

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## 1974 CONSULTATIONS UNDER ARTICLE XVIII:12(b) WITH GHANA

Statement submitted by Ghana under the Simplified  
Procedures for Consultations<sup>1</sup>

### LEGAL AND ADMINISTRATIVE BASIS OF RESTRICTIONS

The import control measures now in force in Ghana were introduced in 1961 when the Statutory Authority, which empowers the Controller of Imports and Exports to issue orders prohibiting or regulating the import and export of all goods, was invoked.

The purpose of the present orders is to regulate imports in a manner consistent with the foreign exchange availabilities of Ghana and in particular to halt the further drain on Ghana's foreign exchange reserves as a means of improving the country's balance-of-payments position and to encourage the rapid promotion and growth of domestic industries.

With the exception of the following types of goods which can be imported on the basis of an Open General Licence, the importation of all other commodities is placed under the authority of a Specific Import Licence or, until January 1974, a Special Unnumbered Licence. Items presently on Open General (Import) Licence are as follows:

- (i) bona fide trade samples, provided that the quantities are not excessive in relation to the nature of the goods concerned;
- (ii) personal or household effects of crew or passengers arriving in Ghana provided the importer is in possession of completed Passenger Unaccompanied Baggage Declaration forms where appropriate;
- (iii) gifts addressed to individuals, provided that they are unsolicited gifts and not imported as merchandise or that the weight or value does not exceed 22 lb. (10 kgs.) gross of NG 72 respectively;
- (iv) single copies of books, newspapers, magazines and periodicals;
- (v) live animals imported as domestic pets and not for sale;

- (vi) headloads of foodstuffs from neighbouring African countries for personal use or for sale;
- (vii) fresh frozen fish caught by Ghanaian-owned vessels;
- (viii) goods imported under a re-importation certificate issued by the Controller of Customs and Excise.

The possession of a licence in respect of any goods does not, however, absolve the importer from compliance with any other provisions of law relating to importation, e.g. Exchange Control Regulations, Health and Sanitary Rules of the Ghana Pharmacy Board.

The exercise of the authority to grant licences or create exemption in connection thereof is vested in the Controller of Imports and Exports or a person nominated by him with the approval of the Commissioner of the Ministry of Trade and Tourism. Other Government Departments and Agencies are kept constantly informed or consulted on all aspects of the administration of the system. The Ministry of Finance and Economic Planning and the Bank of Ghana advise on policy issues, the Customs and Excise Department offers checks and balances and a Foreign Exchange Committee establishes a ceiling for global imports in the light of the annual Foreign Exchange Budget which is prepared by the Committee. Also consulted from time to time is a Trade Advisory Committee composed of representative interests from commerce, industry and Government.

In order to ensure the regular flow of essential food items such as rice, sugar, sardines, corned beef and mackerel (Pilchard) a newly-formed Logistics Committee has been charged with the responsibility of importing these items at competitive prices and distributing them throughout the regions of Ghana.

#### GHANA'S BALANCE-OF-PAYMENTS POSITION

During the first half of the fifties, Ghana's current account balance recorded surpluses continuously. However, since 1956, with the exception of 1958 and the past two years, deficits have been incurred for each year, reaching high proportions during the first half of the sixties. Between 1967 and 1970, the level of the deficits was reduced. However, in 1971 developments took a turn for the worse with a deficit of ₦ 202.4 million, the largest since 1965.

If one, conventionally, defines balance of payments as a relation between aggregate receipts and aggregate payments, these persistent deficits may be described as reflecting a chronic state of excess demand in the economy. From this point of view, Ghana's balance-of-payments difficulties become essentially monetary, attributable to persistent deficit financing or increasing resort to credit creation, as a source of financing budget deficits.

In general, the appeal of credit creation as a source of financing development, has been almost irresistible in developing countries, and Ghana has been no exception. Used judiciously, credit creation could be an important source of wealth creation while excessive use could create problems. In this connexion, the adverse effects of the rapid expansion of money supply on the country's balance of payments, particularly during the first half of the sixties, cannot be over-emphasized. Nevertheless, Ghana's balance-of-payments problem is basically a structural one, and to this extent its solution is directly linked to fundamental changes in the structure of the economy. It follows, therefore that its solution should be seen as a long-term objective.

