GHANA

TRADE SUMMARY

The U.S. trade surplus with Ghana was $76 million in 2002, an increase of $64 million from $13 million in 2001. U.S. goods exports in 2002 were $193 million, down 3.5 percent from the previous year. Corresponding U.S. imports from Ghana were $116 million, down 37.8 percent. Ghana is currently the 92nd largest export market for U.S. goods. The stock of U.S. foreign direct investment (FDI) in Ghana in 2001 was $224 million, up from $218 million in 2000.

IMPORT POLICIES

Ghana has progressively eliminated or reduced its import quotas, tariffs, and import licensing requirements through the structural adjustment program it initiated in the early 1980's. The import licensing regime was eliminated in 1989, but some imports such as drugs, mercury, gambling machines, handcuffs, condensed or evaporated milk, arms and ammunition, and live plants and animals require special permits. The tariff system, which has been simplified and harmonized with the Economic Community of West African States (ECOWAS) trade liberalization program, has only four *ad valorem* import duties: 0 percent, 5 percent, 10 percent, and 20 percent. The standard rate of duty is 20 percent. The zero rate duty continues to apply to agricultural and industrial machinery, solar, wind, and thermal energy, and educational materials. In 2002, the government reviewed zero-rated goods and increased the duty from 0 percent to 5 percent for imported fish, selected commercial vehicles, and selected building materials. In a continuing revenue mobilization effort, a one percent processing fee on zero-rated goods has been imposed except on education, health, and agriculture sector goods. In 2002, imported used vehicles were levied an examination fee of one percent in addition to the existing taxes on used vehicles.

In 2000, a new levy at 0.5 percent – called the ECOWAS levy – was imposed, in addition to other existing levies, on all goods originating from non-ECOWAS countries. In 2001, under the Export Development and Investment Fund Act (Act 582), a 0.5 percent levy was imposed on all non-petroleum products imported in commercial quantities. Since the end of 1998, a 12.5 percent value added tax has been imposed on the duty-inclusive value of all imports with a few selected exemptions. Additional excise taxes ranging between 5 percent and 140 percent are applied to malt drink, water, beer and tobacco products.

As a temporary measure to address severe trade imbalances and a rapidly depreciating currency, the government introduced a 20 percent special tax on selected imports deemed non-essential in March 2000. In March 2001, the Kufuor government reduced the special tax to 10 percent for some of the items and eliminated the tax completely for the rest. In August 2002, the special tax on imports was abolished in an effort to bring Ghana's tariff structure into harmony with that of ECOWAS countries and the WTO. With the removal of the special tax, Ghana has no specific import restrictions on apparel and used clothing.

In May 2002, the WTO and the Custom Excise and Preventive Service (CEPS) signed an agreement on customs valuation and trade facilitation. Parties expect the agreement to simplify customs procedures and facilitate swift clearance of goods. In April 2000, Ghana transitioned from the use of preshipment inspection to the use of a destination inspection scheme. Two inspection companies (GSL and GSBV) currently have contracts with the government to perform the destination inspection. Two additional inspection companies are expected to be approved by the government soon and begin operations in 2003.

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 relatively low 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. Effective November 26, 2001, the government instituted a new tax waiver on all imported livestock feed ingredients to reduce the cost of animal feed. The tax relief forms part of the Ghana government's policy to increase the contribution of the livestock sector to the economy. Tariff information is available on the CEPS website (www.cepsghana.org).

STANDARDS, TESTING, LABELING AND CERTIFICATION

Ghana's domestic standards are currently mandatory. 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 GSB has promulgated over 160 Ghanaian standards and adopted over 300 foreign standards for certification purposes. The GSB determines standards for all products; authority for enforcing standards for food, drugs, cosmetics and other health items lies with the food and drugs board. To simplify and harmonize standards with international standards, Ghana will begin to move away from its domestic mandatory standards, except for products that raise environmental concerns and those affecting the health and safety of the population.

Ghana prohibits the importation of meat with a 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, with the exception of imported skim milk in containers. To protect local industry, there is currently a temporary ban on the import of fish, except canned fish. Imported turkeys must have their oil glands removed. All communication equipment is subject to import restrictions. In August 2002, the law on the importation of over-age vehicles was amended with the introduction of a system of penalties instead of an outright ban. Penalties range from 5 percent to 50 percent of the C.I.F. (cost, insurance, freight) value. Coded expiration dates on U.S. products cause delays but 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 can make the process difficult to understand, especially for foreign businesses. Ghana is in the process of developing a unified code for procurement which would be administered by a central body to enhance transparency and efficiency. Responding to increased demands for government support for local industries, a government directive issued in August 1999 allows tenders to be awarded to local suppliers as long as the prices of the “Made in Ghana” goods are not more than 12.5 percent higher than imported ones. Similarly, government contractors must, if possible, source at least 40 percent of their materials locally.

