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LEGON DECEMBER 2014
DECLARATION

I hereby declare that this dissertation, of which no part has been submitted anywhere else for any other purpose, is the result of an original research conducted by me under the supervision of Dr. Vladimir Antwi-Danso.

(……………………………..)                                       (……………………………..)
Kwaku Kankam                                                  Vladimir Antwi-Danso (Dr.)
Student                                                                        Supervisor

Dated: ………………………                                         Dated: ………………………
DEDICATION

I would like to dedicate this project to God, to my beloved late mother, Barbara my wife, my adorable daughters, Karen-Lisa and Carol and my entire family.
This research work required a lot of hard work and I am indebted to a number of people whose support and encouragement made it possible.

Firstly, I am grateful to my employers, the Ministry of Foreign Affairs for nominating me to participate in this academic programme. To the staff of the various libraries I visited for my research, especially Mr. Eric Amartey and his colleagues at the LECIAD library, I say thank you.

I would also like to make special mention of Ambassador D.K. Osei, who was a great source of information. I cannot leave out my supervisor, Dr. Antwi-Danso, whose critical comments greatly enriched this work. Finally, I would like to acknowledge all those who helped in various ways to make this project a success.
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<tr>
<td>AGOA</td>
<td>Africa Growth and Opportunity Act</td>
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<td>APRM</td>
<td>African Peer Review Mechanism</td>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>CEPS</td>
<td>Custom Excise and Preventive Service</td>
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<td>DANIDA</td>
<td>Danish Development Agency</td>
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<td>DfID</td>
<td>Department for International Development</td>
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<td>DFR</td>
<td>Department of Feeder Roads</td>
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<td>DPA</td>
<td>Development Partners Administration</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<td>GIAC</td>
<td>Ghana Investment Advisory Council</td>
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<td>GNPC</td>
<td>Ghana National Petroleum Corporation</td>
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<td>GRA</td>
<td>Ghana Revenue Authority</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRS</td>
<td>Internal Revenue Service</td>
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<td>ITU</td>
<td>International Telecommunications Union</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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<td>JICA</td>
<td>Japanese International Co-operation Assistance</td>
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<td>MMT</td>
<td>Metro Mass Transit</td>
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<td>Acronym</td>
<td>Meaning</td>
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<tr>
<td>NDC</td>
<td>National Democratic Congress</td>
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<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<td>NPP</td>
<td>New Patriotic Party</td>
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<td>PNDC</td>
<td>Provisional National Defence Council</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<tr>
<td>RAGB</td>
<td>Revenue Agencies Governing Board</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>VATS</td>
<td>Value Added Tax Service</td>
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<td>WAGP</td>
<td>West African Gas Pipeline</td>
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ABSTRACT

This research work examines the extent to which President J.A. Kufuor’s implementation of his foreign policy of economic diplomacy contributed to the attainment of his administration’s economic development goals. In 2001 when Kufuor assumed office, Ghana’s foreign exchange reserves were depleted, the country had a mountain of debt to service, and the nation was facing economic crisis. The research examines the key measures that were put in place by the Kufuor government to create a business-friendly environment in order to attract foreign investors. The study draws from an unstructured interview with a former secretary to President Kufuor, as well as data gathered from other various relevant sources. The research findings show that during the tenure of President Kufuor, Ghana witnessed a stable economic environment, with reduced inflation, lower interest rates, a strong external reserve position and a relatively stable currency. During this period, Ghana also saw an unprecedented rise in foreign direct investment in various sectors of the economy.
CHAPTER ONE
RESEARCH DESIGN

1.0 Background to the Problem

Since independence in 1957, Ghana’s economic development has been pursued by successive governments by means of various foreign policy objectives. The focus on economic diplomacy, however, has been more pronounced since Ghana returned to democratic rule in 1992.

Ghana’s dire economic needs in the early 1990s, following the end of the Cold War coupled with increased globalization and the ensuing interdependence among states, necessitated the erstwhile National Democratic Congress (NDC), under the leadership of President Jerry Rawlings, to pursue pragmatic external policies, in line with economic diplomacy, that were geared towards the maintenance of positive relations with the international community, development partner, and the Bretton Woods institutions.¹

Economic diplomacy comprises the complete array of economic activities, including but not limited to export, import, investment, lending, aid and free trade agreements that a state may engage in with other states.² Economic diplomacy has become one of the major priorities of states in their international relations as a result of the political and economic dynamics of today’s globalized world. The effectiveness of economic diplomacy to yield the envisaged gains is

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pivoted on a state’s capacity to forge good relations with its foreign development partners and to gain their confidence and trust.

It was against this backdrop that, upon winning the 2000 General elections, President John Agyekum Kufuor placed emphasis on economic diplomacy and good neighbourliness. As noted earlier, economic diplomacy was pursued as a foreign policy objective by President Rawlings from 1992. It was however given greater emphasis by the Kufuor administration in line with its policy of “Golden Age of Business”.

In his address to the Closing Session of the Induction Course for newly appointed envoys in 2002, Kufuor emphasized that “the primary role of our diplomats abroad is to promote economic diplomacy.” Kufuor further tasked Ghana’s diplomatic missions to become avenues for the promotion of economic diplomacy through trade, tourism and investment promotion for the mutual benefit of Ghana and its development partners.

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4 Ibid.
1.1 Statement of the Research Problem

Ghana’s economic development has been pursued by past governments through various foreign policy objectives, however, not all of the policies pursued by these governments yielded the measure of economic growth and development that had been anticipated.

Although the literature on Ghana’s economic policies during the Kufuor administration exist, it is difficult to find an assessment of the period in terms of a document that spells out what his government set out to accomplish in terms of economic diplomacy and what it actually achieved. An assessment of Kufuor’s more focused economic diplomacy strategy is necessary to ascertain the extent to which the policy yielded the expected benefits. This research, therefore, focuses on Kufuor’s implementation of his policy of economic diplomacy and its contribution to economic development during his tenure.

1.2 Objectives of the Study

The study seeks to:

- Review economic diplomacy in contemporary times.
- To assess the Kufuor government’s policy of economic diplomacy during the period between 2001 and 2008.
- To ascertain the extent to which the Kufuor government’s implementation of the policy contributed to the attainment of the regime’s economic development goals or otherwise.
1.3 Rationale of the Study

A wide range of political and economic issues in today’s globalized world have projected economic diplomacy to the top of international policy agenda. In Ghana, economic development has been pursued by various governments since independence by means of various foreign policy objectives. However, most of the policies embarked upon by past governments have not necessarily resulted in the desired economic growth and development envisioned.

An assessment of the Kufuor administration’s policy of economic diplomacy to ascertain the extent to which it contributed to the measure of economic growth and development achieved during the period, therefore, adds to existing literature on the subject and aids subsequent governments and policy makers to pursue Ghana’s economic security with more efficient and effective policies.

1.4 Hypothesis

Ghana’s policy of economic diplomacy under the Kufuor administration was very effective because of the more focused approach that was adopted in its implementation.

1.5 Theoretical Framework

The theory of neoliberalism best explains the underlying philosophy that informed the economic diplomacy agenda of the Kufuor Government. David Harvey, in defining the concept, states that:

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.\(^5\)

\(^5\) Harvey D., (2005), A Brief History of Neoliberalism, Oxford: Oxford University Press.
Proponents of neoliberalism believe that markets should be free from governmental interference. Hence, they promote economic liberalization, deregulation, free trade and free markets, privatization and the enhancement of the role of the private sector. It is interesting to note that, most of these neoliberal activities are internationally pursued by states by means of economic diplomacy. A major example would be the multilateral negotiations that ensue among states at the World Trade Organisation (WTO). Kishan S. Rana, a leading writer on economic diplomacy, describes economic diplomacy as a process states adopt in their interaction with the outside world with the aim of advancing gains, regarding the national interest, leveraging benefits in all areas “including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important.”  It is evident from the foregoing that the Kufuor administration was guided by the neoliberal school of thought in its pursuit of economic diplomacy.

Neoliberalism originated from European liberal scholars in their attempt to propagate what they referred to as a ‘Middle Way’ between the contrary philosophies of classical liberalism and collectivist central planning in the 1930s. Economic neoliberalism is the most common form of neoliberalism, and that is what is usually implied when a system is described as neoliberal. Proponents of neoliberalism include Friedrich Hayek and Milton Friedman.

Neoliberalism is usually seen by critics as a form of neocolonialism, where the more developed countries exploit the less developed countries. Opponents are of the view that international

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involvement and the imposition of neoliberal policies by the Bretton Woods institutions, the International Monetary Fund (IMF) and the World Bank, usually acts against the interests of less developed countries that they claim to be assisting. This assertion has led some to argue that the policies hide a clandestine motive.

