GHANA

TRADE SUMMARY

The U.S. trade surplus with Ghana was $128 million in 2003, an increase of $51 million from the $76 million surplus in 2002. U.S. goods exports to Ghana in 2003 were $209 million, up 8.7 percent from the previous year; U.S. imports from Ghana were $82 million, down 29.6 percent. Ghana is currently the 91st largest export market for U.S. goods. The stock of U.S. foreign direct investment (FDI) in Ghana in 2002 was $264 million, down from $295 million in 2001.

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 1980s. 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 increased the duty from 0 percent to 5 percent for imported fish, selected commercial vehicles, and selected building materials. A one percent processing fee applies to zero-rated goods, except on education, health, and agriculture sector goods. In 2002, an additional one percent examination fee was levied on imported used vehicles. Importers are charged 0.04 percent of the sum of the free on board (F.O.B.) value of goods and the value added tax (VAT) for the use of the automated clearing system, the Ghana Community Network (GCNet), although they have indicated they would prefer a flat fee on each transaction.

In 2000, Ghana imposed an additional 0.5 percent ECOWAS levy on all goods originating from non-ECOWAS countries. In 2001, under the Export Development and Investment Fund Act (Act 582), Ghana instituted a 0.5 percent levy on all non-petroleum products imported in commercial quantities. Since the end of 1998, a 12.5 percent value added tax (VAT) has been tacked on the duty-inclusive value of all imports, with a few selected exemptions. The National Health Insurance Law, which was passed in September 2003, is expected to increase the VAT to 15 percent, but implementation is not likely before mid-2004. Additional excise taxes ranging between 5 percent and 140 percent are applied to malt drink, water, beer, and tobacco products.

In August 2002, Ghana abolished its 10 percent tax on selected “non-essential” imports in an effort to bring its tariff structure into harmony with ECOWAS and WTO provisions. In February 2003, the government considered adding 20 percent to the existing import duty on rice and poultry products but decided against it following consultations with its trading partners. However, the government did increase import duties from 10 percent to 20 percent on some imported finished products for which locally manufactured products are available. These include cement, doors, windows and their frames, corrugated iron sheets, and nails. In August 2002, the ban on importing older vehicles was replaced with a system of penalties ranging from 5 percent to 50 percent of the C.I.F. (cost, insurance, freight) value. All communication equipment is subject to import restrictions.

In May 2002, the WTO and Ghana’s Customs Excise and Preventive Service (CEPS) signed an agreement on customs valuation and trade facilitation to simplify customs procedures and facilitate swift clearance of goods. In April 2000, Ghana transitioned from using pre-shipment inspection to a destination inspection scheme. Four inspection companies currently have contracts with the government to perform the destination inspection.

In order to develop competitive domestic industries with exporting capabilities, the Ghanaian government continues to support domestic private enterprise with financial incentives and tax holidays. Nevertheless, Ghanaian manufacturers and producers contend that the country's relatively low tariff structure puts them at a competitive disadvantage vis-à-vis imports from countries that enjoy greater production and marketing economies of scale. While tariff reductions have increased competition for local producers, the reductions have also reduced producer costs for imported raw materials and inputs, and there is increasing demand for further tariff reductions, especially on inputs used by local businesses. Ghana has responded by reducing the import duty on livestock ingredients and inputs for textiles production. 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 its testing authority, the Ghana Standards Board (GSB), which subscribes to accepted international practices for the testing of imports for purity and efficiency. The GSB has promulgated more than 250 Ghanaian standards and adopted more than 3,057 foreign standards for certification purposes. The GSB determines standards for all products; authority for enforcing standards for food, drugs, cosmetics, and health items lies with the Food and Drugs Board. Ghana intends to harmonize with international standards and move away from its mandatory domestic standards, except for products that raise environmental or human health or safety concerns.

Ghana prohibits the importation of meat with a fat content by weight greater 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. There is currently a temporary ban on the importation of fish, except canned fish. Imported turkeys must have their oil glands removed. Coded expiration dates on U.S. products cause delays but are accepted by the GSB.

