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A Review of International Trade and Business Development in Ghana Toward Foreign Trade

It has been established that economic globalization is an important area of research when it comes to doing business across borders and has impacted it in many ways. International trade, though largely an economic activity is governed by rules and regulations. For example, assistance giving through subsidies makes the exported products cheaper and more affordable and may provide additional incentives to produce same products by domestic enterprises.

The main goal of this work is to perceive implications of how the administration of policies on international market penetration by domestic producers in Ghana affects foreign trade and how to conduct business across borders, rules and regulations of the country. For this purpose, the paper identified how regulations of foreign trade can influence the way exporters and importers conduct business and the way to manage them.

The work has provided, first of all, a review of the foreign trade figures of Ghana, trade barriers and import prohibitions as a protectionism to protect domestic producers. Then review of established potential ways and opportunities of improving Ghana's foreign direct investment in the framework of international trade has been conducted and justified.

The outcomes of proposed reviews helped the authors to clarify ways of improving and enhancing business development in the framework of foreign trade in Ghana. The methodological basis for this work were peer-reviews journal articles, acclaimed internet publications, personal data analysis and calculations.

Keywords: international trade, international business, foreign direct investment.

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Countries of the whole world have established organizations with the view to provide unbiased investigations and imposition of measures to defend local industries from harmful effects of foreign trade. Their governments have created an environment to facilitate the development of the local sector businesses thus guarantying transparent trades and making them competitive in the foreign market. Within the framework of the world trade organization (WTO) countries have the policy and legal space. However, determining whether, a country's domestic industries are being hurt by other countries imports into that country is not an easy task.

Ghana, a member of the WTO and also the Economic Community of West African States (ECOWAS) has signed a number of partnership agreements. Custom duties are not all that high, they are applied to imported goods.

Nowadays, Ghana has a well-established relationship with some European countries. This partnership can significantly improve exports opportunities to Europe. However, the question of how domestic producers in Ghana are affects by foreign trade is remained quite relevant. Hence the primary goal of this work is to explore implications of how the administration of policies on international market penetration by domestic producers in Ghana affects foreign trade of the country, using publications, studies and other relevant papers.

The relevance of this work is defined by the extensive and rapid progress of international trade and globalization that is taking place in the world right now as well as the effects that it has had on various areas of life, among which lies business development.

The aim of the paper is to conduct a review of relevant studies and analyses of how the administration of policies on international market penetration by domestic producers in Ghana has become a framework for international trade and business development, its effects as well as establish ways of doing business and enhancement in the framework of foreign trade.

To achieve this aim, the following tasks have been set:

- conduct review of the foreign trade figures of Ghana, trade barriers and import prohibitions as a protectionism to protect domestic producers;
- justify proposed by leading researchers established potential ways and opportunities of improving Ghana's foreign direct investment in the framework of international trade.

There are many researchers who studied the administration of policies on international market penetration by domestic producers in Ghana: R. A. Sackey [19]; E. Yeboah and L. Anning [21]; E. Borensztein, J. De Gregorio, and J. Lee [14]; Charles Godfred Ackah and Asaah S. Mohammed; and others. Our paper review suggests to use main principles and concepts proposed by researchers in order to explore implications of how administration of policies on international market penetration by domestic producers in the country has become a framework for international trade and business development. Fatherly review proposed establishing ways of doing business and enhancement in the framework of foreign trade in Ghana.

The context of global markets has been guided by the understanding and theories developed by economists based on natural resources available with various countries which give them the comparative advantage, economies of scale of large-scale production, technology in terms of e-commerce as well as product life cycle changes in tune with advancement of technology as well as the financial market structures [1]. Foreign Trade policy means any act that prohibits or restricts, or empowers the president or any executive agency of Ghana to prohibit or restrict, exports to or financial transactions with any foreign country or foreign national, the regulations with respect. Foreign trade is any trade, economic activity, commerce, contracts, transactions and other activities involving the movement of goods, other tangible property, intangible assets, property rights, or services between the republic and countries or territories outside the republic [2].

Here we will a review of the foreign trade figures of Ghana and then we introduce trade barriers and import prohibitions as a protectionism to protect domestic producers.

In 2020 Ghana was ranked the number 73 economy in the world in terms of GDP (current US$), the number 80 in total exports, the number 83 in total imports, the number 146 economy in terms of GDP per capita (current US$) and the number 120 most complex economy according to the Economic Complexity Index [3]. Here we will start with overview of Ghana's export capabilities for previous period. The recent data collected in the table (Table 1).

