GHANA

TRADE SUMMARY

In 2001, the United States' balance of trade with Ghana improved from a deficit of $13 million in 2000, to a surplus of $13 million. U.S. goods exports to Ghana in 2001 were $200 million, an increase from 2000 of 4.5 percent. U.S. goods imports from Ghana were $187 million, a decline of 8.6 percent from 2000. In 2001, Ghana was the United States' 93rd largest export market.

IMPORT POLICIES

Ghana has progressively eliminated or reduced its import quotas, tariffs, and import licensing through the structural adjustment program it initiated in the early 1980s. The import licensing regime was eliminated in 1989, but some imports such as drugs, mercury, gambling machines, handcuffs, arms and ammunition, and live plants and animals require special permits. The tariff system, which has been simplified and harmonized with the Economic Community of West African States (ECOWAS) trade liberalization program, has only four ad valorem import duties being applied: 0 percent, 5 percent, 10 percent, and 20 percent. In 2000, a new levy at 0.5 percent (called the ECOWAS levy) was introduced on goods imported from non-ECOWAS countries. In 2001, another 0.5 percent levy (called the Export Development and Investment Fund (EDIF) levy) was imposed on all imports. A 12.5 percent value-added tax is imposed on the duty-inclusive value of all imports. Additional excise tax levels ranging between 5 percent and 140 percent are applied for tobacco products, beer, water, and malt drink.

As a temporary measure to address severe trade imbalances and a rapidly depreciating currency, the government introduced a 20 percent special tax on some selected imports in March 2000. In March 2001, the new government reduced the special tax to 10 percent for some of the items and eliminated the tax completely for the rest. As a result of the scope of the review, the affected tariff lines were reduced from 32 to 26, or about 3 percent of the total number of tariff lines.

The apparel and used clothing tariff line was removed during the review. With the removal of the special tax on apparel and used clothing, Ghana no longer has specific restrictions on their imports. The special tax currently does not affect major items imported from the United States. The government is expected to reduce further or eliminate the special tax in 2002.

Ghana has reported implementation of the WTO Agreement on Customs Valuation, but WTO records show that Ghana has not notified its legislation nor the Customs Valuation Checklist to the WTO Committee on Customs Valuation. Draft legislation has yet to be sent to parliament. In 2000, Ghana changed from the use of preshipment inspection (PSI) to the use of destination inspection. Two inspection companies currently have contracts with the government to perform the destination inspection and the government is expected to allow additional companies to perform this service.

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.

STANDARDS, TESTING, LABELING,

AND CERTIFICATION

Ghana's standards are mandatory. Ghana has issued its own standards for most products under the auspices of the Ghana Standards Board (GSB), the testing authority, which subscribes to accepted international practices for the testing of imports for purity and efficiency. The Food and Drugs Board enforces its own standards as well as those of GSB.

Ghana prohibits the importation of meat with fat content by weight higher than 25 percent for beef, 42 percent for pork, 15 percent for poultry, and 35 percent for mutton. It also restricts the importation of condensed or evaporated milk with less than 8 percent milk fat by weight, with the exception of imported skim milk in containers. There is currently a temporary ban on the import of fish, except canned fish. Imported turkeys must have their oil glands removed. Ghana has banned the importation of all vehicles that are more than 10 years old. Coded expiration dates on U.S. products cause delays, but are accepted by the GSB. It is difficult to measure the precise economic impact of these restrictions.

GOVERNMENT PROCUREMENT

Ghana is not a member of the WTO Agreement on Government Procurement. Currently, several guidelines are used by the government to purchase equipment and supplies that in some cases make the process difficult to understand, especially for foreign businesses. The Government of Ghana is in the process of developing a unified code for procurement, which would be administered by a central body intended to enhance transparency and efficiency. Responding to increased demand for government support for local industries, a government directive, issued August 1999, allows tenders to be awarded to local suppliers even if the prices of the "made-in-Ghana" goods are 12.5 percent higher than imported ones. Similarly, contractors on government projects must source at least 40 percent of their materials from locally-made goods, where available.

