

GHANA

The Department of State submitted this report to the Senate Committees on Foreign Relations and on Finance and to the House Committees on Foreign Affairs and on Ways and Means, on January 31, 1999.

Key Economic Indicators

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

	1996	1997	1998	1/
<i>Income, Production and Employment:</i>				
Nominal GDP 2/	6,342	6,884	7,659	
Real GDP Growth (pct) 3/	4.6	4.2	5.6	
GDP by Sector:				
Agriculture	2,574	2,676	3,133	
Manufacturing	539	534	637	
Services	3,070	3,190	3,615	
Government	882	848	1,003	
Per Capita GDP (US\$)	375	365	407	
Labor Force (000s)	7,990	8,240	8,480	
Unemployment Rate (pct)	N/A	20	20	
<i>Money and Prices (annual percentage growth):</i>				
Money Supply Growth (M2)	32.5	45.5	5.3	
Consumer Price Inflation (period average)	46.6	29.9	N/A	
Exchange Rate (Cedis/US\$ annual average)	1,637	2,050	2,305	
<i>Balance of Payments and Trade:</i>				
Total Exports FOB 4/	1,571	1,490	1,625	
Exports to U.S. 4/	171	154	161	
Total Imports CIF 4/	1,937	2,128	1,979	
Imports from U.S. 4/	295	314	336	
Trade Balance 4/	-366	-638	-354	
Balance with U.S.	-124	-160	-175	
External Public Debt	5,347	5,400	5,556	
Fiscal Deficit/GDP (pct) 2.6	2.3	N/A	N/A	
Current Account Deficit/GDP (pct)	5.1	8.1	N/A	
Debt Service Payments/GDP (pct)	8.0	8.7	N/A	
Gold and Foreign Exchange Reserves	905.9	615.4	N/A	
Aid from U.S.	44	52	58	
Aid from All Other Sources	696	N/A	N/A	

- 1/ 1998 figures are all 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 1996, Ghana had its second experience in multiparty elections since the inauguration of the 4th Republic in January, 1993. President Jerry John Rawlings was reelected for a second four-year term which will expire in December of 2000.

Rawlings headed a "provisional" regime from the end of 1981 until January, 1993, when democratic government under a written constitution was restored. Unlike the first parliament, the present one has an opposition presence with 67 seats out of 200. An independent judiciary acts as the final arbiter of Ghanaian laws. The next presidential and parliamentary elections are scheduled for the year 2000.

Since 1983, Ghana has pursued an economic reform agenda aimed generally at reducing government involvement in the economy and encouraging private sector development. Inflationary pressures as a result of government expenditure overruns prior to 1992 and 1996 presidential and parliamentary elections continue to be felt. Recent fiscal performance shows government's seriousness to cut spending, which raises the hope that inflation can fall further if the spending restraint is sustained.

The Bank of Ghana is currently pursuing a tight monetary policy in an attempt to absorb excess liquidity in order to sustain the downward trend in inflation and to stabilize the exchange rate. Responding to market forces, the bank cautiously made reductions in the bank rate or rediscount rate from 45 to 42 percent in September, 1998, and then to 37 percent in November, 1998. Short-term interest rates have fallen from the range of 45-50 percent to about 32 percent. Inflation measured at about 71 percent at the end of 1995 has consistently declined to about 17 percent at the end of September 1998. Erratic rains and poor harvests this year may create upward pressure on food prices. In addition, the introduction of the Value-Added Tax (VAT) in December, 1998, should exert some inflationary pressure. However, the relatively slow growth in the money supply, which was 5 percent at the end of June 1998, will aid in easing the implications for inflation and inflationary expectations in 1999.

The government's economic program has focused on the development of Ghana's private sector, which historically has been weak. Privatization of state-owned enterprises continues, with about two-thirds of 300 enterprises sold to private owners. Ghana achieved real economic

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growth of 4.2 percent in 1997, slightly down from 4.6 percent recorded in 1996. Growth in 1998 is expected to be lower than the government projection of 5.6 percent due to the effect of the electricity crisis that hit the country for the first eight months of the year. Growth in the mining sector has been particularly brisk in recent years despite falling world prices of metals. Agriculture (which still accounts for about 39 percent of GDP and employs about 60 percent of the work force) and manufacturing have recorded much slower growth. Other reforms adopted under the government's structural adjustment program include the elimination of exchange rate controls and the lifting of virtually all restrictions on imports. The establishment of an Interbank Foreign Exchange Market has greatly expanded access to foreign exchange. The elimination of virtually all local production subsidies is further indication of the government's intention to move toward a market orientation for the economy.

2. Exchange Rate Policy

The foreign exchange value of the Ghanaian Cedi is established independently through the use of an Interbank Market and Foreign Exchange Bureaus, and currency conversion is easily obtained. The foreign exchange auction procedure was abandoned in 1992. Ghana fully accedes to Article IV of the IMF convention on free current account convertibility and transfer. As the demand for imports has risen, the government has allowed the cedi to depreciate. Since 1992, the cedi has depreciated annually by about 30 percent. The cedi has, however, been relatively stable since January 1998, depreciating by about five percent. 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 wound down import quotas and surcharges as part of its structural adjustment program. Tariff structures are being adjusted in harmony with the ECOWAS Trade Liberalization Program. With the elimination of import licensing in 1989, importers are now merely required to sign a declaration that they will comply with Ghanaian tax and other laws. Imported goods currently enjoy generally unfettered access to the Ghanaian market.

