

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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G H A N A

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PART I

System and Methods of Restrictions

I. Legal basis of restrictions

1. The system of import regulations in operation at present in the Republic of Ghana is based on the Imports and Exports Restrictions Order, 1948 which gives the Controller of Imports and Exports powers to make orders prohibiting or regulating the imports and exports of all goods. The present control of imports was imposed on 1 December, 1961, when the Controller of Imports and Exports revoked all the existing Open General Licences and Quota Licences. The control of imports is being maintained for balance-of-payments reasons.
2. The purpose of the regulations is to restrict the importation of goods where such restriction is deemed necessary in the public interest:
 - (a) to assist in promoting and maintaining the economic and social welfare; and
 - (b) to enable the Bank of Ghana, pursuant to these regulations, and to the Export Licence Regulations introduced at the same time, to fulfil its functions of regulating and controlling the transfer of moneys from Ghana, and the disposal of foreign exchange derived from the export of Ghanaian products.
3. Under the Import Control Regulations the importation of all goods, other than those enumerated in Open General Licences 1-6 in paragraph 7 below is prohibited except pursuant to a licence. The Regulations prevail notwithstanding any authority for the importation of goods granted in accordance with any other provision of the law, nor does the granting of a licence under the Regulations with respect to any other goods absolve an importer from compliance with any other provision of law relating to importation of such goods.

Administrative basis of the restrictions

4. The power to grant licences and to create exemptions is vested in the Controller of Imports and Exports who is the Principal Secretary of the Trade Division of the Ministry of Finance and Trade. The Regulations are administered by the Licensing Section of the Ministry of Finance and Trade in conjunction with the Customs Department and the Controller's power to grant licences has been delegated to specified officers of the Trade Division of the Ministry of Finance and Trade. Other Government departments function in a consultative capacity as regards various aspects of the control, and the Bank of Ghana advise the Government on policy issues involved. Trade associations are also consulted on occasion.

5. Applications have been called for licences to cover the importation of goods for the first quarter of the year, but it is expected that after a full appraisal has been made, licences will be issued on a calendar year basis and, unless cancelled, will be available for the importation of the specific goods at any time during the year. No fee is charged for the issue of import licence.

II. Methods used in restricting imports

6. The current Import Licensing System makes provision for only two categories of import licensing, namely the Open General Licence and the Specific Licence.

7. An Open General Import Licence permits an importer to order and bring into Ghana any of the goods covered by the licence from any of the countries mentioned therein, without further written authority from the Controller of Imports and Exports. As at 2 February 1962, the following are the Open General Import Licences issued:

- (a) O.G.L.1 - Authorizes the importation of single copies of books, magazines, periodicals and the like, addressed to individuals.
- (b) O.G.L.2 - Authorizes the importation of non-merchandise articles such as trade samples, personal and household effects, gifts, etc.
- (c) O.G.L.3 - Authorizes the importation from West African countries of live animals such as cattle, sheep and goats, and agricultural produce such as rice, guinea corn, maize, corn and millet.

- (d) O.G.L.4 - Authorizes the importation of
- (i) cocoa beverage, cocoa malted food drink, chocolate and chocolate confectionery;
 - (ii) day old chicks;
 - (iii) animal-feeds;
 - (iv) seeds;
 - (v) school text books, reference books and stationery for educational purposes only, magazines and newspapers;
 - (vi) religious books
- (e) O.G.L.5 - Authorizes the importation of fish, chilled or frozen caught by fishing vessels registered and licensed in Ghana.
- (f) O.G.L.6 - Authorizes the importation of spare parts for - locomotives, ships and aeroplanes; motor-bicycles, bicycles, tractors, earth-moving equipment, cranes and other moving/movable vehicles; machinery of all kinds including household and industrial equipment.

8. The importation of all goods, other than those covered by the Open Licence, requires the authority of a Specific Licence.

PART II

Effects of the Restrictions

Estimate of savings in external payments achieved by new import restrictions

9. Since import restrictions were imposed with effect from 1 December 1961, their effects will not be known until after the month of March when goods ordered before the restrictions came into effect would have been cleared. It is therefore premature to estimate the savings to be achieved by the new measures.

Developments in balance of payments and in foreign exchange reserves

10. Ghana's balance of payments has undergone considerable deterioration since 1956. The extent of the deterioration is indicated in the following figures:

Balance of Payments on Current Account 1956/60

Year	Total Payments £G million	Total Receipts £G million	Balance + or £G million
1956	125.8	112.5	-13.3
1957	136.7	122.3	-14.4
1958	127.2	138.0	+10.8
1959	156.8	145.5	-11.2
1960	177.0	150.4	-26.6

In the first six months of 1961, the trade deficit amounted to £G10.7 million. It was expected that the fiscal measures introduced in the July 1961 Budget would improve the situation substantially. This expectation was partly met by the slightly reduced imports during the third quarter of the year. Imports in the third quarter fell short of the imports for the corresponding period of 1960 by £G0.2 million. On the other hand, exports increased by £G3.1 million. The trade deficit for the third quarter of 1961 was £G2.6 million. For the nine-month period January - September 1961, the deficit was £G13.2 million. This compares with a deficit of £G6.9 million and £G1.1 million for the corresponding periods of 1960. The developments in Ghana's balance of payments have had their repercussions on its foreign exchange reserves. The deficit of £G26.6 million in 1960 was financed mainly by reducing Ghana's external assets by £G17.6 million and by incurring external liabilities to the extent of £G4 million. During 1961, the reserves underwent a steady deterioration. As a result, total foreign reserves fell from £G149 million in March 1961 to £G115 million in June 1961, and to approximately £G9.0 million in September 1961.

