2001 Country Reports on Economic Policy and Trade Practices
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GHANA

Key Economic Indicators

(Millions of U.S. dollars unless otherwise indicated)

	1999	2000	2001 1/
Income, Production and Employment:			
Nominal GDP 2/	7,774	5,418	5,431
Real GDP Growth (pct) 3/	4.4	3.7	4.0
GDP by Sector (pct):			
Agriculture	36.5	36.0	N/A
Industry	25.2	25.2	N/A
Services	18.5	18.7	N/A
Government	10.7	11.0	N/A
Per Capita GDP	324	294	288
Labor Force (000s)	8,240	8,480	8,734
Unemployment Rate (pct)	20	N/A	N/A
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	16.1	39.8	32.0
Consumer Price Index (end-of-period)	13.8	40.5	25.0
Exchange Rate (Cedis/US$ annual average)			
Interbank	2,674	5,322	7,000
Balance of Payments and Trade:			
Total Exports FOB 4/	2,012	1,941	1,982
Exports to United States 4/	209	205	215
Total Imports CIF 4/	3,228	2,832	2,781
Imports from United States 4/	233	191	201
Trade Balance 4/	-1,216	-891	-799
Balance with United States 4/	-24	14	14
External Public Debt	5,974	6,038	6,200
Fiscal Deficit/GDP (pct)	6.5	8.5	N/A
Current Account Deficit/GDP (pct)	13.8	11.2	10.8
Debt Service Payments/GDP (pct)	9.0	9.0	9.0
Gold and Foreign Exchange Reserves	420	256	N/A
Aid from United States	58	60	N/A
Aid from All Other Sources	N/A	N/A	N/A

1/ 2001 figures are government 2001 budget projections and post estimates based on most recent data available.
2/ GDP at factor cost.
3/ Percentage changes calculated in local currency.
4/ Merchandise trade.

1. General Policy Framework

Ghana operates in a free market environment under a popularly elected civilian government. In December 2000, opposition leader John Agyekum Kufuor was elected President, marking the first time in Ghanaian history in which one democratically elected President replaced another. His New Patriotic Party won 100 of 200 seats in Parliament. A UK-trained lawyer with longstanding ties to the United States, President Kufuor has called for greater foreign investment and pledged a "zero tolerance" for corruption. Former President Rawlings, who had been at the helm of government since December 31, 1981, observed constitutional term limits, and after winning elections in 1992 and 1996 did not run in the 2000 elections. An independent judiciary acts as the final arbiter of Ghanaian laws.

Since 1983 Ghana has pursued an economic reform agenda aimed generally at reducing government involvement in the economy and encouraging private sector development. This has made the country one of the most open-market economies in the sub-region. The current government's economic program is focusing on the development of Ghana's private sector, which has been historically weak. Roughly two-thirds of some 300 state-owned enterprises have been sold to private owners since a divestiture program began in the early 1990s. The new government has stated its commitment to continuing the privatization program by offloading some of its interest in some state-owned enterprises, possibly including the Tema Oil Refinery, power and water utilities, ports and railways, and the national airline. The government's monopoly on the export of cocoa was removed in 1999, but full liberalization of this market has not yet been implemented.

An economic downturn due primarily to external shocks began in late 1999, worsened in 2000, and has not abated. Despite several years of economic reform the country still remains vulnerable to terms of trade shocks. The three major commodities - gold, cocoa, and timber - contribute over 70 percent of Ghana's foreign exchange earnings. The relatively low price of cocoa coupled with the increase in crude oil price in 2000 caused a large increase in trade loss. These factors led to a severe shortage of foreign exchange, rapid depreciation of the cedi against the dollar by about 60 percent, and an upsurge of inflation from 14 percent at the end of December 1999 to 41 percent at the end of December 2000. Imbalances caused by the terms of trade shocks were further exacerbated by heavy government spending and borrowing in the run-up to the December 2000 elections.

