2000 Country Reports on Economic Policy and Trade Practices
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GHANA
Key Economic Indicators
(Millions of U.S. dollars unless otherwise indicated)

	1998	**2000**	**1/**
Income, Production and Employment:			
Nominal GDP 2/	7,470	7,774	N/A
Real GDP Growth (pct.) 3/	4.7	4.4	3.0
GDP by Sector:			
Agriculture	2,574	3,090	N/A
Manufacturing	640	656	N/A
Services	1,976	2,220	N/A
Government	730	832	N/A
Per Capita GDP	415	324	349
Labor Force (000)	8,240	8,480	8,734
Unemployment Rate (pct.)	20	20	20
Money and Prices (Annual Percentage Growth):			
Money Supply Growth (M2)	17.6	N/A	N/A
Consumer Price Inflation -			
(End-of-Period)	15.7	13.8	26.6
Exchange Rate (Cedis/USD - Annual Average)			
Interbank	2,314	2,648	5,445
Balance of Payments and Trade:			
Total Exports FOB 4/	2,091	2,031	2,056
Exports to U.S. 4/	144	209	170
Total Imports CIF 4/	2,897	2,792	2,883
Imports from U.S. 4/	223	235	210
Trade Balance 4/	-806	-761	-827

Balance with U.S. 5/	-79	-26	-40
External Public Debt	5,651	6,300	5,750
Fiscal Deficit/GDP (pct.)	2.3	N/A	N/A
Current Account			
Deficit/GDP (pct.)	3.5	N/A	N/A
Debt Service			
Payments/GDP (pct.)	8.4	N/A	N/A
Gold and Foreign			
Exchange Reserves	508	446	530
Aid from U.S.	58	60	N/A
Aid from All Other Sources	N/A	N/A	N/A

1/ 2000 figures are all estimates based on most recent data available.
2/ GDP at factor cost.
3/ Percentage changes calculated in local currency.
4/ Merchandise trade.
5/ Data not available.

1. General Policy Framework

Ghana operates in a free market environment under a popularly elected civilian government. In December 2000, opposition leader John Kufuor was elected President and his New Patriotic Party won 100 of 200 seats in Parliament, gaining from their previous 133-61 minority. A UK-trained lawyer with longstanding ties to the United States, President Kufuor has called for greater foreign investment and pledged a "zero tolerance" for corruption. President Rawlings, who had been at the helm of government since December 31, 1981, observed constitutional term limits, and after winning elections in 1992 and 1996 did not run in the 2000 elections. An independent judiciary acts as the final arbiter of Ghanaian laws.

Since 1983 Ghana has pursued an economic reform agenda aimed generally at reducing government involvement in the economy and encouraging private sector development. The government's economic program has focused on the development of Ghana's private sector, which historically has been weak. Privatization of state-owned enterprises continues, with about two-thirds of 300 enterprises sold to private owners. The government is in the process of off-loading some of its interest in some state-owned enterprises it considered as strategic enterprises. These include the oil refinery, power and water utilities, ports and railways, and civil aviation establishments. The government's monopoly on the export of cocoa was also removed in 1999 by allowing private sector participation in cocoa exports.

The Bank of Ghana, the central bank, is currently pursuing a tight monetary policy in an attempt to absorb excess liquidity in order to arrest inflation and the fast depreciating local currency, the cedi. Inflation, measured at about 71 percent at the end of 1995, consistently declined to 9.4 percent by the end of May 1999, the lowest in 20 years. Inflation rose, however, to 26.6 percent in August 2000. The government resorted to heavy domestic borrowing to make up for shortfalls from mainly non-tax revenue, leading to rising domestic interest rates. Lending rates, which fell to about 35 per cent in 1999 shot up to about 50 percent in October 2000. In an effort to reduce inflationary pressures, the Bank of Ghana increased treasury bill rates and banks' reserve requirements. Lessons learned from the inflation resulting from government expenditure overruns prior to the 1992 and 1996 presidential and parliamentary elections continue to guide the government in the December 2000 election. The effective erosion of the purchasing power of most Ghanaians has led the government to delay increases in fuel and utility prices to avoid social unrest and losing favor with the electorate in the upcoming December 2000 elections. It is expected, however, that increases will take effect in early 2001.