The government professes strong support for the principle of free trade. 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 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. High local production costs frequently boost the price of locally-manufactured items above the landed cost of goods imported from Asia and elsewhere. Reductions in tariffs have increased competition for local producers and manufacturers while reducing the cost of imported raw materials.

The government will reintroduce VAT from December 30, 1998, at a ten percent rate. The VAT will replace the existing sales and services tax, which together levy a tax of 15 percent. A 17.5 percent VAT was first introduced in Ghana in March 1995, but was repealed shortly after it was introduced. The implementation of the tax was handled badly and resulted in widespread public protests and some street violence. The government has set in motion an extensive education campaign for the reintroduction. The tax is likely to gain acceptance this time.

4. Debt Management Policies

Persistent balance of payments deficits have resulted in a continuing increase in foreign indebtedness. Swings in commodity prices, especially gold and cocoa, have a dramatic impact on Ghana's export revenues. In 1997, gold accounted for about 39 percent of total export receipts, while cocoa accounted for 32 percent and timber for 12 percent. On the import side, capital goods are the largest category, followed by intermediate goods, fuel, and consumer goods.

Ghana's total outstanding external debt, including obligations to the IMF, totaled approximately \$5.6 billion at the end of the second quarter of 1998. Outstanding obligations to the IMF under medium-term facilities stood at \$323 million at the end of the same period. At that time, outstanding long-term debt was about \$4.7 billion (about 85 percent of total debt), of which \$1.4 billion and \$3.3 billion were owed to bilateral and multilateral institutions, respectively. The size of external debt in 1997 was about 92 percent of GDP as against 84 percent in 1996. Ghana's debt service ratio in 1997 was 35 percent. In 1991 Ghana cleared all external debt arrears. In June 1995, Ghana negotiated a new \$245 million ESAF arrangement with the IMF. Ghana has not been the beneficiary of debt relief or rescheduling in recent times. To better manage its debt portfolio, since August 1997 the government has applied a moratorium on public guaranteed non-concessional borrowing.

During the last decade, the stocks of both domestic and external debt have risen sharply. High domestic interest rates and the depreciation of the cedi on foreign exchange markets have caused the debt service burden in cedi terms to grow steadily. Nearly one-quarter of total government expenditures during the first half of 1998 were for the payment of interest on the public debt.

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 of 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

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fewer than ten vehicles, lotteries, and barber and beauty shops. Current insurance law requires at least 20 percent Government of Ghana and 40 percent Ghanaian ownership of insurance firms.

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. Several highly-publicized seizures of goods (pharmaceuticals and food items) with expired shelf-life dates were carried out in 1998. The thrust of this law is to regulate imported food and drugs; however, by its terms the law applies to non-consumable imports as well. Locally-manufactured goods are subject to comparable testing, labeling, and certification requirements. Four pre-shipment inspection agencies contracted by the government also perform testing and price verification for some selected imports that are above \$5,000.

Investment Barriers: The Investment Code guarantees free transferability of dividends, loan repayments, licensing fees and repatriation of capital; 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: Government purchases of equipment and supplies are usually handled by the Ghana Supply Commission (the official purchasing agency) through international bidding and, at times, through direct negotiations. Former government import monopolies have been abolished. However, parastatal entities continue to import some commodities. The parastatals no longer receive government subsidies to finance imports.

6. Export Subsidies Policies

The government 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

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After independence in 1957, Ghana instituted 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. Prior to 1992, the patent laws of the United Kingdom applied in Ghana. 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 where trademarks have been misappropriated, the price and quality disparity would be 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 computer software is an example of copyright infringement taking place locally. There is no data available to quantify the commercial impact of this practice. Pirating of videotapes is another local practice that affects U.S. exports, but the evidence suggests that this is not being done 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 had a significant impact on U.S. exports to Ghana. Pirated computer software may become a more significant problem in the future, however, as computer use grows.

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 government to refuse to register a trade union, but this right has not been exercised by the current government or the previous military regime. No union leaders have been detained in recent years, nor has the right of workers to freely associate otherwise been circumscribed.

b. The Right to Organize and Bargain Collectively: The IRA provides a framework for collective bargaining and protection against anti-union discrimination. Civil servants are prohibited by law from joining or organizing a trade union. However, in December, 1992, the

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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 three years there have been several industrial actions involving salary increase demands, conditions of service, and severance awards. 1998 saw a number of short-lived “wildcat” strikes by doctors, teachers, 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 for 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 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 Labor and Social Welfare are responsible for enforcement of child labor laws. Employers who violate laws prohibiting heavy labor and night work by children are occasionally prosecuted.

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 2,000, about 85 cents at the present rate of exchange. This sum does not permit a single wage earner to support a family and frequently results in multiple wage earners and other family-based commercial activity. A much-vaunted, government-commissioned study on reform of the civil service (including a serious revision of grades and salary levels) will be released in 1999 and will likely have an impact on income policy in the private sector as well. 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, and telecommunications. Labor conditions in these sectors do not differ significantly from the norm, save that wage scales in the metals and mining sectors are substantially higher than elsewhere in the Ghanaian

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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 -- 1997

(Millions of U.S. Dollars)

Category	Amount
Petroleum	1
Total Manufacturing	(1)
Food & Kindred Products	0
Chemicals & Allied Products	0
Primary & Fabricated Metals	(1)
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	(1)
TOTAL ALL INDUSTRIES	(1)

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.