sent to some of the countries with which the agreements were in effect and was just returning to Ghana at the time of the consultation. It was too early to know of the results. Members
of the Committee expressed great interest in learning the outcome of this activity but wished also to take this opportunity to urge that Ghana move as rapidly as possible to place its trade on a multilateral basis. It was pointed out that seven were with countries in the multilateral trading area, one was inoperative, and several of these were contracting parties to GATT, where there would appear to be even less need for special bilateral arrangements. Moreover, members said, it was the general experience that bilateral agreements do not lead to trade expansion and are frequently harmful in the long run. They hoped therefore that the review would lead to reduction of reliance on such agreements and that the Ghana delegation would have considered alternative arrangements especially with countries of the multilateral trading area. The representative of Ghana replied that actually the delegation in question had been primarily concerned with agreements with the State-trading countries. However, attention was called to the fact that all the remaining agreements except that with Israel and Yugoslavia were with other African countries and was designed to increase intra-African trade and represented first steps in a movement towards regional arrangements which he believed fall within a programme consistent with GATT. Members thanked the representative of Ghana for these clarifications, welcomed the review that Ghana was undertaking and agreed that it was desirable to promote trade among neighbouring countries. They could not see, however, why it should be necessary to conclude bilateral payments agreements with swing margins and all the apparatus of bilateralism in order to promote exchange of presently produced local products. Indeed an agreement consistent with GATT might be envisaged which would go well beyond that modest scope and would still not require implementation by agreements which generally tend rather to restrict trade growth. The Committee wished them success in this.
Conclusions

The Committee wished to express special thanks to the representative of Ghana for the very full information which had been given and to express its appreciation and sympathy for the very difficult internal and external problems which Ghana was attempting to solve. They felt that on most questions falling within the Committee's area of interest, constructive steps were being taken toward restoration of equilibrium and they wished Ghana success in carrying through the various programmes that have been inaugurated. With respect to the bilateral payments agreements, particularly those with countries in the multilateral trading area, they did wish however to urge that consideration be given to moving in a direction which would allow greater freedom in obtaining imports of the type and quality desired at the best prices. The Committee further urged Ghana to consider eliminating strict bilateral trading lists where such are in force or to other modifications looking toward reduced reliance on such agreements in Ghana's own long-term interests. They also looked forward to the time when present import restrictions could be relaxed and hoped that, meantime, high priority would be given to imports of materials and equipment essential to those enterprises capable of an immediate contribution to an expansion of Ghana's export earnings. The representative of Ghana thanked the Committee and promised to convey the views which had been expressed to his Government.