Factors influencing the money supply

11. Total money supply in 1961 showed a considerable increase over 1960 figures as indicated by the table below:

Monthly Supply 1960-61 (in £G'000)

Year	March	June	September	December
1960	53,916	53,676	49,878	71,772
1961	66,326	63,633	64,350	n.a.

The above table shows an increase of 28 per cent between September 1960 and September 1961.

12. The main factor influencing the money supply is the level of economic activity. Owing to the great dependence of the Ghana economy on cocoa, there are usually large seasonal fluctuations in the money supply, which correspond to the seasonal activity in the cocoa industry. Apart from this seasonal element, the other important factors influencing the money supply are as follows:

- (i) the level of the external assets of the banks (including the Central Bank)
- (ii) the credits granted by the commercial banks to the private sector and
- (iii) Central Bank loans and advances to the central government.

13. Both in 1960 and in 1961 the external assets of the banks declined between January and September. There is a seasonal element in this in so far as this period falls outside the main cocoa buying season. But the main cause of this seems to be the unfavourable balance-of-payments situation. Between July and September 1961, the external assets of commercial banks declined by more than £G12 million. The corresponding figure for 1960 was £G7.7 million.

14. Commercial Banks' credit to the private sector declined by £G3.2 million during the first nine months of 1960. On the other hand, there was an increase of £G3.7 million in such credits during the first nine months of 1961. Most of this credit in 1961 occurred between July and September and was due to the operations of the exchange control system which by requiring commercial banks to reduce their external assets appears to have freed funds for the expansion of credit locally. Central Bank advances to the central government stood at a level of £G6.5 million at the end of September. In 1960, there were no such advances although the bank held a small amount of local treasury bills.

Other new measures being taken which will affect the foreign exchange reserve position either directly (e.g., external borrowing, control of invisible payments) or indirectly (e.g., internal fiscal and monetary measures)

15. The first measures designed to arrest the adverse development in the country's balance-of-payments situation and to conserve its foreign exchange reserves were incorporated in the 1961/62 Budget. The main principle behind the Budget proposal was contained in a statement issued earlier by the President of the Republic of Ghana in which he indicated that it is the Government's policy that recurrent expenditure should be financed entirely out of internal sources while external expenditure on development should be covered by loans and drawings on foreign reserves.

16. The most important feature of the Budget which was designed not only to raise revenue but also to improve the balance-of-payments situation was the introduction of purchase tax on a large range of imported consumer goods, the rate of taxes being fixed with a view to reducing imports of luxury and semi-luxury goods. Other important proposals in the Budget included the introduction of compulsory savings at the rate of 5-10 per cent on all non-cocoa incomes and a compulsory contribution by farmers of 6/-d. per load of cocoa sold. An urban property tax was imposed and import and export duties were increased. On the whole the Budget, by reducing incomes, will tend to curtail consumption particularly of imported goods. This will in turn affect the trade and payments situation and ease the pressure on the country's reserves.

17. With effect from 5 July 1961, exchange restrictions formerly operative in respect of the dollar and other currencies, were extended to include the sterling area. The new Exchange Control Act is designed to control dealings in gold and foreign currency, to regulate payments for imports and control the proceeds from export and also to control transactions relating to securities. The same system as was maintained under the old Exchange Control law with regard to the repatriation of capital up to £G15,000 have to be notified to the Exchange Control in order to qualify for automatic eventual repatriation. Investments above this sum may be repatriated provided "approved status" had earlier been obtained from the Cabinet. Pioneer industry legislation and other devices designed to encourage foreign investment are untouched by the new Act.

18. In recent months bilateral trade agreements have been concluded between Ghana and a number of eastern countries. These may by diversifying the channels of trade and increasing the sale of our main exports outside the traditional markets help to maintain world prices for our exports particularly cocoa at a reasonable level. The influence on our balance of payments of these agreements can be quite favourable, provided that the credit margins arranged in these replacements will be operating predominantly in favour of Ghana.

An estimate of the future course of balance-of-payments and reserve position,
taking into account new measures taken or planned

19. The new Exchange Control Act, the Budget proposals and the recent import restrictions are together designed to improve the country's balance-of-payments situation and to help to conserve its foreign reserves. For the year 1961, it is expected that the estimated deficit of £50 million on the balance of payments will not be realized due to the restrictions on imports embodied in the two measures. There has also been an awareness of the danger of running down the foreign reserves any further. Unless Government policies lead to the contraction of new obligations, it is expected that the reserves may be stabilized at some minimum level.

This would be particularly so if exports continue to rise - even slowly - while imports fall. There is always however, an unpredictable element in forecasting the future course of the country's balance of payments due to the many uncontrollable influences that affect the world price for cocoa, still our principal export and the mainstay of our economy. In this regard, the decision to go on with the Volta River Scheme gives cause for hope that there would in time be an improvement in the balance-of-payments position.