

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## CONSULTATION UNDER ARTICLE XVIII:12(a) WITH GHANA

### Statement made by Mr. M.R. Darko-Sarkwa at the Meeting of the Council on 26 February

I must first of all place on record my appreciation for this opportunity to explain the current Ghana Government policy on foreign trade and at the same time, to express our sincere regret for not being able to bring this change of policy to the notice of contracting parties before the policy was implemented.

2. I must explain also that our figures for the whole of the calendar year 1961 are not complete and as such most of the figures which I shall bring up to substantiate any submissions will refer to the year 1960.

3. As a result of successive measures of liberalization previously taken, almost 100 per cent of Ghana's imports from all countries in 1961 had been free of restriction. On the other hand, since 1956 Ghana had met with a continuous loss of foreign exchange reserves (save for the year 1958), principally owing to big increases in capital goods imports. For the year 1956 the deficit on current account was £G13.3 million, for 1957 the deficit was £G14.4 million, for 1958 there was a surplus of £G10.8 million, for 1959 there was a deficit of £G11.2 million and for 1960 there was a deficit of £G26.6 million.

4. The expansion in the volume of foreign trade continued during the year 1960. The global trade reached the total figure of £G246 million as compared with £G226 million in 1959 and £87 million of the West African Currency Board in 1948. The total value of imports grew from £G113 million in 1959 to £G129.6 million in 1960, i.e. nearly 15 per cent increase. But as the analysis by commodity groups shows, that growth was very uneven both in total values and in volume. Whilst such goods as machinery and transport equipment and miscellaneous manufactured articles showed a considerable rise, some other goods such as beverages and tobacco and crude materials actually decreased both in value and in volume. The increase in food imports during the year 1960 which had a lower average price, was even bigger in volume and was spread over almost all commodities except a few in which local production contributed to a sizeable substitution such as rice and eggs. The main increases were in the imports of fish, vegetables and goats.

5. The fall in imports in the beverages and tobacco group was almost wholly due to a decrease in imports of unmanufactured tobacco. This decrease was in part due to the expansion of local tobacco production. The decrease in the imports of the crude materials group was due to the substitution of locally produced goods such as salt, oil seeds etc.

6. The increase in mineral fuel in 1960 was due to the change in composition. Imports of gas oil continued to increase as a substitute for coal. Imports of coal decreased from £60.4 million to £60.2 million and those of gas oil increased from £60.1 million to £61.9 million. The spectacular increase in value and even more in volume of the animal and vegetable fats group was due to increased imports of vegetable oils at a price which was lower than a third of that prevailing in 1959. This reduction in price obviously resulted from imports of vegetable oils of lower quality and changes in sources of these goods. There was a reduction in imports of vegetables from the United Kingdom and the Netherlands and a very substantial increase in imports from Italy, Togo and Spain. There was a further slight increase in the imports of chemicals, although at a much lower rate than in 1959 while in 1959 imports of chemicals increased both in value and volume by 36 per cent, mainly due to the stepping up of the cocoa spraying campaign, the increase in 1960 was not more than 6 per cent. The spraying campaign in 1959 has already covered nearly the whole cocoa area and therefore there was not much room for further increases in imports of insecticides and fungicides. There was, however, a continued rise in imports of medicinal and pharmaceutical imports, which accounted for the major part of the increase of this group. The imports of textiles continued to rise. However, the increase in average price and the higher duty on textile goods reduced the percentage rise in 1960 by more than two thirds, - 6 per cent in 1960 as compared with 26 per cent in 1959. The imports of other manufactured goods such as building materials, metals, rubber, paper and leather manufactures have not increased in volume, and the increase in value was wholly due to the rise in average price. Furthermore, there was a sharp increase in the import of cement.

7. The most important increase among imports for 1960 was that in machinery and transport equipment. The volume of this category of imports rose by 53 per cent, while the rise in value was 32 per cent. The major increases were registered in imports of non-electrical machinery and appliances which more than doubled in value - the increase was £62.3 million. Imports of road motor vehicles, railway vehicles and agricultural machinery increased nearly six times.

The miscellaneous manufactured articles group, which comprises mainly furniture, clothing, footwear, watches, clocks, optical and photographic instruments, books, etc., rose by 25 per cent in both value and volume. The major increases were in some clothing items and footwear.

