GHANA

In 1997, the U.S. trade surplus with Ghana was $160 million, an increase of $36 million from the United States trade surplus of $124 million in 1996. U.S. merchandise exports to Ghana were $314 million, an increase of $19 million (6.5 percent) from the level of U.S. exports to Ghana in 1996. Ghana was the United States' seventy-seventh largest export market in 1997. U.S. imports from Ghana were $154 million in 1997, a decrease of $17 million (9.9 percent) from the level of imports in 1996.

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 (these include drugs, all communication equipment, mercury, gambling machines, handcuffs, arms and ammunition, and live plants and animals.) 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 alcoholic and nonalcoholic beverages, and textiles. These additional duties are intended to place the merchandise of local manufacturers on an equal competitive basis with imported goods. Administrative problems subsequently delayed implementation of 1996 government directives 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. However, the steady depreciation of the cedi during the past year has had the effect of partially offsetting reduced tariffs on imports of these materials. In 1995, the government repealed a 17 percent value-added tax (VAT) immediately after it was introduced because of widespread public protests. Over the past year the government has launched an extensive public campaign to successfully reintroduce a VAT bill and begin implementation in 1998.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Ghana has issued its own standards for food and drugs under the auspices of the Ghana Standards Board, the testing authority, which 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. 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.

Ghana

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 by the end of 1997, more than 200 of these had been privatized. 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 non-exporting businesses.

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 and car rental services with fleets of fewer than ten vehicles, 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 Ghanian nationals. It retained a duopoly for domestic and international voice services. Ghana has adopted the reference paper on regulatory principles.

In the financial services negotiations, Ghana has committed to allow 60 percent foreign ownership in terms of commercial presence. Ghana requires a high paid-in capital requirement for foreign firms, but allows them to provide a full range of services.

INVESTMENT BARRIERS

The 1994 investment code 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. Wage rates in the metals and mining sectors are substantially higher than 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.

The high cost of local financing (with short-term interest rates currently between 40 and 50 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 about 28 percent annually. 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.