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IN THIS ISSUE**EDITORIAL****FOREIGN AID FOR GHANA'S ECONOMIC RECOVERY**

A TWO-DAY conference between Ghana and eight donor countries—France, W. Germany, Italy, Japan, the U.K., Canada and the U.S.—with the I.M.F. in the chair and the International Bank for Reconstruction and Development, the U.N. Development Programme and the Organization for Economic Co-operation and Development in attendance—has been held in Accra this week. Its purpose was to review the progress achieved by Ghana in her economic rehabilitation, to assess Ghana's use of external assistance and the mobilization of domestic resources, and to discuss the domestic and external requirements for 1967/68. Initial reports from this conference indicate that while there is sympathy for Ghana's call for more substantial aid, Ghana "must make every possible effort to expedite the utilization of aid already committed".

The failure of Ghana to utilize all aid so far committed, small as it is, has come as a surprise to many, and seems to have strengthened the viewpoint of those who are opposed to the use of foreign aid altogether. These people hold that foreign aid not only compromises our political independence, but also, even more importantly, distracts us from proper economic decisions and distorts the use of domestic resources. What they urge, therefore, is complete self-reliance. Official thinking, however, while not discounting the possible dangers of dependence on foreign aid, stresses that foreign assistance is needed only as an essential supplement to domestic effort.

The case for external assistance rests on the fact that the domestic resources available are below even the *minimum* requirements for our economic rehabilitation programme. Our balance of payments, in fact, constitutes the most important constraint on the process of economic recovery. For example, as against an estimated minimum essential import programme of N¢288m., the resources available for financing imports (including committed aid) amount to N¢193m., leaving an external gap of N¢95m. (It will be recalled that part of the revenue needed to balance the 1967/68 budget is from external sources). Now, the strategy for economic rehabilitation comprises the overall reduction of demand (in order to achieve financial stability) and an effort to raise domestic production for consumption and export. To do the latter, raw materials and spare parts must be provided, for, low production in the past was largely due to the unavailability of these essential materials. (It is estimated that the manufacturing sector operated in 1965/66 at only 20%—30% of its capacity; in agriculture, many machines and equipment have been idle for lack of spares; and similar difficulties are found in the field of transportation). Therefore,

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to substitute for imports with domestic production, and activate the export sector, we have to use up the idle productive facilities already there. Since we cannot finance all the means necessary for this, we have to depend on aid. The alternative of this course is either to reduce our import programme or to reduce demand further. The consequences, of course, would be further unemployment, shortages of goods once more, a further worsening in the cost of living, and a lowering in the standard of living below politically acceptable levels.

But aid must be used efficiently, or not at all. In our view, therefore, if we are to use aid for recovery, the following points must be noted.

First of all, in our circumstances, for aid to be effective, it must be big. All those small loans we have been signing with such pomp and circumstance are only a sign of *some* good-will. What we need is a **BIG** stand-by loan, to be called as and when necessary.

Secondly, we as receivers of loans must show that we know what to do with aid and can use aid profitably. It appears we are so busy arranging loans that we cannot find the time to use them. To reduce this reprehensible lag in the use of aid resources, we need to reorganize our aid-using and aid-arranging machinery so that they are distinct but operate in cooperation. Indeed, we repeat and emphasize the call, made in the columns of the *Legon Observer*, for an immediate, drastic and thorough overhaul of the Civil Service, the major implementing agency of governmental decisions. Plans for developing this nation are only as good as their implementation; and a lethargic implementing organ which is still essentially colonial in structure, mentality and operation, with absolutely no sense of urgency, can never meet the challenge of modern development. As a start, we suggest that the External Aid Division of the Ministry of Economic Affairs be reactivated to cope with the situation.

Next, the developmental institutions, such as the National Investment Bank, the Capital Investment Board, and the Agricultural Development Bank, need to wake up to their responsibilities and offer real *leadership in developmental education* and information to prospective investors, in particular the Ghanaian investor. The Agricultural Development Bank, for example, operates by a policy which *cannot* benefit small- or medium-scale farmers. For the Investment Bank and associated institutions, we would like to urge an immediate review of the Capital Investment Act, in order to provide incentives for the development and promotion of exports. This is one of the ways

we can make devaluation have the effect we want it to have.

Finally, we all need to make a massive effort to organize in order to inform ourselves and take advantage of the *vast* opportunities for investment for profit and progress.

CORRECTION

In the last issue (L.O. II, 18) the name of the author of the article, "The Ghana Press", which appeared under COMMENTARY, p. 13, was inadvertently omitted. The author is **Kwame Arhin**.

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The Economy

The "Legon Observer" devotes this issue to "The State of the Economy," perhaps the foremost of our present national problems. Collected here, for this purpose, are extracts of some of the lectures read at this year's "Bubere" School (of the Institute of Adult Education at the U.S.T., Kumasi, 29/8/67 to 5/9/67), which was also devoted to this important theme.

The contributions by Mr. P.-K. K. Quaidoo and Dr. Agama were two of three papers read at a symposium on "Ghanaian Business". The other contributions were read at the "Open Lectures" of the School.

It is for reasons of space that these extracts are printed in small type. —Editor

THE STATE OF THE ECONOMY TODAY

By

E. N. Omaboe

(Commissioner for Economic Affairs, and Chairman, Economic Committee of the N.L.C.)

ECONOMIC considerations played an important role in the overthrow of the old regime, and it is therefore desirable that from time to time we examine our efforts and determine what changes are needed to overcome our economic difficulties.

OUTLINE OF OLD GOVERNMENTS POLICY

When Ghana gained her independence in 1957, conditions existed for the continued strengthening of the economy through the efficient use of our resources: our foreign exchange reserves were more than adequate, the export sector was buoyant, prices were stabilized, and manpower resources were satisfactory. In line with its socialist objectives aimed at expanding the government sector, the old government proceeded to establish a comprehensive centralized administrative machinery permeating all sectors of the economy. Between 1957 and 1966 the number of ministries trebled and the number of specialized agencies grew to almost one hundred. For example, in the Ministry of Agriculture, where this policy was somewhat exaggerated, the number of ministries grew from one with four divisions (general agriculture, forestry, fisheries, and veterinary services) and related research institutions (in 1957) to five ministries and about 25 specialized agencies and enterprises. Among them were the United Ghana Farmers Council Co-operatives, employing over 30,000 persons; the State Farms Corporation, operating some 105 farms with over 30,000 workers; the Workers Brigade employing over 25,000; and the Young Farmers League.

Consequences

In the face of the government's determination to force through these changes, the absence of high-level manpower in numbers well beyond the resources of Ghana affected the smooth implementation of programmes and resulted in much waste. Three notable features of the over-centralization of decision-making may be cited here.

Firstly, the decision-making process was centralized at the political top while the various agencies were isolated at the bottom, thus, (a) creating difficulties for the co-ordination of policies (at the executive and civil service levels), (b) disrupting development programmes,

and (c) upsetting financial control. In time, neither the Ministry of Finance nor the Planning Commission was in full command of information, much less of authority, to formulate government or foreign exchange budgets consistent with the country's total commitments and resources. Thus, for example, in February 1966, the true size of the country's external debts was not known, as no single agency had a complete inventory of our obligations.

Secondly, this led to a near break-down of civil service morale and a lowering of productivity in the entire Public Service. Frustration forced out of the country some of the most experienced public servants, thus worsening the high-level manpower shortage.

Thirdly, no realistic economic planning or orderly project appraisal took place. Projects were executed without any expert consultation or feasibility studies on them; in many cases projects were approved on the sole recommendation of expatriate investors who were peddling their pet projects or financing part of them. Low productivity was the result.

I am not saying that no useful development occurred or that all the investment that took place was wasted. Some useful investment took place—in infrastructure, agriculture, industry etc.; but the record must be evaluated against the maximum benefits that could have accrued from the proper utilization of the available resources. The progress made in the 1950's was dissipated in the '60's. Part of the problems, like the fall in cocoa prices, was due to forces beyond our control, but most of the confusion in the management of the economy was self-induced.



THE STATE OF THE ECONOMY AT THE TIME OF THE REVOLUTION

(I) External Deficits

On the eve of the coup Ghana faced serious economic problems, both externally and internally. Externally, we faced a very acute balance of payments problem and our external reserves were almost

exhausted. In addition the country had piled up external debts arising mostly out of medium-term suppliers' credits. The country's credit worthiness was almost at rock-bottom and suppliers were becoming more and more reluctant to ship further goods to Ghana on short term credit because payments had not been made for past shipments. In short the country was unable to meet her external obligations and external bankruptcy was only a few months off.

The foreign exchange difficulties led, on the domestic scene, to widespread shortages both of consumer goods and producer goods. Essential food items like milk, sugar, bread and rice were becoming hard to obtain.

Agricultural and industrial establishments were not able to function smoothly, because they lacked raw materials, spare parts, and the essential tools of their trade. Farmers could not obtain cutlasses and machetes to work with, or had to pay cut-throat prices for them.

In 1965, the last full year of the old regime, the balance of payments showed a record deficit on current account of NC158.9m., a large proportion of which was accounted for by the deficit in the balance of trade.

A notable feature of the country's external payments accounts has been the relative stagnation in our exports against the buoyancy in our import trade. This feature is borne out clearly from the following data on our visible trade from 1957 to 1965.

NC Million

Years	Exports including re-exports	Imports	Balance of Visible Trade
1957	183.2	193.4	-10.2
1958	209.1	169.2	39.9
1959	226.7	226.0	0.7
1960	232.0	259.2	-27.3
1961	229.0	286.8	-57.8
1962	230.1	235.1	-5.0
1963	217.6	260.8	-43.2
1964	229.3	243.2	-13.9
1965	226.9	320.1	-93.2

When the country had foreign exchange reserves, these deficits were financed through a run-down on the reserves. However, when the reserves could no longer be used to finance the deficits, medium-term debts were piled up which in turn exerted considerable pressure on the balance of payments position in succeeding years. It was obvious from the huge balance of payments deficits of NC158.9m. in 1965 that the economy had reached breaking-point and that it was only a radical change of policy or perhaps a miracle that could have saved the economy from total collapse.

(2) General Performance of the Economy: Low Growth and Stagnating Living Standards

A second characteristic of the economy is that, in spite of the substantial capital investment made in the economy since 1951, the rate of growth of the economy,

measured by the Gross National Product (GNP) or Expenditure, has been disappointing.

Between 1960 and 1966 the increase in the GNP at constant 1960 prices was of the order of 17.3 per cent as against an estimated rise in population during the same period of about 17 per cent. The GNP in 1965 at constant 1960 prices was NC1093 m. compared with NC946 m. in 1960. In 1965 the rate of growth was only 0.7 per cent.

The significance of this lies in the fact that our standards of living can only be raised if there is a real expansion in the GNP. The disappointing performance of the economy in recent years therefore implies a stagnation in our standard of living.

There are many reasons why in spite of the huge investments in our economy the rate of growth has been very low in recent years. Far too much investment has gone into infrastructure and far too little into productive activities; also, the investment in the productive sector has not been efficient and, as a result, the flow of goods from these investments has been very disappointing.

One of our main economic objectives will have to be to increase the efficiency of our capital investment by removing some of the factors which at the moment impair its efficiency, especially in the public sector.

(3) Central Government Finance, the Development Effort and the Price Expenditure

(a) Capital Expenditure

The objective of centralisation and socialization of the economy led to a sharp increase in Central Government expenditures. In 1957/58 Central Government capital expenditure was NC26.9m.; by 1965 it had increased by NC115 m. to NC142 m. This meant an annual average increase of about 23 per cent while in the same period the rate of growth of gross national product was only about half that rate.

Besides budgeted development expenditure, investments financed through suppliers' credits increased central government outlay. In 1965 suppliers' credit contracts reached the high level of NC57.5 m. The result of this was that in 1965, the peak year of centralized economic activity, the public sector alone accounted for more than 66 per cent of gross fixed capital formation. By comparison, the figure in 1958 was 20 per cent. These figures exclude the investments of autonomous agencies such as Ghana Railways, the Housing Corporation and the Cocoa Marketing Board which between them had a capital expenditure of NC9.1 m. in 1965.

There is no doubt that if the Government had released some of these resources for investment in the private sector the flow of goods and services would have been higher. This would have helped to expand the GNP.

(b) Recurrent Expenditure

Government recurrent expenditures increased sharply in line with rising development expenditures from NC78.3 m. in 1957/58 to NC220 m. in 1965. This meant an annual growth rate of 13.75 per cent as against average GNP growth of 10 per cent per annum in current prices.

(c) Insufficient Revenues, Inflationary Financing and Prices

Since Government revenues, despite the high rate of taxation, were never sufficient to cover Government

expenditures, recourse was had to deficit financing mostly of the inflationary type. This generated an excessive monetary expansion. Monetary expansion led to increased demand for imports and other resources which accentuated the balance of payments deficits. When the Government started to impose restrictions on imports, monetary expansion contributed to the rising trend in domestic prices. Rising domestic prices coupled with lagging food production worsened the economic situation and from December 1963 to December 1964, the new national consumer price index based on 1963 (i.e. 1963-100) rose from 113 to 127 and reached 165 in December 1965. The local food price index increased by 63 per cent during the same period.

(4) Employment and Productivity

Open unemployment as well as suppressed unemployment have been features of our economic system. The apparently fast development programme of the old government resulted in the creation of employment openings in the public sector. The old government also gave directives that redundant labour should not be removed from the pay-rolls of the State Corporations and this led to considerable suppressed unemployment which affected the morale of many of the workers. Moreover, these policies did not help the State Corporations which were losing money and relying on the central government to continue in operation.