In describing Ghana's payments problems as structural, what needs to be examined are the structural features relevant to balance-of-payments developments. The first thing to note is the extreme openness of the economy. In 1970, exports accounted for no less than 23 per cent of gross domestic product, whilst the share of imports was 24 per cent. This openness constitutes a problem because the economy is slow to respond to traditional balance-of-payments corrective policies.

Perhaps the single most important feature of the economy, from the point of view of balance-of-payments developments, is the heavy reliance on the exports of cocoa. This accounts for over 60 per cent of total exports, consequently the overall performance of the export sector depends very much on what happens to cocoa. There is now a good deal of evidence that, in the past, cocoa prices have been amongst the most volatile, experiencing wide fluctuations from season to season.

It is true that recently cocoa prices have remained high and one can safely assume an improvement in the country's terms of trade, but it is important not to lose sight of the disastrous effects of low prices and hence adverse terms of trade, in the past, on the balance of payments.

Prior to the sixties, high levels of imports and hence balance-of-payments deficits mainly reflected a basic imbalance between structure of domestic production and changing patterns of demand on the one hand, and adverse terms of trade on the other.

The high levels of imports did not merely indicate rising incomes but primarily the absence of local import substitutes. In other words, as consumption patterns changed in favour of manufactured goods, domestic production remained primarily geared towards the production of agricultural goods for consumption and exports and minerals for export. Another disturbing feature was the fact that the level of food imports was in the region of N\$ 40 million annually. In effect, the country was far from self-sufficient in food production, and this in turn was mainly attributable to low agricultural productivity.

The situation, therefore, justified the modernization of agriculture as well as the policy of industrialization based on import substitution, which were vigorously pursued during the early sixties. This policy was partly responsible for the decline in the share of consumer goods imports from about 50 per cent in 1960, to its present level of about 30 per cent.

Unfortunately, import substituting industries, in general, relied heavily on imported raw materials; consequently overall levels of imports did not decline, except that its structure changed in favour of imports of raw materials and machinery. The share of raw materials in total imports has risen from about 17 per cent in 1960 to over 30 per cent in recent years.

The above situation implied that the necessary linkages to stimulate self sustaining growth were not created, and a situation has emerged whereby the country's growth prospects are directly linked to availability of imports. Under such circumstances, the rate of growth of exports becomes the most important variable when considering growth prospects. The virtual stagnation of exports and hence deteriorating terms of trade for most of the sixties contributed greatly to the country's problems.

In a recent study, "Ghana's External Debt Problem: Its Nature and Solution" published in April 1970, the effect of the deterioration in the terms of trade on the balance of payments was stated as follows:

"Between 1960 and 1969 the total value of exports was ₦2,531.0 million and that of imports ₦2,779.0 million giving a total deficit on the balance of trade of ₦248 million. However, had prices ruling in 1960 remained the same throughout the period, the aggregate value of exports during the decade would have been ₦2,843.0 million and imports ₦2,365.0 million, giving a balance of trade surplus of ₦478 million ... Thus the effect of price changes after 1960 was to worsen Ghana's balance-of-payments position by some ₦726 million ( $\text{₦}248 + \text{₦}478$ ). Over the same period Ghana's deficits on the whole current account was ₦845 million. One could therefore say that some 86 per cent of the total deficits of the period was attributable to movements in the terms of trade."

For most of the sixties, external borrowing featured prominently in financing external deficits. During the first half of the sixties the bulk of the country's external debt consisted of medium term suppliers' credits notable for their hard terms. The rapid build-up of such medium term loans with high rates of interest meant the concentration of large debt service payments over a relatively short period. Thus debt servicing imposed an additional strain on the balance of payments.