Notable critics of neoliberalism in theory or practice include economists Joseph Stiglitz, Robert Pollin, Noam Chomsky, geographer David Harvey, and the anti-globalization movement in general. However, even among the critics there are divergent views. Joseph Stiglitz, for example, argues that there is no neo-imperial plot, but that the system is driven by a combination of ideology and special interests, in which neoliberal fundamentalists, who are convinced that neoliberalism cannot fail, work with financial and other multinational corporations, who stand to gain the most from opening up foreign markets. David Harvey, on the other hand, opines that local elites take advantage of neoliberal reforms to impose reforms that promote their interests at the expense of the underprivileged in society, while transferring the blame onto the supposed “evil imperialists” in the developed countries.

Neoliberalism is relevant to this study because the policies of the Kufuor administration were in line with the neoliberal approach to economic development. His government promoted a market-based economic strategy in order for the country to reap the benefits of a free market economy. Upon assumption of office, the Kufuor administration put measures in place to open up Ghana to the international business community, and also ensured the promotion of the private sector as the engine of growth. All these were intended to create a climate in which private enterprise could thrive. These measures, undertaken by the Kufuor regime, are in sync with neoliberal thinking

9 Harvey D., “A Brief History of Neoliberalism”, Available at www.youtube.com/watch?v=PkJWWMozNNrQ (Accessed on 15th January, 2014)
which emphasizes the promotion of free trade, free markets, and private enterprise. It is in this regard that neoliberalism serves as a framework to explain the economic policies of the Kufuor regime.

1.6 Literature Review

Scholarly work on Ghana’s economic diplomacy is usually embedded in the literature on Ghana’s foreign policy as pursued by successive governments since independence. Thus, there is some difficulty in finding literature that specifically assesses the subject of economic diplomacy under the Kufuor administration. Other scholarly works, however, have a bearing on this work.

According to Berridge and James, “economic diplomacy is concerned with economic policy questions, including the work of delegations to conferences sponsored by bodies such as the WTO” and include “diplomacy which employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective.”

Bayne and Woolcock explain how states conduct their external economic relations in the 21st century, how they make decisions domestically, how they negotiate internationally, and how these processes interact. They document the transformation of economic diplomacy over the last two decades in response to the end of the Cold War, the rise of globalization and the growing influence of non-state actors such as private business and civil society. According to Bayne and Woolcock, increased globalization and the interdependence among states during the 1990s

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makes it necessary for economic diplomacy to be considered in domestic decision making as well.\textsuperscript{12}

Kishan Rana provides a wide ranging definition of the concept of economic diplomacy. His definition borders on significant areas of economic diplomacy.\textsuperscript{13} First, Rana posits that economic diplomacy entails how states deal with the outside world, and the appropriation of the benefits thereof. Second, the interaction is in the economic realm, and involves activities such as trade, investment, as well as “economically beneficial exchanges”. Third, “economic diplomacy has bilateral, regional and multilateral dimensions, each of which is important.”\textsuperscript{14}

Boafo-Arthur writes about continuity and changes in Ghana’s foreign policy relating to the post-Cold War era and briefly appraises the foreign policies of the New Patriotic Party (NPP) under Kufuor and that of the NDC under President Rawlings from 1992.\textsuperscript{15} He looks at Kufuor’s policy of good neighbourliness and concludes that “in sum, the NPP government has successfully charted a vibrant sub-regional policy that has enhanced the country’s image as both a peaceful country and a peace-maker in the sub-region.”\textsuperscript{16} Boafo-Arthur, goes on to emphasize that “the NPP government’s distinctive commitment to good neighbourliness in contradiction to the P/NDC is a clear departure or change in policy orientation in the sub-region.”\textsuperscript{17}

On economic diplomacy, he surmises that the NPP’s philosophy on how to develop the nation led them to place a stronger emphasis on economic diplomacy and good neighbourliness than the

\begin{itemize}
    \item \textsuperscript{12} Ibid.
    \item \textsuperscript{14} Ibid.
    \item \textsuperscript{16} Ibid., p. 242.
    \item \textsuperscript{17} Ibid., p. 248.
\end{itemize}
NDC. However, the writer does not make any effort to expatiate on the aspects of the strategy used to pursue Ghana’s economic diplomacy by the Kufuor regime.

Boafo-Arthur, writing on ‘Half-a-Century of Ghana’s Foreign Policy’, assesses the foreign policies that have been utilized to sustain the country’s international interactions. He notes the changing domestic political terrain as well as transformations in the international system and how their convergence influences foreign policy decision making. Further, he identifies two main domestic variables that seem to exert a lot of influence on Ghana’s international behavior as the type of leadership and the nature of the economy.

On the foreign policies of the NPP government under President Kufour, he writes that there was no change in foreign policy orientation as a result of the requirements in the 1992 constitution as regards Ghana’s international interactions, which bind governments in the fourth republic to interact in the international system within the ambit of the provisions. Furthermore, he writes about the seeming ideological affinity between the NDC and the NPP in spite of their divergent claims that led the latter to continue with the economic diplomacy initiated by the former, albeit with greater zeal and commitment. Boafo-Arthur briefly highlights some of the achievements of the Kufuor government’s foreign policies but fails to give an in-depth assessment of how the administration implemented the policy of economic diplomacy.

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Agyeman-Duah\textsuperscript{19}, whose work centers on an economic history of Ghana, reflects on a half-century of the country’s challenges and progress in its economic development since independence and brings together the views of twenty distinguished individuals, Ghanaians and non-Ghanaians alike, who have played strategic roles in successive governments since independence, to reflect on how the restructuring of Ghana’s institutions and public policies has contributed to shaping a more improved economy. Ghana’s foreign policy under the Kufuor regime is also briefly looked at. However, Agyeman-Duah’s work does not specifically deal with the mode of implementation of economic diplomacy under the Kufuor administration. The present study aims to assess how the Kufuor administration’s policy of economic diplomacy was implemented in pursuance of increased economic development.

1.7 Sources of Data Collection

The study draws mainly from primary and secondary sources of information. This includes an unstructured interview, data from the World Bank, as well as information from relevant government agencies. Published works, journal articles and other scholarly material relating to the subject of this dissertation are also used.

1.8 Arrangement of Chapters

The study is divided into four chapters. The first chapter contains the research design. Chapter two presents an overview of economic diplomacy in contemporary times. Chapter three focuses on the Kufuor administration’s policy of economic diplomacy. The fourth chapter comprises a summary of findings, conclusions and recommendations.
CHAPTER TWO

ECONOMIC DIPLOMACY IN CONTEMPORARY TIMES

2.0 Introduction

This chapter presents a general overview of economic diplomacy, tracing its evolution over the years up to the present. It further discusses the various types of economic diplomacy as identified in the literature. The objective of the chapter is to provide a context in which to discuss economic diplomacy under the Kufuor administration in Ghana.

Definition of Economic Diplomacy

The British economist and diplomat, Nicholas Bayne, one of the leading writers on the subject, defines economic diplomacy as the “method by which states conduct their external economic relations. It embraces how they make decisions domestically, how they negotiate internationally, and how the two processes interact”.20 States compete amongst themselves in the establishment of market access for their national companies in other countries, as well as in the attraction of foreign direct investments (FDI). In the same vein, countries attempt to protect their domestic markets by means of various trade barriers, and also engage in deepening their cooperation within the context of international regulatory institutions such as, the World Trade Organisation (WTO) and International Telecommunications Union (ITU), or regional economic agreements such as the European Union (EU), North American Free Trade Agreement (NAFTA) and the Economic Community of West African States (ECOWAS).

According to Ibrahim R. Mavlanov,\textsuperscript{21} the concept of economic diplomacy is now interpreted very widely. As a result of this fact, the practice has no distinctive features; its borders have become more and more blurred, encompassing economics, politics, diplomacy and other disciplines of international relations and foreign policy. In Van Bergeijk’s view, since economic diplomacy covers such a wide array of activities, it helps to look at it from two specific areas:

the opening of markets to stimulate cross-border economic activities such as imports, exports, mergers and acquisitions, and Foreign Direct Investment; the building and use of bilateral, cultural, political and economic relationships that exist between countries in order to assist domestic companies when they encounter difficulties abroad.\textsuperscript{22}

Economic diplomacy may also involve a degree of power play where necessary. According to Baldwin, this is termed ‘economic statecraft’.\textsuperscript{23} It is the strategic use of what is referred to in international relations as ‘carrots’ and ‘sticks’, which involves the utilization of economic sanctions such as trade embargoes (sticks) as well as aid programs (carrots), by some powerful states and other international actors, such as the United Nations (UN), to pressure less powerful states to cooperate. Thus, economic diplomacy, considered in terms of realism, is concerned with the economic agenda in diplomacy, which can be distinguished from the political agenda.