GOVERNMENT PROCUREMENT

Ghana is not a signatory to the WTO Agreement on Government Procurement. Currently, Ghana uses several guidelines to purchase equipment and supplies, which can make the process confusing, especially for foreign businesses. However, in December 2003, Parliament passed a public procurement law that will codify guidelines, enhance transparency and efficiency, and give administration of procurement to a central body. In response to increased demands for government support of local industries, beginning in August 1999 Ghana allowed tenders to be awarded to local suppliers as long as the prices of the "Made in Ghana" goods were not more than 12.5 percent higher than imported ones. Government contractors must, if possible, source at least 40 percent of their materials locally.

EXPORT SUBSIDIES

The Ghanaian government does not grant direct export subsidies 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 much higher market rates. Agricultural export subsidies were eliminated in the mid-1980s. The Export Processing Zone (EPZ) Law, enacted in 1995, leaves corporate profits untaxed for the first ten years of business operation in an EPZ, after which the tax rate climbs to 8 percent (the same as for non-EPZ companies, except for those producing traditional exports, e.g. cocoa beans, logs and lumber). The tax rate for non-exporting companies is 32.5 percent.

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 African Regional Industrial Property Organization, and the World Trade Organization. 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. In December 2003, Parliament passed five of the six bills designed to bring Ghana into compliance with TRIPS requirements. The new laws are: Trade Marks, Patents, Layout-Designs (Topographies) of Integrated Circuits, Geographical Indications, and Industrial Designs. The government expects Parliament to pass the remaining Copyright bill in 2004. In cases where trademarks have been misappropriated, the price and quality disparity is usually readily apparent. Computer software bootlegging 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 such piracy 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 but has required these services to be provided through joint ventures with Ghanaian nationals. The government has allowed a duopoly to dominate both domestic and international services but has announced plans to open up the market by allowing additional carriers in 2004. The government 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, established to regulate the market, has yet to become an effective mechanism to resolve complaints of anticompetitive practices by Ghana Telecom, the partially state-owned national telecommunications operator.

Ghana allows up to 60 percent foreign ownership in the insurance sector. This cap does not apply to auxiliary insurance services. Ghana requires a high 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. However, shares held by a single non-resident foreigner and the total number of shares held by all non-resident foreigners in one security listed on the Ghana Stock Exchange may not exceed 10 percent and 74 percent, respectively. The Central Bank must issue licenses for banking and leasing. For securities trading, a license is required from the Securities Regulatory Commission. Foreign-owned banking businesses face higher capital requirements than Ghanaian-owned banks (50 billion cedis versus 25 billion cedis, approximately $5.6 million and $2.8 million, respectively).

INVESTMENT BARRIERS

The 1994 Investment Code (Act 478) eliminates the need for prior project approval of foreign investors by the Ghana Investment Promotion Center. Registration, essentially for statistical purposes, is normally accomplished within five working days. Investment incentives are no longer subject to official discretion; 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 breaks. Work visa quotas for businesses, though relaxed, remain in effect. The following minimum equity requirements apply, in the form of either cash or its equivalent in capital goods, for non-Ghanaians who 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.

The government, at its peak, controlled more than 350 state-owned enterprises, but nearly 300 had been privatized by the end of 2000 under the privatization program of former President Rawlings. The Kufuor government has reconstituted the Divestiture Implementation Committee, and by the end of 2003, total divestiture transactions numbered 318. Thirty-six remaining state-owned enterprises are slated for divestiture.

U.S. direct investment in Ghana is predominantly in the fabricated metals sector, but 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.

Some U.S. investors operating in Ghana continue to struggle with longstanding trade disputes that are both exhausting and expensive. Most investors do not encounter such disputes.

ELECTRONIC COMMERCE

Barriers to electronic commerce are mainly due to an inadequate financial infrastructure 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. The Customs Service is still phasing in an automated customs declaration system that was established in the last quarter of 2002 to facilitate customs clearance. It has not yet had the desired impact because complementary services from government agencies, banks, destination inspection companies, and security services are not up to speed.

The high cost of local financing (with short-term interest rates currently above 25 percent) is a significant disincentive for local traders, inhibiting the expansion of most Ghanaian businesses from their current micro-scale operations and constraining industrial growth. 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 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.

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Corruption historically has been an issue with which foreign firms have had to contend. However, in keeping with his intent to make Ghana an investor-friendly country, President Kufuor has instituted a policy of "zero tolerance" for corruption, and has confirmed his commitment to free markets and trade, saying, "Ghana is open for business."