EXPORT SUBSIDIES

Preferential credit and tax incentives are used to promote exports. The export processing zone (EPZ) law, enacted in 1995, does not tax corporate profits for the first 10 years of business operation in an EPZ. In subsequent years, the tax rate for EPZ-based companies is 8 percent (the same as for non-EPZ companies in the case of non-traditional exports). This compares to 35 percent for non-exporting companies.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Ghana is a party to the Universal Copyright Convention, and a member of the World Intellectual Property Organization (WIPO), the African Regional Industrial Property Organization, and the World Trade Organization (WTO). 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. A bill that will bring Ghana into compliance with its TRIPS requirements was introduced in parliament in 2000, but never was brought to a vote.

Ghana is not a popular location for imitation designer apparel or watches. In cases where trademarks have been misappropriated, the price and quality disparity is usually readily apparent. Bootlegging computer software is an example of copyright infringement that does take place, but there are no data available to measure this practice. Pirating videotapes is another local practice that may affect U.S. exports, but the evidence suggests that this is not done on a large scale, and there is no significant export market for books, cassettes, or videotapes pirated in Ghana.

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 soccer pools), and the operation of beauty salons and barber shops. Provision of services by professionals such as lawyers, accountants and doctors require membership in a professional body. Requirements for membership are identical for both Ghanaians and non-Ghanaians.

In the WTO, Ghana made commitments for most basic telecommunications services, subject to the requirement that these services be provided through joint ventures with Ghanaian nationals. It retained duopoly for domestic and international services. The government has announced plans to open up the market by allowing additional carriers in 2002. Ghana has adopted the Reference Paper on Regulatory Principles, which obliges Ghana, among other things, to ensure cost-oriented interconnection with its major suppliers. The National Communications Authority, which was set up to regulate the market, has yet to become an effective mechanism to resolve the complaints of anticompetitive practices by Ghana Telecom, the quasi state-owned national telecom operator.

In the WTO financial services negotiations, Ghana has committed to allow 60 percent foreign ownership in the insurance sector, 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. The level of ownership does not apply to auxiliary insurance services.

There are no prescribed levels for foreign participation in banking and other financial services. However, shares of non-Ghanaian individuals may not exceed 10 percent and the total amount of shares held by all non-Ghanaians in one security listed on the Ghana Stock Exchange may not exceed 74 percent. For banking and leasing, a license is required from the Central Bank. For securities trading, a license is required from the Securities Regulatory Commission.

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 exemption from import tariffs for plant and equipment, and generous tax incentives. Work visa quotas for businesses, though relaxed, remain in effect. The following minimum equity injection, in the form of either cash or its equivalent in capital goods, is required of non-Ghanaians that want to invest in Ghana: 1) $10,000, for joint ventures with a Ghanaian; 2) $50,000, for enterprises wholly-owned by a non-Ghanaian; or 3) $300,000 for trading companies either wholly or partly-owned by non-Ghanaians, and the trading company must employ at least ten Ghanaians.

At its peak, the Government of Ghana controlled more than 300 state-owned enterprises; by the end of 2000, under the privatization program of former President Rawlings, more than 200 of these had been privatized. However, the political affiliations of the Ghanaian partners of foreign investors had often been subject to government scrutiny, and the process of divestiture was criticized for lack of transparency. The Kufuor Government has reconstituted the Divestiture Implementation Committee, and plans to re-commence divestiture in 2002.

U.S. direct investment in Ghana is predominantly in the fabricated metals sector. There is also significant U.S. investment in the petroleum, seafood, telecommunications, energy, 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.

ELECTRONIC COMMERCE

Barriers to electronic commerce are mainly due to foreign exchange restrictions and lack of the necessary financial infrastructure. The payment system is largely cash-based and approval is required for the transfer of foreign payments through banks.

OTHER BARRIERS

U.S. businesses interested in Ghana should also be aware of other barriers such as limited credit facilities for local importers and freight rates that are higher than those for potential European competitors. There are also frequent problems related to land tenure and ownership. Frequent backlogs of cargo at Tema Port also hurt the business climate.

The high cost of local financing (with short-term interest rates currently about 40 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 made foreign currency readily available in Ghana.

The residual effects of a highly regulated economy and periodic lack of transparency in government operations create an element of risk for potential investors. Bureaucratic inertia is sometimes a problem in Government of Ghana 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 be dependent upon an applicant's contacts.

President Kufuor has confirmed his commitment to free markets and trade, saying "Ghana is open for business." President Kufuor also announced "zero tolerance" for corruption.