EXPORT SUBSIDIES

The Ghana government does not grant direct export subsides, but does use preferential credits and tax incentives to promote exports. The Export Development Investment Fund administers financing on preferential terms using a 15 percent rate of interest rather than market rates of between 30 percent to 36 percent. Agricultural export subsides were eliminated in the mid-1980s. The Export Processing Zone (EPZ) Law, enacted in 1995, does not tax corporate profits for the first ten 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 not producing Ghana's traditional exports of cocoa beans, logs and lumber, unprocessed gold and other minerals, and fresh fish). This compares to 32.5 percent for non-exporting companies.

INTELLECTUAL PROPERTY RIGHTS (IPR) 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 will bring Ghana into compliance with TRIPS requirements was introduced in parliament in 2000, but was never brought to a vote. Expectations are that it will be passed in 2003.

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 of computer software does take place, but there are no data available to measure this practice. Pirating of videotapes may affect U.S. exports, but the evidence suggests that this is not done on a large scale. 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: 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. Provision of services by professionals such as lawyers, accountants and doctors requires membership in a professional body. Requirements for membership are identical for both Ghanaians and non-Ghanaians.

Ghana has committed to offering access to foreign telecommunications providers for most basic services, subject to the requirement that these services be provided through joint ventures with Ghanaian nationals; it retained duopoly for domestic and international services. The Ghana government has announced plans to open up the market by allowing additional carriers in 2003. Ghana has adopted a reference paper on regulatory principles, which obliges Ghana, among other things, to ensure cost-oriented interconnection with its major suppliers. The national communications authority, which was set up to regulate the market, has yet to become an effective mechanism to resolve complaints of anticompetitive practices by Ghana Telecom, the quasi-state-owned national telecommunications operator.

In the WTO financial services negotiations, Ghana is committed to 60 percent foreign ownership in the insurance sector. This cap does not apply to auxiliary insurance services. Ghana requires a high paid-in capital requirement for foreign firms to participate in the insurance sector, but allows them to provide a full range of services.

There are no limits on foreign participation in banking and other financial services. Shares held by a single non-resident foreigners and the total number of shares held by all non-resident foreigners in one security listed on the Ghana Stock Exchange may not, however, exceed 10 percent and 74 percent, respectively. For banking and leasing, a license is required from the central bank. For securities trading, a license is required from the Securities Regulatory Commission. Foreign-owned banking businesses need higher paid-in capital than Ghanaian-owned banks (50 billion cedis versus 25 billion cedis, approximately $6.15 million and $3.07 million, respectively).

INVESTMENT BARRIERS

The 1994 Investment Code (Act 478) eliminates the need for prior project approvals of foreign investors by the Ghana Investment Promotion Center (GIPC). Registration, essentially for statistical purposes, is normally accomplished within 5 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. The following minimum equity injection, in the form of either cash or its equivalent in capital goods, is required of non-Ghanaians that want to invest in Ghana: 1) $10,000 for joint ventures with a Ghanaian; 2) $50,000 for enterprises wholly-owned by a non-Ghanaian; 3) $300,000 for trading companies (firms that buy/sell finished goods) either wholly or partly-owned by non-Ghanaians. Trading companies must also employ at least ten Ghanaians.

At its peak, the government controlled more than 300 state-owned enterprises. By the end of 2000, under the privatization program of former President Rawlings, more than 200 of these had been privatized. The Kufuor government has reconstituted the Divestiture Implementation Committee (DIC). By the end of 2002, total divestiture transactions numbered 250. Currently, 30 remaining state-owned enterprises are slated for divestiture by the end of 2004.

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 in 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 (for restrictions, see the GIPC website at www.gipc.org.gh).

ELECTRONIC COMMERCE

Barriers to electronic commerce are mainly due to foreign exchange restrictions and lack of the financial infrastructure necessary for electronic commerce to thrive. The payment system in Ghana is largely cash-based. The legalization of foreign exchange bureaus has made foreign currency readily available for small transactions. Local banks can facilitate the transfer of foreign payments abroad. Transfers of large quantities of foreign currency, however, can run into significant delays.

OTHER BARRIERS

U.S. businesses interested in Ghana should also be aware of other barriers, such as limited and costly credit facilities for local importers and freight rates that are higher than those for potential European competitors. Limited Ghanaian purchasing power dampens demand for U.S. goods and services. There are frequent problems related to the complex land tenure system and establishing clear title can be difficult. Non-Ghanaians can have access to land on a leasehold basis. Frequent backlogs of cargo at the port also hurt the business climate. A new automated customs declaration system should improve processing in 2003.

The high cost of local financing (with short-term interest rates currently about 30 percent to 36 percent) acts as a significant disincentive for local traders. Such high interest rates constrain industrial growth and inhibit the expansion of most Ghanaian businesses from their current micro-scale operations.

The residual effects of a highly regulated economy and occasional lack of transparency in 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 depend upon an applicant's local contacts. The political leanings of the Ghanaian partners of foreign investors are often subject to government scrutiny.

Corruption historically has been an issue foreign firms have had to contend with but, in keeping with his intent to make Ghana an investor-friendly country, President Kufuor has instituted a policy of "zero tolerance" for corruption. This is also true for entrants into the real property market. President Kufuor has nevertheless confirmed his commitment to free markets and trade, saying, "Ghana is open for business."