The view has been expressed in some quarters that unemployment was non-existent under the old regime. This view is not supported by the facts as I know them. It is true that the present Government's policy of rationalising the Public Sector has resulted in a number of lay-offs, but this has been done without reducing production. It is also a fact that domestic production has increased since the change of government even in those sectors where the rationalization of employment has taken place. This suppressed unemployment under the old regime was exerting a negative pull on production.

Productivity

Available information indicates that productivity in Ghana is very low and this is partly responsible for the poor performance of our economy. The reason for this may be due partly to the general attitude to work, in Ghana, which needs to be radically reformed. Under the old government when the morale of the worker was itself low it was too much to expect increased output from him. With the changed conditions it is necessary that we should turn our attention to some of the other factors that hinder increased productivity and to have them removed as quickly as possible. For it is a truism that it is only through increased productivity that we can raise our own standards of living. Some of the productivity improvement schemes that may be mentioned are proper works organisation, improved supervision, control of staff, discipline, and incentive payment schemes.

ACTION BEING TAKEN BY THE PRESENT GOVERNMENT

Faced with the problems that I have outlined earlier on, the N.L.C. adopted a three-phased strategy to solve them. Firstly, it designated the period from February to July 1966, as an emergency period when many ad hoc measures were taken; a consolidation period started from Mid-1966 and will end in Mid-1968. After

this period will come the development era when it is hoped to resume orderly economic planning and development.

Restoring flow of Goods

It was obvious at the time of the take-over that an essential ingredient in the country's economic problems was the near break-down in the flow of essential goods resulting from the balance of payments crisis. This was therefore one of the very first problem to be tackled. It was most important that essential food items and pharmaceuticals should be obtained for the country's population. Secondly, a means had to be found to restore the confidence of Ghana's external suppliers, so that such vital items as spare parts, and raw materials could be imported into the country to help keep the economic system running. Then thirdly, action was needed to reduce the strain on the external payments position by seeking a relief from repayments on medium-term debts arising out of suppliers' credits. These steps the government took with vigour and with the greatest urgency.

Aid from friendly countries

Soon after the take-over, negotiations were initiated with a number of friendly countries, aimed at securing imports of food and pharmaceuticals into the country on very generous terms. Favourable responses were obtained from a number of friendly countries. The United States through its Agricultural Commodity support programme, popularly known as PL480, offered us a number of food items on very generous terms. Canada also offered us a considerable tonnage of wheat as a gift. The United Kingdom and the Federal Republic of Germany offered us consignments of much-needed pharmaceuticals; and additional financial aid was given by the German Government. With these offers the imminent crisis and economic collapse was averted.

External confidence

It should also be mentioned that considerable credit had been built into the economy and it was obvious that the economy would be saved only if external confidence could be restored to ensure the continued flow of supplies to the country. Steps were therefore taken to restore the confidence of overseas exporters so that there would be no difficulty in obtaining supplies of essential commodities into the country. Towards this objective, the Bank of Ghana instituted a system of transfers by which arrears of current debts were to be spread out for payment over a specified period. At the same time current maturing bills were met on their due dates. The regular and consistent pursuit of this programme eventually restored the lost confidence in our dealings with overseas exporters.

Re-scheduling our external debts

Then also action was initiated by the government to stretch-out the payment periods for the medium-term debt arising out of suppliers' credits. Two meetings were held in June and December, 1966, in London, and a basis was laid for bilateral negotiations with respective creditor countries regarding the terms on which the stretch-out would be made. Since then we have succeeded in concluding bilateral agreements with almost all the Western Countries. Negotiations are in progress to conclude similar agreements with our creditors of the East. These settlements have paved the

way for the offer of more positive aid which is needed to revive the economy. In addition to these measures the government also obtained short-term drawings from the International Monetary Fund as balance of payments support. We are currently holding discussions with the World Bank which we hope will lead soon to the offer of some project loans.

In April this year, the IMF, at our request, successfully chaired a meeting in Paris between Ghana and a number of Western donor countries at which the question of the aid requirements of the Ghana economy in 1967 was considered. Since this meeting we have obtained soft loans from four countries: the United Kingdom, the United States, West Germany and Denmark. The Canadian Government has granted us another substantial flour gift and we expect that other countries will also follow with such loan offers. With these loans, it is hoped that we can obtain most of the essential commodities that are required for the better performance of our agricultural, industrial and commercial establishments. For, let no one be mistaken about this fact: we cannot keep the economy running satisfactorily for the next few years without huge injections of foreign aid.

DOMESTIC ECONOMIC POLICIES

Stabilizing government expenditure

On the domestic scene, the major programme of economic consolidation has been to restore financial stability into Government budget and to call a halt to the excessive budget deficits of former times. For the first time in many years, the Government of the country, was able to introduce a budget which did not depend on inflationary borrowing from the banking system to finance the deficit. The first budget of the N.L.C. introduced on 20th July, 1966 for the financial year 1966/67 ended the year with a surplus of NC1.8 m. Provisional figures from the Accountant-General show that total expenditure for the period came up to NC280.8m. as against total receipts of NC282.6m.

This was achieved by bold and decisive action on the part of the Government through the reduction of both recurrent and capital expenditures. The re-organisation and scaling down of Government administrative and the executive machinery, the closure of superfluous public organisations and the reduction in the number of Ghana Missions abroad are now familiar. But we ought to appreciate that these measures could be taken, and their objectives were achieved, only at the cost of the lay-off of some workers and the abandonment of some of the unviable development projects initiated by the former regime. This financial balance was attainable also because we obtained substantial assistance by way of soft loans, gifts and technical assistance from a number of friendly countries and international organisations. And, last but not the least, the rescheduling of most of our debts in respect of suppliers' credits reduced the strain of debt-service burden on the budget. The reduction in the rate at which Government expenditure grows will release much needed resources for reviving the private sector which had of recent times been starved of investment goods required for its growth.

The 1967/68 Budget

The 1967/68 Budget which was announced some three weeks ago carried the restoration of financial stability in Government finances and the consolidation of the

economy a stage further. For not only has the N.L.C. budgeted for a balanced budget, it has tried, through a series of related measures within the limitations imposed by our current problems, to give incentives to the growth sectors of the economy to enable real growth in the productive sectors to begin again. Here I am referring to the incentives which have been given by recent economic measures to agriculture, mining and local manufacturing production. The re-organisation of state enterprises either through outright sale to private enterprise or to joint-ownership with private enterprise has also reduced to a considerable extent the dependence of the enterprises on the Government budget. However, while the achievement of this balance in Government budget is laudable, the details of Government budgeted revenue and expenditure do not give cause for complacency. It must be told to Ghanaians here and now that despite the hard work that has been put in by everyone since the N.L.C. took over, much remains to be done before the state of our economy will be sufficiently improved. The very fact that we need substantial amount of external loanable funds to balance our budget means that we are not yet out of the woods. We must aim to meet our recurrent expenditures and our debt obligations from our own current resources. This will enable us to devote all capital receipts, both domestic and foreign, to the development programme.

Devaluation—background

That the Ghana economy has stagnated since the early 60's has been amply demonstrated in the early part of my talk. A combination of forces—excessive Government spending, deficit financing, lagging food production, stagnant exports, high import demand, and import control—was able to throw local prices and local costs of production out of relation with the external situation and left the external value of the Cedi extremely out of focus with its real value. The truth in this assertion could be found in the fact that before the Government devalued the Cedi on 8th July this year, a significant amount of external transactions used to take place outside the official channels and the Ghana Cedi was often quoted at substantial discounts (about 45 per cent) in the unofficial foreign exchange markets. We can explain this simply as follows: the large deficit financing of the previous regime brought about an excess of demand which local production could not satisfy. In the circumstances, a sharp increase in internal prices and costs took place and over-priced some of the Ghanaian goods on the world market. The scarcity of raw materials and spare parts which were the result of import restrictions had an adverse effect on local production; and as local production lagged behind local demand, import demand remained high and the only short-term way to get out of the impasse was by a heavy support of the balance of payments through external aid.

A balance of payments that always leans heavily on external finance is chronically in disequilibrium, and this was the situation in Ghana when the N.L.C. took office last year. When a persistent balance of payments disequilibrium takes place a change in the exchange rate is appropriate, and this was the measure which the N.L.C. adopted on 8th July this year. You might ask, why was this measure not taken early in 1966 when the N.L.C. took office? Expectation in international financial circles that the Cedi would be

devalued in 1966 ran very high but we felt that such a radical measure might have created more trouble for us because of the unsettled economic conditions existing at the time. The view was held by us that it was better to introduce these far-reaching measures from a position of relative strength instead of one of relative weakness. The measure was timed for last month to coincide with the plentiful supply of local food so as to reduce the impact on consumer prices. The devaluation was also announced a few weeks before the Budget so that the compensatory adjustments in import duties, wage and salary changes and incentives for domestic production could be related to the financial and fiscal measures under the Budget.

Advantage was taken of the devaluation of the cedi to effect resource allocation in favour of the export sector of the economy and domestic production in general.

The word devaluation is the bogey word in monetary economics. As an article in a recent issue of the *Economist* puts it, it is the 'dreaded eleven-letter word'. Its very mention is taken by conservative economists to be an act of irresponsibility and its introduction is looked upon by businessmen as sacrilegious. Despite these fears, it is interesting to note that during 1966 alone, 25 official devaluations were announced; and in 1949 when the U.K. devalued the pound sterling we in the then Gold Coast went along with the decision. In the present Ghanaian case this measure of currency realignment has been combined with comprehensive economic rehabilitation programmes to help strengthen a balance of payments position which has been eroded by persistent inflation.

Objectives of Devaluation; and Related Measures

Basically what do we hope to achieve through the measures announced on July 8th? Briefly told, we are seeking to create conditions conducive to the long-term expansion of our exports. The long run benefits for our export receipts will be reflected in the cocoa and timber and gold industries. The increase in the producer price of cocoa to NC 6.50 per load will stimulate cocoa production and enable us at least to maintain our share of the World market. Until such time as we develop substitutes for cocoa we must support the industry. Government budgetary position will be improved through devaluation by increasing Government receipts more than expenditure. This will help the Government to improve upon the budget deficits of past years. Part of the additional revenue to be realised is being devoted to employment-creating projects to absorb some of the displaced labour. The production of industrial raw materials will become relatively more profitable. We need to provide such incentives for the production of groundnuts, rubber, cotton, palm oil, cattle etc., to increase our export earnings and/or reduce imports. There is no doubt that devaluation will stimulate the inflow of foreign capital especially into new export industries. The prospects of early investment in bauxite, diamonds, etc., would be improved. We also expect that smuggling and black market transactions for some commodities and in the cedi will decline as the spread between the black market rate and the official rate has now been cut down. The hardships attendant upon devaluation have been taken into consideration in deciding on the supporting measures—salary and wage adjustment, reduction in import duty

and excise tax on a number of consumer goods, liberalization of imports and a host of measures announced in the budget. I would like to repeat that the recent economic changes, radical as they were, had to be taken in the long-term interest of the economy. They were taken to re-structure the economy, to give a boost to the export sector of the economy so that we can soon generate enough resources to pay for our imports and other foreign bills in order to maintain our economic solvency.

PROSPECTS FOR FUTURE GROWTH OF THE ECONOMY

Simultaneous with the announcement of the 1967/68 budget, the Government published an outline of its economic policy. In this ten-page document are set out the Government's intentions regarding the future growth of the economy.

Agriculture

In this pamphlet are set out the general plans which Government intends to implement in agriculture, industry and commerce. Detailed policy statements in these fields will be issued soon. The Government's declaration underscores the importance it attaches to private enterprise both in agriculture and industry. In agriculture, Government will assist private producers through extension services, the supply of farm requisites, the provision of tractor and other mechanised implements, a guaranteed market for produce, the construction of more feeder roads and irrigation, better credit facilities and will see to it that research results are put into practical application.

Industry

In industry, Government will encourage private enterprise to expand and create the necessary jobs required for our growing population and to produce goods demanded by the Ghanaian consumer and also for export. In this regard, Government will offer substantial help to Ghanaian enterprises in the form of credit facilities and technical assistance. Financial aid to Ghanaian businessmen will be channelled through the National Investment Bank and beneficiaries of this scheme will enjoy special concessions.

Short-term objectives

In the short term however, Government's main pre-occupation will be to make better use of existing factory capacities, much of which were not utilised due to shortage of raw materials and spare parts. Another short-term measure, at least in the Government sector, is the completion of some almost-finished projects in order that they will commence production.

Ghanaian Businessmen

At this juncture I would like to repeat the appeal which was made in the budget to private Ghanaian businesses in the country. Admittedly, business organisations in developing countries like ours generally tend to be small because the corporate ideas and facilities for creating them are mostly not available. On the other hand, the very small size of such organisations work against them. The small size of the business hampers its growth because its sources of finance are mostly very limited. The business generally depends on only one person so that as soon as a calamity befalls this person the business is doomed. As a result also of the

size and the limited financial resources of such business organisations, they are unable to adopt modern methods of operation and their efficiency and productivity are highly impaired. We would like to see the beginnings of more and more corporate or cooperative industrial organisations in the country. Towards this, government is currently studying proposals for the formation of a stock market in the country which will help in the corporate ownership of companies. I believe that if our businessmen can achieve some mergers in both retail trading, industry, and even in agriculture, they will have better access to all kinds of facilities and be able to compete successfully against all comers.

Achievements of N.L.C.