\textsuperscript{22} For more details, see Bergeijk P. van., (2014), Economic diplomacy and South-South trade: A New Issue in Development. GREAT Insights, Volume 3, Issue 3.

According to G.R. Berridge, diplomacy is defined as “the means by which states pursue their foreign policies”. Economic diplomacy, therefore, involves the pursuit of economic security within an anarchic international system. In simple terms, economic diplomacy entails the approaches adopted by state and non-state actors in both domestic and international decision-making in relation to cross-border economic activities.

2.1 Evolution of Economic Diplomacy

In a globalised and interconnected world, economics is a significant component in determining relations between states. History confirms that diplomacy originated as a result of trade, which was a fundamental stimulus for early interactions between nations. The Amarna archive clay tablets of Middle Egypt dating back to the period 1460–1220 BC, which were transcribed in recent times, records the extensive trade that existed during that era among the nations and ancient civilizations of Egypt and Western Asia. In other words, trade gave rise to the establishment of initial intergovernmental agreements or mutual relations amongst states.

Never before has the development of commercial and economic mutual relations among states been at the very heart of diplomatic activity as in recent times. Economics in international affairs was in earlier times viewed as a minor activity best left to trade and commercial envoys or representatives and experts from associated sectors. However, increased globalization and the resulting interdependence among states, since the end of the Cold War in the 1990s, has led to economic diplomacy becoming a topical issue in domestic decision making. Currently, states

practically place equal emphasis on political and economic activity in their diplomatic dealings. For developed and developing nations alike, export promotion and the attraction of foreign direct investment (FDI) serve as the basis for advancing interests in foreign countries. Economics, has thus, moved to center-stage in diplomacy and now extends beyond commercial diplomacy.

Economic diplomacy has evolved from traditional trade diplomacy which was, in the past, the purview of government officials and diplomats. In recent times, the private sector and civil society have become actively involved in decision-making that influences the negotiating position of a country. While, private sector involvement has become necessary because of the need to maintain a competitive edge in relevant markets, the involvement of civil society is as a result of the need to factor the views and concerns of ordinary stakeholders into negotiating positions in order to foster wider national ownership.26

2.2 Diplomacy and Economic Diplomacy

Players in economic diplomacy are more wide-ranging than in traditional diplomacy. State and non-state actors alike are actively involved in the process. State departments and agencies, with the mandate to perform functions in the field of economics operate internationally and are, therefore, naturally involved in economic diplomacy. Similarly, non-state actors, such as non-governmental organisations (NGOs), which are internationally active in the economic arena, are also players in economic diplomacy. Additionally, investors and businesses are also actors in the process, especially when diplomats initiate or facilitate contacts between them and governments.

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Economic diplomacy may be driven by the foreign ministry of a state, but it involves those with economic responsibilities and interests, both within and outside of government at all levels of governance. According to Bayne & Woolcock, in an interdependent global economy, economic diplomacy encompasses a broader range of issues thereby swelling the potential number of national and systemic actors with economic interests and responsibilities in the diplomatic process.\textsuperscript{27}

Current approaches to economic diplomacy, however, recognize that diplomacy cannot be categorized into distinct economic and political activity. Most countries would find such a separation simply impracticable. In the view of Christopher Meyer, a former British Ambassador to the United States (US), “…it is increasingly difficult to distinguish between what is political in diplomacy and what is economic, and indeed, whether there is a dividing line between the two which has any validity at all.”\textsuperscript{28}

\section*{2.3 Economic Diplomacy in Contemporary Times: Globalization}

The global economy has become more integrated as a result of the processes of globalization and regionalization. Diplomats are agents of globalization because of their direct involvement in the creation, development and regulation of markets and capital, through trade and finance negotiations, as well as commercial activity. Economic diplomacy involves networks of state and non-state actors at domestic and systemic levels, pursuing both private and public interests. The

operations of these networks are influenced by an increasingly integrated and interdependent world economy.

The concept of globalization is mainly an economic process which strengthens interdependence and integration. This means that, a lot of economic activity occurs in national, regional and international markets due to ever increasing flows of trade, services, capital and people between states, firms and individuals. Therefore, diplomacy has become a significant tool for managing increased economic risks and opportunities as a result of the growing liberalization of international trade and finance caused by globalization.²⁹

According to Donna Lee and Brian Hocking, since the complexities of globalization has led to economic diplomacy becoming a key element in the diplomatic strategy of all states, it has become necessary for states to develop an integrated or coordinated approach to diplomacy. This coordinated diplomacy requires the collaboration of all the various actors working at the national, regional and international levels to deliver diplomatic objectives.³⁰

2.4 Tools of Economic Diplomacy

Economic diplomacy deals with the pursuit and implementation of foreign policy objectives in the economic relations between states. It requires the application of skills and tact in the conduct of international trade and investment, and in engaging the private sector and civil society

²⁹ Lee, Donna and Hocking, Brian (2010), op. cit
³⁰ Ibid.
productively by states. According to Kishan S. Rana, the four pillars of economic work by diplomats are as follows:

- Trade promotion, with prime but not exclusive focus on exports.
- Investment promotion, mainly focused on inward investments, but not excluding the home country’s outbound investments, where appropriate.
- Attracting suitable technologies, plus technology “harvesting”.
- Management of economic aid, which is important for most developing countries as a “recipient”, and also for developed nations as a “donor”. 31

According to Lee and Hocking, some of the key approaches to the practice of economic diplomacy include, commercial diplomacy, trade diplomacy and finance diplomacy. 32

- Commercial Diplomacy

The context of globalization has presented business and commercial prospects across the world, regardless of national boundaries. As a result, it has been a practice for states to restructure their institutions to position themselves to take advantage of the opportunities presented by globalization. In the context of the globalization of economic opportunities, commercial diplomacy has been used as a tool of economic diplomacy in two ways.

First, states channel more resources and funding to their foreign ministries for export promotion, investment attraction, as well as, the promotion of domestic businesses and products. In another context, institutional mechanisms such as export and investment outfits have been created to that effect. Second, there has been the integration of private actors from the field of business into commercial diplomacy. Thus, the driving force of commercial diplomacy is to promote the

exports of one’s country, and to find international market for a country’s domestically produced goods. It also involves the promotion of, and the advocacy for domestic businesses. Commercial diplomacy relies on foreign groups and professional diplomats in a country’s foreign missions to promote domestic goods and advocate for domestic businesses.

An activity that often falls under the remit of commercial diplomacy, especially in the context of developing countries, is the promotion of tourism. Tourism promotion is an important aspect of developing countries’ commercial diplomacy, perhaps, because of the low economic base of these countries compared to the developed countries. Therefore, tourism promotion has become the focus of activity for which commercial diplomacy as tool has to be deployed. The diplomats and the business groups create the necessary commercial intelligence, marketing and the business links to achieve such a purpose. In recent times, commercial diplomacy has expanded to integrate other ministries outside of the foreign ministry. These include, trade, commerce and related ministries, as well as, the establishment of other promotion agencies, thus, creating a complex institutional support to promote the commercial diplomacy of countries. In this context, business actors are not autonomous players of the commercial diplomacy enterprise, but are integrated into the state apparatus. For instance, in many countries business groups, such as the Chamber of Commerce, collaborate closely with country’s foreign missions.

- **Trade Diplomacy**

Another tool of economic diplomacy is trade diplomacy. Major developments over the years have changed the face of diplomacy and how it is practiced by states. In the first place, regional trade has become very important for trade relations of countries. As a result, the past years have seen the establishment of regional trade organizations such as the EU, the Association of South
East Asian Nations (ASEAN), among others, that regulate the trade relations between countries in their various regions. States therefore need to engage in trade negotiations spanning many free trade agreements. Thus, these regional trade organizations create the platform for states to engage in and negotiate various agreements at the regional level.

Outside the regions, there has been the creation of the WTO and other international multilateral organizations. States use the platforms provided by these international multilateral organizations to advance various their interests on trade related issues. Multilateral negotiations on trade have become keenly contested in the WTO, and as such states increasingly use the WTO platform to advance their national interests. Trade negotiation in the international multilateral organizations has thus, redefined how states conduct diplomacy. This has made trade diplomacy an important tool of economic diplomacy. States consequently invest a lot of resources to enhance their effective participation in these institutions.

Apart from states, significant non-state actors are important in trade diplomacy as a tool for the economic diplomacy of states. Thus, the relations of states with non-state actors are very important. On the one hand, some non-state actors such as Oxfam are directly involved in negotiations, particularly at the level of the WTO. They provide assistance in the form of technical and legal expertise to poor, developing countries that cannot afford such services in the WTO platform. On the other hand, such non-state actors have been staunch in holding the WTO and the neo-liberal international trade system to accountability regarding relationships with developing countries.