In the late sixties the country made extensive use of short-term trade credits. These have not been liquidated and consequently a backlog of arrears have been created. At the moment current payments arrears are in the region of N¢ 190 million. At the end of 1971 or prior to the unilateral rescheduling of Ghana's medium and short-term debts, medium-term debts were estimated to be about N¢ 418.2 million and long-term debts N¢ 294.4 million. There is little doubt that the debt question remains a major unsolved problem, and any solution must essentially be a long-term one.

Both 1972 and 1973 were good years. In 1972 the current balance registered a surplus of N¢ 143.2 million and provisional estimates indicate a payments surplus of N¢ 75.9 million for 1973. It must, however, be emphasized that a number special factors account for this. On the one hand the prices of cocoa, timber and gold have remained on the high side and, on the other, the reversion to strict controls enabled imports to be cut down. The 1972 figure was very much influenced by a temporary brake on imports during the first quarter of 1972. It must also be stressed that the suspension of debt service payments in respect of medium and short-term loans have played an important rôle in easing the pressure on external payments. Therefore, to some extent one could say that the improvement in external payments position is more apparent than real.

The recent world economic crisis has very serious implications for balance-of-payments developments for the year ahead. Without drastic cuts in the importation of crude oil it is estimated that a resource gap of the order of N¢ 300.0 million will emerge in 1974.

There is every indication that in the foreseeable future the external payments position will remain tight. Under the circumstances, restrictions would be necessary in the immediate future in order to allocate resources in the most rewarding way.

#### METHODS USED IN RESTRICTING IMPORTS

For purposes of the present Order, all imports are prohibited unless otherwise covered by the following:

- (a) Open General Licences;
- (b) Special Unnumbered Licence<sup>1</sup>; and,
- (c) Specific Licences.

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<sup>1</sup>Abolished in January, 1974.

(a) OPEN GENERAL IMPORT LICENCES

The various types of Open General Import Licences now in force in Ghana are those described on page 1.

(b) SPECIAL UNNUMBERED LICENCES<sup>1</sup>

Special Unnumbered Licences were issued, on application, for the importation of goods where satisfactory evidence could be produced to the effect that there was no transfer of foreign exchange now or in the future for the payment of the imports.

(c) SPECIFIC IMPORT LICENCES

Unless otherwise permitted under the authority of either a Special Unnumbered or Open General Licence, the importation of all other goods is not allowed except under the cover of a Specific Licence. Specific Licences are issued on application by importers who shall have been previously registered as such by the Controller of Imports and Exports. Notwithstanding, Specific Import Licences are issued, on application, to non-registered private individuals and recognized or official institutions who do not import goods for commercial purposes.

For administrative purposes, the Controller of Imports and Exports maintains a Register in which all importers have been registered and graded according to categories. The object of both the registration and grading is to ensure the proper classification of importers mainly according to size of establishment and network of internal distribution system and the most effective utilization of import licences.

TREATMENT OF IMPORTS FROM DIFFERENT SOURCES

Import Licensing is not used in Ghana to discriminate between sources of supply. Quality and price considerations are the main determinants of the licensing system. However, in keeping with both her policy of non-alignment, diversification of sources of supply and the continual search for new export outlets, Ghana's trading partners have been divided into two broad categories, namely, countries with which Ghana has Bilateral Trade and Payments Agreement and countries whose trade with Ghana is conducted in freely convertible currencies. Foreign exchange availabilities are thus divided to cover imports from the two areas and licences issued accordingly. Licences issued for convertible currency countries can be used to import from any of such countries while licences issued for bilateral agreement countries can also be used in importing from any of the

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<sup>1</sup>Abolished in January, 1974

countries falling in that group.. At the moment, Ghana maintains Bilateral Trade and Payments Agreements, with the USSR, Poland, Romania, Bulgaria and the People's Republic of China. In the case, however, of Hungary, German Democratic Republic, Czechoslovakia and Yugoslavia, Ghana has renegotiated the Trade Agreements while the payments agreements have not been renewed.

Through official publications the Controller of Imports and Exports keeps the general business community informed about import licensing procedures to be followed.

