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Africans Trading with Africans: Cross-Border Trade – The Case of Ghana

This policy brief is based on a study by Gayle A. Morris and John A. Dadson, *Ghana: Cross-Border Trade Issues*^{*}. In this research, the authors examine the socio-economic relationships that traders utilize to circumvent government obstacles to cross-border trade. The authors conclude that the trade liberalization reform efforts by the Government of Ghana in the 1990s were successful in increasing cross-border trade in general between Ghana and its neighbors, and in increasing the trade of non-traditional exports in particular. The Government of Ghana should build on these trade liberalization efforts by pursuing reforms in the following areas:

- evaluate the rationale for, and frequency of, inspections/roadblocks which impede cross-border trade and increase the costs of cross-border trade;
- increase border cooperation focusing on streamlining procedures to avoid unnecessary unloading and re-packing at border exit/entry points;
- encourage uniform application of existing ECOWAS treaty regulations/procedures; and
- strengthen female trader associations.

This 1999 study is part of the EAGER Trade Regimes and Growth research that explores barriers to cross-border trade. Five commodities (iron rods, tomatoes, maize, salt, and aluminum cookware) and three border crossing points (Bawku area, Aflao, and Elubo) are examined in the research. A structured questionnaire was administered to a convenient sample of formal and informal traders to obtain information on traders' modes of operation.¹

Aggressive competition exists among members of the Economic Community of West African States (ECOWAS) for external markets for their raw materials and

¹Additionally, a regression model was utilized to estimate total (recorded plus unrecorded) commodity flows. The estimation procedures relied on "experts" (people with specialized knowledge of cross-border trade flows) to provide data using a relatively low-cost methodology to obtain information on total cross-border trade flows.



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agricultural products, yet intra-regional trade remains low. In 1995-1996, formal (recorded) overland trade in Ghana represented 2 percent of total export value and 8 percent of total export volume. The ECOWAS countries purchased 12% (USD 39.5 million) of Ghana's non-traditional exports² (NTEs) in 1996, with Togo and Côte d'Ivoire accounting for the largest share. The principal NTEs traded were processed and semi-processed products (e.g., wood and wood products, cocoa products, tuna loins and canned tuna, and iron and steel bars and rods).

The researchers recommend that the Government of Ghana address the following policy concerns and undertake the necessary actions to address them:

Evaluate the Rationale for, and Frequency of, Inspections/Roadblocks which impede Cross-Border Trade and increase the Costs of Cross-Border Trade

Cross-border traders interviewed for this research indicated that the frequency of inspections and roadblocks by government officials (including Customs, Military and Police representatives) was their most serious obstacle to cross-border trade. These inspections and roadblocks place a heavy economic burden on cross-border traders. Of those traders who responded, more than half of them (57%) lost 8 or more days in lost wages when their monetary cost was defined in terms of income.

Some of the above cost can be justified on health and/or plant/animal protection grounds (e.g., government procedures associated with the agricultural inspection of food for diseases). Other costs associated with frequent inspections by Customs and Police personnel disrupt commercial activity and appear to be administered without any particular pattern or objective. (Researchers experienced more than 10 roadblocks between the Aflao border and Accra, a distance of less than 140 kilometers!)

The Government of Ghana should coordinate the rationale for, and frequency of, the inspections/roadblocks which affect cross-border traders. This coordination should occur within and between those government agencies primarily responsible for these activities: Ministry of Food and Agriculture, Ministry of Trade and Industry, Customs Excise and Prevention Service, and Police and Military personnel.

Increased border cooperation between Ghana and her neighbors would avoid unnecessary unloading and re-packing at exit/entry points, and would encourage the uniform application of tariffs

There is already some cooperation along international border crossing points. For example, articulated trucks which have been inspected on one side of the Ghana-Togo border are not required to be inspected on the other side

²Non-traditional exports are any exported commodities except cocoa, electricity, gold, and unprocessed timber. Most of the commodities involved in cross-border trade between Ghana and its neighbors are NTEs.

of the border. Cooperation is more apparent between Ghana and Togo than between Ghana and Côte d'Ivoire. Along the latter border, trucks are frequently inspected and goods unloaded, on both sides of the border crossing. Ghanaian Ministry of Trade and Industry representatives should meet with their counterparts in Togo, Côte d'Ivoire, etc. to formulate standardized border crossing inspection procedures.

Encourage Uniform Application of existing ECOWAS Treaty Regulations/Procedures/Taxes

Though changes in the ECOWAS tariff structure have been passed by governments in the sub-region, they have not been made operational in some cases, and are not applied uniformly. Implementing the current treaty provisions would greatly enhance the efficiency of regional trade.

For example, cigarettes are smuggled across the border from Ghana into Togo, packaged as Togolese cigarettes, and re-sold in Ghana at a price less than one-half of the Ghana retail price for cigarettes. The trade is profitable because of the tax (60 percent) on cigarettes manufactured in Ghana. Trade in onions is hampered by unreasonable import permit requirements. Varieties of purple onions from Niger are sold in Abidjan markets, but varieties of Ghanaian purple onions are not available, even though Ghana production areas are closer to the Abidjan market. This also may be partly attributable to the difficulties of trade between Francophone and Anglophone countries.

Strengthen Female Trader Associations

According to questionnaire respondents, female traders (more than male traders) relied on kinship and association linkages to complete trade transactions. Association linkages should be strengthened by regional or local private sector organizations such as the Association of Ghana Industries. These associations would provide their female members with a unified voice with which to articulate their problems to Customs officials and other government authorities. Associations could also offer members opportunities to utilize economies of scale in bulk purchasing and hiring of transportation.

Conclusion

The authors conclude that the trade liberalization reform efforts by the Government of Ghana in the 1990s were successful in increasing cross-border trade in general between Ghana and its neighbors, and in increasing the trade of non-traditional exports in particular. The Government of Ghana should build on these trade liberalization efforts by coordinating with regional trading partners to streamline border crossing procedures and the uniform application of ECOWAS treaties. Additionally, associations that target female traders should be strengthened by regional or local private sector organizations.

The most critical action requiring immediate attention by the Government of Ghana is the evaluation of the current roadblock and inspection policies which impede cross-border trade and increase the costs of this economic activity.

Currently, these policies are implemented by a plethora of government ministries and institutions. One policy which rationalizes these activities is required, and only the Government of Ghana can enact it. Historically in Europe, the removal of the medieval roadblocks between principalities marked the beginning of an economic Renaissance. A similar

flowering of trade could follow their elimination in Ghana specifically, and in Africa generally.

*** This policy brief is based on EAGER Discussion Paper 22, Ghana: Cross-Border Trade Issues, 2000, by Gayle Morris, [gmorris@edinbor.edu], Edinboro University, Pennsylvania and John Dadson, [dadsonja@hotmail.com], University of Ghana, Legon.**

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