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33 The home pages of this NGO offers detailed insight into their involvement in trade diplomacy. For Oxfam go to www.oxfam.org
**Finance Diplomacy**

Finance diplomacy as a tool of economic diplomacy uses state outfits such as finance ministries and the central banks to create an environment that is compatible with the standards of international trade regimes. Ministries of finance and central banks of states, formulate and advice their governments to adopt such policies that would enable the state to engage with international trade regimes.³⁴

Many other non-conventional platforms have emerged as avenues of finance diplomacy. There has been the emergence of formations such as the World Economic Forum and the G-8 group of countries. These have been significant platforms for discussing financial issues of states. States participate in these platforms to find solutions to their financial problems. Besides states’ participation in the Bretton Woods institutions of the International Monetary Fund and the World Bank, the negotiations have also been vital avenues of finance diplomacy as a tool of economic diplomacy.

Economic diplomacy requires a state’s capability to anticipate and influence the outcomes of future economic policy regimes of other countries. Thus, for the tools employed in economic diplomacy to yield positive results for the benefit of states, there is the need for a better understanding of how market forces work in different countries in the given dynamic global economic environment. According to Hocking, the successful conduct of economic diplomacy, fundamentally requires the existence of a critical pool of skilled personnel in the government.

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³⁴ For more details on commercial diplomacy, trade diplomacy and finance diplomacy, see Lee, D. and Hocking, B., (2010)
private sector and civil society to understand and negotiate trade, investment and other economic issues from the national development viewpoint after taking into account a country’s strengths, limitations, opportunities and threats. For a country to advance its economic interest and those of its development partners, the process of continuous engagement through economic diplomacy is vital.

2.5 The Future of Economic Diplomacy

States will continue to pursue their economic agendas and foreign policy objectives by means of economic diplomacy. According to Bayne and Woolcock, in the future, economic diplomacy may face various interdependent challenges:

- To make the international system more efficient, so that multilateral institutions regain the capacity to make collective decisions;
- To improve the capacity of governments to overcome domestic obstacles to international commitments;
- To engage non-state actors so that decision-making is accepted as legitimate, while avoiding dangerous capture by special interests.

Over the last two decades, rules made at the multi-lateral level have seen a decline. Rather, voluntary co-operation and multi-level economic diplomacy has been on the rise. This shift focuses more on the domestic interests of states, and as a result, reduces the motivation for states to reach agreement at the international level. The main danger facing economic diplomacy has to do with the continued lack of incentive for states to reconcile domestic and international pressures. If this trend persists, it could produce undesirable results for states and non-state actors.

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engaged in the process. Finding the right balance at the domestic and international levels is, therefore necessary to ensure success.\textsuperscript{37}

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\textsuperscript{37} For more details, see Bayne, N. and Woolcock, S., (2007)
CHAPTER THREE

GHANA’S FOREIGN POLICY UNDER THE KUFUOR ADMINISTRATION

3.0 Introduction

This chapter analyses President John Agyekum Kufuor’s implementation of his foreign policies of good neighbourliness and economic diplomacy and assesses the extent to which Ghana benefitted from these policies.

3.1 The Policy of Good Neighbourliness

President Kufuor was sworn into office on 7th January, 2001, after he had led the NPP to victory in the 2000 presidential election. Kufuor stayed in office until 2008 after re-election in 2004. The NPP’s foreign policy was generally consistent with Ghana’s foreign policy from the time of independence. In this regard, the basic benchmark of the foreign policy of the Kufuor administration was the 1992 Republican constitution of Ghana. Articles 40, 41, 73 and 81 of Ghana’s 1992 Constitution as well as the Guiding Principles of State Policy spell out the basic foreign policy objectives of the nation. The basic objectives could be summarized as follows: promotion and protection of Ghana’s interests abroad including its citizens, relations with other nations that ensure peace, security, and stability to the state, and the protection of the vital interests of Ghana.

Within a broader framework of foreign policy, as stipulated by the constitution, the foreign policy of the Kufuor regime is distinct, regarding emphasis and approach, in two main areas: economic diplomacy and good neighbourliness. These two became the flagship foreign policy objectives of the Kufuor regime, which are also consistent with the manifesto of the NPP,
‘Agenda for Positive Change’. In many respects, the policy of good neighbourliness was meant to strengthen relations among Ghana’s West African neighbours and to create a conducive business environment in the West African sub-region, an environment that would drive the economic diplomacy agenda of the Kufuor administration.

President Kufuor realised that it was only within the framework of understanding and peace, particularly within the West Africa sub-region that he could pursue the economic, social, and political goals that he had set for himself. According to Ambassador D.K. Osei, former Secretary to President Kufuor, “his key strategy to achieve this goal was to establish personal and frequent contacts with Ghana’s neighbours at the highest level within the first ten months of his presidency”. 38 Consequently, Kufuor made concerted efforts to partner with other West African leaders to find solutions to the problems that afflicted the sub-region so that it sheds its image of volatility that would, otherwise, not make the sub-region investor friendly.

Apart from the framework of the national constitution, the principle of good-neighbourly relations is at the foundation of international law and international relations. Respecting good-neighbourly relations is a logical consequence of the prohibition on the use of force in international law. 39 The 1970 UN General Assembly Declaration (2625) on ‘Friendly Relations and Cooperation Among States’ outlines, for the first time, the requirements for good-neighbourly relations among states, which include ‘refraining from the use of force or threats to use force, the peaceful settlement of disputes,… non-intervention in matters within the domestic

39 For more details see, Article 2(4) of the Charter of the United Nations.
jurisdiction of states." While a general international framework requires friendly relations, the demands of good neighbourliness for Ghana at the time were pressing. Ghana’s relations with its neighbours, specifically, Togo and Burkina Faso, and to some extent Cote d’Ivoire, were not very positive at the time the NPP came into office in 2001. As a result, Kufuor recognized the need to re-establish ties with some neighbouring countries.

3.1.1 Ghana’s Relations with Its Neighbours Prior to the Kufuor Regime and the Need for Good Neighbourliness

Between 1982 and 1991, in the era of the Provisional National Defence Council (PNDC) led by Flt. Lt. (Rtd) Jerry John Rawlings, the regime repeatedly accused both Togo and Côte d’Ivoire of harbouring armed Ghanaian dissidents who planned to overthrow or to destabilize the PNDC. The PNDC also accused both countries of encouraging the smuggling of Ghanaian products and currencies across their borders, in so doing undermining Ghana’s political and economic stability at a time when the country was facing a major economic crisis.41

Relations between Ghana and Togo strained further after Ghana returned to constitutional rule in 1992 with Rawlings still in power but now as a democratically-elected president and leader of the newly-formed NDC. On January 6th, 1994 a commando attack occurred in Lomé, which attempted to overthrow President Eyadema. The Togolese regime accused Ghana of involvement and detained Ghana’s chargé d’affaires in Lomé. Togolese troops then attacked a border post, killing twelve Ghanaians in the process. It was alleged that Togolese refugee camps in Ghana were bombarded. The Ghanaian government announced that it would impress upon Togo to pay

compensation to the families of those killed. By the middle of the year, however, relations had improved significantly.\textsuperscript{42}

Ghana-Côte d'Ivoire relations also suffered from the same strain that characterized Ghana-Togo relations. In early 1984, in addition to accusing Côte d'Ivoire of allowing Ghanaian dissidents to use its territory as a base from which to carry out acts of sabotage against Ghana, the PNDC government also accused Côte d'Ivoire of granting asylum to political activists wanted for crimes in Ghana. By 1992, Ghana's relations with Côte d'Ivoire were relatively good. Relations, nonetheless, worsened again from November 1\textsuperscript{st}, 1993, when sports fans returned to Côte d'Ivoire after a football match in Kumasi, which had resulted in the elimination of Côte d'Ivoire from the tournament. Ghanaian immigrants in Côte d'Ivoire were violently attacked by the disappointed Ivoirians. At least forty Ghanaians were killed. The incident led to many other Ghanaians losing their property as they fled back to Ghana for fear of losing their lives. In October, 1994, however, the two nations recommenced football matches after a Togolese delegation facilitated the restoration of relations between them.\textsuperscript{43}

Furthermore, in October 1987, Blaise Compaoré, the President of Burkina Faso, had overthrown and assassinated his predecessor, Thomas Sankara, who had been a very close ally of the then Ghanaian leader. As a result, throughout the rule of President Rawlings, both leaders viewed each other with suspicion. Given the turbulent background of Ghana’s relations with her immediate neighbours, in his inaugural speech on 7th January, 2001, President J.A. Kufuor stressed the need for peaceful relations with Ghana’s neighbours to serve as a catalyst for a vibrant and prosperous Ghana. Consequently, on his first foreign visit as president, Kufuor went

\textsuperscript{42} Ibid. p.137.
\textsuperscript{43} Ibid.
to Togo as a guest of President Eyadema to celebrate the 34th anniversary of the coup d’état that had brought him to power. Despite the views of critics, especially from the opposition NDC, he decided to accept the invitation in pursuance of his foreign policy of good neighbourliness as a basis for sub-regional peace and stability. It is worth noting that the Togolese leader had attended Kufuor’s inauguration.44

Kufuor decided to strengthen relations with Burkina Faso, and so, in March, 2001 he paid Blaise Compaore a visit that resulted in the revival of the Permanent Joint Commission for Cooperation which had been non-operational since the death of Captain Thomas Sankara. President Kufuor also visited Benin in April, 2001 for the inauguration of President Kerekou and used the occasion to hold meaningful discussions with his counterpart on the importance of sub-regional peace and stability as a basis for economic growth and regional cooperation.45 President Kufuor also embarked on visits to several other countries in the sub-region including Nigeria, Côte d'Ivoire and Senegal to strengthen ties.