Table 1. *Ghana's Top Export for 2020*

ITEMS	AMOUNT ($. BIL/MIL)	PERCENT %
GOLD	6.19 BIL.	36
COCOA	5.25 BIL.	31
PETROLEUM	1.85 BIL.	22.8
COCOA PASTE	409 MIL.	2.4
MANGANESE	349 MIL.	2.1
COCOA BUTTER	337 MIL.	2.0
COCONUTS	246 MIL.	1.5
FISH	146 MIL.	0.9
PRECIOUS PETALS	121 MIL.	0.7
PALM OIL	108 MIL.	0.6
TOTAL EXPORTS	14,745,000,000	100

According to the table (Table 1), the highest export commodity is gold which represent 36 % of all the commodities that was exported in 2020. The lowest among the top ten exported products is palm oil , which represent 0.648 %. And according to the data [3, 4] Ghana's highest import was vehicles in 2020 which represents 26 % and the least import was wood and articles of wood which represents 3 %.

All the major goods and services were imported from China in 2020 which represents 18.1 % and the least among the countries was Canada with 2.55 % of all the goods and services imported from the country (Table 2).

Table 2. *Top trading partners (import sources) of Ghana in 2020*

Partners	%	Amount
China	18.1	1.89 billion US$
USA	9.35	976 million US$
United Kingdom	6.56	685 million US$
India	5.57	582 million US$
Belgium	5.1	532 million US$
Turkey	47	466 million US$
South Africa	3.42	357 million US$
Vietnam	3.03	316 million US$
United Arab Emirates	2.64	275 million US$
Canada	2.55	266 million US$

Global trade can be determined by differences in natural factor endowments, preferences, technologies and gross domestic product (GDP) [5]. In view of this, the government put measures to control the level of importation. Ghanaian customs practices and port infrastructure continue to present major obstacles to trade. Hence the main trade barriers (dumping, subsidies, tariffs, quotas, technical restrictions, administrative restrictions, investment barriers) and import prohibitions as a protectionism to protect domestic producers will be analysed below.

Selling at artificially low prices to eliminate competitors and achieve monopoly powers and ability to raise prices is called predatory dumping, which is harmful to the economy. The author based on his literature review including the analysis of dumping as a barrier, explained that the government of Ghana tries to encourage foreign direct investments (FDI) into the country by engaging with the European community for bilateral trade agreements. Hereby, the European community do investment in Ghana, where Ghana can also export to other countries rather importing to kill the domestic firms.

Subsidies simply mean the support or slash of price of cost of materials, taxes, and any other cost of production, by government. That is, the government supports businesses financially, in order to increase their production, create employment, and most importantly, reduce cost of production. Subsidies can be viewed of as tariffs in reverse. Instead of taxing the foreign import, the government gives grants of money to domestic producers to encourage exports. Those who receive such subsidies can use them to pay production costs and can charge less for their goods than foreign producers. A tariff is paid for by buyers of foreign goods and buyers of domestic goods who pay higher prices. But subsidies are paid for by taxpayers who may or may not use the good [6, 7].

Tariff is another metric or measure like subsidies that governments use to support their local business organizations. Tariff is a barrier that the government puts on goods are imported into its country. That is, the number of goods allowed into the country is controlled. In some countries, substitutes of goods that are locally produced are not allowed to be imported into the country, in order to promote the local businesses and products. Another restriction is a quota, as the word suggests, quota means to limit. In trade, this means that importation and exportation within and outside the country. This is literally a subpart of tariff, but here, there is a limit [8].

Technical restrictions are imposed in case of pharmaceutical products etc. Besides technical restrictions, administrative restrictions such as adherence to certain documentary procedure are adopted to regulate imports. These measures impede the free flow of trade to a large extent [9]. Ghana has given access to foreign telecommunications providers for most basic services, subject to retain duopoly for domestic and international services. The government has announced to open up the market by allowing additional carriers in 2021 [2, 6].

Investment incentives are no longer subject to discretion, as they have been incorporated into corporate laws and taxes or codes. This tends to monitor and ensure legalities in investments, though processing and can be slow, but it is worth the wait, in order to ensure genuine business operations and activities within the country [10, 11].

