

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

BOP/293

9 November 1989

Limited Distribution

Committee on Balance-of-Payments Restrictions

Original: English

### 1989 CONSULTATION WITH GHANA UNDER ARTICLE XVIII:12(b)

#### Statement Submitted by Ghana Under Simplified Procedures for Consultations<sup>1</sup>

The following is the statement provided by Ghana for the consultation.

#### 1. Ghana's balance-of-payments position and prospects since the last consultation

Some of the policy measures that were instituted in recent years to address the balance-of-payments problem have started showing positive results. The balance of payments registered an overall surplus of \$139.3 million in 1987 and of \$124.6 million in 1988 compared with a deficit of \$57 million in 1986. The surplus which was registered in 1988 against the background of the declining trend in cocoa exports, was due partly to better performance of most other export items, mainly gold, timber and electricity and partly due to an increase in disbursements of concessional assistance.

The balance of payments is expected to register overall surpluses of \$110 million in 1989 and in 1990 and \$125 million in 1991. The current account deficit is projected to continue widening over the 1989-90 period as imports, mostly financed by external aid flows, continue to increase more rapidly than exports. Details of Ghana's balance-of-payments position for 1986-88 are given in Appendix I.

#### 2. Treatment of imports from different countries

All imports are treated equally irrespective of their source of origin. However, to facilitate frontier trade or to promote trade and economic co-operation between Ghana and certain countries, Ghana has entered into bilateral trade agreements with the following countries: Algeria, Benin, Niger, Mali, Togo, Burkina Faso, Brazil, Cuba, Bulgaria, German Democratic Republic, Poland, Czechoslovakia and China. Trade is carried out with these countries through the operation of joint commissions and not intended to discriminate against any particular country. In view of her apartheid policy, Ghana has no trade links with South Africa.

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<sup>1</sup>BISD 20S/47

3. Measures taken since the last consultation in relaxing or otherwise modifying import restrictions

The government's liberalization policy on trade and payments initiated in 1983 under the Economic Recovery Programme continued through 1989. Further steps were taken during the period to enhance the achievement of the objectives of the trade and payments liberalization policy. In line with the government's policy of decontrolling the economy, import licensing was abolished in January 1989. However, in order to ensure effective monitoring for statistical purposes, an Import Declaration Form (IDF) has been introduced - copy attached as Appendix II. Meanwhile the exchange rate continues to be determined through the weekly auction, and access to the auction market has been further widened. In September 1987, 50 per cent of all goods previously imported only with own resources under Special Import Licence (SIL) were allowed on the list of items which qualify to be imported using auction funds. By the end of 1988, all goods under SIL had been, and continue to be, allowed to pass through the weekly foreign exchange auction, except rice, sugar, clinker, gypsum and wheat. The importation of these five items under auction funds has been reserved for the State organization - Ghana National Procurement Agency. Furthermore, service payments have also been allowed through the auction, provided they are supported by documents showing prior approval by the Exchange Control Department of the Central Bank.

4. The Forex Bureaux

As part of a continuing process in the liberalization of the trade and payment system, the Bank of Ghana has, since March 1988, authorized the establishment of the Forex Bureaux, where the public can freely purchase or sell foreign currencies at open market prices. The auction and the Forex Bureaux schemes are intended to aid in the search for an equilibrium exchange rate for the cedi. This objective will have been achieved when the rates in the two markets ultimately converge, as access to auction funds is progressively widened.

On the demand side, firms, individuals and organizations are permitted to purchase foreign exchange from the Forex Bureaux for any of the following purposes:

- (i) Import of goods through letter of credit, bills for collection, or by direct transfer;
- (ii) Travel. Any person wishing to travel abroad may purchase foreign exchange from the Forex Bureaux for the purchase of the airline ticket and for travel allowance, up to a maximum of \$3,000 per trip;

- (iii) Service payments. Foreign exchange purchased from the Forex Bureaux may be used to pay for medical and educational expenses abroad, provided prior approval has been obtained from the Exchange Control Department.