3.1.2 Benefits Derived from Kufuor’s Good Neighbourliness Policy

The policy produced a lot of benefits to Ghana in particular through Kufuor’s good relations with the then Nigerian President Obasanjo. Consequently, ties with Nigeria were strengthened as the two leaders cooperated closely in their quest for peace and stability in the ECOWAS sub-region. The period saw substantial inflow of Nigerian investments to Ghana. Nigeria granted credit facilities to enable Ghana purchase vehicles to equip the Ghana Police Service. Again, Nigeria provided a soft loan facility of $40 million that enabled Ghana pay for its share capital for the

45 Ibid.
West African Gas Pipeline (WAGP).\(^{46}\) A ninety-day credit facility for oil imports from Nigeria was also granted to Ghana instead of a more expensive alternative from Libya.

The good neighbourliness policy also increased government revenue through energy cooperation with Cote d’Ivoire during the load shedding period. Borders between Ghana-Togo and Ghana-Cote d’Ivoire were also open for 24 hours in a day, thereby boosting trade. This is in contrast to periods in the P/NDC era when borders were at times closed as a result of tensions.

Peace and stability are requirements for economic development in order to boost the ECOWAS agenda. Under Kufuor’s government, Ghana continued to search for peace in Liberia and Côte d'Ivoire. Kufuor spearheaded the Liberian peace process by hosting an initial meeting of the major actors in the Liberian civil crisis in Accra in 2003. As chairman of ECOWAS, President Kufuor’s relentless diplomatic attempts to help in resolving the Côte d'Ivoire crisis as a mediator is exemplified in his participation in the Marcoussis Accord signed in France as well as in several other meetings held in Accra. J.A. Kufuor was also instrumental in the peaceful resolution of conflicts around the continent including those in Kenya, Guinea-Bissau, Sierra Leone and Liberia, as already mentioned, earning him the tag of a peacemaker. The election of Dr. Mohammed Ibn Chambas as ECOWAS Secretary-General and the historic November, 2003 extra-ordinary ECOWAS summit on the situation in Cote d’ivoire in Accra gave credence to the increasingly important role of Ghana in the sub-region.

In the context of the African continent, during his presidency, Kufuor was elected Chairperson of the African Union from 2007-2008. He also restructured the Ministry of Foreign Affairs to

\(^{46}\) Ibid.
enable implementation of the New Partnership for Africa’s Development (NEPAD) and became the First African President to accede Ghana to the African Peer Review Mechanism (APRM) in 2003.

On the global stage, Ghana’s image was greatly enhanced to attract goodwill from development partners. President Kufuor actively engaged in economic diplomacy and sought the establishment of a just and equitable international social and economic order, while promoting and safeguarding the interests of Ghana through bilateral and multilateral agreements.

3.2 Kufuor’s Foreign Policy of Economic Diplomacy: The Golden Age of Business

The main priority of the Kufuor administration in 2001 when they assumed office was to fix the ailing Ghanaian economy. With the nation’s reserves empty and a mountain of debt to service, the country was facing a crisis. Inflation was over 40%, and interest rates were over 50%. The cedi had depreciated by over 50% of its value in relation to the US dollar, and Ghanaians were gradually losing confidence in it as the national currency.47 Given the dire state of affairs, seeking the assistance of foreign development partners, bilateral and multi-lateral donors, as well as Ghanaians abroad in repairing the economy appeared to be the only option available to the new government.

There was the need for President J.A. Kufuor and his new government to take advantage of the interdependency that exists in the global economy and embark on the establishment of the necessary linkages and relations with other states that would be advantageous to the nation. President Kufuor, therefore, immediately launched a foreign policy underpinned by economic

diplomacy. President Kufuor exhibited personal leadership in pursuing the economic diplomacy agenda. As a result, he embarked on several trips abroad to meet with development partners and to woo investors into the country. He was determined to reposition and promote Ghana’s interests within the framework of his vision for a ‘Golden Age of Business’ in a globalized world. For this to be achieved a conducive environment for business was necessary.

3.2.1 Underpinnings for a Conducive Business Environment

- **Macro-Economic Stability**

The Kufuor-led government set out with the primary objective of restoring macroeconomic stability as a foundation to reviving economic growth, private sector development and management of the considerable national debt. By the year 2001, the economy marginally sustained a growth rate of 3.7%, the lowest since 1991; inflation was in excess of 40%; a fiscal gap of 9% of GDP; interest rates were in excess of 50%; total debt stock was in excess of 190% of GDP; and the country’s external reserves cover stood at less than one month.

Thus, in partnership with major development partners, the government acted speedily to restore macroeconomic stability by preparing an austerity budget, applying for the HIPC initiative and preparing a national development policy framework document: the Ghana Poverty Reduction Strategy (GPRS I). This new strategic development framework subtitled, An Agenda for

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Growth and Prosperity, clearly detailed the government’s commitment to wealth creation through the transformation of the economy to achieve growth and accelerated poverty reduction.\textsuperscript{52} Further, by the beginning of the second term of the Kufuor administration in January, 2005, the government in conjunction with its development partners proposed the second phase of its strategic development agenda, the “Growth and Poverty Reduction Strategy” (GPRS II). These proposals were to further reform, deepen and accelerate economic growth so that Ghana could achieve middle-income status within a measurable planning period.\textsuperscript{53} The main objectives of the new policy were to invest in human resource development, infrastructural development, private-sector development and good governance.\textsuperscript{54}

Prior to 2001, the NDC under ex-president Jerry John Rawlings started certain macroeconomic initiatives to stabilize the economy. However, during the Kufuor administration, a more focused economic diplomacy strategy influenced macroeconomic growth and the economy witnessed significant improvement in terms of both stability and resilience against adverse external shocks.

The Kufuor regime accelerated macroeconomic growth with increase in foreign direct initiatives which boosted investor confidence in the country. The effective fiscal measures put in place enabled the government to deepen further, the recovery, stabilization, and growth of the economy. One of the fiscal measures was the redenomination of the cedi. The policies also led to the influx of foreign banks into the country; there was as a result, massive growth in the banking and finance industry in Ghana.


The record of inflation performance in the period from January 2002 to the last quarter of 2007 remarkably averaged 13.5 percent per annum, which was just outside the recommended range of 8 to 13 percent per annum for Ghana at the time.\(^{55}\) The ultimate impact is that it created a conducive environment for foreign investment into the country.

- **Rule of Law, Democracy and Good Governance**

During the Kufuor regime, Ghana’s democratic record was strengthened, first with the peaceful transition from the erstwhile NDC government and then the impressive strides that were made in expanding press freedom. This freedom of the press resulted in the high proliferation of radio and television stations in the country.

To further strengthen Ghana’s democratic credentials, the Kufuor government repealed the Criminal Libel Law. The Criminal Libel Law, in the main, was passed during the colonial era in response to emerging nationalist agitation and used to deter nationalist newspapers and publicists from exposing the ills of colonialism. The law remained in existence until 2001 when President Kufuor gave his assent to the repeal of Criminal Libel and Seditious Libel Laws (Amendment) Act, 2001 (Act 602). By this singular act, a historic victory was won in the struggle for freedom of expression. This brought to an end more than a century-old regime of laws perceived to inhibit the right to free expression and free speech in Ghana.\(^{56}\) This bold step by the government expanded the media landscape and created opportunities for the growth of the media industry in

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Ghana. In effect, Ghana’s media was declared the freest in Africa by Freedom House in 2009, with press freedom in Ghana ranking higher than in France, Spain and Italy.\textsuperscript{57}

In terms of good governance, Kufuor became the first African president to accede Ghana to the African Peer Review Mechanism (APRM) in 2003. His government was generally lauded for its good governance by the local and international media. Ghana's democratic credentials and image on the international scene was greatly enhanced, with positive effects on various fronts, including foreign direct investment (FDI).

