

ECONOMICS

Case Study: Ghana

Country	Recent Economic Performance	Responses to Globalisation	Impacts of Globalisation
<p>Republic of Ghana</p> <p>—</p> <p>While Ghana is considered to be among the least developed countries in the world, rated as one of fastest growing economies in Africa...</p>	<p>Economic Growth</p> <ul style="list-style-type: none"> - in five decades since British rule in mid 50s, Ghana through diff cycles of eco growth, marked by poor performance and militant political climate. National economic policies during this time often devoid of market principles, high and volatile prices, low productivity, high i.r. → unfavourable investment climate - return to democratic rule in early 90s marked beginning of an unprecedented economic stabilisation process- high commodity prices (gold/cocoa esp) improved tot, and a set of market reforms → environment for private sector growth. - under such improved eco conditions, period of relatively strong eco performance in past years: past 20 yrs real GDP growing steady rate of 5%/yr, (2003-2007 5.9% annually) <p>nonetheless, GDP per capita fell 9% last year to \$621, with a \$3b trade deficit and \$4.9b in external debt.</p> <ul style="list-style-type: none"> - inflation has more than halved in year since aug 09, 19.6% to 9.4%. <p>Main challenges facing Ghana is to sustain economic expansion and promote policies to ensure equitable distribution of benefits of growth, through broad based private sector-led jobs creation.</p>	<p>Gov policies- Tourism</p> <ul style="list-style-type: none"> - International Tourism Investment Forum, hosted by the Ministry of Tourism, aims at attracting investment. - Ghana Investment Promotion Centre established <u>tax incentives</u> in 2005, where accommodation establishments (i.e. hotels) exempted from payment of customs/import duties and other related charges. <p>International Participation</p> <ul style="list-style-type: none"> - Active in the UN, critically important peacekeeping partner – largest African peacekeeping contributor nation to multinational peacekeeping operations - contributes military/police personnel to UN peacekeeping operations outside of Africa, including nearly 900 troops to the UN Interim Force in Lebanon. <p>The International Bus Cycle</p> <ul style="list-style-type: none"> - long term growth prospects for Ghanaian economy appear generally favourable, remittances and capital flows a powerful anchor (in 2007, remittances alone received by ind/bus 	<p>Tourism</p> <ul style="list-style-type: none"> - Major driver of eco growth, international tourism constituting 20% of total exports, sector generating \$1.6bil in 2009. <p>Environmental impacts</p> <ul style="list-style-type: none"> - well endowed with natural resources, however exploitation/lack of env awareness has devastated forests --- <u>the economic development of G has come at a great cost to its forests and environment</u> - in less than 50yrs, primary rainforest reduced by 90%, while from mid 90s to late 2000s lost 1.9mil hect, 26% forest cover. - logging/pursuit of gold/ land clearing for agriculture has proved costly to natural areas- forest loss has contributed to droughts and bushfires (in 90s widespread bushfires led gov to step up anti-bushfire campaign, but reform had little effect) - Desert encroaching on deforested lands, soil erosion rampant. -Kakum National Park attracts 1000s of visitors every year, about 15% of land area is under some protection but gov struggles with enforcement. - Gov has taken active role in trying to curb logging, 1995 log export ban saw a
	<p>CAD/BOP</p> <ul style="list-style-type: none"> - trends in trade and current account balances show a persistent deficit since early mid70s - created financing gap, mainly filled by depending on capital inflows, (in particular aid inflows). For CAD to be more sustainable, structural change must lead to trade gains a pivot of CA dynamics. - average since 70s to late 2000s has been about 3.4% of GDP, - higher food/crude oil prices in 2007-2008 raised CAD to alarming levels- escalation of crude oil prices on world markets raised production costs for oil-importing Ghana , 18.1% - since, trend has reversed with modest average of 2.9% <p>Increased Economic Development and Quality of Life</p> <ul style="list-style-type: none"> - Ghana on track to meet Millenium Development goal of halving extreme poverty by 2015, bring down poverty levels from 52% in early 90s to 29% mid 2000s. - since the late 20C, distribution of income steadily more equal, GINI coefficient dropping from .41 in 99, to .39 in 06. - richest population quartile earn 46.7% of income, lowest quartile earning 5.6%. 	<p>amounted to \$1.6bil)</p> <ul style="list-style-type: none"> - Ghana has continued to make significant strides in attracting investment, recording 81 new projects in late 2009→ China topping the list of countries increasing investment portfolios in Ghana. <p>Government Policies</p> <ul style="list-style-type: none"> - signed a Millenium Challenge Corporation (MCC) Compact in 2006, aims to assist transforming Ghana's agricultural sector. - Opted for debt relief under Heavily Indebted Poor Country (HIPC) program in 2002, also benefiting from the Multilateral Debt Relief Initiative that took effect in 2006. <p>Thematic priorities under current <u>Growth and Poverty Reduction Strategy</u> are:</p> <ul style="list-style-type: none"> → macroeconomic stability → private sector competitiveness → human resource development → good governance and civic responsibility <ul style="list-style-type: none"> - sound macroeconomic management and high prices for gold/cocoa helped sustain GDP growth in 2009. 	<p>44% decline in logging in late 90s.</p> <p>TNCs</p> <p>The expansion of TNCs in Ghana has been both positive and negative...</p> <p>Pos: inflow of finance/investment/employment</p> <p>Neg: compromise core labour standards and nations compete within themselves to attract FDI, content of labour laws are impacted to create national economic incentives.</p> <p>Local industries unable to compete with low prices of TNCs, closing down of local Cone Textile industry saw 00s of workers retrenched.</p> <p>Small businesses: imports of manufactures from Europe, mainly clothing, forced many women out of business, + production of cultural 'Kiondos' bags in Japan, sold in East Africa at low prices.</p> <p>WIDESPREAD UNEMPLOYMENT: 11%, ramifications for cultural traits</p> <p>Bringing TNCs under a framework of</p>