The former government's hesitation to respond appropriately in an election year, especially to the rising cost of the supply of utility services and petroleum products, caused or contributed to an overall budget deficit of about 8.5 percent of GDP in 2000 compared to 6.5

percent of GDP recorded in 1999. The government resorted to heavy domestic borrowing to make up for shortfalls from mainly non-tax revenue. To arrest inflation and the fast depreciating cedi, the Bank of Ghana (BOG), the central bank, pursued a tight monetary policy, increasing the primary reserve ratio from eight to nine percent. Heavy domestic borrowing by the government and the BOG's measures sent domestic lending rates from about 37 percent to about 50 percent. Real economic growth in 2000 was 3.3 percent, which followed the declining trend of 4.4 percent in 1999, and 4.7 percent in 1998.

The new government took immediate steps to restore macroeconomic stability. It introduced measures to monitor and control expenditures, increase revenue mobilization, restructure short-term domestic debt, and seek debt relief under the HIPC initiative. To stem the accumulation of debts by the utilities and the oil refinery, the government took a bold step by significantly increasing fuel, water, and energy tariffs. The government's measures have yielded some positive results, as the cedi has remained stable since the beginning of 2001 and inflation and interest rates, though still high, have declined significantly. The government appears to be committed to sustaining this trend.

2. Exchange Rate Policy

The foreign exchange value of the Ghanaian cedi is established independently through the use of the Interbank Market and Foreign Exchange bureaus, and currency conversion is easily accessible. However, the BOG dominates the Interbank Market by controlling the supply of large amount of surrendered proceeds from gold and cocoa. Ghana fully accedes to Article IV of the IMF convention on free current account convertibility and transfer. In general, the exchange rate regime in Ghana does not have any particular impact on the competitiveness of U.S. exports.

3. Structural Policies

Ghana progressively lowered import quotas and surcharges as part of its structural adjustment program. Tariff structures are being adjusted in harmony with the ECOWAS Trade Liberalization Program. Import licensing was eliminated in 1989, but for some items such as drugs, an import permit is required. Imported goods currently enjoy generally unfettered access to the Ghanaian market.

The government professes strong support for the principle of free trade, and is an active participant in the WTO. However, it is also committed to the development of competitive domestic industries with exporting capabilities. The government is expected to continue to support domestic private enterprise with various financial incentives. Ghanaian manufacturers frequently seek stronger protective measures and complain that Ghana's tariff structure places local producers at a competitive disadvantage relative to imports from countries enjoying greater production and marketing economies of scale. Reductions in tariffs have increased competition for local producers and manufacturers while reducing the cost of imported raw materials. The government has announced plans to introduce an anti-dumping bill to Parliament to curb the import of "inferior" goods as a response to several complaints from consumers.

The government in 2001 reduced the 20 percent special tax on some of the 32 selected "non-essential" imported goods to 10 percent and removed the tax completely on the rest. Major U.S. imports still affected by the tax are frozen meat and poultry. This tax no longer applies to used clothing, powdered milk, paper and plastic products. A 0.5 percent ECOWAS levy on all imports from non-ECOWAS countries and 0.5 percent Export Development and Investment Fund (EDIF) levy on all imports were introduced in 2000 and 2001 respectively. The standard import duty rate was lowered from 25 percent to 20 percent in 2000. In July, 2000 the government increased the Value-Added Tax (VAT) from 10 percent 12.5 percent to specifically fund education.

4. Debt Management Policies

In March 2001, Ghana opted for debt relief under the enhanced Heavily Indebted Poor Country (HIPC) Initiative. Ghana is expected to reach HIPC Decision Point by December 2001, and the Government estimates a total of US$ 700 million in debt write off at the end of 2004 when the country reaches its HIPC Completion Point. The government is also seeking debt relief from the Paris Club. There is currently a suspension in the payments of non-multilateral debts.

Ghana's total outstanding external debt was approximately US$ 5.9 billion at the end of the first quarter of 2001. Outstanding long-term debt was about US$ 5.4 billion (about 92 percent of total debt), of which US$ 1.6 billion and US$ 3.8 billion were owed to bilateral and multilateral institutions respectively. Ghana's domestic debt in mid-2001 was estimated to be some US$ 1.8 billion, almost all in short-term instruments. The government was attempting to severely limit additional domestic borrowing, and to restructure the existing debt into longer-term instruments. The government has announced plans to utilize receipts from the divestiture of state-owned enterprises to reduce the country's debt stock.