The further review, showed that under the laws of Ghana, a foreign investor or company may collaborate with a Ghanaian businessman or company through a joint venture agreement. The joint venture agreement, i.e., distributorship, representation, must be properly executed, stating among other things the shareholder structure as well as a detailed rights and obligations of each party to the agreement. Under the Stamp Duty Act, any agreements executed between the parties must be stamped appropriately and the necessary stamp duty paid [6]. In a joint venture involving a foreign partner, the Ghana Investment Promotion Centre requires a minimum capital of US$200,000 from the foreign investor or foreign company. A foreign investor is also allowed to set up and retain full ownership in the particular business venture if it invests a minimum of US$500,000. However, if the objectives of business include trading, then the Ghana Investment Promotion Centre minimum capital requirement is US$1,000,000. A foreign shareholder can satisfy the minimum equity capital requirements by two ways: cash transferred through the banking system in Ghana or its equal value in the form of goods, machinery or other tangible assets imported specifically to establish the enterprise. All imported items for the purpose of satisfying the foreign shareholder minimum capital must be covered by the Destination Inspection Report from an accredited inspection company, stating the value and the conditions of the goods. It must be noted that consideration for goodwill of a business or service rendered by the foreign partners cannot be used to satisfy the minimum foreign equity capital [2–7].

Utilization of tariffs to secure new born child commercial firms could be seen by the Import Substitution Industrialization (ISI) employed by many developing nations. The government of a developing economy demand levy tariffs on foreign products in industries in which it needs to encourage growth [12].

Economies of scale for production can play important role as well since it helps reduce cost of production, as a result of the increase or expansion of the businesses production level, ensuring discount from suppliers. This is a critical tool for business development, as an increase in production ensures profitability for business organization, and as well, employment creation and business development. As a result, we may expect increase in competition. Domestic companies will face more competition from other countries. It could prevent domestic monopolies from charging high prices for their products.

The further review outcomes showed that economic growth is anticipated to dawdling considerably. Low international demand for oil and low price of oil will exert some amount of weight on the external sector, while measures taken domestically to contain the pandemic couple with layoffs will hit hard on local demands. Unstable prices of commodity and a likely lengthy outbreak are downside risks. Economic indicators such as Real Gross Domestic Product growth, and real Gross Domestic Product per capita growth are expected to decrease considerably according to the African Development Bank economic outlook report of 2020 [13].

The collected data on GDP for period of 2014–2019 by economic sector is illustrated in Figure 1 (Figure 1); and Figure 2 (Figure 2) shows the gross value-added growth rate of Ghana for that period. The figures from the sectoral share of Ghana's GDP help the government and investors to make decision about which sector is more profitable and which one also needs improvement.

The gross value added can be used for measuring gross regional domestic product and other measures of the output of entities smaller than a whole economy. Collecting results of literature review, that statistics on the gross value added and the sectoral share of Ghana's GDP help the government to develop policies and regulations for protecting domestic firms by sectors.

The 2020 World Investment Report provided by the United Nations Conference on Trade and Development in-