The only sources of supply that are still discriminated against are South Africa, South West Africa, Portuguese Monetary Area and Southern Rhodesia. This discrimination works in the form of a ban on imports originating from these countries and is based on the international obligations of Ghana.

#### COMMODITIES OR GROUP OF COMMODITIES AFFECTED BY THE VARIOUS FORMS OF IMPORT RESTRICTIONS

All goods except those prohibited and restricted require licences before they can be imported into the country. Lists of prohibited and restricted items are reproduced in Annex "A" to this paper. Applications for licences are not considered for the importation of restricted items except under special circumstances. Restriction is of a protectionist character in favour of local infant industries. However, exceptions are sometimes granted for the importation of restricted items to supplement local production or inject competition.

#### STATE-TRADING OR GOVERNMENT MONOPOLY USED AS A MEASURE TO RESTRICT IMPORTS FOR BALANCE-OF-PAYMENTS REASONS

No monopolies exist. However, the Ghana National Trading Corporation (GNTC), which is a corporate body of the State, is involved in the importation and distribution of goods. The Executive Instrument No.E.I.203 of 1961, which created the body, authorized it to engage in trade in the same way as other trade and commercial organizations in Ghana. The GNTC is used mainly as the vehicle for distribution of goods to all parts of Ghana, especially in the remotest towns or rural areas.

#### THE EFFECTS OF RESTRICTIONS AND PROSPECTS

In trying to assess the effects of restrictions and future prospects, one must be clear about, first, why restrictions were deemed necessary and secondly, the objectives for which the restrictions were instituted.

The reversion to restrictions is explained by the fact that the worsening of the balance-of-payments position in 1971 is generally attributed to the premature policy of import liberalization. It was hoped that, given the necessary tax

adjustments, import liberalization and expansionary budgets would have run side by side without any adverse effects on the balance of payments. Unfortunately, these hopes did not materialize. Liberalization provided an opportunity for flooding the market with all kinds of imported consumer goods against a background of falling cocoa prices. The year, therefore, ended with a large current account deficit of N\$ 202.4 million and, as mentioned earlier, the largest since 1965.

The immediate objective of the restrictions was primarily to reduce imports, in order to restore some sort of balance in the external payments position. The reversion to controls also provided a case for the revaluation of the currency whose immediate impact was to reduce prices of imports and hence the cost of living.

From the point of view of the balance of payments the evidence suggests that an important objective of the restrictions is being achieved. The 1972 adjusted trade balance (exports f.o.b. less imports c.i.f.) recorded a surplus of N\$ 171.7 million compared to a deficit of N\$ 118.5 million. Imports for 1972 were N\$ 337.5 million compared to N\$ 583.0 million in 1971. Provisional estimates indicate a trade surplus of N\$ 125.2 million in 1973. Imports for 1973 are estimated at N\$ 430.1 million - about 103 million below the 1971 level. There is little doubt that the low levels of imports partly account for the improvement in the external payments position and this is directly attributable to the reversion to restrictions.

It is conceded that restrictions are by themselves not the answer to balance-of-payments problems, but it is maintained that they will be necessary for some time whilst Ghana tackles the basic structural problems facing the country. In future, through the judicious application of restrictions, it is hoped to ensure adequate investment in the desired sectors of the economy without the balance of payments getting out of hand. This would involve the following:

- (i) Using restrictions to alter the pattern of demand from imported items to locally manufactured goods.
- (ii) Using restrictions to encourage the development of local sources of raw materials.

It is accepted that restrictions normally pose the problem of shortages, potential or actual. However, this could be taken care of by efficient administration, and with a recent re-organisation in the Ministry of Trade to give due prominence to import programming, as well as important changes in the distribution and marketing system, the adverse effects of restrictions will be minimized to a very large extent.

While Ghana will ensure that the present restrictions will not be unduly extended, the Ghana Government prefers at the same time to avoid hasty decisions from undue optimism.