Ghana achieved real economic growth of 4.4 percent in 1999. The 1999 growth rate is a slight dip from the 4.7 percent recorded in 1998, but close to the 4.5 percent average for the period 1990-98. The government is still seeking solutions to move away from this static growth level. Growth in 2000 is expected to be significantly lower than the government projection of five percent due to the adverse effect of terms of trade shocks arising from a decline in world prices of cocoa and gold and increases in oil prices. Agriculture (which still accounts for about 37 percent of GDP and employs about 60 percent of the work force) and manufacturing have recorded much slower growth. Other reforms adopted under the government's structural adjustment program include the elimination of exchange rate controls and the lifting of virtually all restrictions on imports. The establishment of an Interbank Foreign Exchange Market has greatly expanded access to foreign exchange. The elimination of virtually all local production subsidies is a further indication of the government's intention to move toward a market-oriented economy.

2. Exchange Rate Policy

The foreign exchange value of the Ghanaian cedi is established independently through the use of Interbank Market and Foreign Exchange bureaus, and currency conversion is easily obtained. The foreign exchange auction procedure was abandoned in 1992. Ghana fully accedes to Article IV of the IMF convention on free current account convertibility and transfer. The foreign exchange value of the cedi against the dollar declined by about 48 percent in 1999 as compared with 4.1 percent in 1998. From January through September 2000, the cedi has suffered a depreciation of about 80 percent in the interbank market, which is lower than the prevailing rate at the re-emerging black market. The cedi is suffering as a result of the shortage of foreign exchange. This is the result of a decline in the value of Ghana's major exports and expected donor inflows. Rising world crude oil prices worsened the situation by doubling Ghana's oil import bills. The central bank responded to the foreign exchange demand pressure by running down its international reserves, leaving the country with less than two months import cover by the end of 1999. The build-up of queues for foreign exchange in the banks has resulted in delays in foreign payments. Although the situation seems to be improving, Ghana's non-oil imports continue to be squeezed. In general, the exchange rate regime in Ghana does not have any particular impact on the competitiveness of U.S. exports.

3. Structural Policies

Ghana progressively phased out/reduced import quotas and surcharges as part of its structural adjustment program. Tariff structures are being adjusted in harmony with the ECOWAS Trade Liberalization Program. With the elimination of import licensing in 1989, importers are now merely required to sign a declaration that they will comply with Ghanaian tax and other laws. Imported goods currently enjoy generally unfettered access to the Ghanaian market.

The government professes strong support for the principle of free trade. However, it is also committed to the development of competitive domestic industries with exporting capabilities. The government is expected to continue to support domestic private enterprise with various financial incentives. Ghanaian manufacturers seek stronger protective measures and complain that Ghana's tariff structure places local producers at a competitive disadvantage relative to imports from countries enjoying greater production and marketing economies of scale. High local production costs frequently boost the price of locally manufactured items above the landed cost of goods imported from Asia and elsewhere. Reductions in tariffs have increased competition for local producers and manufacturers while reducing the cost of imported raw materials.

The government successfully reintroduced a value-added tax (VAT) in December 1998, at a 10 percent rate. In July 2000 government increased the VAT to 12.5 percent to make up for anticipated revenue shortfalls in 2000. Additionally, the government is expected to broaden the tax base and enhance compliance. Although significant, this still has not been enough to reduce net domestic borrowing, which would ease pressure on inflation and domestic interest rates. The government's domestic interest payments continue to be about 30 percent of its domestic revenue, more than the domestic budget for both health and education.

4. Debt Management Policies

Ghana's total outstanding external debt, including obligations to the IMF, totaled approximately $6.3 billion at the end of 1999. Outstanding obligations to the IMF under medium-term facilities stood at $308.8 million at the end of the same period. Multilateral debt accounted for 65 percent of the total, and official bilateral debt was 30 percent. The size of external debt as a proportion of GDP decreased from its 1994 level of 97 percent to 79 percent of GDP in 1998, but is projected to increase to 130 percent in 2000. Ghana's public debt service ratio in 1999 was 20 percent. In 1991 Ghana cleared all external debt arrears. Ghana is a heavily indebted poor country (HIPC) but has not asked to be the beneficiary of debt relief or rescheduling in recent times. In 1996-97 the government borrowed on nonconcessional terms to finance hospital projects and expand and upgrade the Tema Oil Refinery. This significantly raised the debt service burden by the end of 1997. To better manage its debt portfolio, the government has applied a moratorium on public and public guaranteed nonconcessional borrowings since August 1997.

