# GHANA

## TRADE SUMMARY

In 2000, the United States' balance of trade with Ghana declined from a $26 million surplus in 1999, to a $14 million deficit. U.S. merchandise exports to Ghana in 2000 were $191 million, a $44 million decrease from 1999. In 2000, Ghana was the 93rd largest export market for the United States. U.S. imports from Ghana totaled $205 million, a decrease of $4 million from 1999.

The stock of U.S. foreign direct investment in Ghana declined to $242 million in 1999, a decrease of 26.7 percent from 1998.

## IMPORT POLICIES

Ghana has progressively eliminated or reduced its import quotas, tariffs, and import licensing through the structural adjustment program it initiated in the early 1980s. The import licensing regime was eliminated in 1989, but some imports such as drugs, mercury, gambling machines, handcuffs, arms and ammunition, and live plants and animals require special permits. The tariff system, which has been simplified, has only four ad valorem import duties: 0 percent, 5 percent, 10 percent, and 20 percent. Currently, tariff rates are being adjusted in harmony with the Economic Community of West African States (ECOWAS) trade liberalization program. In 2000, a new levy of 0.5 percent called the ECOWAS levy was introduced on goods imported from non-member ECOWAS countries. A 12.5 percent value-added tax is imposed on the duty-inclusive value of all imports. For tobacco products, beer, water, and malt drinks, additional excise tax levels ranging between 5 and 140 percent are applied.

In response to severe trade imbalances and a rapidly depreciating currency, in March 2000, the government introduced a 20 percent special tax on some selected imports. The introduction of this tax has had an adverse effect on products such as poultry, wheat, cosmetics, and used clothing imported from the United States. Traders and trading associations in Ghana are calling for the removal of this tax.

Ghana has reported implementation of the WTO Agreement on Customs Valuation, but WTO records show that Ghana has not yet notified its legislation nor the Customs Valuation Checklist to the WTO Committee on Customs Valuation. In 2000, Ghana transitioned from use of preshipment inspection (PSI) to the use of destination inspection. Two inspection companies have been awarded contracts to perform the destination inspections in Ghana.

To develop competitive domestic industries with exporting capabilities, the Government of Ghana continues to support domestic private enterprise with financial incentives, tax holidays, and other similar programs. Nevertheless, Ghanaian manufacturers contend that the country's tariff structure places local producers at a competitive disadvantage vis-a-vis imports from countries that enjoy greater production and marketing economies of scale. Reductions in tariffs have increased competition for local producers while reducing the cost of imported raw materials. Some manufacturers and industrial associations have called for greater protectionist measures and for a second look at Ghana's trade liberalization policy, which they believe is too open. This difference between traders, who want lower tariffs, and manufacturers, who want greater protectionism, will be a key trade issue facing the new Kufuor Administration in 2001.

## STANDARDS, TESTING, LABELING AND CERTIFICATION

Ghana has issued its own standards for most products under the auspices of the Ghana Standards Board (GSB), the testing authority, which subscribes to accepted international practices for the testing of imports for purity and efficiency. The Food and Drugs Board enforces its own standards as well as those of the GSB.

Ghana prohibits the importation of meat with fat content by weight higher than 25 percent for beef, 42 percent for pork, 15 percent for poultry, and 35 percent for mutton. It also restricts the importation of condensed or evaporated milk with less than 8 percent milk fat by weight, or dried/powdered milk below 26 percent milk fat by weight, with the exception of imported skim milk in containers. There is currently a temporary ban on the import of fish except canned fish. Imported turkeys must have their oil glands removed. Coded expiration dates on U.S. products cause delays, but they are accepted by the GSB. It is difficult to measure the precise economic impact of these restrictions.

## GOVERNMENT PROCUREMENT

Ghana is not a member of the WTO Agreement on Government Procurement. Currently, several guidelines are used by the government to purchase equipment and supplies that in some cases make the process difficult to understand, especially for foreign businesses. In recent times, there has been increased demand for government support for local industries. In response, the government issued a directive in August 1999, that allows tenders to be awarded to local suppliers even if the prices of the "made-in-Ghana" goods are 12.5 percent higher than imported ones. Under the terms of this directive, contractors on government projects are required to source at least 40 percent of their materials from local producers, where available.

## EXPORT SUBSIDIES

Preferential credit and tax incentives are used to promote exports. The new export processing zone (EPZ) law, enacted in 1995, offers a tax holiday on profits for the first 10 years of business operation in an EPZ. In subsequent years, the tax rate for EPZ-based companies is 8 percent (the same as for non-EPZ companies in the case of non-traditional exports). This compares to 35 percent for non-exporting companies.