There is no doubt that satisfactory progress has been made by the N.L.C. in the management of the economy since the change of government about 18 months ago. The real rate of growth of the economy in 1966 was 1.6 per cent compared with the 0.7 per cent of 1965. The attainment of a growth rate of 1.6 per cent in the face of a determined effort to deflate the economy is no mean achievement especially since the 0.7 per cent growth rate of 1965 was during the time when the old government was pursuing its development efforts at full speed.

Our balance of payments deficit which touched record levels in 1965 showed a marked improvement in 1966. The current account deficit dropped from NC158.9 m. in 1965 to NC92.8m. in 1966.

The Government budget has shown considerable improvement and it has been possible to introduce a balanced budget after only two budgets by the N.L.C.

The rising trend in prices was arrested before the introduction of measures aimed at bringing domestic price levels into line with foreign prices.

Through the recent measures definite steps have been taken to impart a sense of purpose and direction to the economy. We are not yet out of the woods however, and there is need for economic vigilance on the part of the government and the farmers and workers.

Prospects

Everybody would like to know something about the prospects for recovery of the Ghana economy as some of us see it. The results of economic decisions cannot be determined with full certainty. There are always elements of risk and uncertainty involved and these make economic administration a very difficult undertaking. For instance, farmers may reduce their production of cocoa as a result of an increase in the price which is given them to stimulate production. Businessmen may react differently to certain incentives which the government may offer to them. In short, every major economic decision is in a sense a gamble and this goes for all the economic decisions which have been taken since February 24, 1966, not excluding the economic measures of July 8 of this year. If those charged with the formulation and implementation of economic policies were to wait until they can take decisions which do not contain any element of uncertainty, the economic machinery would grind to a halt.

These remarks do not mean that before decisions are taken their implications should not be properly examined so that the element of uncertainty is reduced to the barest minimum. This has been done in the case of all the decisions so far taken. The policies being pursued have very good chances of success. I for one

am very hopeful of our ability in Ghana to overcome our current problems so that our economy can once again become the strong, viable and buoyant economy that it was in the 1950's. The fight to save the economy should, however, be taken seriously for it will require some sacrifice from all of us. We cannot win if we think more in terms of what we take out of the economy than of what we are expected to put into it.

GHANA'S FOREIGN DEBTS

By

Albert Adomako, (Governor, Bank of Ghana)

TEN YEARS ago, we had in hand, as a nation, cash reserves of nearly £200m. sterling; today we have become a debtor nation, owing over £200m. sterling. To be precise, when the N.L.C. took over the reins of government in February, 1966, the country was faced with a huge debt of approximately NC440m. or £200 million. In fact, there would have been more if the N.L.C. had not acted quickly to cancel certain additional contracts involving millions of cedis which it was just possible at the time to cancel*.

Now, how did we get into such a mess? Before we can proceed to find the answer, perhaps it would be well to assure ourselves that we understand what we mean when we talk about Balance of Payments. This is necessary for a true appreciation of the burden of our external debts.

Balance of Payments explained

In simple terms, the balance of payments is a summary accounting record of payments and receipts between our country and the rest of the world over a given period. By universal practice, the accounting period is one calendar year. Over a period of one year, we in Ghana export and sell our produce abroad, including cocoa, gold, diamonds, timber—to name the principal exports. We also sell our services including transportation by Black Star Line and Ghana Airways. We are paid foreign exchange for all these goods and services. In addition, if we earn interest on investments abroad, if Ghanaians living and working abroad send remittances home to Ghana, if we receive gifts and loans from abroad, if we return some of our imports by re-exporting them, we receive foreign exchange for all these things. The Balance of Payments is credited with all these foreign exchange payments in our favour.

On the other hand, we have to pay foreign exchange to the rest of the world for all the things we import, such as, food, machinery for factories, raw materials, medicine, clothes, ships, trawlers, cars, aeroplanes, and building materials. We also have to pay foreign exchange for all the services which we use, for example, for carrying our exports or imports in ships belonging to other countries, for travelling by airlines of other countries, for the technical services which we employ non-Ghanaians to give us. We also pay foreign exchange for transfers made abroad by foreigners living or working in Ghana, for transfers of profits and interests and other incomes earned by foreigners in Ghana, for any loan or gift which Ghana gives to other countries.

* [All the figures that I shall mention in this address are figures that were recorded before the recent adjustment of the exchange rate of the cedi. I have not corrected the figures for the effect of the devaluation].

These foreign exchange payments made by us or charged against us are debited to the balance of payments account.

At the end of the year we total, on the one hand, the credits in our favour and, on the other hand, the debits against us and then strike a balance. If the credits are more than the debits, then we have exported more than we imported and have therefore made a surplus; and this goes to increase our reserves. If on the other hand, the debits are more than the credits, it means we have spent more than we earned during the year and there is a deficit against us. We then have to meet this deficit by drawing on our reserves (our savings from previous years, if we have any). If we have no reserves, then we are living beyond our means, and we must ask the rest of the world—or our trading partners—to give us credit and allow us to owe them. If this goes on one year after another continually, we soon mount up a big debt which becomes a charge on our future exports. This means that in subsequent years, after paying our debts, we have less foreign exchange left for buying our normal requirements of imports and services. This is what we have been doing for a long time. For the past seven years or more we have never had a surplus, not even a balance. We have always been in deficit on our Balance of Payments. The best remedy then is to produce more for exports. Without this, our balance of payments position becomes difficult, we are short of foreign exchange, and as a result we must conserve foreign exchange by imposing exchange control, and regulate imports by a licensing system.

Now that we have got some idea of what the balance of payments is all about and how external debts arise, we can go on to find out first the extent of Ghana's foreign debts problem and the categories of the debt, namely, short-, medium-, or long-term. Then we shall examine how the debts were incurred and then briefly draw conclusions from the lessons of the past.

Growth of our Foreign Debts

In 1958, just after independence, although Ghana had foreign debts totalling NC6.4m. mainly long dated stocks raised years before independence on the London Stock Market, we had so much reserves (nearly £200m.) that on balance, our external position was a very strong one. By 1961 we still had substantial reserves, but gradually our foreign debts had begun to increase. Between 1961 and 1963 the pace quickened and our foreign debts rose by NC78.2m. to NC148.6m. By the end of 1965 the total had risen to NC437m. (not counting certain payments which were cancelled by the N.L.C.). By this time there was virtually nothing left of our reserves. This was the state of things when the N.L.C. took over in February, 1966. The debts had been so haphazardly incurred that it took nearly one year to ascertain the total liability claims kept coming from all kinds of places.

The largest item in the structure of the debt at the time of the Revolution was that of suppliers' credits which stood at NC274 million. The next biggest lot were the short-term loans of NC48 million obtained by the banking system from banks abroad to help pay for our imports. Even so, we still had arrears of trade bills totalling NC33 million and other lesser private sector loans. Foreign loans that had been used in financing the Volta River Project amounted to about NC45 million.

Since then, and in order to save the situation from

complete collapse, further external borrowing was undertaken during 1966. Principal among these are the net drawings of approximately NC33 million from the International Monetary Fund. A part of these drawings, was, however, used to reduce arrears of trade bills. There were also long term commodity loans from the United States and the Federal Republic of Germany. These new loans raised the level of the external debt to a total of approximately NC477 million at the end of 1966. But a part of the IMF drawings was still available as reserves at the beginning of 1967.



Distribution of Loans by Maturity

The repayment periods of these loans are an important factor in assessing the immediate impact of the pressure of foreign debts on the country's balance of payments. A classification of our foreign debts by repayment maturities at the time when the debts were being rescheduled in December, 1966, about 70 per cent of the foreign debts were of medium term, 16 per cent were short term, and only 14 per cent were long term. The medium term debts constituted the largest block and we shall see shortly that before rescheduling the debts, the payments falling due in 1966, 1967 and 1968 constituted one of the greatest pressures on the balance of payments.

How Debts were incurred

Now let us look briefly at how these debts were incurred and who were our creditors. On the attainment of independence, the old government laid plans for the development of industry and agriculture for the rapid economic growth of the country. The objective of this, no doubt, was to increase home production and in the process also create more opportunities for employment. As we have seen, increased home production would help strengthen the balance of payments through increasing the local production of import substitutes as well as increasing the volume and the value of exports by the processing of raw materials.

Development plans were accordingly produced; first a

five-year plan in 1951 to provide for the construction of the infrastructural frame-work during the period 1951-1956; this plan was consolidated in 1956-58. Then there was a second five-year development plan, introduced in March 1959, covering the period 1959-64 during which there was to be a relatively modest beginning with industrialisation. In the course of its implementation, this plan was abandoned as too feeble and was replaced by a more ambitious, socialist-oriented seven year development plan covering the period from 1963 to 1970.

We are not concerned this evening with the evaluation of the merits and demerits of these plans, but from what I have already said about the build-up of our foreign debts, it is sufficient to note that the period when the debts were piling up fastest coincided with the initial years of the seven year development plan launched in 1963 and now scrapped.

During the earlier years after independence, the financing of projects did not constitute much of a problem because the country had ample foreign exchange resources to finance its programme. Largely for this reason we were able to control the timing of projects to allow ourselves a sufficient adequate pre-investment examination of the projects before embarking on them. But in the years after 1961 a shortage of foreign exchange gradually emerged, and, more and more, this became a hindrance to the financing of development projects. This would certainly have been a good time for taking stock, as we are doing at this school. Certainly it was not the time for converting a modest plan into a gigantic one to spend more boldly without having made sure that the additional resources were forthcoming on a sound basis. But this is precisely what was done. By 1965, the series of deficits on the current account of the balance of payments had reached an all-time record of about N163 million. Our international reserves thus suffered a serious deterioration.

For most of the last 10 years we have been showing deficits with the adverse underlying causes becoming stronger and more serious every year. The culmination of this was the record deficit in 1965, and by that time we had used up all our huge reserves and had virtually nothing left. As the scarcity of foreign exchange became more acute, a principal determination of which project to undertake was whether or not suppliers' credits would be available. We had reached this position about the year 1963 and from then on it was one contract after another as foreign suppliers seized the initiative and pressed their credits on us, some of them of dubious value. The nature of the project and how it fitted into our scheme of development did not seem to matter any more. It was sufficient to show that something new was going on, and that it provided jobs for the boys. There was complete lack of careful preparation and the prudence which a private investor of such substantial capital investments would normally show. It did not even seem to matter who signed the contracts for government or where it was signed, and in time you had contracts committing government and the country to large sums of debt being signed in the Ministry of Industry, or Agriculture, or Finance, or Communications, or Works and Housing, or Health, or Education; or others, like the Job 600 complex, in the GNCC; and some in various corporations. And most of these were not even known to the Ministry of Finance or to the State Planning Commission, or to the Central Bank.

The government seemed to be in complete panic towards the end, and as we have now seen at various commissions of enquiry, all morals had left us. This is the dramatic story of how our debts were mainly incurred.

(Continued on Page 23)

TRENDS IN THE COCOA TRADE

By

W. R. Koranteng (Dep. Managing Director,
Cocoa Marketing Co.)

ALTHOUGH International Trade in cocoa is not substantial either in volume or value as compared with a number of other primary commodities as coffee it is of vital significance to such West African countries as Ghana, Ivory Coast, Nigeria, Republic of Cameroon and Togo. These West African producing countries together account for about 80 per cent of total world production.

Contributing as much as 65 per cent of the total value of exports of Ghana, cocoa constitutes the mainstay of the economy of the country. In spite of positive and serious steps being taken to diversify the economy of Ghana so as to alleviate the degree of economic dependence on cocoa, cocoa is certain to continue to be the cornerstone of the economy of the country for at least the next fifteen years.

The world cocoa economy has undergone profound changes since the end of the World War II.

Production Trends

In the early 1950's it became quite clear that cocoa production, affected by the neglect in the war years, was very inadequate to meet market demand. Prices therefore rose rather sharply, and this gave a powerful impetus to new planting, especially in West Africa. In Ghana, Nigeria and the Ivory Coast, Governments made extensive efforts to increase production by propagation and distribution of high-yielding seedlings, and by educational efforts to teach farmers improved cultivation practices, including spraying against pests and diseases.

As a result of the coming into bearing of the new planting and intensive spraying campaigns against capsids, the world cocoa economy entered a new stage in 1959. In the year 1958/59 world production exceeded 900,000 tons for the first time in the history of the cocoa industry, and in the following year (1959/60) production rose above the million ton mark. The 1959/60 crop of 1,044,000 tons—an increase of about 14 per cent over the previous year and of 22 per cent over 1954/55 average—indicated that production had moved to a new level. In 1961/62, although the crop fell short by about 46,000 tons it was still more than 100,000 tons above 1959/60. Production, however, continued to rise significantly thereafter and leaped to an all-time record of about 1,500,000 tons in 1964/65. During the period 1958/59-1964/65, Ghana improved her share of total world output from about 28 per cent to about 38 per cent.

Fall in Output

Ghana's production, however, dropped sharply from the peak of 572,000 tons in 1964/65 to 410,000 tons in 1965/66; this figure of 410,000 tons represented 33.8 per cent of total world output of about 1,200,000 tons. The output of the 1966/67 Main Crop in Ghana is about 363,000 tons and the 1967 Midcrop is expected to be about 10,000 tons, making a total output of about 373,000 tons for the 1966/67 Season. This figure of

373,000 tons represents 28 per cent of the expected total world production of 1,300,000 tons, the second largest world output on record.

This sharp fall in production as well as in Ghana's share of total world output could be attributed to a large extent to the relatively low prices paid to the farmers and laxity in pest and disease control measures. As I pointed out, the new plantings which provided the basis for large scale production in the early 1960's were encouraged by favourable prices for cocoa at both the export and producer level.

