

GHANA

In 1996, the U.S. trade surplus with Ghana was \$124 million, a shift of \$153 million from the U.S. trade deficit of \$29 million in 1995. U.S. merchandise exports to Ghana were \$295 million, an increase of \$128 million (76.7 percent) from the level of U.S. exports to Ghana in 1995. Ghana was the United States' seventy-fifth largest export market in 1996. U.S. imports from Ghana were \$171 million in 1996, a decrease of \$25 million (12.8 percent) from the level of imports in 1995.

IMPORT POLICIES

Since it began its structural adjustment program in the early 1980's, Ghana has progressively eliminated or reduced its import quotas and surcharges. Currently, tariff rates are being adjusted in harmony with the Economic Community of West African States (ECOWAS) trade liberalization program. Since the elimination of Ghana's import licensing regime in 1989, importers are now simply required to sign a declaration that they will comply with the Ghanaian tax code and other laws. Special permits, however, are still required for some imports. Ghana's tariff structure addresses capital goods, intermediate goods and consumer goods. Only three ad valorem import duties are currently applied: 0 percent, 10 percent, and 25 percent. In addition, a specific duty of 10 to 40 percent is applied on 16 types of merchandise, including textiles, alcoholic and nonalcoholic beverages, and tobacco. These additional duties were intended to place the merchandise of local manufacturers on an equal competitive basis with imported goods. Due to a multitude of administrative problems, during 1996 the government issued directives (not yet implemented) to eliminate the supplemental duties.

To develop competitive domestic industries with exporting capabilities, the Government of Ghana continues to support domestic private enterprise with financial incentives, tax holidays, and other similar programs. Nevertheless, Ghanaian manufacturers contend that the country's tariff structure places local producers at a competitive disadvantage vis-a-vis imports from countries that enjoy greater production and marketing economies of scale. Reductions in tariffs have increased competition for local producers while reducing the cost of imported raw materials. Furthermore, the steady depreciation of the cedi during the past year has had the effect of partially offsetting reduced tariffs on imports of these materials.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Ghana has issued its own standards for food and drugs. The Ghana Standards Board, the testing authority, subscribes to accepted international practices for the testing of imports for purity and efficiency. 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. The purpose of this law is to set reasonable standards for imported foods and drugs. Locally manufactured goods are subject to comparable testing, labeling, and certification requirements.

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GOVERNMENT PROCUREMENT

Government purchases of equipment and supplies are usually handled by the Ghana Supply Commission (the official purchasing agency) through international bidding and, at times, through direct negotiations. Former government import monopolies have been abolished, but parastatal entities continue to import some commodities, although they no longer receive government import subsidies. At its peak, the Government of Ghana controlled more than 300 state-owned enterprises, and nearly half of these remained under government control by the end of 1996. The political leanings of the Ghanaian partners of foreign investors are often subject to close government scrutiny. The privatization of a government-controlled enterprise may be stalled if an interested party is known to be sympathetic to the political opposition.

EXPORT SUBSIDIES

There is no direct government subsidy of exports. However, concessionary credits and lower tax rates are not uncommon. The Export Processing Zone (EPZ) Law, enacted in 1995, does not tax corporate profits for the first 10 years of business operation. As with non-EPZ exporting companies, in subsequent years the corporate tax rate is 8 percent, compared to 35 percent for other nonexporting businesses.

As part of its economic reform program, the government has enacted various forms of personal and corporate tax relief. In 1993, the government eliminated the experimental “super sales tax” on luxury vehicles and consumer goods and maintained lower tax rates on annual personal income below the equivalent of \$17,500. While the top corporate tax rate is 35 percent, the new investment code provides that income earned from nontraditional export industries will be taxed at a rate of 8 percent.

LACK OF INTELLECTUAL PROPERTY PROTECTION

Ghana is a member of the Universal Copyright Convention, the World Intellectual Property Organization, the English-speaking African Regional Industrial Property Organization, and the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). 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.

SERVICES BARRIERS

The investment code excludes foreign investors from participating in four economic sectors that are reserved for Ghanaians: petty trading, the operation of taxi services, lotteries (excluding football pools), and the operation of beauty salons and barber shops.

In the recently concluded WTO negotiations on basic telecommunications services, Ghana made commitments for most basic telecom services, subject to the requirement that these services be provided through joint ventures with Ghanaian nationals. It retained a duopoly for domestic and international voice services. Ghana has adopted the reference paper on regulatory principles.

INVESTMENT BARRIERS

The operative investment code (revised in 1994) eliminates the need for prior project approvals by the Ghana Investment Promotion Center (GIPC). Registration, essentially for statistical purposes, is normally accomplished within five working days. Investment incentives are no longer subject to official discretion as they have been made automatic through incorporation into the corporate tax and customs codes. Incentives include zero rating import tariffs for plant and generous tax incentives. Immigrant quotas for businesses, though relaxed, remain in effect.

U.S. direct investment in Ghana is predominantly in the mining and fabricated metals sector. There is also significant U.S. investment in the petroleum, seafood, telecommunications, chemicals, and wholesale trade sectors. Labor conditions in these sectors of the economy do not differ from the norm. U.S. and other foreign firms in Ghana are required to adhere to Ghanaian labor laws, including restrictions on the number of expatriates employed.

The high cost of local financing (with interest rates currently around 45 percent) acts as a significant disincentive for local traders and investors. Such high interest rates and a lack of liquidity in the financial system constrain industrial growth and inhibit the expansion of most Ghanaian businesses from their current micro scale operations. The legalization of foreign exchange bureaus has made foreign currency readily available in Ghana, but strong demand for imported goods has led to a significant decline in the foreign exchange value of the cedi in recent years. Domestic inflation moderated during 1996 and is currently running at a 35 to 40 percent annual rate (down from 70 percent at the end of 1995). The Bank of Ghana continues to pursue a tight money policy in an effort to contain inflationary pressures.

The residual effects of a drastically overregulated economy and 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 often take longer than they should. Entrenched local interests sometimes have the ability to derail or delay new entrants, and securing government approvals may depend on an applicant's contacts. Nonetheless, on balance, a positive direction is apparent in the investment climate overall.

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