Persistent balance of payments deficits have resulted in a continuing increase in foreign indebtedness. Swings in commodity prices, especially gold and cocoa, have a dramatic impact on Ghana's export revenues. Since 1999, Ghana has suffered from external shocks not only from the falling prices of these commodities but also the increase in the world price of crude oil.

These are adversely affecting its balance of payments. This deficit is reflected in the reduction in non-oil imports, real GDP growth, and a foreign exchange shortage. The government is expected to sustain its present level of external program assistance and increase receipts from the divestiture of state-owned enterprises to moderate the volatility of the cedi.

5. Significant Barriers to U.S. Exports

Import licenses: Ghana eliminated its import licensing system in 1989 but retains a ban on the importation of a narrow range of products that do not affect U.S. exports. Ghana is a member of the WTO.

Services Barriers: The Ghanaian investment code proscribes foreign participation in the following sectors: small-scale wholesale and retail sales, taxi and car rental services with fleets of fewer than ten vehicles, lotteries, and barber and beauty shops. Current insurance law requires at least 40 percent Ghanaian ownership of insurance firms in Ghana.

Standards, Testing, Labeling, and Certification: Ghana has promulgated its own standards for food and drugs. The Ghana Standards Board, the national testing authority, subscribes to accepted international practices for the testing of imports for purity and efficacy. Under Ghanaian law, imports must bear markings identifying in English the type of product being imported, the country of origin, the ingredients or components, and the expiration date, if any. Non-complying goods are subject to government seizure. Several highly publicized seizures of goods (pharmaceuticals and food items) with expired shelf-life dates have been carried out. The thrust of this law is to regulate imported food and drugs; however, by its terms the law applies to non-consumable imports as well. Locally manufactured goods are subject to comparable testing, labeling, and certification requirements. Two destination inspection agencies contracted by the government also perform testing and price verification for some selected imports above $5,000.

Investment Barriers: Although the investment code incentives are relatively attractive, bureaucratic bottlenecks continue to delay project takeoffs. The investment code guarantees free transferability of dividends, loan repayments, licensing fees and repatriation of capital. It also provides guarantees against expropriation or forced sale and delineates dispute arbitration processes. Foreign investors are not subject to differential treatment on taxes, access to foreign exchange and credit, or importation of goods and equipment. Separate legislation covers investments in mining and petroleum and applies equally to foreign and Ghanaian investors. The investment code no longer requires prior project approval from the Ghana Investment Promotion Center (GIPC).

Government Procurement Practices: Government purchases of equipment and supplies are usually handled by the Ghana Supply Commission (the official purchasing agency) and government tender boards through international bidding and, at times, through direct negotiations. Former government import monopolies have been abolished. However, parastatal entities continue to import some commodities. The parastatals no longer receive government subsidies to finance imports.

6. Export Subsidies Policies

The Government of Ghana does not directly subsidize exports. Exporters are entitled to a 100 percent refund for duty paid on imported inputs used in the processing of exported goods. Bonded warehouses have been established, which allow importers to avoid duties on imported inputs used to produce merchandise for export. Firms involved in exports enjoy some fiscal incentives such as tax holidays and preferential tax/duty treatment on imported capital equipment. Firms in the export processing zones all benefit from the same incentives.

7. Protection of U.S. Intellectual Property

After independence in 1957, Ghana instituted separate legislation for copyright (1961) and trademark (1965) protection based on British law. Subsequently, the government passed modified copyright and patent legislation in 1985 and 1992, respectively. Ghana is a member of the Universal Copyright Convention, the World Intellectual Property Organization, and the English-Speaking African Regional Intellectual Property Organization. IPR holders have access to local courts for redress of grievances. Few infringement cases have been filed in Ghana in recent years. Ghana has not been identified as a priority country in connection with either the Special 301 Watch List or Priority Watch List.

Patents (Product and Process): Patent registration in Ghana presents no serious problems for foreign rights holders. Fees for registration vary according to the nature of the patent, but local and foreign applicants pay the same rate.

Trademarks: Ghana has not yet become a popular location for imitation designer apparel and watches. In cases where trademarks have been misappropriated, the price and quality disparity would be apparent to all but the most unsuspecting buyer.