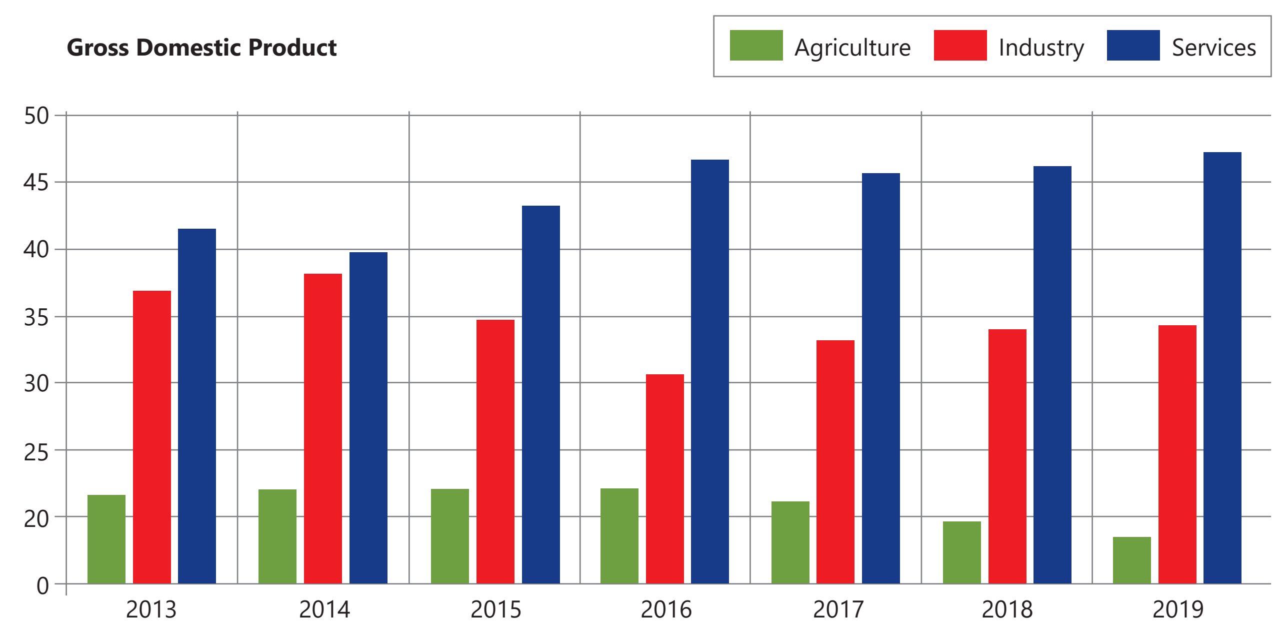

Fig. 1. The sectoral share of Ghana's GDP

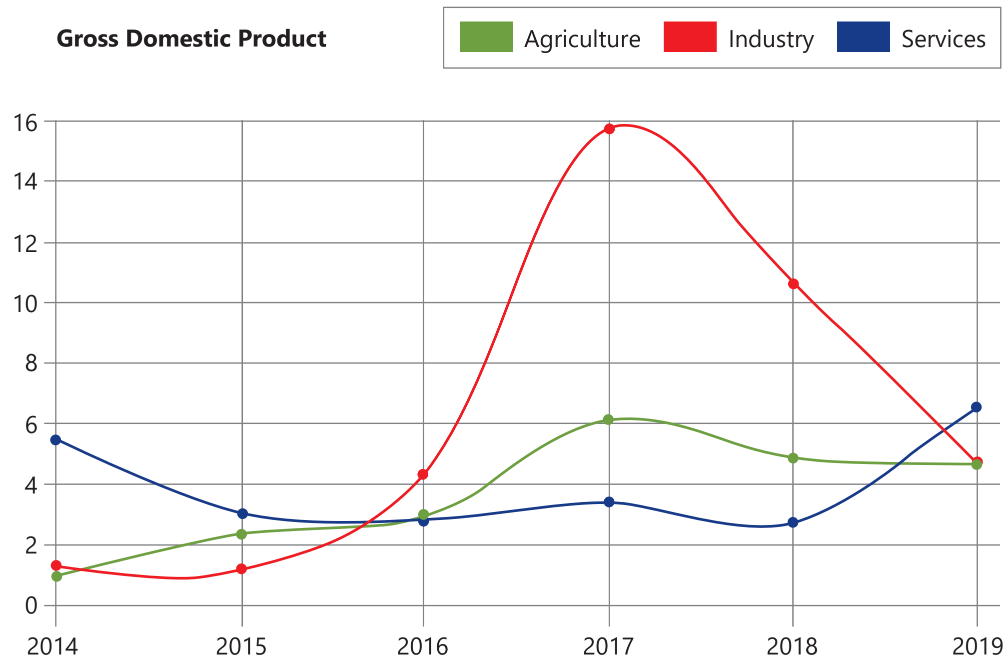

Fig. 2. Gross Value-Added Growth rate from 2014–2019

dicated inflow of foreign direct investment to Ghana declined from $3M to $2.3M between 2020 and 2020. Foreign Direct Investment stock recorded $38.5M in 2020. The two main industries that attracted a large portion of the FDI inflow were the oil and mining. As part of the activities Ghana undertakes in an attempt to lure foreign investors into the country, the Ghana Investment Summit, an annual event, is organized [13–16].

Ghana being the highest recipient of foreign direct invests inflow within the West African sub region, it enjoyed approximately more than a third of the inflows within the region in 2020, echoing its emerging skill base. The Business Regulatory Reform agenda introduced by the government was estimated to mobilize domestic revenue and enhance the business setting. Digital investments, particularly within the financial sector, is expected to rise giving support to efficiency [17].

In order to establishment ways and opportunities of improving Ghana's foreign direct investment in the framework of international trade, the author conducted literature review [14–21]. The outcomes of this review stated that many researchers have mentioned factors (the host country's infrastructure, financial development, and human capital development) influence the foreign direct investment and hence the economic growth in their research works. These factors require special attentions since we can used them as indicators for economic improvement. For example, Borensztein et al [14] in their study found that FDI influence on growth is dependent on the availability of human resources. They also found that foreign investment contributes to growth more than local investment and has the ability of increasing domestic investment. The study affirms the need for human resource availability in order to ensure relation between FDI and economic growth. Though Bengoa & Sanchez [15] they further stated that a significant level of a stable economy and a more liberalized capital market also ensure the positive influence of FDI on growth.