There was however ample evidence that but for effective pest and disease control measures most of the young trees would have been devoured by capsid bugs. Experiments also showed that spraying had a short-term effect of increasing yields of mature cocoa trees. Weather conditions varied from year to year during the period but those years indicated that weather changes could not affect the ultimate outcome of the crop significantly provided pests and diseases could be kept under control. As a result of import controls the supply of gammalin was reduced from the annual requirement of 300,000 gallons to 120,000 gallons as from 1964, and the Government's subsidy on the insecticide was withdrawn. Because of the relatively acute supply position the gammalin got into the hands of the farmers at considerably higher prices than the official price. The subsidy which existed on spraying machines was also removed in 1965 and the farmer was asked to pay an inflated price of £3 for the Solo motorised spraying machine.

Moreover, the economic conditions of farmers kept deteriorating considerably every year. While the producer price was reduced from time to time the cost of living continued to rise rather sharply. The farmers were therefore not only incapable of buying spraying machines and insecticides but also they could not employ the required labour for maintenance and harvesting. Most of the farms were therefore neglected, especially during the 1966/67 season, and the farmer in effect no longer considered cocoa farming as an attractive occupation. Moreover, the low producer price encouraged smuggling of cocoa on a large scale into the Ivory Coast and Togo where the prices were considerably higher.

It is therefore commendable that the producer price in Ghana has been raised and that the farmers are being encouraged by the Government to bring pests under control by taking steps to make more gammalin available to them.

Consumption Trends

The remarkable increase in production in the early 1960's outpaced the rate of increase in consumption, and in consequence prices dropped sharply from the post-war high levels of about £576 per ton until the market averaged about £136 per ton in 1965. The relatively low prices in turn provided the necessary stimulus to growth in consumption. As a result of the sharp drop in world output in 1965/66 from the peak of 1964/65 and the increase in consumption there was a sizeable deficit in 1966; and a deficit of about 100,000 tons is forecast for 1967.

Quantitatively the greatest quantitative increase in consumption took place in the traditional markets of Western Europe, the United States of America and Japan. The greatest percentage increase however took place in the Eastern countries. Between 1962 and 1966

the total grindings in the U.S.S.R. and Eastern Europe are estimated to have increased by 62 per cent. (17.4 per cent per annum). This phenomenal increase in consumption in the Eastern Countries has been made possible by the conclusion of bilateral agreements with these countries by Ghana and Brazil under which several tropical products especially cocoa are exchanged for Eastern goods. Between 1961/62 and 1965/66 the trade pact countries together increased their share of total cocoa exports from Ghana from 16.6 per cent to 33.2 per cent. This development in the Eastern Countries has undoubtedly imparted a firmer tone to the world cocoa economy and is largely responsible for the relatively stable prices over the past year.

Trends of Export Earnings in the past decade

As I have already pointed out, from 1959 onwards, the early post-war plantings and the new pest and disease control measures began to transform the market situation after years of decline and stagnation, and supply began to grow faster than demand. It is significant that Ghana's cocoa production in the period increased at a greater overall rate than world production. Consequently there was a gradual improvement in cocoa export receipts. In 1965/66 in view of extremely low prices and the sharp fall in production export earnings fell sharply from £81m. in 1964/65 to about £50m. Although world market prices improved significantly in 1966/67 owing to the poor outcome of the crop, total export receipts can hardly exceed £70m.

Future trends in Consumption and Production

It is estimated that if there is no marked rise in cocoa prices from the present levels of £200-£225 per ton, world grindings will continue to increase at the rate of about 3 per cent per annum until 1975. This rate is however lower than the growth rate which averaged 6 per cent between 1957-59 and 1964-66, and was achieved in part as a result of declining prices and the more liberal import policies of the U.S.S.R. and other Eastern European Countries. It is estimated that total world grindings around 1975 would range between 1.72 million tons on the low income growth assumption and 1.77 million tons on the assumption of high income growth.

The greatest expansion of demand is projected for countries with centrally planned economies, particularly the U.S.S.R. It is estimated that grindings in the U.S.S.R. and other Eastern European Countries could increase from an average of about 300 grams per caput in 1961-63 to about 750 grams in 1975. This would still be much below current levels in developed countries in many of which consumption of cocoa products per caput in terms of beans ranges between 1,500 and 2,500 grams. Within the developed group the highest rates of growth in projected demand are for Southern Europe and Japan, in contrast with the other Western European Countries and North America, where per caput consumption of cocoa products is relatively high.

Cocoa is a tree crop and the main elements which will determine production during the period up to 1975 are already in existence. The only major element which is subject to substantial changes is cultivation practices notably spraying against pests and diseases. In practice, however, inadequate data on planted area, on tree numbers and their age distribution, and on recent plantings makes it extremely difficult to forecast the future course of production. However, there are

indications that world demand for cocoa during the period up to 1975 would not be equally matched by an increase in production. There are therefore good prospects for high cocoa prices in the coming years.

Some Problems facing the Cocoa Industry

In spite of the fact that some thought has already been given by the Ghana Government to the problems of cocoa in the recent financial measures, it needs to be said that Ghana cannot take full advantage of the projected stability in the world cocoa market if certain basic weaknesses of the industry in Ghana are not taken seriously.

(a) The Ageing Industry

The cocoa industry in Ghana could be aptly described as an ageing industry. Although the average age of the farmer is increasing there are no prospects of farmers' children following the occupation of their fathers. The children of farmers are being educated gradually and are entering different industries, and as long as returns on investment in cocoa remain unattractive the youthful blood can hardly be attracted. This lack of vigour in the industry will therefore have a serious effect on production.

There is another sense in which the cocoa industry could be considered an ageing industry. It has been observed that about 67 per cent of the country's block of cocoa trees would be 30 years and above by 1975; hence the ageing farms will soon pass their peak years and cause a decline in production.

(b) Processing

One significant development in Ghana in recent years which is agitating the minds of those vitally concerned with cocoa is cocoa processing.

Ghana at present exports about 50,000 tons of its production in the form of semi-manufactured products—butter, liquor, cake and powder. If all the three processing factories in the country—the West African Mills and the Cocoa Products Corporation factories at Tema and Takoradi—operate at full capacity, Ghana could process as much as 100,000 tons of cocoa beans, which represent about 22 per cent of Ghana's average production over the past two years.

The main objective of the establishment of the cocoa processing factories is to enhance the foreign exchange earnings from cocoa exports. However, the results achieved so far do indicate that the profitability of cocoa processing in producing countries is very doubtful.

Several inescapable factors militate against the cocoa processing industry in producing countries:—(1) In the consuming countries the local processing industries enjoy considerable protection; the industries in the producing countries therefore operate against a barrier of import duties and tariffs; (2) Since most of the major manufacturers have processing capacity there is a tendency for them to purchase supplementary supplies of butter only when it is cheaper to do so than to buy and process cocoa beans. (3) There is a wide range of quality of flavour in cocoa butter, and manufacturers have precise individual requirements. By roasting and processing in their own factories they can often obtain the exact quality required more easily than by buying from outside.

It is quite conceivable that new factors may change the market situation in favour of sales of cocoa products from Ghana. Meanwhile, however, it seems inevitable that the processing industry as constituted in

Ghana will require very heavy subsidies in its operation. It is even doubtful whether the industry can be a net foreign exchange earner, as any increase in export earnings through sales of butter and cake instead of beans are likely to be more than offset by the foreign exchange element of the processing costs, especially in the case of the Cocoa Products Corporation.

In the light of these observations it is considered that the present processing capacity of the country should not be increased, as any increase would only serve to worsen the bean/butter ratio and make cocoa production unprofitable as compared with beans.

THE ECONOMIC COMMUNITY OF WEST AFRICA

By

I. Bissu

TRADITIONALLY, regional economic groupings have stemmed from the need for a number of countries to pull their resources together in order to reap certain economic advantages which would otherwise not accrue to them individually acting in isolation. From the point of view of production, it is in most cases economically advantageous for a number of countries to co-operate in implementing projects which are financially too large or burdensome for any one of them to undertake successfully. From the point of view of markets, most national economies are too small in terms of population and income levels to sustain any decent scale of economic expansion. The various suggestions for economic co-operation have all been made principally with this question of economic efficiency in mind.

These suggestions were given a concrete expression in Niamey in November, 1965, when representatives of the twelve out of the fourteen of the West African sub-region met to draw up the Articles of Association for the consideration of the first meeting of the Interim Council of Ministers. At the Niamey conference only two countries declined to vote for the adoption of the draft articles of association on the grounds that they were not empowered by their governments to take decisions of such great political importance. In spite of this the article was approved. The first ministerial meeting of the Council of Ministers took place in Accra in April this year and here the draft articles of association were discussed and formally approved. What remains now is the ratification of the draft articles by member states. This is expected to be accomplished at the second ministerial conference due in November in Dakar, Senegal. It is hoped then that if all goes well the West African Economic Community will become a reality by the end of this year.

Problems of Regional Co-operation

We now want to identify the problems that are being encountered and solutions which are being worked out. For the purposes of the discussion, let us classify the problems into two broad categories, physical and economic. The physical barriers arise out of the fact that the West African sub-region constitutes a mass land area organised into 14 political units or states and characterised by uneven topography and climate. The consequences of these natural obstacles are: (i) intra-regional movement is rather difficult, and there are linguistic and behavioural divergences which further limit the scope for communication; (ii) the land-locked

countries are placed at the mercy of the coastal areas for the conduct of their extra-regional trade; and (iii) inefficient use of the resource potential of the sub-region results.

Transport

Let us take these problems in order. The solutions may be discussed by considering the progress of co-operation in the field of transportation, in transit trade and in the utilization of resources. It is well-known that the expansion of trade depends substantially on a good network of roads, ports, airlines, etc. As of now, it is almost physically impossible to carry any heavy traffic between Ghana and say Niger all the year round. Sometimes the physical conditions of the roads make them impassable and at other times the differences in traffic regulation make accidents and interruptions inevitable.

In a rather sombre vein, Mr. Hamani Diori, the President of Niger in his welcome address to the Conference at Niamey in October, 1966, pointed out, when discussing the difficulties of carting animals from the land-locked areas to the coastal regions, that "the long stretches of country the animals have to cover on the hoof on the way to the markets in the South (and these stretches are not provided as a rule with corridors for trailing; the beasts are often without watering points, and lack stocks of fodder at given points) raise a number of problems that must be solved if the animals are to be offered for sale in fine shape and good fettle." Obviously the creation of a well-organized structure of trading and commercial contacts based on a swift and efficient transportation system would raise the incomes of the cattle farmers while making meat and meat products cheaper for the southern consumers.

At a meeting in Monrovia in 1961, these problems had been sufficiently recognized and carefully defined. Subsequently, two major studies covering the entire sub-region had been carried out. Furthermore the E.C.A. had proposed, excellently, the creation of a machinery for transport co-ordination and insisted on the immediate establishment of a co-ordinating body as a forum for the discussion of any outstanding problems relating to transportation within the sub-region.

At the Niamey conference, the creation of a Permanent Transport Committee was strongly recommended and at Accra this idea was expanded into a resolution on the immediate creation of a committee on Transport and Communications, whose terms of reference covered every conceivable means of transport (except walking, crawling and running). The implementation of this resolution is awaiting the creation of the Community in Senegal in November.

Transit Trade

The problems of transit trade have been the subject of special study by both the O.A.U. and the E.C.A. since 1961. In October, 1961, the Working Party on Customs Administration in Africa had discussed these questions in some detail in Addis Ababa, Ethiopia. Subsequently, the Expert Panel on Transit Traffic in West Africa had convened to thrash out these problems. In March, 1966, a joint meeting of the E.C.A. Working Party on Intra-African Trade and O.A.U. Committee of Fourteen on Trade and Development was held in Addis Ababa. And finally the E.C.A. Study Group on Tariff Classification had reviewed the progress made with regard to the solution of these problems in East and

West Africa.

The problems of transit trade arise out of the fact that some countries in the sub-region have no outlets to the sea and therefore have to depend on their neighbours whose coastal fronts are shortest from their centres of economic activity. The classic example is the story of Zambia after the declaration of U.D.I. by Rhodesia in November, 1965. Let us take a West African example, Niger. The bulk of Niger's imports go through Cotonou in Dahomey. The French system of detailed documentation is followed at Cotonou. Transport is provided by railway as far as Parakou and thence by unsecured vehicles to Niger. Consignment notes prepared at Parakou accompany each loaded vehicle. In spite of the fact that the whole operation is in the hands of an organisation responsible to both Dahomey and Niger, numerous problems arise. First, because of the shortage of trained personnel in frontier offices of Gaza and Bosso, checking of traffic is almost impossible and the collection of duty is undertaken at Niamey. Secondly, losses by theft are estimated to be in the region of 10 per cent of total transit trade.

The consequence of all these is that differences between prices are rather wide between Cotonou and Niamey. Obviously a change in transit procedures within the framework of a West African Economic Community will ease considerably the difficulties of the land-locked countries. In the particular case of Niger the E.C.A. is continually urging the Government of Dahomey to accept the customs officials of Niger at Parakou to collect the duties before the goods cross the border, and also to issue through-transit documents, but so far no agreement has been reached on this issue.