<p>- National poverty rate 31.4%, where 79% of pop living on less than \$2 a day.</p> <p>- Heavy reliance on developmental aid causes tensions in distribution of income: where aid is used exclusively for gov spending, skilled workers in urban areas benefit at the expense of rural workers and employees—the agriculture export industry hurt following appreciation, influx of aid.</p> <p>Attracting Foreign Investment</p> <ul style="list-style-type: none"> - Ghana is well endowed with natural resources - gold/cocoa productions are major sources of foreign exchange, with oil production expected to expand in late 2010/early11. - China to commence commercial salt mining in late 2010 - Agreement reached with Brazil in early 2010 to process raw sugar (reduce high importation) <p>domestic economy continues to revolve around agriculture, accounts for more than 1/3 of GDP and employs more than ½ of workforce (mainly small landholders)</p> <p>Exports mainly gold, cocoa, timber, diamonds Imports mainly capital equipment, petroleum and foodstuffs.</p> <p>International Convergence</p> <ul style="list-style-type: none"> - Trade dependent, relies heavily on US, EU 	<p>- regardless, fiscal position has deteriorated, for cyclical reasons AND because gov spending has increased to alleviate adverse impact of higher food/fuel prices.</p> <p>- Sustained economic reforms, improvements in budget deficit, and discovery of new oil deposits will cause FDI flows to increase → bolstering job creation and increasing economic activity.</p> <ul style="list-style-type: none"> - modernising tax infrastructure, and expanding tax base, to improve revenue generation - continued reforms in communication, energy and transportation sectors expected to improve growth and reduce poverty in the medium run. Gov also seeks to engage TNC Vodafone to provide fibreoptic network- crucial to nations ICT infrastructure and future development. 	<p><u>discipline under multilateral trade rules, through the WTO, remains a major challenge for Ghana and surrounding nations, against marginalisation by OECD economies in negotiations.</u></p>
<p>and Asia for export markets, remittances, tourism and development aid.</p> <p>Tourism</p> <ul style="list-style-type: none"> - has potential far beyond current performance. Estimated that with strong support from Gov and FDI, can become lead foreign exchange earner and an economic engine for <u>wealth creation, employment generation and poverty reduction</u> within a short time. 		