5. Significant Barriers to U.S. Exports

Import licenses: Ghana eliminated its import licensing system in 1989 but retains a ban on the importation of a narrow range of products that do not affect U.S. exports. Ghana is a member and active participant in the WTO.

Services Barriers: The Ghanaian investment code proscribes foreign participation in the following sectors: small-scale wholesale and retail sales, taxi and car rental services with fleets of fewer than ten vehicles, lotteries, and barber and beauty shops. Current insurance law requires at least 40 percent Ghanaian ownership of insurance firms in Ghana.

Standards, Testing, Labeling, and Certification: Ghana has promulgated its own standards for food and drugs. The Ghana Standards Board, the national testing authority, subscribes to accepted international practices for the testing of imports for purity and efficacy. Under Ghanaian law, imports must bear markings identifying in English the type of product being imported, the country of origin, the ingredients or components, and the expiration date, if any. Non-complying goods are subject to government seizure. Highly-publicized seizures of goods (pharmaceuticals and food items) with expired shelf-life dates have been occasionally carried out. The thrust of this law is to regulate imported food and drugs, but the law also applies to non-consumable imports as well. Locally-manufactured goods are subject to comparable testing, labeling, and certification requirements. Two destination inspection agencies contracted by the government also perform testing and price verification for some selected imports that are above US$ 5,000.

Investment Barriers: Although the investment code incentives are relatively attractive, bureaucratic bottlenecks can delay the launching of new projects. The investment code guarantees free transferability of dividends, loan repayments, licensing fees and repatriation of capital. It also provides guarantees against expropriation or forced sale and delineates dispute arbitration processes. Foreign investors are not subject to differential treatment on taxes, access to foreign exchange and credit, or importation of goods and equipment. Separate legislation covers investments in mining and petroleum and applies equally to foreign and Ghanaian investors. The investment code no longer requires prior project approval from the Ghana Investment Promotion Center (GIPC).

Government Procurement Practices: Currently, there are varying procedures for selling to the government, but a unified code is under preparation. The government is estimated to account for some 50-70 percent of all imports into Ghana. While the Ghana Supply Company (GSC) acts as the principal purchasing agent of the government, its authority has gradually been eroded as heads of departments directly undertake below-threshold purchases of supplies and equipment. Former government import monopolies have been abolished. Parastatal entities continue to import some commodities, but they no longer receive government subsidies to finance imports.

6. Export Subsidies Policies

The Government of Ghana does not directly subsidize exports. Exporters are entitled to a 100 percent refund for duty paid on imported inputs used in the processing of exported goods. Bonded warehouses have been established which allow importers to avoid duties on imported inputs used to produce merchandise for export. Firms involved in exports enjoy some fiscal incentives such as tax holidays and preferential tax/duty treatment on imported capital equipment. Firms under the export processing zones all benefit from the same incentives.

7. Protection of U.S. Intellectual Property

After independence in 1957, Ghana enacted separate legislation for copyright (1961) and trademark (1965) protection based on British law. Subsequently, the government passed modified copyright and patent legislation in 1985 and 1992, respectively. Ghana is a member of the Universal Copyright Convention, the World Intellectual Property Organization, and the English-Speaking African Regional Intellectual Property Organization. IPR holders have access to local courts for redress of grievances. Few infringement cases have been filed in Ghana in recent years. Ghana has not been identified as a priority country in connection with either the Special 301 Watch List or Priority Watch List.

Patents (Product and Process): Patent registration in Ghana presents no serious problems for foreign rights holders. Fees for registration vary according to the nature of the patent, but local and foreign applicants pay the same rate.

Trademarks: Ghana has not yet become a popular location for imitation designer apparel and watches. In cases in which trademarks have been misappropriated, the price and quality disparity is generally apparent to all but the most unsuspecting buyer.