- **Ghana Investment Advisory Council (GIAC)**

A major priority area of every government is the attraction of high levels of FDI. To aid government efforts in this direction, the Kufuor administration established the Ghana Investment Advisory Council (GIAC) with assistance from the World Bank. The GIAC comprised of local and multinational companies, as well as institutional observers from bodies like the World Bank, the International Monetary Fund, and the United Nations Development Program. The GIAC was therefore conceived to attract foreign direct investment into the country, as this was the main focus of Kufour's economic diplomacy.\textsuperscript{58}

- **The Public Sector Reform Agenda and New Business laws**

Other remarkable efforts of the Kufuor-led administration in their attempt to create an investor-friendly climate include the public sector reform agenda and the passing of new business laws. Indeed, these efforts particularly those focused on the strengthening of the domestic revenue


\textsuperscript{58} Osei, D.K., (2014), op. cit.
generating capacity of the state, led to remarkable year on year increases in the revenue stream of the central government.\textsuperscript{59} Some of the key institutions that were reviewed and strengthened include the Internal Revenue Service (IRS), Custom Excise and Preventive Service (CEPS), Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat.

The Ghana Investment Promotion Council (GIPC) which manages investment in all sectors of the economy, with the exception of minerals and mining, oil and gas, and the free zones, was also strengthened to restructure procedures and reduce delays in establishing new ventures.

Further, the commercial courts were also reviewed and strengthened to boost investor confidence in Ghana's judicial system as it relates to business. Similarly, the Registrar-Generals Department (RGD) was strengthened to speed up the time it took to establish a business in the country.

The government also succeeded in passing very important legislations aimed at reducing corruption and deepening the institutional renewal programme. The Bank of Ghana Act 2002, Act 612; the Public Procurement Act 2003, Act 663; Financial Administration Act 2003, Act 654; and the Internal Audit Agency Act 2003, Act 658; laid the new ground rules for public sector governance, effectiveness, and sound public resources management.

Furthermore, the government also aimed at providing an enabling legal environment for investors and thereby removed regulations that might seem unfriendly. New laws such as the

Banking Act, 2004 (Act 673), the Payment System Act, 2003 (Act 662) and the Venture Capital Fund Act, 2004 (Act 680) were passed to reduce the time it takes to establish a business. All of these efforts helped to boost investor confidence in the economy, and thereby aided in attracting more foreign investment. As a result, the 2007 World Bank Report, “Doing Business in 2007”, stated as follows:

“Ghana the top reformer in Africa reformed trade, tax and property administration. It introduced a single window clearance process at customs where traders can now file all paperwork – for all agencies – at one place. Clearance time dropped from seven to three days for imports and from four to two days for exports. Ghana also reduced corporate tax rate and reconstruction levy for business, cutting property transfer tax from 2% to 0.5% of the property value.”

- **The Presidential Special Initiative (PSI)**

Additionally, in the quest to creating macroeconomic stability and fiscal space for the private sector to access the needed capital, Kufuor’s government also expanded and deepened its lauded Public-Private Partnership (PPP) programme. The Presidential Special Initiative (PSI) was a programme created to enable the private sector, with government facilitation, move into new areas that have the potential to accelerate the growth of the economy, by producing new exports that could grow the economy and provide new opportunities for the private sector. The government extended this programme with the aim to increase its contribution not only to the national economy, but also to attract foreign investments, markets and new technologies.

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3.3 Engagement with the International Community

- The Highly Indebted Poor Country (HIPC) Initiative

The Kufuor government took a major decision to sign-up for the Highly Indebted Poor Country (HIPC) initiative proposed by the Bretton Woods institutions shortly after coming into power. The idea behind the initiative was that poor adjusting countries would be offered debt relief and concessional lending opportunities, on the basis of an anti-poverty, result-oriented, programme of action.\(^{63}\)

The decision enabled Ghana to use funds meant for servicing external debts to undertake poverty alleviating programmes and projects. As a result, Ghana’s economic relations with some of her development partners greatly improved. The country was also well placed to borrow on the international financial market. Ghana attained the completion point of the HIPC initiative in 2004. The benefit of this decision brought the country debt relief in the amount of approximately US$3.5 billion in nominal terms.\(^{64}\)

- Millennium Challenge Account Corporation

International confidence had been restored in the Ghanaian economic outlook by the beginning of the second term of the Kufuor government. This was demonstrated by the incessant positive reviews under the HIPC initiative, a B+ sovereign credit rating, and the selection of Ghana as a beneficiary country by the United States’ Millennium Challenge Account Corporation. These developments placed the country in a very privileged position. As a result, Ghana became the beneficiary of a total of $547 million, which was by far the largest grant under this US aid regime.


• **Oversubscribed Eurobond**

Further, the government proposed also a venture into the international capital market on the basis of the qualifying improvements in macroeconomic fundamentals. In 2007, the government issued Ghana’s first ever sovereign credit bond on the London Stock Exchange, making Ghana the first post-HIPC country to access the international capital market. In a show of confidence, while the Ghana government only needed US $750 million for infrastructural development with ten years maturity at the rate of 8.5% per annum, the bond was oversubscribed in excess of US $3 billion. This demonstrated the confidence that international investors had in Ghana’s development potential, considering the fact that it was the country’s first ever venture into the international capital market.65

• **Multi-Donor Budgetary Support (MDBS)**

The MDBS framework, which was launched in 2003, between the government and its major bilateral donors, emerged as a facilitating platform for rationalization policy reform and resource allocation.66 The consolidation of the MDBS framework also enabled additional predictable sources of resources to be available at a much relatively reduced transaction cost to the economy.67 It ensured projected programmed release of resources in the form of budgetary support which enabled the government to meet its policy obligations and growth targets. This allowed the economy the benefit of relatively higher resource possibilities than ever before, thereby going to show the degree of confidence that bilateral donors had in the economy.

3.4 Benefits of Kufuor’s Economic Diplomacy

3.4.1 Foreign Direct Investment (FDI)

To appreciate the growth in FDI during the tenure of the Kufuor administration, the Table below shows total net FDI over the period from 1990 to 2008, in the Ghanaian economy from foreign sources. Figures are in U.S. dollars.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FDI (In millions of US$)</th>
<th>Nominal GDP (GHC Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>14.80</td>
<td>203.17</td>
</tr>
<tr>
<td>1991</td>
<td>20.00</td>
<td>257.48</td>
</tr>
<tr>
<td>1992</td>
<td>22.50</td>
<td>300.88</td>
</tr>
<tr>
<td>1993</td>
<td>125.00</td>
<td>387.25</td>
</tr>
<tr>
<td>1994</td>
<td>233.00</td>
<td>520.52</td>
</tr>
<tr>
<td>1995</td>
<td>106.50</td>
<td>775.26</td>
</tr>
<tr>
<td>1996</td>
<td>120.00</td>
<td>1,133.92</td>
</tr>
<tr>
<td>1997</td>
<td>81.80</td>
<td>1,411.34</td>
</tr>
<tr>
<td>1998</td>
<td>167.40</td>
<td>1,729.57</td>
</tr>
<tr>
<td>1999</td>
<td>243.70</td>
<td>2,057.98</td>
</tr>
<tr>
<td>2000</td>
<td>165.90</td>
<td>2,715.27</td>
</tr>
<tr>
<td>2001</td>
<td>89.32</td>
<td>3,807.07</td>
</tr>
<tr>
<td>2002</td>
<td>58.93</td>
<td>4,886.24</td>
</tr>
<tr>
<td>2003</td>
<td>136.75</td>
<td>6,615.77</td>
</tr>
<tr>
<td>2004</td>
<td>139.27</td>
<td>7,988.74</td>
</tr>
</tbody>
</table>
The graph shows the total number of FDIs that Ghana has benefitted from over the last two decades. The volume of FDIs has increased over the years. The volumes for the first two years from 1990-1992 have been provided, and the data has been sourced from the International Monetary Fund. 

Source: International Monetary Fund

International Monetary Fund, Balance of Payments Statistics Yearbook and data files.

See more at http://data.worldbank.org/country/ghana
appeared to be the same, and then from 1993, there was an upturn. The steady growth may be due to the fact that Ghana was in a transition from a military government into a democratic state. The sudden growth indicates investor confidence being restored after the country opened the door to more foreign investment. From 1996 to 1997, there was a drop from US$120 million to US$81.80 million. This is likely due to the fact that 1996 was an election year.

