GHANA

In 1998, the U.S. trade surplus with Ghana was $79 million, a decrease of $81 million from the U.S. trade surplus of $160 million in 1997. U.S. merchandise exports to Ghana were $223 million in 1998, a decrease of 28.9 percent from the level of U.S. exports to Ghana in 1997. U.S. imports from Ghana were more than $144 billion, an increase of almost 12 percent from the level of imports in 1997. The stock of U.S. foreign direct investment in Ghana amounted to almost $370 billion in 1997, a more than 9 percent rise from 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, 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 percent to 40 percent is imposed on 16 types of merchandise including alcoholic and non-alcoholic beverages, tobacco, and textiles. These additional duties are intended to place the merchandise of local manufacturers on an equal competitive basis with imported goods. An attempt was made in 1996 to eliminate the supplemental duties but was abandoned due to administrative problems.

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. At the same time, the cedi has been relatively stable compared to the significant depreciation of previous years, thereby making imports more affordable. A value-added tax (VAT) at a rate of 10 percent was introduced on December 31, 1998, to replace the sales and services taxes. The government conducted an extensive public information campaign to explain the VAT and implementation and collection of the tax appear to be progressing with few problems. A previous attempt to introduce a VAT failed in 1995 over widespread protests.

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 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. Ghana also employs the services of four pre-shipment inspection (PSI) agencies for the review of imports for quality and price. To comply with the World Trade Organization Agreement on Definition of Values, PSI will be replaced by destination inspection in 2000. However, U.S. exporters have experienced difficulties working with Ghana's PSI regime, complaining of overstated PSI valuations, making customs clearance in Ghana difficult.

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. Parastatal entities continue to import some commodities, although they no longer receive government import subsidies.

The Government of Ghana once controlled more than 300 state-owned-enterprises. By the end of 1998, more than 200 of these had been privatized. The political leanings of the Ghanaian partners of foreign investors are sometimes subject to government scrutiny. There are reports that 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 new 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, or 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 soccer 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 duopoly for domestic and international 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. Ghana has no barriers for electronic commerce, possibly because commerce is rarely used.

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, energy, chemicals, and wholesale trade sectors. Wage rates in the metals and mining sectors are substantially higher than in 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 at about 35 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. In 1998, the cedi depreciated by about 5 percent, the lowest rate in a decade. Domestic inflation has fallen from 70 percent in 1995 to 15 percent in 1998. The bank of Ghana continues to pursue a tight monetary policy in an effort to contain inflationary pressures.

The residual effects of a drastically over-regulated 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 be dependent upon an applicant's contacts. The government officially condemns corruption and is taking measures to address it. On balance, Ghana’s business climate is considered conducive to international commerce.