Copyrights: Enforcement of foreign copyrights may be pursued in the Ghanaian courts, but few such cases have actually been filed in recent years. The bootlegging of video tapes, DVDs, and computer software are examples of copyright infringement taking place locally. There are no data available to quantify the commercial impact of the sales of these pirated items, but the evidence suggests that sales are not being made on a large scale. There is no evidence of a significant export market for Ghanaian-pirated books, cassettes, or videotapes.

In summary, infringement of intellectual property rights has not yet had a significant impact on U.S. exports to Ghana.

8. Worker Rights

a. The Right of Association: Trade unions are governed by the Industrial Relations Act (IRA) of 1958, as amended in 1965 and 1972. Organized labor is represented by the Trades Union Congress (TUC), which was established in 1958. The IRA confers power on the government to refuse to register a trade union, but this right has not been exercised by the current or past governments. No union leaders have been detained in recent years, nor has the right of workers to freely associate otherwise been circumscribed. The government has announced plans to present to Parliament soon a new bill that unifies all the existing labor laws and seeks to remove government and TUC control of labor.

b. The Right to Organize and Bargain Collectively: The IRA provides a framework for collective bargaining and protection against antiunion discrimination. Civil servants are prohibited by law from joining or organizing a trade union. In December 1992, however, the government enacted legislation, which allows each branch of the civil service to establish a negotiating committee to engage in collective bargaining for wages and benefits in the same fashion as trade unions in the private sector. While the right to strike is recognized in law and in practice, the government has on occasion taken strong action to end strikes, especially in cases involving vital government interests or public order. The IRA provides a mechanism for conciliation and arbitration before unions can resort to industrial actions or strikes. Over the past two years there have been several industrial actions involving salary increase demands, conditions of service, and severance awards. There have been a number of short-lived "wild cat" strikes by doctors, university professors, and industrial workers.

c. Prohibition of Forced or Compulsory Labor: Ghanaian law prohibits forced labor and it is not known to be practiced. The International Labor Organization (ILO) continues to urge the government to revise legislation that permits imprisonment with an obligation to perform labor for offenses that are not countenanced under ILO Convention 105, ratified by Ghana in 1958.

d. Minimum Age of Employment of Children: Labor legislation in Ghana sets a minimum employment age of 15 and prohibits night work and certain types of hazardous labor for those under 18. The violation of child labor laws is relatively common and young children of school age can often be found during the day performing menial tasks in the agricultural sector or in the markets. Observance of minimum age laws is eroded by local custom and economic circumstances that compel children to become wage earners at an early age. Inspectors from the Ministry of Manpower Development and Employment are responsible for enforcement of child labor laws.

e. Acceptable Conditions of Work: In 1991, a Tripartite Commission composed of representatives from government, organized labor, and employers established minimum standards for wages and working conditions. The daily minimum wage combines wages with customary benefits such as a transportation allowance. The current daily minimum wage is cedis 5,500, about 75 cents at the present rate of exchange, a sum that does not permit a single wage earner to support a family. A much-vaunted, government-commissioned study on civil service reform (including a serious revision of grades and salary levels) was implemented in June 1999. By law the maximum workweek is 45 hours, but collective bargaining has established a 40-hour week for most unionized workers.

f. Rights in Sectors with U.S. Investment: U.S. investment in Ghana is concentrated in the primary and fabricated metals sectors (gold mining and aluminum smelting), food and related products (tuna canning and beverage bottling), petroleum marketing, data processing, and telecommunications. Labor conditions in these sectors do not differ significantly from the norm, except that wage scales in the formal metals and mining sectors are substantially higher than elsewhere in the Ghanaian economy. U.S. firms have a good record of compliance with Ghanaian labor laws.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 2000

(Millions of U.S. Dollars)

Category	Amount
Petroleum	4

Total Manufacturing		(D)
Food & Kindred Products	0	
Chemicals & Allied Products	0	
Primary & Fabricated Metals	(D)	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	0	
Transportation Equipment	0	
Other Manufacturing	0	
Wholesale Trade		0
Banking		0
Finance/Insurance/Real Estate		0
Services		0
Other Industries		0
TOTAL ALL INDUSTRIES		(D)

(D) Suppressed to avoid disclosing data of individual companies.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.