Use of Available Resource

The inefficiency in the utilisation of the massive resource potential is the next problem resulting from the unnatural organisation of the region into political units. For example, the tentative estimates of the resource potential of the sub-region are as follows: 280,000 cubic metres of natural gas, 420 million tons of coal and lignite, and 200 million tons of crude oil and 155,000 kwh of hydro-electric power. Even these tentative estimates are considered to be about 250 times the energy requirements of the entire West African Sub-region. In spite of this gigantic power potential of the area, obvious imbalances in distribution conspire to detract immensely from the momentum of economic development of the region. For example, about 230 million cubic meters of natural gas are being annually flared as waste, while power tariffs continue to be a serious bottleneck to manufacturers in other areas of the sub-region. At Niamey, the discussions in this field were really comprehensive and at the end of the discussions, the immediate creation of an Energy Committee was strongly recommended. The same feelings were again expressed at the Accra Conference. In the field of power, the spirit of sincerity of purpose and of goodwill shown by the National Liberation Council and by the governments of Togo and Dahomey must be put on record. Resolution 3 of the Niamey conference was jointly sponsored by the three governments on the need for the full utilization of hydro-electric energy from the Volta. The recent conclusion of agreement on this issue between the three governments is a shining example of the sense of purpose and dedication required for effective regional co-operation.

Economic Problems

So far we have seen that though the problems imposed by the mere physical separation of countries are immense, they are not insoluble. Their solution however, depends on the removal of economic obstacles which have so far posed the greater threat to the various experiments in co-operation.

Lack of Plan Co-ordination

The first and most obvious of these economic problems is the lack of co-ordination of development plans. For instance, from about 1960, the possibilities of setting up an integrated iron and steel works in the sub-region had been the theme of several studies by the E.C.A. and also the subject matter at several inter-governmental meetings in West Africa. Technical considerations even in 1961 indicated that three steel mills were the maximum that West Africa would require to meet her demand in the foreseeable future. For the coastal countries, the evidence showed that Lower Buchanan in Liberia was the best of all the possible alternatives and a site in Nigeria was also being considered. In the interior, Gouina in Mali had been selected as a production centre for the inland areas. It was just about this time the government of Ghana decided to embark on the Tema Steel Works. Iron ore deposits in some decent quantities had been discovered at Shieni in the north of Ghana and also at Opon Mansi. But it was well-known that on the current level of technical knowledge, beneficiation of the low grade are made the use of Ghana's iron deposits for the manufacture of steel most uneconomical.

Iron

The Liberian ore is estimated to have an iron-content of over 70 percent and contains practically no phosphorus. The ore in Ghana has below 50 percent of iron and contain 0.13 phosphorus which does not permit the use of blast-furnace methods of milling. Beneficiation could be undertaken by electrolytic methods but this is expensive and has so far not been tried on a large scale anywhere. In spite of this compelling evidence of non-feasibility the steel works were constructed at Tema. The Tema factory was planned to produce 30,000 tons of steel per annum and it takes about 2 tons of iron ore to produce about one ton of steel. Since it was impossible to use Ghana's deposits, scrap iron was considered. The total annual availability of scrap iron varies between 9,000 and 11,000 tons. And it does not make economic sense for Ghana to import iron ore to produce steel at this stage of our development. For all these reasons, caution was sounded against the establishment of the steel factory at Tema; it has turned out to be one of the most wasteful ventures bequeathed to the new administration.

Airlines

The same considerations go for the Ghana Airways Corporation which seems to take the pride of place in the long list of financial disasters into which the C.P.P. government so hysterically rushed the country. Greater intra-African co-operation in the field of trade and economic planning had been a declared element in the socialist philosophy of that government. Before the establishment of the Ghana Airways Corporation in 1958, eight airlines had been serving Ghana, among them the West African Airlines Corporation in which Ghana had some interest. The dissolution of the W.A.A.C. and the proliferation of national airlines were motivated by considerations which were not strictly

apposite to economic efficiency and co-operation in West Africa. The point is that this was one area where co-operation would have redounded to the benefit of countries of the sub-region and also fostered the political understanding being sought in other less realistic ways. So much for the negligence in the field of economic co-operation.

Tariff

Another problem whose topicality seems to have intensified relates to the divergencies in tariff regimes and their effects on trade. Most West African countries produce almost similar commodities as far as the traditional consumption requirements are concerned. And there are very few restrictions, if any, on the traffic of indigenous products. But restrictions are imposed on trade in industrial manufactures emanating both from inside and outside the sub-region. This is done sometimes for revenue purposes and sometimes for protecting domestic infant industries. The problem then is first to remove restrictions on trade among the countries of the sub-region and secondly to adopt a common external tariff to products coming from outside the sub-region.

The results of these divergent trade policies are that West African countries discriminate against each other by preferences to products from outside the area, and this inevitably leads to smuggling on a large scale. For example, whereas the duty on French cigarettes going into Franchophone countries within the sub-region is about 20 percent, the duty on cigarettes from say Ghana and Nigeria into these very countries is in the region of about 90 percent. The prices of Ghanaian cigarettes are bound to be far less competitive in the Franchophone countries. If there is a good demand for Ghanaian cigarettes in these countries, traders there would find it profitable to smuggle in Ghanaian cigarettes. The overall result of these trends is that the total volume of trade between West African countries is drastically reduced. This creates an artificial limitation on the market and we know that limitations of the market constitute one of the most powerful barriers to economic development.

Cooperation

It would be impossible to enumerate the conferences, symposia, meetings, study groups and all forms of gatherings which have addressed themselves to the problem. The recommendations for solving these problems have taken these forms. First, the conclusion of free trade in a selected number of commodities, preferably on a bilateral basis; secondly, the establishment of a free trade area in all the commodities traded among the participating countries; thirdly, the creation of a customs union and finally complete political integration.

In the context of the West African sub-region, this sequence of procedure would be greatly facilitated by the existence of certain instruments of co-operation. There is the West African Customs Union covering seven out of the fourteen states in the sub-region which has a common external tariff; there is also the West African Monetary Zone which has central banking arrangements covering seven countries in the franc zone. There is also a complex of functional instruments whose areas overlap at several points and whose activities could be broadened to cover the entire West African

sub-region. Examples are the African Groundnuts Council and the bodies set up to promote the inter-governmental development of the Chad, Niger and Senegal basins.

Two concomitant issues which bothered both the Niamey and the Accra conferences are these: first, the less-developed countries fear that the benefits of agreement would accrue substantially to the more advanced countries in the sub-region. And secondly, there is also the fear that the creation of a customs union would militate against commitments already entered into with outside bodies such the E.E.C.

The first problem was discussed at some length at both the Niamey and Accra conferences but its solution hidden in an "escape" clause in Article One of the Articles of Association, as an aim of the Community "to promote... coordinated and equitable development of their economies". The second problem was solved by allowing member states to take "both within and outside the Community measures of economic co-operation without the agreement of other Member States, provided that such measures do not prejudice the aims of the Community. Article 3 further stipulates that "Member States which belong to or join other systems of economic co-operation shall inform the Community of their membership and of those provisions in their constituent instruments that have a bearing on the purposes of the Community".

Political problem

These are only a few of the important issues of co-operation within the context of the West African sub-region. It has often been suggested that the lack of co-operation in economic affairs may be due to political disharmony. This is part of the general supranationalism argument. But it can be dismissed on two counts. First, more than half of the delegates to both the Niamey and Accra conferences represented military regimes and this accounts for the large measure of progress which has been made so far. It seems soldiers understand each other better than civil governments. Secondly, the O.A.U. seems now to have recognized the importance of regional economic development as a prelude to political integration and has therefore strongly supported the regional economic groupings. Even in the case of the E.E.C. the belief is still strong that political integration could be built only on the foundation of a strong economic unity. For instance, in a farewell address to the Economic and Social Committee of the E.E.C., the retiring president of the former E.E.C. Commission very forcefully argued: "Our aim, the full political union of Europe has not lost any of its topicality. Only through political union will Europe be listened to and respected throughout the world... And we know that the logic of developments is such that the more economic union moves forward, the more this will benefit political union." (*European Community*). Moreover, in the West African sub-region, linguistic and behavioural differences and attachments to diverse European systems have created divergent registers of political and social thought which will take a very long time to harmonise. For these reasons, the best that can be hoped for in politics is limited co-operation in defence.

Summary

Let me summarize. Considerable progress has been made in the past few years in the attempt to remove those physical barriers which retard the efficient utilization of the physical resources of the sub-region. Differences in economic policy have constituted the most effective check on economic co-operation during the past. The framework for the resolution of these differences has been built and it remains now for the participants to show some goodwill in its implementation.

We cannot leave this subject without mentioning briefly the advantages to Ghana of her participation in the Community. Ghana's population of about seven million is growing rapidly, but even at the rate of 2.5 percent per annum, the population is expected to be about 12 million by 1980. Compared with this, the present population of the sub-region is estimated at between 75-85 million. This simply means that if it is possible to conclude agreements with her neighbours, Ghana's domestic production could expand fairly rapidly as a result of the expanded market. Even now Ghana is a relatively industrialized country compared with other countries of the sub-region with the exception of Nigeria and Ivory Coast. Ghana's trade with all African countries is still far less than 10 percent of her total foreign trade and in most cases she buys more than she sells to other African countries. Moreover, the recent devaluation of the Cedi has made many Ghanaian goods far cheaper than similar goods from elsewhere. The removal of restrictions on trade in a system of intra-African co-operation would give a considerable boost to the growth of Ghana's economy.

There are many areas too where co-operation would be very advantageous to Ghana. Instances are the utilization of the Volta power where Ghana's consumption is expected to be less than 20 percent in the next few years; and the atomic reactor at Kwabena where the production of isotopes has had to be suspended as a result of the heavy production costs involved.

The fields of co-operation are to numerous to mention and the advantages are equally substantial. But a few hurdles remain and these can be cleared with goodwill, sincerity and purpose on all sides.

GHANAIAN BUSINESS TODAY

By

P. K. K. Quaidoo

THE TASK of developing Ghana industrially and commercially is first and foremost the responsibility of Ghanaians. Active participation of Ghanaians in the commerce and industry of the country is therefore a necessity which Government must work to bring about. Therefore in welcoming foreign investment into the country the fiscal policy to be pursued should have two features, namely: (i) it must enable the foreign investor to get worthwhile returns to his capital investment; (ii) it must create conditions which will enable the citizens to take an ever increasing part in the industrialisation of the country.

Under no circumstances should a foreign investor be encouraged directly or indirectly to permanently out the citizen from the trade and industry of the country or to confine him to a narrow section of it. To do so

is in effect to sell the birthright of the citizens. No foreigner can be a substitute for the citizen just as no foreign assets within Ghana territory can be counted as part of the assets of Ghana.

If we look at the industry and commerce of Ghana we find that foreigners dominate the scene. Even in those areas which do not require big capital or specialised knowledge we find the Indians, Lebanese and Syrians rushing at such a terrific speed that it will not be long before these commercial bloodsuckers establish themselves also as the industrial vampires of the Republic of Ghana. This must be prevented at all costs.



In the light of evidence given before the Akainyah Commission in 1963 and Ollenu Commission in 1966 it is the height of folly for Ghana to commit her economic future to these alien communities who are all out to bleed her to death. One has only to look around the Indian and Lebanese establishments in Ghana to realise what discriminatory employment policies they have. Even those establishments which have been here for so many years cannot boast of Ghanaian managers, accountants or even cashiers. "Yaro" invariably remains the chief member of their staff. If you come across a Ghanaian in an Indian or Lebanese establishment bearing the title "manager", he is only being put up for window dressing. In fact he is only there to act as a shock absorber against Government and Trade Union officials. Whenever there is the need to appoint any one to a post of responsibility another immigrant must be brought from India or Lebanon to do this job. Ghana becomes the dumping ground for relieving the excess population and solving unemployment of these

countries. It must be realised by all—private citizens and Government officials alike—that if we are to avoid the unpleasantness of being economic slaves in our own country, certain positive steps must be taken not only to dislodge these people from the vantage points they have occupied but also to prevent them from expanding their activities. Certain things must be done. First, we must endeavour to bridge the gap existing between Ghanaian businessmen on one hand and the Lebanese and Indians on the other. One practical method is to reserve certain commercial and industrial activities to Ghanaians and Ghanaians only: e.g. Food Canning, Animal Husbandry, Garments Manufacture, Furniture Making, Alcohol Distillery, Plastic Injection, Timber Production, except for foreign firms with at least 200 employees and an investment of over NC1,000,000;

Next, we must prevent the multiplication by division of Indian and Lebanese firms. A halt must be called to further immigration of Indians and Lebanese into Ghana to engage in commercial activities. Incidentally this method of multiplication by division is the method used by disease germs.

Thirdly, Government departments should co-ordinate their activities so as to avoid the situation where one ministry or department does one thing which is contradicted by another serving the same Government.

And fourthly, all existing so-called technicians of Indians and Lebanese industries and companies must be strictly vetted and those who are found to be no technicians replaced by Ghanaians.

Apart from this "disinheritance"—if I may use the term—by these aliens, there are certain features also detrimental to the growth of Ghanaian business. The first of these is high taxes. Our tariff structure is such that it is cheaper to import the finished goods into Ghana than to import the raw material for processing. For example, in the garment manufacturing industry we have to pay at present 50 per cent of the value of the textile (and many other raw materials e.g. sewing thread) or 28Np per sq. yd. "whichever is higher". This means that if we import a fabric costing 20Np C.I.F. we still have to pay 28Np duty which is nearly 150 per cent while the man who imports the manufactured shirt will pay only 75 per cent. This high import duty has the effect of locking up capital at the very beginning of the productive process. And devaluation has also worsened the situation. Sales tax, excise duty—all help to cripple industries, for when one finally adds up all these various taxes, the cost of the article is so high that its price is discouraging. People wonder why the goods made in the country should cost more than those which are ordered from abroad! The answer is simple: high taxes.