8. Mr. Chairman, whereas the volume and the value of our total imports have been rising since 1954, the export price index has actually remained under the export price index for 1954 which can be taken as a base figure at 100. The export price index for 1955 was eighty-five, 1956 was sixty-eight, 1957 was sixty-five, 1958 was ninety and 1959 was eighty-two. In the year 1960 the total exports increased by £62.6 million as compared with 1959 and reached a total of £6116 million. Out of this increase £61 million represented a rise in exports of foreign produce which reached £61.6 million as compared with £60.6 million in 1959. The increase in exports of domestic produce was therefore only £61.6 million. The analysis of domestic exports shows that nine commodities accounted for almost all the exports of Ghana in 1959-60 that is over 98 per cent. The percentages were cocoa beans 58.8 per cent, log timber 8 per cent, sawn timber 4.8 per cent, gold 9.7 per cent, diamonds 8.6 per cent, manganese 5.6 per cent, bauxite 0.5 per cent,

cocoa paste 0.9 per cent and cola nuts 1.1 per cent. The major export of Ghana which is cocoa has shown a significant increase in volume of over 21 per cent. However, the fall in the average price of cocoa in 1960 was over 20 per cent. The tremendous rise in world cocoa production was not matched by a corresponding increase in demand due mainly to several hindrances such as high import duties, internal fiscal charges, and quantitative restrictions which are applied by the major cocoa consuming countries against importation of cocoa. The low income demand elasticity for cocoa in Western Europe and North America which countries at present consume the bulk of the world's cocoa, makes it necessary to look for new markets which, by a comparatively small increase in their per capita consumption could absorb the present surplus. In the meantime prices continue to show a downward trend and this is accentuated by the high inelasticity of supply. There has been no real progress made towards diversification of Ghana's export trade. All the exports have remained in the field of primary raw materials and have been limited to the nine commodities to which I have already referred.

9. In the first six months of 1961, the trade deficit amounted to £G10.7 million. But 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 1961. 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, therefore, £G2.6 million. For the nine-month period January to September 1961, the deficit was £G13.2 million. 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 the year 1961 the reserves underwent a steady deterioration and, as a result, total foreign reserves fell from £G149 million in March 1961, to £G115 million in June 1961, and to approximately £G90 million in September 1961. The figure for September 1961 covers only the value of eight months imports calculating on the basis of 1961 imports which is estimated at £G140 million.

10. In order to check the accelerated decline in reserves, the Ghana Government adopted a new budget in July 1961, and the main principle behind the budget proposals was contained in a statement issued by Osagyefo, the President of Ghana, in which he indicated that it was 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. 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 reduce the imports of luxury and semi-luxury goods. The highest rate of  $66 \frac{2}{3}$  per cent was imposed on furniture, refrigerators, musical instruments, washing machines, vacuum cleaners, carpets and rugs, cameras and motor vehicles exceeding

2,500 c.c. The purchase tax on sewing machines, typewriters, wireless sets, domestic stoves, tyres and tubes, desk fans, electric irons and kettles, ready-made garments and motor vehicles of cubic capacity between 1,701 c.c. and 2,500 c.c. was stipulated at  $33 \frac{1}{3}$  per cent.

11. Changes in tariffs were mainly of a fiscal nature although some were in the nature of protective duties e.g. the rise in duties on beer from 6s per gallon to  $13 \frac{1}{6}$ d per gallon; on shoes made principally of canvas and rubber from 9d per pair or 20 per cent ad valorem whichever is higher to  $2 \frac{1}{6}$ d per pair or  $66 \frac{2}{3}$  per cent ad valorem whichever is higher; on towels from 20 per cent ad valorem to 40 per cent ad valorem and on brandy, gin, rum and whiskey from £G5.7.6d per gallon to £G11.7.6d per gallon.

12. As a further measure to arrest the decline in reserves, the Ghana Government adopted on 1 December 1961, a new policy which revoked all open general licences and rendered the importation of all goods, except a few items, prohibited save pursuant to a licence. The new policy with respect to licensing is designed to enable the Ghana Government to maximize the foreign exchange earnings derived from exports, and to obtain the greatest possible supply of each category of goods for the amount of foreign exchange allocated to that category.

13. Other important proposals in the budget included the introduction of compulsory savings at the rate of 5 per cent to 10 per cent on all non-cocoa incomes and a compulsory contribution by farmers of 6s per 60 lb. load of cocoa sold. An urban property tax was also imposed.

14. On the whole, the budget, by reducing incomes, will tend to curtail consumption particularly of imported luxury goods. This will in turn affect the trade and payments situation and ease the pressure on the country's reserves. I am sure, Mr. Chairman, that contracting parties will agree with me that we have already tightened our belts and will grant us retrospectively the necessary waiver which we now seek for the suspension of our obligations in this respect.