Copyrights: Enforcement of foreign copyrights may be pursued in the Ghanaian courts, but few such cases have actually been filed in recent years. The bootlegging of computer software is an example of copyright infringement taking place locally. There are no data available to quantify the commercial impact of this practice. Pirating of videotapes is another local practice that affects U.S. exports, but the evidence suggests that this is not being done on a large scale. There is no evidence of a significant export market for Ghanaian-pirated books, cassettes, or videotapes.

In summary, infringement of intellectual property rights has not had a significant impact on U.S. exports to Ghana. Pirated computer software may become a more significant problem in the future, however, as computer use grows.

8. Worker Rights

a. *The Right of Association:* Trade unions are governed by the Industrial Relations Act (IRA) of 1958, as amended in 1965 and 1972. Organized labor is represented by the Trades Union Congress (TUC), which was established in 1958. The IRA confers power on government to refuse to register a trade union, but this right has not been exercised by the current government or the previous military regime. No union leaders have been detained in recent years, nor has the right of workers to freely associate otherwise been circumscribed.

b. *The Right to Organize and Bargain Collectively:* The IRA provides a framework for collective bargaining and protection against anti-union discrimination. Civil servants are prohibited by law from joining or organizing a trade union., In December 1992, however, the government enacted legislation that allows each branch of the civil service to establish a negotiating committee to engage in collective bargaining for wages and benefits in the same fashion as trade unions in the private sector. While the right to strike is recognized in law and in practice, the government has on occasion taken strong action to end strikes, especially in cases involving vital government interests or public order. The IRA provides a mechanism for conciliation and arbitration before unions can resort to industrial actions or strikes. Over the past two years there have been several industrial actions involving salary increase demands, conditions of service, and severance awards. There have been a number of short-lived "wildcat" strikes by doctors, university professors, and industrial workers.

c. *Prohibition of Forced or Compulsory Labor:* Ghanaian law prohibits forced labor, and it is not known to be practiced. The International Labor Organization (ILO) continues to urge the government to revise legislation that permits imprisonment with an obligation to perform labor for offenses that are not countenanced under ILO Convention 105, ratified by Ghana in 1958.

d. *Minimum Age of Employment of Children:* Labor legislation in Ghana sets a minimum employment age of 15 and prohibits night work and certain types of hazardous labor for those under 18. The violation of child labor laws is common and young children of school age can often be found during the day performing menial tasks in the agricultural and fishing sectors or in the markets. Observance of minimum age laws is eroded by local custom and economic circumstances that compel children to become wage earners at an early age. Inspectors from the Ministry of Labor and Social Welfare are responsible for enforcement of child labor laws. Employers who violate laws prohibiting heavy labor and night work by children are occasionally prosecuted.

e. *Acceptable Conditions of Work:* In 1991 a Tripartite Commission composed of representatives from government, organized labor, and employers established minimum standards for wages and working conditions. The daily minimum wage combines wages with customary benefits such as a transportation allowance. The current daily minimum wage is 2,900 cedis, about 44 cents at the present rate of exchange. This sum does not permit a single wage earner to support a family and frequently results in multiple wage earners and other family-based commercial activity. A much-vaunted, government-commissioned study on reform of the civil service (including a serious revision of grades and salary levels) was implemented in June 1999. By law the maximum workweek is 45 hours, but collective bargaining has established a 40-hour week for most unionized workers.

f. *Rights in Sectors with U.S. Investment:* U.S. investment in Ghana is concentrated in the primary and fabricated metals sectors (gold mining and aluminum smelting), food and related products (tuna canning and beverage bottling), petroleum marketing, and telecommunications. Labor conditions in these sectors do not differ significantly from the norm, save that wage scales in the metals and mining sectors are substantially higher than elsewhere in the Ghanaian economy. U.S. firms have a good record of compliance with Ghanaian labor laws.

Extent of U.S. Investment in Selected Industries--U.S. Direct Investment Position Abroad on an Historical Cost Basis--1999
(Millions of U.S. dollars)

Category	**Amount**
Petroleum	-1
Total Manufacturing	(1)
Food & Kindred Products	0
Chemicals & Allied Products	0
Primary & Fabricated Metals	(1)
Industrial Machinery and Equipment	0
Electric & Electronic Equipment	0
Transportation Equipment	0
Other Manufacturing	0
Wholesale Trade	0
Banking	0
Finance/Insurance/Real Estate	0
Services	0
Other Industries	(1)
TOTAL ALL INDUSTRIES	242

(1) Suppressed to avoid disclosing data of individual companies.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.