One would have expected that after the blow imposed on manufacturers by the devaluation industrial taxes would be reduced; on the contrary, as far as the garment manufacturing industry is concerned, they were raised. Not very long ago we were paying 10 per cent on all our raw materials. Last year from 10 per cent we came to "50 per cent or 20Np whichever is higher". Now, according to the current budget, instead of paying 20NP or 50 per cent of the value we have to pay 28NP or 50 per cent. This blow is certainly more than Ghanaian manufacturers can stand and it will not be long before we are wiped out of the economic life of the country altogether unless something is done to correct the situation. Another feature which also mi-

lites against the growth of Ghanaian business or businesses generally is the **inconsistent and vacillating import policy of government**. This is best seen by examples:

First, licences are issued to manufacturers to import raw materials to make certain goods. At the same time import licences are issue to traders to bring in the very goods being made locally with the result that manufacturers are unable to sell their products:

Again, while we declare that we want to reduce our reliance on imports we are at the same time imposing very high import duty on raw materials which tends to stifle the industrial expansion which is a necessary condition for reducing our reliance on imports;

Finally, we have a Commissioner for the redeployment of labour and at the same time we create conditions which make the laying off of labour in existing establishments inevitable. For, it is easy to see that when local industries have to shrink instead of expand existing labour force cannot be maintained. The high taxes also have the same effect. It is a fact that many factories in Ghana are working below their full capacity. Machines are lying idle in the factories while hungry men and women roam our streets unemployed.

I am sure that if serious efforts are made to correct these anomalies in our Ghanaian economic life Ghanaian businessmen will be able to play the role which they are expected to play in the development of their own country.

Under existing circumstances some of us are considering writing our epitaphs. It will be a sad day for Ghana when through apathy, bad planning, misguided charity or lack of foresight, Ghanaians are wiped out from the economic life of Ghana and the field left open to those whose aims and aspirations are too well known to us all.

Ghanaian Business Today

By

Kportufe Agama

I PROPOSE to make a few observations on the economic aspects of Ghanaian business today, albeit a layman's as far as business is concerned. We may view Ghanaian business from four different aspects: **first**, the type of business chiefly engaged in, namely, marketing of imported goods; **secondly**, lack of specialisation of activities especially trading activities; **thirdly**, single-ownership form of business organisation, that is, the one-man business; and **fourthly**, the high degree of dependence on government for survival, continuity, and expansion.

It is not my intention to describe these characteristics in detail, but I think it will be worthwhile to examine some of their implications for the state of the economy, and for government policy.

The dominant feature of the concentration of Ghanaian business in marketing of imported goods is that Ghanaians run into stiff competition with foreign businessmen. There are two factors which strengthen this competition. The first is the monopoly set-up of the foreign enterprises which is based on first-hand contacts abroad, greater capital, better technique and more efficient management; and the second is the operation of import controls since the second world war, interrupted only for some six years from 1954 to 1961. Instead of being deliberately used to divert as much

trade as possible into Ghanaian hands, import controls had the effect, intended or unintended, of increasing the domination of foreign businesses in the import trade. This has been so because allocations of licences tended to be based on past performance, a criterion which put Ghanaian business at a great disadvantage. If there is any effective instrument of diverting business into Ghanaian hands, it is import licensing. With this instrument it should be possible to promote Ghanaian business especially in specified commodities by simply allocating annually an increasing proportion of the value of imports to Ghanaians, so that after a certain date a desirable share of trade in imported goods shall pass into Ghanaian hands. This process must be supported wholeheartedly by the provision of trade credit by the commercial banks.



It is uneconomical to allow foreigners to dominate trade in imported finished goods especially in an economy operating under tight foreign exchange conditions. For profits from trade in an under-developed economy constitutes an important source of finance for industrial development. To allow this profit to be accumulated by foreigners, and to be subsequently repatriated not only deprives the economy of this essential source of finance but also imposes an additional burden on the export sector to generate the foreign exchange required to facilitate the transfer.

Lack of Specialization

The characteristic of unspecialised business activity may be the result of a limitation of the market for a single commodity and, quite importantly, the desire to overcome the risk of loss through uncertain markets attendant on trading in a simple commodity or producing a single commodity. There is a danger, however, that this risk insurance through multiplicity of business activities may lead to over-extension of entrepreneurial resources and, thereby, lead to the operation of businesses beyond the scale of maximum returns. As the

size of markets increases for different commodities, there will be a need for specialisation and the persistence of unspecialised effort will result in inefficiency and inability to expand profitably. There are indications that some Ghanaian enterprises are faced with this problem of over-extension.

To solve this problem calls for a guideline from the government to promote specialisation necessary for profitable expansion. Essentially the government can play the role of reducing risks associated with the process of specialisation. It can do this by increasing the size of the market for specific commodities by means of raising its own demand for such commodities, especially manufactures of Ghanaian businesses; by giving subsidies to consumers or producers of specific commodities; granting tax rebates on increased Ghanaian production and sales; and by encouraging the formation of organisational structures which reduce risk and promote efficient running of business.

Type of Organisation

This leads us to our third economic aspect of Ghanaian business—the one-man enterprise. It is not correct to say that the one-man enterprise persists in Ghana because Ghanaians distrust each other. This is a facile explanation of the state of business organisation in this country. It has been said that the American Constitution is based on profound distrust among the founders of that constitution; and it is becoming increasingly clear that our impending constitution is going to be similarly based. The one-man business is the archetypal form of business organisation which survives in static societies where a large degree of uncertainty prevails. It fuses ownership with management. However, these two elements of the relationship between man and his property tend to have divergent purposes.

Ownership may not necessarily entail desire for profitability, but the purpose of business management is to achieve a specific goal which we economists rightly or wrongly express in terms of profitability. The existence of this potential conflict between the possible goals of ownership and those of management is seen clearly in the problem of securing the survival of one-man business on the retirement of the owner. Although, at low levels of development, this type of organisation may generate satisfactory returns, these returns, even if faithfully accumulated, are unlikely to be sufficient to meet the capital requirements of an expanding economy. One-man business faces greater risks than an incorporated one for it has to meet these risks with its own resources alone. For these reasons there arises the need for a new organisational structure to ensure the survival and continuity of enterprises to spread risk and hence reduce expenditure on such risk, and to improve the potential for capital accumulation from sustained profits.

The role of government here is to provide tax legislation geared in favour of incorporated enterprises in specific fields of business where incorporation will clearly increase production and profitability. This can be done by progressive reduction in corporate tax in specific areas of activity in relation to the value invested. In addition, the government can guarantee a market for the products of specific business organisations, especially the co-operatives.

Capital and/or Value of output

Besides, the National Investment Bank should wake up and begin to execute its self-imposed function of "counselling and advising Ghanaian businessmen" as well as identifying projects which it may promote to Ghanaians. I suggest this is done with a bias in favour of incorporated business. The bank can hardly be said to be performing these functions adequately at the moment. Indeed in its lending operations the bank appears to be behaving more like a commercial bank than an investment bank.

Dependence on Government

All these brings us to the fourth aspect of Ghanaian business, namely, its dependence on the government. It is normal for businessmen to require the government to provide the climate for the pursuit of private enterprise, especially in the areas of tax legislation, commercial policy and the provision of social overhead capital—water, electricity, transportation, industrial sites and telephones. These services reduce risks considerably and thereby increase external economies which lead to reduction in overhead costs of businesses. These are legitimate requests which, indeed, properly belong to the realm of government enterprises. But there seems to be a tendency among Ghanaian businesses to expect government to adopt policies which will enable them to appropriate incomes without much effort on their part. Serious businessmen operate on the basis of expected earnings by making calculations about the difference between expected costs and expected yields. Our Ghanaian businesses have yet to perform this exercise and make it a matter of habit or routine.

Nevertheless, it is also true to say that there is a tendency for the government to hold the view that private enterprise is truly private in the sense that it is free to operate in a vacuum, that is, in the absence of an adequate governmental framework. I think the time has come for our public officials to disabuse their minds of this misconception. For, the persistence of this view, and other such erroneous views, is today, I suspect, one of the major elements in the widespread discontent and crisis of confidence which characterises the relations between Ghanaian businessman and the economic managers of the government.

One major line of approach the government can pursue to remove this misconception is to review the Capital Investment Act and to incorporate provisions which specifically encourage Ghanaian business. Here I would suggest that the section of this Act on tax rebates for expenditure on scientific development be replaced by one granting rebates in respect of expenditure on the development of exports, on actual exports, and on annual increases in exports.

The Civil Service and Economic Management

Ultimately, however, the specific policies suggested above can be implemented successfully only within a clearly defined structure of the Civil Service. If the Civil Service stands out for mention in public discussion, it is because, in our present circumstances, it happens to be the main instrument of social and economic reform, and it is therefore necessary for us to examine periodically its mode of operation in relation to our social and economic objectives. The Civil Service today is over-extended in its structure and, consequently, feeble in its impact; its operation has reached the point of diminishing returns. If, as often happens,

cannot co-ordinate the execution of government policy, it becomes all the more incapable of promoting and satisfying the requirements of legitimate Ghanaian business.

There is an urgent need for a radical overhaul of this machinery of government. And, I dare say, that it is in this area, perhaps, that will lie the greatest test of the success of the N.L.C. administration. The re-organisation of the Civil Service is, to me, the Council's greatest business today. For, this will constitute a major aspect of the revolution in which we, as private businessmen, shall come to conceive our business as business. Those of us who have the responsibility for bringing this about must do so without fear or favour, for only then shall we truly become in the democratic words of the greatest economist of the twentieth century the "custodians, not of the future, but of the possibilities of the future".

Dr. Aganua will write more about the operation and activities of the National Investment Bank —Ed.

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Observer Notebook

Justice Delayed is Justice Denied

WE publish in this issue Kontopiaat's reply to the Judicial Secretary about the heavy back-log of cases in the Accra New Town Court, and we would like to say that our investigations have revealed that Kontopiaat's criticisms are true not only of the Accra New Town Courts but indeed of most of the Courts in Accra. We have discovered with alarm and misgiving the number of people who are on remand and have been languishing in the prisons in this country. One Prison in Accra is solely devoted to these people and it was with great shock that we learnt that some of these people have been kept in prison on remand for as long as two years! We would therefore like to urge the Judicial Secretary to see that the wheels of justice in this country are made to move much faster than at present, and that all citizens on remand who have been in our prisons for more than six months are granted bail forthwith.

It is unjust and inhuman that people should be made to languish in prison for a year or more before they are tried. Justice delayed is justice denied.

The Future of the Independence of the Press

ON THE 15th of last month, Mr. Oppong-Agyare, editor of the *Pioneer*, was dismissed from his post. In a press statement the next day, Mr. Oppong-Agyare said he found "the chain of events leading to the dramatic climax... baffling." Said he: "I am a victim of circumstances beyond my immediate understanding". But Mr. S. W. Yaidoo, managing director of the Abura Printing Press, which publishes the *Pioneer*, is reported to have said that this disciplinary action was a purely internal administrative matter. And there, it would seem, the matter must rest.

The original announcement, however, quite naturally surprised everybody and even shocked some of us. It generated considerable rumours and speculation as to the real cause of the editor's dismissal. The rumour, in fact, hasn't completely died down that the government had a hand in it; and it is with some sense of relief that we state our belief, based on our own investigation, that this is not so. But it is here that we would wish to sound an alert, a warning if you wish, to all those who would like to see democracy and truth and the freedom and independence of the press thrive in Ghana.

There is a firm belief in politically conscious circles in Kumasi that Mr. Opong-Agyare's dismissal was due, not so much to administrative processes at the Abura Printing Press, as to external pressures from commercial sources. And although Mr. Yaadoo's explanation and position on the issue is quite admissible, it would be naive, even dangerous, to dismiss this belief altogether. For we ourselves have found that, behind it all, Mr. Opong-Agyare's immediate troubles can be traced to subtle pressures from a certain big corporation. [Name omitted]

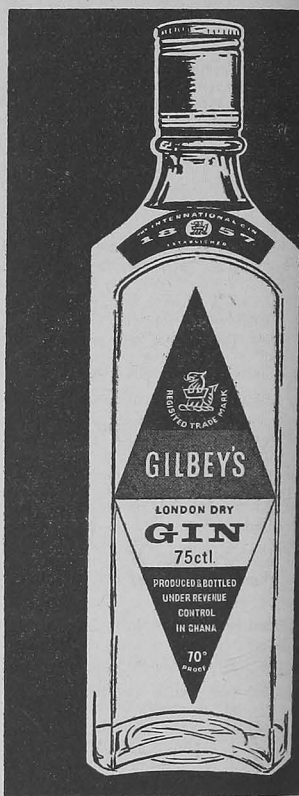
Readers of the **Pioneer** will no doubt recall that the **Pioneer** carried editorials, articles and letters for some time which were highly critical of the policies and actions of a certain corporation. Indeed, the **Legon Observer**, among others, also published similar entries. It is known that the company in question threatened to withdraw its advertisements in the columns of the **Pioneer** (and indeed of the **Observer** as well: readers may recall a hint about this in our Anniversary issue). This threat was partially carried out: the advertisement of the company in question was reduced; and no doubt the **Pioneer's** business suffered for it. It is also known that as a result of these critical articles a legal suit (not in the name of the corporation) is threatened against the **Pioneer** (a fact which does not seem particularly to be worrying the publishers).

Thus, it would be difficult altogether to deny that the editor's dismissal was not caused by forces behind the scenes, forces which might even be described as sinister. For, what are the prospects for the freedom and independence of the press, especially the private press, if editors are in constant danger of losing their jobs for expressing their candid views on national issues as objectively as they see things? What prospects are there for democracy if our freedom of expression and our duty of public education are to be compromised by commercial expedience? Are we to deny the truth to our people?