FDI’s increased from 1998, reaching its peak in the first decade in 1999 at an amount of US$243.7 million, and steadily continued to increase to the year 2000. We see a decline in the volume of FDI because of the indebtedness of the country and the new Kufuor-led administration going to sign up for HIPC. The first decade generally recorded a steady growth. There was, however, a sudden upsurge in FDI’s in the country from US$144.97 million in 2005 to US$2,714.92 million in 2008, as a result of Ghana’s recovery from its indebtedness and the pragmatic measures that were put in place by the government. FDI inflows rose steadily from 2002, with sharp rises in 2006 and 2007. The year 2008, however, witnessed a decline in inflows, likely prompted by the global financial crisis.

The influx of masses of investors to Ghana, and the discovery of oil in commercial quantities in the country, enhanced the entry of new energy companies, financial services firms, as well as engineering construction firms, among others into the economy. Ghana registered $1.4 billion worth of investments for the 1st half year of 2008, including $934.7 million of reinvestments (capital goods imported) and $7.89 million equity transfers for the projects registered during the second quarter, during which 53 new projects were registered. The total estimated value for projects registered in the first half-year of 2008 was $3 billion, a sharp rise from the 2007 first half-year estimate of $385.57 million.⁷⁰

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3.4.2 Engagement With Bilateral Donors

As a result of Kufuor’s tactful engagements with some major bilateral donors Ghana received a significant amount of donor support. Among such bilateral donors is Spain which unblocked a $40 million loan frozen since 1998 as a result of the visit of President Kufuor to the country. The loan provided assistance in the following areas:

- $10m – Cardio-thoracic Centre, Korle Bu Teaching Hospital
- $10m – Maternity Wards at Komfo Anokye Teaching Hospital
- $10m – Medical School of the University of Development Studies Tamale
- $10m – Water project in Akwapim Ridge which improved water supply in Koforidua, Nsawam, Swedru, Anum Boso and Asamankese.

An additional $90 million loan was also disbursed to the Agricultural Development Bank (ADB) to finance an inland rice project for about 10,000 rice farmers cultivating over 4,500 acres of land in the Eastern, Central, and Western, Ashanti and Brong-Ahafo regions. Germany also agreed to convert a debt of US$6.745 million owed to former East Germany into relief under the HIPC initiative. The United Kingdom (U.K.) under Prime Minister Gordon Brown also provided Ghana Child Maternal Assistance. Similarly, France provided assistance in the country’s National Identification Programme.

Further, in India, Kufuor’s visit consolidated their commitment to set up the million dollar Kofi Annan Information, Communication and Technology (ICT) Centre of Excellence in Accra for West Africa. In relation to this, 12 Ghanaians were sent to India as beneficiaries of a scholarship scheme in Information Technology (IT) by the Indian government.

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72 Ibid.
73 Ibid.
74 Ibid.
Similarly, China offered a $US66 million low-interest loan facility to enable the government to carry out an upgrade of the country’s communication network and training of students and workers in the sector.75

Ghana saw massive road rehabilitation and construction as a result of the Kufuor administration’s good diplomatic relations with foreign donors. This enabled the government to acquire funds from the Chinese government to finance projects such as the reconstruction of a three-lane dual carriageway on the Ofankor–Nsawam road at an amount of 23million Yuan. 76 Ghana also procured a $10 million interest-free loan for the construction of portions of the Accra-Kumasi dual carriageway road granted by China.77

Furthermore, the Accra-Yamoransa road was funded by a Japanese grant of 80 million dollars.78 To this end, the Department of Feeder Roads (DFR) embarked on extensive rehabilitation and maintenance of feeder roads and construction of vital bridges. Between 2001 and 2003, the DFR completed 8,020km of feeder roads through spot improvement, rehabilitation, regravelling and surface dressing throughout the country. It also constructed 1,292 culverts and installed 33 bridges. These projects were supported by the country’s development partners including the EU, the Japanese International Co-operation Assistance (JICA), the Danish Development Agency (DANIDA), and the Department for International Development (DfID) of the UK. The Spanish Government and the International Development Association (IDA) also assisted.79

The President’s visit to Germany made the Germans readily willing to finance the 45km Nsawam-Apedwa stretch of the Accra-Kumasi highway. France also committed a soft loan of 11 million Euros

75 Whitfield, L. and Jones, E., (2009), op. cit.
77 Ibid.
78 Ibid.
79 Ibid.
(81bn) for the construction of six bridges and 230 kilometers of feeder roads in the northern regions. The loan was repayable over 24 years with 2% interest rate. Further, the government introduced the Metro Mass Transit (MMT) Company Ltd, to provide mass transport services in the cities. The MMT was established in October 2003, with the then government having a 45% stake and the remaining 55% being held by private investors. The mass transport services started operations in the Accra and Tema metropolitan areas with the supply of 17 used Iveco and Fiat buses donated by the Italian government. In addition, 75 DAF / Neoplan buses were imported under the Dutch government’s concessionary financing agreement which were added to the fleet.

3.4.3 Bui Dam Project

In order to boost energy production in the country, President Kufuor sought to construct another hydroelectric dam in addition to the Akosombo dam. This brought about the Bui Dam initiative. During bilateral talks between President Kufuor and the then Chinese President, Hu Jintao, in Beijing, China offered to provide low-interest and concessionary financing possibilities for the government. In his desire to deepen relations with China, President Kufuor participated in the 2006 China-Africa summit and also extended an invitation for President Hu to attend the Golden Jubilee Celebration of Ghana’s Independence. By the close of 2007, the government was able to secure financing in the amount of a total of $622 million for the construction of the Bui hydroelectric dam project. The Sino Hydro Corporation of China in collaboration with the Ghana government constructed the Bui hydroelectric dam which has the potential to generate about 400 megawatts of electricity.

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80 Ibid.  
3.4.4 Oil Discovery

The state-owned Ghana National Petroleum Corporation (GNPC) had spent years drilling for oil in shallow waters making no sustainable discoveries. Large amounts of state funds were spent without results and no foreign investments were also made. However, during the NPP administration under President Kufuor, there was a major shift away from the State-centric exploration approach to a market-oriented approach that encouraged private sector participation. This change in the fiscal regime which took place in the second quarter of 2003, resulted in active interest by private capital in oil exploration and led to the signing of agreements with Kosmos in July 2004, Hess in July 2004, Tullow in July 2006, and Gasop also in July 2006. The high level of incentives and interest, coupled with a refocused and retooled GNPC, drove Kosmos and Tullow to make two separate discoveries of oil in commercial quantities in 2007. The discoveries were jointly referred to as the Jubilee Field.

The discovery of oil positively affected Ghana’s external position. The foreign exchange that will accrue directly to the nation through government’s share of the oil revenue is estimated to be $1 billion annually. There will also be additional foreign exchange that will be brought back into the country by the drilling companies to pay for local expenses such as labour costs, energy costs, and other purchases that they may make.  

3.4.5 Presidential Palace

Towards the end of President Kufuor’s tenure, the government procured a 60 million dollar concessional loan facility from the Indian government to provide the presidency with a befitting seat of government. The loan had a 50% grant element with repayment spread of over 25 years. The premises of the Flagstaff House which was built during the Nkrumah era, was used to house this new Presidential edifice.

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3.4.7 Ghanaians Abroad

A very important aspect of President Kufuor’s trips abroad were his interactions with Ghanaians living in the countries he visited to explain major government decisions and policies. This went a very long way to galvanise support for his policies. Ghanaians abroad at the time contributed about US$46 million annually through remittances. As part of the “Golden Age of Business”, there was the need to win their confidence and involve them in the nation’s image building exercise and investment drive that the President had embarked upon.

In 2001, Kufuor through the GIPC organized the first-ever Homecoming Summit to assure Ghanaians abroad that their support was needed to accelerate national development. President Kufuor explained that remittances of Ghanaian abroad represented the third biggest foreign exchange inflow, which was a crucial component of national revenue; hence the need to create enabling conditions to support such huge investments. As a result of these efforts, by 2005 remittances from Ghanaians abroad had reached an amount of US$1.5 billion.

3.5 Conclusion

It is worth noting that President Kufuor devotion to his pursuit of an aggressive policy of economic diplomacy as the thrust of foreign relations reaped so much for Ghana in terms of foreign assistance, recognition and admiration within a relatively short period of time. The MCA grant, Eurobond fund, the savings under the HIPC initiative, and the relief under the multilateral debt relief initiative (MDRI) as well as the MDBS, enhanced the economy’s growth and fiscal space.