## INTELLECTUAL PROPERTY RIGHTS PROTECTION

Ghana is a party to the Universal Copyright Convention, and a member of the World Intellectual Property Organization (WIPO), the English-speaking African Regional Industrial Property Organization, and the World Trade Organization (WTO). Holders of intellectual property rights have access to local courts for redress of grievances, although few trademark, patent, and copyright infringement cases have been filed in Ghana in recent years. A bill that would bring Ghana into compliance with its TRIPS requirements was introduced in parliament in 2000, but never was brought to a vote. The new Administration will need to reintroduce this bill.

Ghana is not a popular location for imitation designer apparel or watches. In cases where trademarks have been misappropriated, the price and quality disparity is usually readily apparent. Bootlegging computer software is an example of copyright infringement that does take place, but there is no data available to measure this practice. Pirating videotapes is another local practice that may affect U.S. exports, but the evidence suggests that this is not done on a large scale, and there is no significant export market for books, cassettes, or videotapes pirated in Ghana.

## SERVICES BARRIERS

The investment code excludes foreign investors from participating in four economic sectors that are reserved for Ghanaians: petty trading, the operation of taxi and car rental services with fleets of fewer than ten vehicles, lotteries (excluding soccer pools), and the operation of beauty salons and barber shops.

In the WTO, Ghana made commitments for most basic telecommunications services, subject to the requirement that these services be provided through joint ventures with Ghanaian nationals. It retained duopoly for domestic and international services. Ghana has adopted the Reference Paper on regulatory principles which obliges Ghana, among other things, to ensure cost-oriented interconnection with its major supplier. The National Communications Authority, which was set up to regulate the market, has yet to become an effective mechanism to resolve the mounting complaints of anti-competitive practices by Ghana Telecom, the state-owned national telecom operator.

In the WTO financial services negotiations, Ghana has committed to allow 60 percent foreign ownership in the insurance sector, in terms of commercial presence. Ghana requires a high paid-in capital requirement for foreign firms but allows them to provide a full range of services. The level of foreign ownership does not apply to auxiliary insurance services.

There are no prescribed levels for foreign participation in banking, securities, and other financial services. For banking and leasing a license is required from the Central Bank, and for securities trading a license is required from the Securities Regulatory Commission.

Ghana has no barriers for electronic commerce. This may be partly due to the fact that electronic commerce is relatively new to the Ghanaian market and it is not widely used.

**INVESTMENT BARRIERS**

The 1994 investment code eliminates the need for prior project approvals by the Ghana Investment Promotion Center (GIPC). Registration, essentially for statistical purposes, is normally accomplished within five working days. Investment incentives are no longer subject to official discretion as they have been made automatic through incorporation into the corporate tax and customs codes. Incentives include exemption from import tariffs for plant and equipment, and generous tax incentives. Work visa quotas for businesses, though relaxed, remain in effect.

At its peak, the government of Ghana controlled more than 300 state-owned enterprises; by the end of 2000, under the privatization program of the government of former President Rawlings, more than 200 of these had been privatized. However, the political leanings of the Ghanaian partners of foreign investors were often subject to government scrutiny. The process of divestiture was also criticized for lack of transparency.

U.S. direct investment in Ghana is predominantly in the fabricated metals sector. There is also significant U.S. investment in the petroleum, seafood, telecommunications, energy, chemicals, and wholesale trade sectors. Wage rates in the metals and mining sectors are substantially higher than other industries in the Ghanaian economy. U.S. and other foreign firms in Ghana are required to adhere to Ghanaian labor laws, including restrictions on the number of expatriates employed. U.S. businesses interested in Ghana should also be aware of other barriers such as limited credit facilities for local importers and freight rates that are higher than those for potential European competitors. There are also reports of occasional crime waves and growing problems related to government violations of private sector land and property rights. Major backlogs of cargo at Tema port are also hurting the business climate.

The high cost of local financing (with short-term interest rates currently above 50 percent) acts as a significant disincentive for local traders and investors. Such high interest rates and a lack of liquidity in the financial system constrain industrial growth and inhibit the expansion of most Ghanaian businesses from their current scale of operations. The legalization of foreign exchange bureaus made foreign currency readily available in Ghana. However, the persistent depreciation of the cedi, which lost about 70 percent of its value relative to the dollar in 2000, makes the importation of raw materials and equipment more expensive. The Bank of Ghana continues to pursue a tight money policy in an effort to contain inflationary pressures.

The residual effects of a highly regulated economy and lack of transparency in some government operations create an element of risk for potential investors. Bureaucratic inertia is sometimes a problem in government ministries, and administrative approvals often take longer than they should. Entrenched local interests sometimes have the ability to derail or delay new entrants, and securing government approvals may be dependent upon an applicant's contacts.

In his January 8 inaugural address, newly-elected President Kufuor confirmed his commitment to free markets and trade, saying “Ghana is open for business.” President Kufuor also announced a “zero tolerance” for corruption.