Contracting parties to the GATT are therefore kindly asked to appreciate that the repetition of liberalization or relaxation of restrictions similar to the unsuccessful attempt made in 1970 and which had to be discontinued will distort the very objectives they were meant to achieve.

ANNEX

Restricted Items

Statistical number	Description of commodity
001-410	Day-old chicks
012-110,112	Bacon, ham fresh, frozen not canned
013-400	Sausages, fresh, frozen not canned
013-810	Corned beef
022-120	Evaporated milk
031-110,190	Fish, fresh chilled or frozen (except fish caught by Ghanaian owned vessels)
031-210	Stock fish (cold fish)
032-011	Sardines
032-012	Salmon
032-013	Pilchards
042-200	Rice
044-000	Maize, corn
048-829	Malted beverages, e.g. Barlova, Bournvita, Milo, Ovaltine, Nesquick, etc.
054	Potatoes
061-210	Sugar cube
061-290	Sugar granulated
073	Chocolate and other food preparations containing cocoa or chocolate
091-410/420	Margarine
111-000	Water (including spa water and aerated water); ice and snow; lemonade and flavoured waters, non-alcoholic (not including juices falling within heading 053-500)
122	Tobacco, manufactured
266-000	Man-made fibres
332-120	Motor spirit (gasoline and other light oils for similar uses including gasoline), n.e.s.
322-210	Lamp oil (kerosene, illumination oil)

Statistical number	Description of commodity
332-310	Gas oil
332-320	Diesel oil
341-110	Butane gas
421-400	Groundnut (peanut) oil
422-300	Coconut (copra) oil
533-310	Opacifiers, enamels glazes, lustres except prepared pigments
533-320	Lacquers
554-110	Toilet soap
554-130	Washing soap in bars or cakes
554-190	Other soap, n.e.s.
599-950	Composite varnish, solvents and thinners
629	Outer tyre covers and inner tubes of sizes produced locally
629-990	Rubber mats
623-890	Other articles of wood
652 Group	Textiles fabrics, woven (not including narrow or special fabrics) except woven fabrics of man-made fibres both continuous and discontinuous for suiting materials exceeding 48 inches in width.
661-290	Cement, n.e.s.
661-300	Building and monumental (dimension) stone-worked
661-831	Asbestos corrugated sheets
661-834	Asbestos or fibre-cement pipes
661-839	Asbestos cement sheets
673	Iron rods, angles and flaps of the following specifications: iron rods: 3/4", 5/8", 1/2" and 1/4". iron bars and angles: 2 1/2" X 2 1/2" X 1/4"; 2" X 2" X 1/4", 1 1/2" X 1 1/2" X 1/4"; 1" X 1" X 1/4"; 3 1/2" X 2 1/2" X 1/4". Flaps bars:- 2" X 3/4"; 4" X 1/2"; 1" X 3/4"; 1 1/2" X 3/4"; 2" X 1/4".
681-100	Silver platinum and other metals of the platinum group
864-221	Aluminium sheets (corrugated)
693-200	Galvanized barbed wire

Statistical number	Description of commodity
693-310	Mosquito-proof gauze (wire, nylon, plastic, polythene monofilament)
694-210/220	Nuts, bolts, screws of iron, steel and copper
695-120	Matchets
698-610	Springs of iron or steel for furniture
698-850	Crown corks
698-860	Name plates, sign plates, etc.
298-870	Soldering and welding rods
719-121	Domestic air-conditioner units
719-621	Dish-washing machines
722-200	Electric switches, plugs, etc.
723-110	Home wiring insulated cables
723-120	Single core medium tension PVC, insulated and sheathed cables up to 165 sq.mm. up to 1,100 volts
725-010	Domestic refrigerators, electrical
725-020	Domestic washing machines whether or not electrical
725-039	Electric fans
729-112	Cells in single units (2 ins. size round cells)
732	Passenger cars,
812-423	Fluorescent lighting fixtures; fluorescent street lights for secondary streets, etc.
841-101/103 )	Shirts
841-432/434 )	Clothing
841-451 )	
841-600 )	
851-010/040	Footwear except mining boots, Wellington boots and sporting boots
861-350	Binoculars
891-222	Gramophone records
892-400	Greeting cards including birthday cards and Christmas cards
892-910	Paper labels
893-900	Plastic pipes