Ghana witnessed a significant growth in FDI than in any other period in Ghana’s economic history. Indeed, Ghana witnessed a stable economic environment, with reduced inflation, lower interest rates, a

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relatively stable currency and a strong external reserve position. Of particular significance was the higher recovery in GDP growth rate; 5.8% in 2004 as against the 3.7% recorded in 2000.\textsuperscript{87} Accordingly, by 2007 economic growth accelerated to a rate in excess of 6.2%, and by the close of 2008, the economy was reported to have expanded to 7.3%.\textsuperscript{88} In real nominal gross domestic product (GDP) terms, the economy expanded to US$16.3 billion from its low of US$3.9 billion in 2000.\textsuperscript{89} GDP per-capita also grew to around US$1,200.\textsuperscript{90}

As a result of Kufuor’s intensive policy of economic diplomacy, the 2007 World Bank Report, “Doing Business in 2007”, ranked Ghana 9th out of 175 economies.\textsuperscript{91}

\textsuperscript{90} Osei, D.K., (2014), op. cit.
\textsuperscript{91} World Bank, (2007), op. cit.
CHAPTER FOUR
FINDINGS CONCLUSIONS AND RECOMMENDATIONS

4.0 Introduction

The study sought to review economic diplomacy in contemporary times; to assess the Kufuor government’s policy of economic diplomacy during the period between 2001 and 2008; and to ascertain the extent to which the Kufuor administration’s implementation of the policy contributed to the attainment of the regime’s economic development goals or otherwise. This chapter presents a summary of findings, conclusions and recommendations.

4.1 Summary of Research Findings

The study showed that when President J.A. Kufuor assumed office in 2001, the nation’s reserves were empty and Ghana had a mountain of debt to service, the country was facing economic crisis. Inflation was over 40%, and interest rates were over 50%. The cedi had also depreciated by over 50% of its value in relation to the US dollar. His key priority therefore was to, first of all, stabilize the ailing Ghanaian economy, and then attract foreign investment through pragmatic measures in order to accelerate economic growth.

President Kufuor understood that he would only be able to pursue the economic, social and political goals that he had set for himself effectively, if the West African sub-region was able to shed its image of volatility. His foreign policy, therefore, was underpinned by what he termed ‘economic diplomacy and good neighbourliness’.
In pursuit of President Kufuor’s good neighbourliness policy, reciprocal visits and repeated interactions between the former president and his colleague presidents from countries in the sub-region, especially our immediate neighbours, created an enabling environment for greater friendship and improved trade relations between Ghana and countries in the West African sub-region. The policy yielded a lot of benefits to Ghana in particular through Kufuor’s good relations with the then Nigerian President, Olusegon Obasanjo. Consequently, ties with Nigeria were strengthened as the two leaders cooperated closely in their quest for peace and stability in the ECOWAS sub-region. The period saw substantial inflow of Nigerian investments into Ghana.

Ghana-Burkina Faso and Ghana-Cote d’ivoire relations were also strengthened as a result of the constant consultations between President Kufuor and his colleague presidents. In addition, the tension at the Ghana-Togo border decreased as it now became accessible to Ghanaians 24 hours a day unlike initially when the border was heavily guarded by the Ghana Armed Forces who were placed on a third degree alert. The election of Dr. Mohammed Ibn Chambas as the ECOWAS Secretary-General and the well-organised historic ECOWAS summit in Accra that dealt with the Cote d’Ivoire crisis were testimonies to the increasingly important role of Ghana in the sub-region. President Kufuor was also instrumental in the peaceful resolution of conflicts around the continent including those in Liberia, Cote d’Ivoire, Guinea-Bissau, Sierra Leone and Kenya.
The relative peace enjoyed in the West African sub-region as a result of his good neighbourliness policy created a conducive atmosphere to attract foreign investment in line with his policy of economic diplomacy.

The study also showed that by the end of the first term of the Kufuor government (2001-2004), the administration, undeniably achieved a certain measured level of stability and recovery. Indeed, this led to a stable economic environment, with reduced inflation, lower interest rates, a relatively stable currency and a strong external reserve position. A significant achievement was the higher recovery in GDP growth rate; 5.8% in 2004 as against the 3.7% recorded in 2000.

Further, on the basis of the recovery, by the beginning of the second term of the Kufuor government in January, 2005, the government in collaboration with its development partners proposed its subsequent strategic development agenda the “Growth and Poverty Reduction Strategy” (GPRS II) to further deepen and accelerate economic growth, invest in human resource development, infrastructural development, private-sector development, and good governance. The effective implementation of these policies set Ghana on course to achieving middle-income status within a measurable planning period.

By 2007, economic growth accelerated to a rate in excess of 6.2%, and by the close of 2008, the economy was reported to have expanded to 7.3%. In real nominal gross domestic product (GDP) terms, the economy expanded to US$16.3 billion from its low of US$3.9 billion in 2000. GDP per-capita also grew to around US$1,200.
Resource possibilities that enhanced the economy’s growth and fiscal space were the MCA grant, Eurobond fund, and savings under the HIPC initiative, as well as the reliefs under the Multilateral Debt Relief Initiative. Similarly, the consolidation of the Multi-Donor Budgetary Support framework enabled additional predictable sources of funds to be available at a much relatively reduced transaction cost to the economy. All these combined, allowed the economy, the benefit of relatively higher resource possibilities than ever before.

The economy was marked by appreciable investments in the road sub-sectors, developing Information, Communication Technology (ICT) and Mobile infrastructure. In addition, there was a growing financial services sector. These combined to extend and deepen the opportunities of the economy. The economy therefore, attracted massive investments in the banking, telecommunication, energy, and the oil sectors. Without doubt, President Kufuor’s trips abroad engendered remarkable confidence in the country from the international community.

4.2 Conclusion

This study was conducted based on the hypothesis that Ghana’s policy of economic diplomacy under the Kufuor administration was very effective because of the more focused approach that was adopted in its implementation. The research findings prove this hypothesis to be correct. To support the hypothesis, in the year 2007, the World Bank report “Doing Business 2007 project” ranked Ghana number 1 in Africa and 9th amongst 175 economies in implementing business reforms. This report goes to prove that the massive investment growth witnessed in various sectors of the Ghanaian economy during the period under study can be directly linked to the effective policies that were
implemented as part of the Kufuor administration’s economic diplomacy and ‘Golden Age of Business’ policies.

Despite criticism from various circles about the frequency of President Kufuor’s foreign visits during his tenure, the evidence shows that his trips to foreign countries stimulated remarkable confidence in the country from the international community. This led to massive foreign direct investments across various sectors of the economy. Consequently, the economy, within the period under review (2001-2008), recorded unprecedented growth levels. Beginning, particularly from 2001, the economy accelerated to new historic growth levels and in nominal terms expanded fourfold by the close of 2008 from its 2000 levels. Undeniably, by the close of 2008, Ghana’s economic recovery appeared to have extended beyond the growth of the economy. Infrastructural developments, public and private capital investments as well as a relatively effective emerging regulatory framework had become noticeable pillars of the economy. On the basis of these developments, the potential of a structural transformation was made the more likely during the Kufuor era, than in any other period in Ghana’s economic history. Despite Ghana’s heavy dependence on international financial and technical assistance, by the end of 2008 the Ghanaian economy and state was in a comparatively better shape and prospect than at any time in the country’s history. The evident growing level of policy consistency marked by a stable political environment reinforced Ghana’s growth potential. Moreover, the discovery of oil in commercial quantities in 2007, further, raised the prospects of increased fiscal space and investment that enabled the economy to expand.
4.3 Recommendations

Economic diplomacy has become an effective tool in the economic policy formulation of countries in recent times. For a developing country like Ghana, it is imperative that much more effort is directed towards economic diplomacy. Therefore, Ghana should pursue a robust economic diplomacy policy, and as such, the president should lead its effective implementation. This is necessary because when the president leads such an effort, it gives foreign investors assurance and confidence regarding the nation’s preparedness to do business. Moreover, it assures foreign investors of the security of their investments.

A state’s ability to maximize economic benefits in international trade crucially depends on the skill of negotiators in building effective and beneficial economic relationships or partnerships. Learning new skills and acquiring new knowledge has, as a result, become vital. Ghanaian negotiators must, therefore, acquire new skills and knowledge on economic diplomacy in order for them to compete effectively in today’s globalized world.

Ghana should engage in a continuous improvement of infrastructure, institutional capacity building, and effective policy formulation in order to create an environment that attracts foreign direct investment. To ensure successful economic diplomacy, it is imperative that all government agencies work together, and also, constructively, partner with the private sector and civil society, in order to take advantage of opportunities. Ghana’s discovery of oil and natural gas has greatly ignited investor interest in the country, but for it to effectively drive economic growth and expansion, careful collaboration and cooperation by all stakeholders in the area of economic diplomacy will be critical for the country’s future success.
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