All visitors to Ghana can now go to the Forex Bureaux to change their foreign currencies at open-market rates. In addition, the government has recently permitted non-traditional exporters to repatriate their retention monies and either use such monies to open a foreign exchange account, or change such monies at the Forex Bureaux. All Ghanaian residents who earn commissions, consultancy fees and other incomes in foreign exchange for services rendered, or beneficiaries of foreign remittances, may use such earnings to open a foreign exchange account or sell the foreign exchange to the Bureaux.

The immediate impact of the Forex Bureaux scheme has been to mobilize foreign exchange resources hitherto held outside the banking system for legitimate business. Because the Forex Bureaux are obliged to open foreign exchange accounts with authorized dealer banks of their choice, there has been a new inflow of foreign exchange into the banking system.

#### 5. Abolition of Special Unnumbered Licence tax

Under the Special Unnumbered Licence scheme, importers were required to pay 20 per cent of the c.i.f. value as part payment of corporate tax obligation to the Internal Revenue Service (IRS) before being issued with a licence to clear goods. This requirement was to assist the Internal Revenue Service in its efforts to identify potential self-employed tax payers. With the improvement in the operations of the IRS and the abolition of the Import Licensing System, there is no longer any justification for this advance payment of tax. Accordingly, the 20 per cent SUL tax has been abolished.

#### 6. Vehicle taxation

It would be recalled that the 1987 budget temporarily waived duties and taxes paid on saloon cars and commercial vehicles with cubic capacities of 1800 and below. In 1988, this temporary waiver was restricted to saloon cars and commercial vehicles of 1600 cc. and below.

However, it appeared that the policy was being abused by traders who trade in imported cars and contribute nothing in taxes. It was therefore decided in the 1989 Budget that a minimum import duty and sales tax of 5 per cent and 10 per cent of the c.i.f. value of cars respectively with cubic capacities of 1600 and below be charged. Larger capacity cars should contribute more. The details are attached as Appendix III.

7. Effects of liberalization on trade

A great deal has been achieved in the government's efforts in trade and payments liberalization in recent years. The effects of this on imports could be seen in two ways. Firstly, the removal of restrictions on trade and payments makes it possible for more foreign exchange to pass through the official channels, thereby enhancing the nation's ability to finance increasing volumes of import trade from her own resources.

Secondly, as a result of the trade and payments liberalization, the right signals have been given to the international community. Consequently, increasing volumes of imports of machinery, spares, raw materials and finished products have been financed through external inflow of long-term loans and grants from both multilateral and bilateral donors.

8. Alternative measures to restore equilibrium

The adjustment strategy adopted under the economic recovery programme is to continue with greater emphasis on structural measures to promote monetary and fiscal discipline, encourage domestic savings and investment, eliminate price distortions and ensure increased access to imports of producer goods while encouraging exports. Special attention is being given to the non-traditional exports sector under the policy of export diversification. The flexible exchange rate through the weekly auction and the Forex Bureaux is also being used to stimulate aggregate domestic supply both for exports and for the local market.

APPENDIX IGhana's Balance of Payments (1986-1988)

(million dollars)

	1986	1987	1988
1. Current balance	-85.3	-97.8	-103.0
Trade balance	-55.8	-198.1	-221.9
Exports (f.o.b.)	749.3	826.8	868.7
Cocoa beans/products	503.3	495.4	462.0
Other exports	246.0	331.4	406.7
Imports (c.i.f.)	-805.1	-1,024.9	-1,090.6
Non-oil		-880.9	-942.3
Oil		-144.0	-148.3
Invisibles (net)	-29.5	100.3	118.9
Freight and insurance (credit)	14.3	15.7	17.3
Investment income (net)	-104.7	-126.4	-131.4
Other services (net)	-130.2	-112.8	-113.4
Transfers (net)	191.1	323.8	346.1
Official (net)	118.2	122.2	173.7
Private (net)	72.9	201.6	172.4
2. Government capital (net)	128.2	218.0	187.1
Long-term loans (net)	226.5	267.3	272.9
Gross inflows	256.7	303.7	307.4
Amortization	-30.2	-36.4	-34.5
Medium-term loans	-87.1	-36.9	-72.7
Gross inflows	133.3	109.0	101.6
Amortization	-220.4	-145.9	-174.3
Trust Fund loan	-11.2	-12.4	-13.1
3. Private capital (net)	7.0	1.7	4.0
Direct investment (net)	4.3	4.7	5.0
Supplier's credit (net)	2.7	-3.0	-1.0
Gross inflows	5.2	1.0	5.0
Amortization	-2.5	-4.0	-6.0
Non-monetary short-term capital	-52.5	-22.2	20.0
Non-oil trade credit		0.0	0.0
Oil trade credit		18.0	20.0
Special deposits account		4.2	0.0
Monetary short-term capital	-16.4	7.6	6.6
SDR allocation	0.0	0.0	0.0