Statistical number	Description of commodity
894-240	Indoor games of paper-board
895-110	Filing cabinets, racks and similar office equipment (excluding furniture) of base metal
895-930	Date, sealing and similar stamps, etc.
899-410	Umbrella and sunshades
899-530	Slide fasteners
899-540	Combs made of plastic and wood

Banned Items

011-400	Poultry, killed, dressed including canned poultry
025-010	Eggs in the shell
046-010	Flour of wheat
048-430	Cabin bread (Cabin biscuits)
048-450	Cakes
048-490	Other bakery products, e.g. pastry
051	Fruits fresh and nuts (not including oil nuts, fresh or dried)
052	Dried fruits (including artificially dehydrated) except 052-030
053	Fruits, preserved and fruit preparations except 053-500 and 053-690
055	Vegetables, root and tubers (preserved or prepared) except 055-521
062-010	Sugar confectionery not containing cocoa
072	Cocoa except 072-200
099	Food preparations, n.e.s. except 099-040 - sauces and mixed seasonings; 099-0602 natural yeast and prepared baking powder; 099-080 - Chicory and 099-0992 Baby Foods.
112	Alcoholic beverages, except 112-470 and 112-480
122-200	Cigarettes
231-000	Crude rubber (natural)

Statistical number	Description of commodity
292-200	Incense sticks
292-700	Cut flower and foliage
533-340	Prepared driers
541-910	Sanitary pads
553-900	Incense on sticks (perfumed)
571-300	Fireworks
599-220	Mosquito coils
631-100	Veneered sheets
631-200	Plywood, etc. and veneered panels, cellular wood, panels
631-400	Artificial or reconstituted wood (improved wood and particle boards)
632-100	Boxes, canes and parts of wood
632-710	Picture and mirror frames of wood
632-840	Broom and brush bodies of wood
632-890	Other articles of wood
642-110,990	Paper bags, cardboard boxes and other containers of paper or cardboard
642-939	Other paper or paperboard cut to size
651-410	Cotton thread, bleached, etc. not put up for retail sale
651-421	Cotton sewing thread put up for retail sale
651-429	Other cotton thread put up for retail sale
654-200	Lace for shoes and swimming pants
662-420	Roofing tiles, chimney pots and liners, and other constructional ceramic ware
665-111	Bottles for beer and soft drinks
674-840	Galvanized iron corrugated sheets of a thickness not exceeding 3 mm.
692-219	Cast iron pots
694-110	Nails - 1/2" to 6" and "U" nails
695-190	Shovels and spades

Statistical number	Description of commodity
697-211	Domestic utensils (kitchenware) of iron and steel enamelled, excluding bath tubs, equipment and apparatus for use in hospital
697-212	Galvanized buckets; head pans
697-239	Domestic utensils of aluminium
697-910	Steel wool, pot scourers
724	Radio receiving sets, radiograms and television sets
733-300	Trailers and other vehicles, not motorized
821	Furniture
861-290	Other spectacles including goggles and non-lensed sun-glasses except goggles for industrial purposes
831	Travel goods, handbags, etc.
893-100	Plastic raincoats and rain-caps
893-300	Household utensils of plastic materials
893-900	Polythene bags, rolls and sheets
895-210	Ballpens except retractable pens
895-120	Paper clips
897	Jewellery
899-289	Other brushes, brooms, mops, feather dusters, etc. prepared knots and tufts for brooms or brush-making
899-310	Candles, tapers, etc.
899-321/322	Matches
899-420	Walking sticks, canes, riding crops, etc.
899-510	Powder-puffs and pads for applying cosmetics or toilet preparations
899-930	Artificial flowers, etc.
899-960	Fans, non-mechanical, etc.
899-080	Human hair, dressed or otherwise worked, wigs, false beards, switches, etc.