The point is that the threat to the independence and freedom of the press need not, as in the immediate past, come from the government or political parties. Business magnates, especially the monopolistic empires, if allowed, will control and crush this freedom. (And heaven knows that there are roguish or, if you prefer, clever, businessmen who, in an atmosphere of a muzzled press, will manipulate politicians and public servants, to the detriment of everybody). Those who are genuinely concerned about our newly-won freedom will do well to ponder this.

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Letters

Wake up, Ministry of Agriculture

SIR—A fortnight ago 8 old Senior Technical Officers of the Ministry of Agriculture attended an interview with the view to some of them being selected to do a year's diploma course in Agricultural Extension Education in Reading University. Two of them are 59 years old each, and the youngest among them is 52 years old. I came by their ages in the Senior Staff list of 1951-52.

One is filled with anger to the point of explosion in the face of such things. Is it bribery, nepotism or class interest which makes it possible for this to happen? The officer responsible should bury his head like an ostrich in sand out of shame. Is he not aware that by the time these old men complete their course they have to go on compulsory retirement as they will have reached the age of 60?

A lot of nasty things have been happening in the Ministry of Agriculture. The personnel branch of the Ministry is notorious for delaying everything which means any good to people except themselves. Is the branch not responsible for the affair of these old men?

Then there is the Economics and Statistics Division of the Ministry where a junior officer is employed on contract and runs promotion! There are a host of girls who are on salary scales they do not deserve. Things are worse in the Cocoa Division. There are a number of pensioners on contract who do nothing but sleep and call it a day after a few hours. Some men in this Division are as much as 60 years old.

The Ministry of Agriculture needs cleaning up. The Commissioner and the Principal Secretary are the best men to do it. They must start right now.

Accra.

C.O.

Name and address supplied—Ed.

Mr. Judicial Secretary, Action not Threats Please

SIR—During the last five weeks, I have been away on a fact-finding—yes, fact-finding—tour of some parts of the country. It was not until my return to Accra last Saturday that my attention was drawn to the fulminating letter from certain Powers breathing brimstone and fire against me. Since you were kind enough to publish that letter unedited, and since any reader could study my comments and the Judicial Secretary's letter and draw his own conclusions about which of us the 'ample powers' of the court should be invoked against, my initial reaction was to ignore that letter. However, it has been pointed out to me that, considering the tone of the letter and its excellence 'from the point of view of both accuracy and good taste' (Mr. Aidoo's words), any silence on my part could be misinterpreted. May I, therefore, humbly ask you to grant me a little space.

First of all, why should Mr. Aidoo refer to me as 'a certain Kontoplaat'? Kontoplaat does exist all right, and this reply should dispel any doubts about that. Secondly, I addressed that letter to my good friend Mr. Hartley, and I don't see why somebody else should fume and fret about it. Of course anybody is welcome

to cull a sermon from anything I write—and Mr. Aidoo's letter (see especially paragraph 3) surely reads more like a sermon, with its judicious blend of exhortations, pleas and threats, than a dispatch. But, then, the sermon should be addressed to the appropriate audience, preferably the television audience, and not me.

And now to the sermon itself. In the first place, I do not know the specific Magistrate Mr. Aidoo was referring to in his letter. In fact the word Magistrate let alone 'the Magistrate', never appeared anywhere in that section of my letter which annoyed this great man so much. If I had had any Magistrate in mind, I would have said so. 'The Magistrate' he refers to is clearly a lurid figment of his own fertile imagination. What I wrote in that section about the Court in question is in fact based on a prolonged period of personal observation of the operation of that Court, extending well over three years. You see, I developed a great interest in that Court right from the time that I managed to acquire a car. Any remarks about the Court could not and were not meant to be about any particular or single Magistrate, past, present or future.

Secondly, Mr. Aidoo says that the allegations in my article about that Court are not true. Rather strangely, but significantly enough, he does not refute these allegations systematically. Sweeping statements like 'none of the things said in that issue is true' and "the allegations made in your Journal were quite unfounded", simply wont do, even if they come from a Judicial Secretary. Now, is Mr. Aidoo maintaining that over the last three years or so, most people accused of ever speeding were not 'almost invariably' said to have been doing 40 m.p.h.; that the fine was not more or less NC2.00 for every mile in excess?; that most accused drivers are not expected to report every fortnight in that Court?; or that no drivers have been making mandatory fortnightly appearances in that Court for a year, or even longer? Incidentally a colleague of mine here who had the misfortune of running his own car into a stationary truck in November 1966 has been reporting there regularly ever since. Another friend appeared four times and then gave up, and we understand that there is a benchwarrant after him now!

I think Mr. Aidoo would do far better to invoke his ample powers to check on and correct some of the infuriating practices mentioned here, deal in particular with the heavy back-log of traffic offences and do something about that infuriating fortnightly ordeal, than using the instrument of threat which may not cut ice with some of us. And please stop paying lip-service to principles you don't yourself practise because obviously your inspection of the records must have been really casual and your discussions with the lawyers very perfunctory.

By the way, Henry Cecil has said even worse things about English Courts, Magistrates, Judges and even Chief Justices and no threats have been brandished his way yet. But then England is a country where true freedom of the Press exists and where people even in high places have some sense of humour. Or probably Mr. Aidoo may even not have heard of Henry Cecil, let alone read him!

Kontoplaat.

Working Hours

SIR—I read with interest Mr. Victor Kwami's article at page 20 of your popular journal, the **Legon Observer** of 18 August, 1967, on the need for a change in the present working hours.

I am strongly of the same opinion with him and may I humbly appeal to the authorities concerned to consider the advice and initiate action.

As an alternative to Mr. Kwami's suggestion which I strongly support, I also suggest the following working hours:

(a) Mondays—Fridays 7.30 a.m.—2.00 p.m. (i.e. One Session daily).

Saturdays—No work.

Or

(b) Mondays—Fridays 8.00 a.m.—12.00 noon.

2.00 p.m.—4.00 p.m.

Saturdays 8.00 a.m.—10.00 a.m.

Regional Office,
P.O. Box 104,
Sunyani, Brong Ahafo.

P. A. Fosu Amankwa

Ghana and the Nigerian Crisis

SIR—I wish to express support for Mr. T. B. Mensah writing under the above caption in Vol. II, No. 16 of the **Legon Observer**. I am particularly grateful for his outright condemnation of the atrocities and the bloody massacre of innocent people in Nigeria.

The solution to the Nigerian crisis depends largely on a revised political system rather than on force of arms. What Biafrans really want is to stay on their own and they can hardly be crushed or made to dwell in peace with their neighbours through coercion. Force can only worsen Nigeria's tragedy.

The situation in Nigeria is not thoroughly understood by leaders in most parts of the world; and this has brought about the supply of arms to one of the rival factions and the outright condemnation of the other as a secessionist.

Nigeria's future unity depends upon the acceptance of certain basic facts, i.e. that the country is multinational; that none of the three large nations will accept a political system in which one of them dominates the others; and that the minorities want adequate guarantees about their rights.

All want well with Nigeria under General Johnson Aguiyi-Ironsi. He was the only leader whom the elected Representatives in Parliament had chosen to man Nigeria's ship of state.

When the late Joe Akahan and his 'clique' got rid of General Aguiyi-Ironsi and Lt. Col. Fajuyi, the next officer senior in rank, like Commodore (now Rear Admiral) Wey of the Navy or Brigadier Babafemi Ogun-dipe (now High Commissioner in London), should have taken over so that peace and tranquility might continue to reign in Nigeria. But Lt. Col. Gowon jumping over the heads of his seniors and without mandate assumed the office of the Supreme Commander of the Nigerian Armed Forces and promoted himself to Major-General.

What General Gowon needs to do if he loves his country is to accept mediation from interested African states so as to end the deadlock. He should realise that his Government no longer reflects the wishes and the aspirations of all sections of the Nigerian community.

The Republic of Biafra has come to stay. This is a state of not only the seven million Ibos but equally of seven million other ethnic groups in the East. Secession from the Federation was inevitable on May 30 because after the massacre of over 250,000 Easterners in the north, it was high time the Easterners kept to themselves.

The Republic of Biafra which has been on the defensive is still appealing to public opinion and the world for intervention and the ultimate recognition of her sovereignty.

Takoradi

Kenneth Okoro

SIR—Your letter of 18 August on the situation in Nigeria needs a rejoinder for more than one reason: First, because the **Legon Observer** is an intelligent organ sensitive to reactions to its comments; secondly, some of your comments are not altogether true; thirdly, the root causes of the present conflict have been and still are being ignored because many do not understand the peculiarities of Nigerian politics; and fourthly, the conclusion that the O.A.U. can settle the crisis is wrong because the O.A.U. can only obtain a temporary solution.

It is not true that General Gowon has been responding to reconciliation efforts like a stern father. The facts do not support this remark. The best hope for Nigeria to avert bloodshed was the National Reconciliation Committee which the East ridiculed and treated with contempt.

The obvious and remote causes of the present conflict have to be carefully analysed by whoever wants to offer suggestions. You cannot just admit the Ibo version of Hausa-Fulani domination now and forget that before the January 1966 coup, the Ibos had exclusive Schools, Churches and Societies in the North to which no other tribe was admitted. These institutions existed in the North for many years and if the Ibos had tried to overthrow events of today might have been different if not averted.

That is not all. If it is true that there is now Hausa-Fulani domination as was the case before January 1966 coup and the Ibos who led the coup then had genuine desire not to substitute Ibo domination for Hausa-Fulani domination, what efforts were made to effect this before the Ironsi regime was toppled? The hour for the Ibos was during Ironsi's regime but they blundered as they are still doing. The Ibos and the Yorubas parted ways since 1945 because of the grabbling tendencies of the Ibo. It is only political circumstances that have pulled them together occasionally, e.g. in 1953 at the time of the Self-Government motion, and again in 1964/65 when there was a split in the ranks of the Yorubas. The Ibos have always liked to be where the honey flows and that is the truth. It is only now that they have miscalculated.

It must be appreciated that in spite of our weaknesses as tribes in Nigeria the desire of the majority is to have a united country. The basis for this is the creation of more states and General Gowon has taken the bold and imaginative step in creating 12 states.

As for Chief Awolowo's stand, I am of the opinion that when you examine the situation carefully, a negotiated settlement will not be a lasting solution. Who wants another war in a few months after the present

hostilities cease? The Ibos will not accept a negotiated settlement except on their terms. And which ethnic group in Nigeria today, apart from the Ibos themselves, will accept the Republic of Biafra?

The O.A.U. is an organisation which is rightly the hope of the continent, but at the moment and in the present circumstances it cannot mediate. Have we forgotten the rebuff the East gave the countries, especially Ghana, which put in so much effort before war broke out? Are these not the same countries who will speak on the O.A.U. platform? Besides, is O.A.U. an organisation for inter-state disputes or one that concerns itself with the domestic problems of member-states?

We all want Nigeria intact and the fact is that there is more that unites Nigerians than divides them. If the Ibos are allowed to have their way there will be no peace in Africa. Other ethnic groups will like to follow suit.

Kumasi.

E. A. Fagbemi

THE ECONOMY

(Continued from Page 10).

Government Expenditure and Falling Export Earnings

The pressures on the balance of payments which, as I have said, had already developed round about the 1959/60 period also stemmed partly from an excess of domestic demand caused by the increasing government expenditure. The increasing expenditure was made largely dependent on expectations regarding the proceeds from the country's main export commodity, cocoa; but these expectations were not realised because cocoa prices on the world market showed a persistent tendency to decline. From an average of £352 per ton in 1958, these prices fell to £141 per ton in 1965. It was not until 1966 that prices recovered to the figure of £220 per ton that we see today. Although the level of cocoa production was rising as a result of past investment in the industry, from 300,000 tons in 1959 to about 570,000 tons in 1965, the fall in prices meant that we could not get increased foreign exchange returns from our increased volume of exports.

Why the Debts are a Problem

The basic understanding behind these foreign loans was that they would help in our economic development and increase our national income, and hence our ability to repay. Other things being equal, this should be so. Why is it, then, that nowadays they have to be described as a problem?

There are several reasons why the repayment or the servicing of these foreign debts has become a problem for the country. The desire to implement projects at all costs sometimes led to the undertaking of projects that were not viable economically. Inadequate feasibility studies characterized many of these public enterprises financed with foreign credits. In some cases, the economic scale of operations was far more than could be justified by the size of the Ghana market. Other projects needed extra imports and managerial and technical skills which were not available locally and could not be imported owing to the scarcity of foreign exchange. The result was that some of the enterprises could not

fully exploit their production capacities. Other large scale projects were commissioned in the agricultural and manufacturing sectors without any proper regard for the length of time during which the project could begin to yield returns to help in repaying its costs. Insufficient priority was given to projects which could yield returns earlier, or rely on local raw materials; and so on. To make matters worse, no attempt was made to relate the process of incurring the debts with Ghana's ability to repay them.

In all this, we should, of course, make certain notable exceptions: for example, the two industrial projects to which a great deal of thought and study was devoted before their implementation—the Volta River Hydro-electric Project and the Aluminium processing plant constructed by Valco. The Volta Hydro-electric scheme will make a substantial net contribution to Ghana's foreign exchange position through the 30-year contract signed with Valco to purchase cheap electrical power for its plant. This type of integrated project imposes little or no strain at all on the country's external resources because they generate enough income to repay the funds borrowed for their implementation. Here we have a shining example of how our debts could have been better incurred.