Studies on the directional causality of FDI and Economic growth lead to different findings. Hansen & Rand [18] found a bi-directional causality between Foreign Direct Investment and Economic Growth. Meaning that FDI causes Growth and growth causes FDI. Basem & Abeer [20] however found a unidirectional causality from GDP to FDI which indicates that the growth of the domestic economy attracts FDI inflows.

The effect of COVID-19 pandemic on the investment environment in Ghana might be immense. These impacts are be experienced as a result of a dip in estimated portfolio investment and FDI, a congestion in the financial system domestically, capital flight, and less avenues of funding from foreign sources [16–18]. The dread of foreign direct investment declining is heightened by the fact that the top 5,000 Multinational Companies (MNCs) have already, on average, modified their revenue approximations downhill by 9%. MNCs in developing economies are likely to be the worst affected. Profit has since been estimated to decline by 16%. Subsequently, a fall in the revenue of MNCs would automatically lead to a fall in foreign investment considering reinvestment of profit is a major part of FDI [16–21].

The outcomes of the review made by the author showed that the possible revenue loss in the Ghana's economy would be considerably significant due to the COVID-19 impact. In order to reduce this negative impact, many researches proposed that governments would have to offer substantial support to affected households and businesses.

Discussion / Conclusion

In conclusion, having looked at the administration of policies regarding international market penetration by domestic producers specifically and reviewing trade barriers contribute creating interdependent links with the economy, society and other dimensions of life as well as promoting trade among countries.

The economy of Ghana has been discussed by providing overview and patterns on its performance toward trade activities and barriers set to protect the domestic producers. The aim of the paper was to conduct a review of relevant studies and analyses of how administration of policies on international market penetration by domestic producers in Ghana has become a framework for international trade and business development, its effects as well as establish ways of doing business and enhancement in the framework of foreign trade. The following tasks have been set and accomplished: conduct review of the foreign trade figures of Ghana, trade barriers and import prohibitions as a protectionism to protect domestic producers; and justify proposed by leading researchers established potential ways and opportunities of improving Ghana's foreign direct investment in the framework of international trade.

Hereby, the author firstly discussed the theoretical and methodological framework of international trade and business development. The paper has established and conducted extensive research into business development, international trade and their interrelatedness. The outcomes of that work showed that there is a deep and mutual connection between the two and that there is a lot of ground for research as well as an incentive to demonstrate how international trade can be used to enhance business development. In the end, it can be re-affirmed that international trade policies is a powerful force and a source that drives business development and protect local domestic producers. It is hard to predict what way international trade will take businesses development next and how it will impact economic growth in the absolute long run, since things are constantly changing. However, it can be concluded that international trade policies have served as an excellent framework for domestic producers.

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Огляд розвитку міжнародної торгівлі та бізнесу щодо зовнішньої торгівлі в Гані

Було встановлено, що економічна глобалізація є важливою сферою дослідження оскільки впливає на ведення бізнесу через кордони і вищначається ьагатьма фаторами. Таким чином міжнародна торгівля є переважно економічною діяльністю яка регулюється правилами та положеннями. Наприклад, допомога через субсидії робить експортну продукцію дешевшою та доступнішою та може створити додаткові стимули для виробництва тієї ж продукції вітчизняними підприємствами. Основна мета цієї роботи полягає в усвідомленні наслідків того, як адміністративна політика для врегулювання вітчизняного виробництва для міжнародного ринку у Гані впливає на зовнішню торгівлю та як вести бізнес через кордони, правила та норми країни. З цією метою, в статті визначено як регулювання зовнішньої торгівлі може вплинути на діялність експортерів та імпортерів та способи управління ними. У роботі насамперед розглядаються показники зовнішньої торгівлі Гани, торговельні бар'єри та заборони на імпорт як протекціонізм для захисту вітчизняних виробників. Також було проведено та обґрунтовано огляд встановлених потенційних шляхів і можливостей покращення прямих іноземних інвестицій Гани в рамках міжнародної торгівлі. Результати проведених оглядів допомогли авторам прояснити шляхи покращення та посилення розвитку бізнесу в рамках зовнішньої торгівлі в Гані. Методологічною основою цієї роботи були рецензовані журнальні статті, відомі інтернет-публікації, аналіз персональних даних та розрахунки.

Ключові слова: міжнародна торгівля, міжнародний бізнес, прямі іноземні інвестиції.