APPENDIX I (cont'd)

Ghana's Balance of Payments (1986-1988)

(million dollars)

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	1986	1987	1988
4. Errors and omissions	-38.0	-12.4	-9.8
5. Overall balance	-57.0	-139.3	124.6
Changes in official short-term external position	57.0	-139.3	-124.6
Net foreign assets			-124.8
IMF position (net)	16.1	-25.2	-45.5
Holdings of SDR	16.3	-11.5	13.2
Foreign exchange position (net)	37.6	-25.0	-56.1
Central Bank	12.4	-51.1	-19.3
Government	2.5	-0.6	1.6
Stanchart (\$75 million)	22.7	-15.0	-30.0
Barclays (\$41.7 million)	0.0	41.7	-8.4
Payment arrears	-3.6	-71.1	-34.8
Bilateral balance	-9.4	-6.5	-1.4

APPENDIX II

Republic of Ghana

IMPORT DECLARATION FORM  
(Copy made by Secretariat)

1. Full name of Importer \_\_\_\_\_
2. Business address \_\_\_\_\_
3. Registered office of business \_\_\_\_\_
4. Sales Tax File No. \_\_\_\_\_
5. Social Security File No. \_\_\_\_\_
6. Income Tax File No. \_\_\_\_\_

(1) Description of Goods	(2) Statistical Number	(3) SITC Code	(4) C.I.F. Value US\$	(5) Country of Origin	(6) Country of Consignment/ Shipment

8. Port of Entry \_\_\_\_\_
9. If the total value of goods to be imported exceeds US\$5,000, please indicate:  
Name and Address of supplier:  
(a) \_\_\_\_\_  
(b) \_\_\_\_\_

**I hereby declare that the information provided above is true and that the importation shall be done in compliance with existing laws and regulations of Ghana.**

\_\_\_\_\_  
Signature of Importer  
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This declaration is valid for three months from the date of declaration.

Please note

1. Importers of the following category of goods should attach copies of relevant Permits.

- (a) Specified Pharmaceutical products/drugs
- (b) Arms and Ammunition
- (c) Telecommunication Machines/Equipment
- (d) Chemicals
- (e) Explosives

Imports of horticultural products and food must be accompanied by phytosanitary certificate issued by the relevant authority of the exporting country.

APPENDIX III

	New duties and taxes			Existing	
	Import duty %	Sales tax %	Purchase tax %	Import duty %	Purchase tax %
1. PASSENGER MOTOR VEHICLES					
(a) <u>Gasoline engines</u>					
Less than 1600 cc.	5	10	0	0	0
1600 cc. to 1900 cc.	15	22.5	10	15	10
Over 1900 cc.	25	35	10	25	10
(b) <u>Diesel engines</u>					
Less than 1800 cc.	5	10	0	0	0
1800 cc. to 2200 cc.	15	22.5	10	15	10
Over 2200 cc.	25	35	10	25	10
2. CROSS COUNTRY VEHICLES					
Less than 1600 cc.	5	10	0	0	0
Over 1600 cc.	15	22.5	10	15	10
3. COMMERCIAL VEHICLES	0	0	0	0	0
4. VEHICLE PARTS AND TYRES	10	10	0	10	10
5. VEHICLE ASSEMBLY COMPONENTS	0	0	0	10	10
6. MOTOR CYCLES	0	0	0	0	0
7. BICYCLES	0	0	0	0	0