Suppliers' Credits

About 70-75 per cent of the projects undertaken in the country were financed with foreign credits from suppliers, and it is the servicing of this type of debt which, as I have already indicated, constitutes a big problem for the country. Now we look a little more closely at the item of suppliers' credits.

This item, before the renegotiations for stretching out the repayment periods, was composed of credits with repayment dates falling between one and twelve years. Two years ago, the full extent of our indebtedness under this item was unknown. A lot of intensive research since then has revealed that the government had contracted credits with business concerns from twenty-two countries, stretching from the Soviet Union to Australia and from the United States to Rumania and Mainland China. Our principal creditor countries, however, were the U.K., West Germany, Holland, France, Italy and Japan in the West, and USSR, Czechoslovakia, Poland, and China in the East. The number of separate commitments on contract with these different countries were estimated at two hundred and twenty-two, valued at a total of NC615 million. The Government had made down-payments amounting to about NC140 million on these contracts by the end of 1965. The bulk of the credits given mature from about five to eight years. However, the periods for repayments were normally too short for most of the projects to have yielded adequate returns for the repayment of the loans. There were others, particularly from the Eastern European countries, which nevertheless provided credit repayments of over twelve years.

Most of these short and medium term loans were guaranteed by the Governments of the industrial countries as part of their export drive for machinery; and there are many machinery salesmen prepared to sell plant and equipment for which there is no clear economic justification; they can't lose if their money is guaranteed by their home government.

Ghana's Capacity to Repay Debts

Here we have to examine the sources from which we were expected to refund the guaranteed money within five to twelve years for the suppliers' credits whose magnitude had overshadowed all the other components of our foreign debts. The appropriate question to ask in this respect is: what was the extent of Ghana's capacity to pay her foreign debts?

If we had not succeeded in re-scheduling our debts, we would have had to find NC54 million in 1966 alone to repay debts on the suppliers' credits which fell due for settlement. And in 1967, the sum of NC71 million in foreign currency would have been required. The amount due for suppliers' credit repayment in 1966 was estimated to about 24 per cent of our export receipts for that year. If we take into account the debt service payment on the other items of our foreign debt, then about 27 per cent of our exports receipts would have been used to repay the part of our debts that fell due in 1966. This was well beyond our capacity, bearing in mind that export receipts have also to be used to pay for all our other requirements of imports and services. Our capacity to service our debts was also limited by the fact that a large proportion of the commitments on suppliers' credits, about 55 per cent, were for projects which do not produce any service or commodity that can be sold to the public, though they may help economic development in an indirect way. Industry and agriculture accounted for about 25 and 15 per cent respectively of the total debt liability on the contracts. This means that only 40 per cent of our debt commitments was spent directly on projects which could be regarded as having the potential of making a net contribution to our foreign exchange earnings either directly or through the production of import substitutes.

At the time of the Revolution the country's financial position had almost reached a point of no return. To save the economy again the new government had to take immediate measures.

Immediate Measures

Amongst the main tasks and policies outlined by the new government was the renegotiation of Ghana's medium term foreign debts and the arrangement for the settlement alleviating their burden on the balance of payments. Moreover, to help restore some balance of government expenditure, work on several projects was halted to await a review of their economic feasibility and priority. The rate of constructional activity on several other projects was also slowed down. There were certain other foreign commitments and projects of which work had not yet started; these included contracts for the construction of plywood and timber processing facilities, six urban storage food centres, and schemes for diamond dredging and stone quarrying. The government cancelled the contracts for these projects to allow time for a proper evaluation of their feasibility. Finally, the government decided that for the time being it would not undertake any new suppliers' credits with maturities of less than 12 years.

Rescheduling our Debts

Pending the debt renegotiations, payments of all medium term foreign debts were temporarily suspended from June 1, 1966 as an emergency measure. The Go-

vernment then opened negotiations, through the good offices of the IMF and the World Bank, with the chief western creditor countries including the United Kingdom, West Germany, Holland, France, Japan and Italy. Agreement was reached in London in December, 1966 on the principles for re-arrangement and stretch-out of the debt repayment. The agreement provides that for the two and a half years ending 31 December 1968 governments of the creditor countries will assist Ghana to meet debts maturity for payment. The assistance will take the following form: when a debt is due for payment Ghana will be required to pay down only 20 percent of the amount due. The government of the creditor country will contribute the remaining 80 percent; the supplier accordingly receives full payment and there is no default by Ghana. However, we would still owe the 80 per cent portion as a debt to the government of the creditor country, and we are given a total period of 13 years to pay. This has the effect of lengthening the repayment period of the original credit from five years to 13 years; and this is what we mean when we talk of re-scheduling or stretching out debts.

We have already resumed payments and it is estimated that we shall need an amount of NC33 million in foreign exchange to meet our new obligations under the 20 per cent payments including interest during the 2½ years ending 31 December 1968. If my arithmetic is correct, the portion of 80 per cent to be provided by creditor governments will amount approximately NC132 million. So now you can see the measure of relief gained by successfully rescheduling our debts: instead of having to find about NC165 million from our export proceeds during the next 2½ years to pay our debts, we now have to find only NC33 million.

We foresee that the next 2½-year period starting from 1st June 1969 and ending 30 June 1971 will also be a problem period of heavy debt payments. Therefore although there was no firm commitment on the part of the creditor countries, an understanding was reached during our last negotiations that the present arrangement constituted only the first phase of negotiations in two rounds. The government of Ghana therefore indicated its wish to meet again towards the end of 1968 to consider further relief, and this was recognised and noted by the creditor countries.

The measures that have been taken so far in the form of balance of payments support, i.e., debt rescheduling, IMF drawings, and long term commodity assistance loans have undoubtedly relieved to some extent the pressure on the balance of payments; but the imbalance in our foreign payments position still remains. The size of our foreign debts continues to be relatively large and their repayment is likely to constitute a problem for our balance of payments and the general stability of the economy for some time to come. Nevertheless I am confident that with a better and more efficient use of our resources, we shall be able to generate enough income in the years that lie ahead to repay our debts in an orderly manner and still leave room for a gradual improvement in our standard of living.

Further Borrowing necessary for Reconstruction

This briefly, is the state of Ghana's foreign debt today. It may be a depressing situation, but I think it would be quite wrong to conclude that because of this we should never borrow again. Of course, we must and

we will. Few countries today can make progress of any size without foreign borrowing of one kind or another. All who have built a new country, even the developed industrial countries, have had to borrow investment capital on a large scale. The United States had to borrow on a large scale to develop before she could be in her present powerful and most enviable position. Not so long ago, after the last world war, most European countries were borrowing on a massive scale to finance the reconstruction and development of their economies. Today the majority of them are prosperous lenders; but even so, some of them still have to borrow.

What has gone wrong in Ghana is simply that we have not used our borrowing opportunities wisely. There has been a misuse, maybe a lack of proper appreciation of the immense loan facilities that our many friends opened up for us in the early years of our nationhood. As we have seen, we have chalked up a large debt which will take something like a generation to pay. In the internationally accepted sense of the word, our capacity to borrow further is very limited. Yet the greatest part of the burden of national development still lies ahead of us.

The consequences of this are clear: that we cannot hope to borrow as freely as before, and that therefore the greater part of the resources which we require for making further and more accelerated progress must come from ourselves; and it can only come out of

sacrifices, out of more careful stock taking and planning in future, out of a more shrewd disbursement of our limited resources, and above all, out of a new resolve to work harder than before. The moral for the future is that there is a need to re-lay the foundations of progress in this country and to ensure that by the time we are done, the state of Ghana's economy will have been improved, at least a little, for a bequest to our children and to succeeding generations.

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Miscellaneous

DEVALUATION GIVES ME A BLOW

By
Kontopiaat

I WAS just leaving Accra on my tour of some parts of the country when the storm broke over what was then termed the adjustment in the exchange rate of the cedi, but which turned out to be an Omaboec—or was it Afrifaic?—way of describing the well-known but highly suspect and, in some circles, completely outmoded gimmick of devaluation. Since my return, a deputation of citizens have come for my views on devaluation after having furnished me with information about the official arguments in defence of the measure. I feel compelled, therefore, to express them, however belatedly.

The first question I want to ask Brig. Afrifa is this: why did he not use the term devaluation in his original announcement? Was it because he was himself uneasy about the associations and connotations of that term? Or was it because he was afraid that it would remind people of the post second world war famous hit 'Devaluation gives me a blow' since as the words of that song frankly show, it brought about such an increase in the cost of living that the singer could not buy the goat (or was it the coat)—I could never make that word out) he wanted to buy? Or was it simply because he and lieutenant Omaboe merely attempted to pull a fast one on us?

However, it is not the failure to use the term devaluation originally that really bothers me, but rather some of the questions and doubts raised by that exercise. In the first place, as some of you may have gathered from my First Anniversary Resolution 5, I was aspiring to join the then obviously opulent and happy band of businessmen in this country. Now with the cost of virtually all imported articles gone up by about 40 per cent, which naturally and automatically affects that of tractors, caterpillars, and mining machinery for my plantations and bauxite mining industry, the implementation of my scheme is completely out of the question. You see, I had only drawn up a shoe-string budget for my projects and this string could not stand the strain of the devaluating voices. I wonder whether the authorities did reckon with the number of plans such as mine that would be nibbled in the bud and the number of small Ghanaian businessmen who would be thrown out of business to the advantage of expatriate ones.

Secondly, my scouts have informed me that one of the strongest arguments advanced so far in favour of devaluation is that it will boost up old exports and encourage Ghanaian exporters to explore new avenues. This argument is valid to some extent. Indeed, since devaluation, the cocoa trees in my cocoa farm have stepped up their yield! Moreover, I have been seriously thinking of exporting mosquitoes to South Africa, snakes (poisonous ones only) and scorpions to Southern Rhodesia (all to the white areas only, of course), **fufu** and **kantomire**, which after all are two of our major products, to Britain and Italy, **Kente** and **mpintin** drums and bamboo flutes to the United States; snails and frogs to France etc; etc. But the snag here is that, rather like the price of cocoa and the minerals which

jointly constitute as much as about 60 per cent of our exports, that of all these brand new lines are not fixed by me but rather by international bodies over which I have little control. I cannot therefore even capture the world markets for these commodities by offering lower prices for my exports. By which I mean to say, Pip, that in a country whose exports consist mainly not of manufactured goods but rather of primary products whose prices outside are fixed by international agreements, it does not make much sense to me to talk of boosting exports by devaluation.

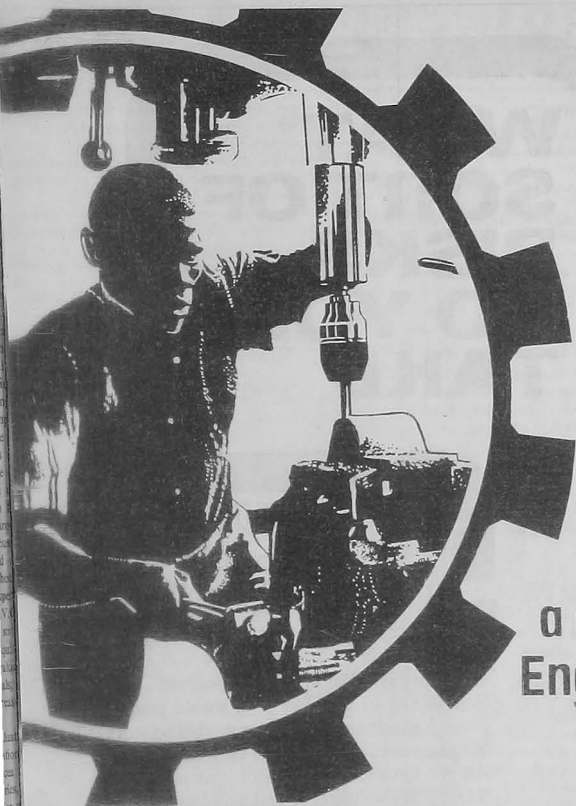
The other strong argument in favour of devaluation I understand, is that it will discourage imports and therefore stimulate manufactures at home. There is absolutely no doubt that imports will be discouraged since in fact besides the fantastic increase in cost, there will not be enough foreign exchange to bring in adequate quantities. But does the second part necessarily follow? Assuming (and this is an exceedingly dubious assumption) that there are enough machines already operating in this country to produce all the drugs, chemicals, cars, television sets and radios, electrical appliances, pen and ink, text books, clothing, and plates do not forget wigs and bras, can we import the raw materials to feed these machines? If we cannot, what is the whole point of Mr Omaboe's exercise, since we find local substitutes for all these? We certainly can find some. For example, we surely can use plantain fibre for wigs; **kyenkyen**, which was in fact used by our forefathers in the good old pre-European days, for clothing and bras; the numerous climbing plants for the forest for belts; plantain skins and charcoal for palm oil for soap; and canes for hoola-hoops. We can even be able to distil petrol from **Akpeteshie**, and use its more up-to-date nomenclature, V.C.10. Necessity has a funny habit of begetting all sorts of things. The list of local substitutes, you see, is quite impressive but by no means exhaustive, oh devaluers. Without adequate machinery and raw materials, only the gentlemen can tell us how we can increase the supply of locally manufactured goods.

No, it seems the whole of this devaluation exercise which appears to be the I.M.F.'s (International Monetary Fund) standard panacea for the economic evils of all developing countries, is full of uncertainties and risks. Did the Brigadier and his band of eminent economists led by Mr. Omaboe really make adequate preparations and consult all the gods and **kramos** before taking it on? It has certainly knocked me clean out and in the very first round too! I am sure also that it has had many other victims, including particular cocoa farmers who, stimulated by the seemingly fantastic high price of cocoa, rushed to dig and duster up the building plans which they had shelved over the years.

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