

## GHANA'S POLITICS OF INTERNATIONAL ECONOMIC RELATIONS UNDER THE PNDC, 1982-1992

Kwame Boafo-ARTHUR

*Department of Political Science, University of Ghana*

**ABSTRACT** Ghanaian governments since independence have had to align either with the East or the West depending on the government's ideological orientation. For Ghana, national development has been the main propelling factor to enter into the international system. The Provisional National Defence Council (PNDC), a military regime, succeeded in balancing external relations between the East and the West before the collapse of communism. The outcomes of external economic relations were mixed. Whereas relationships, especially with the Bretton Woods institutions led to impressive macroeconomic indicators, the impacts on the wellbeing of majority of the people were negative. Domestic policy measures were tailored to satisfy foreign interests. In the process, the nation's debt burden escalated and the nation is yet to reap lasting and positive benefits from the regime's international economic relations.

**Key Words:** Neo-liberalism; Modus operandi; System-centric; State-centric; Society-centric paradigms.

### I. INTRODUCTION

Over the years, foreign economic policy actions of Ghanaian governments had basically been the by-product of formal political interactions of Ghana with the international system. That is, foreign economic relations that centre on trade, foreign aid and investment played second fiddle to traditional foreign policy concerns with its known political bias. Ghana under the Provisional National Defence Council (PNDC) which came to power through a military coup on December 31, 1981, was no exception until the mid-1980's. Initially, the regime claimed to be socialist and had no clearly defined policy for international economic relations or foreign economic policy.

After its very poor start in terms of international economic relations, the PNDC was able to establish solid foreign economic relations with countries across the ideological spectrum. Very good relations with the IMF/World Bank and other international financial institutions (IFIs) greatly influenced Ghana's relations with other developed economies and to some extent some developing ones. In time, the PNDC's relations with the West in particular was predicated on good relations with the Bretton Woods institutions.<sup>(1)</sup>

The PNDC's change of ideological orientation in April 1983 led to the pursuit of an overly aggressive foreign economic policy. Many questions naturally arise in this context. What theoretical constructs best explain the regime's behaviour domestically and externally with specific reference to international economic relations or

policies? To what extent was the PNDC influenced by Ghana's history of international economic relations? What form(s) did the regime's international economic relations take, and what were the outcomes of such policy measures and the lessons for future foreign economic policy decision making?

This essay is on Ghana's international economic relations under the PNDC. The focal point of the paper is the unprecedented cordial relations with the IMF and the World Bank. Given the regime's initial Marxist posturing, the question is whether the closer relationships with the West and the IMF/World Bank were the outcome of political pragmatism or opportunism at the expense of traditional foreign policy concerns.<sup>(2)</sup> I argue that neo-liberalism gained ascendancy due to both the intricate relationship between domestic economic needs and international expectations and the ability of the regime to "read the signs of the times" which some may call pragmatism or opportunism. Furthermore, neo-liberal postulations were complemented with aspects of realism with emphasis on a strong state with a tight security system that dealt ruthlessly with political opponents both real and imagined. Consequently, the PNDC not only succeeded in pursuing balanced international relations but equally in winning the support of the West for financial assistance. In the process, the Ghanaian economy became aid-driven more than ever before. Arguably, the *modus operandi* of the regime would seem to suggest that various paradigms influenced policy options as and when needed in formulating policies to tackle problems of domestic political economy and interactions with the international community.

In 1966 the Convention People's Party (CPP) led by Dr. Kwame Nkrumah was overthrown. Ever since, foreign economic policy has revolved around attempts by governments to forge closer relations with the IMF and the Bank. With the exception of the National Redemption Council/Supreme Military Council (NRC/SMC), successor governments after the overthrow of Nkrumah had very little time to embark on lasting economic diplomacy.<sup>(3)</sup>

A brief theoretical underpinnings of foreign economic policy decision making is followed by a historical overview which highlights aspects of Ghana's international economic relations with the West and the Bretton Woods institutions. The rest of the paper examines various internal and external political and economic dynamics of the PNDC era.

## II. THEORETICAL BASIS OF FOREIGN ECONOMIC POLICY

Several theoretical concepts have informed studies on foreign economic decision-making or policies, especially of developed countries. Some of these are international or system-centric, society-centric, and state-centric paradigms or approaches (Ikenberry, *et al.*, 1988). The system-centric approach perceives foreign economic policy as being influenced by the attributes or capabilities of the state in relation to others in the international system. Michael Sullivan defined these attributes as "anything that describes the make-up of a nation, differentiating one state from another in terms of political, social, economic or as some might argue psychological characteristics" (Sullivan, 1976: 103). Policy makers in this context are deemed to react to given set of issues in accordance with the relative position of their country in the

international pecking order. The society-centric paradigm views foreign economic policy as a reflection of the relative position of various groups or classes in a nation. The type of policy that would be adopted bears the imprint of the dominant class or group. This paradigm "explains foreign economic policy essentially as a function of domestic politics" (Ikenberry, *et al.*, 1988: 2). The state-centric paradigm takes into consideration the influence of state institutional structures as well as political and administrative officials on foreign economic policy. The relationship between domestic institutions and the officials who man them may either enhance or constrain foreign economic policy decision making.

The foregoing paradigms could be juxtaposed with what Peter Katzenstein identified as basic influences on foreign economic decision-making of developed countries. He identified these as the nationalist, realist, and neo-liberal paradigms of international politics (Katzenstein, 1976). The bedrock of the nationalist paradigm is the concept of inter-penetration, defined "in terms of the predictability of mutual behaviour within societies and measured by the volume of goods, services, and people exchanged between them" (Katzenstein, 1976: 4). The rate at which nation-states interact with each other through trade, exchange of technical know-how and the frequency of interactions among the citizens through tourism and other exchanges may influence policy options of such nation-states. Inter-penetration potentially affects the socio-economic and cultural needs, aspirations, and expectations of members of a particular nation and thus influence or shape policy.

The realist paradigm conceptualises any interaction between states as the outcome of diplomatic bargaining. Government action is construed as goal-oriented and based on rational choice. Katzenstein pointed out that "political decision makers are thought of as endowed with maximum information, as carefully calculating the trade-offs between different strategies, and intent on maximising political benefits in their strategies and bargains" (Katzenstein, 1976: 8).

The neo-liberal paradigm draws heavily on orthodox economics and international trade. It perceives the foreign economic policies of governments as being driven by both domestic and external social and economic conditions. The interactions of nation-states in the international system are therefore contingent on domestic attributes and external influences.

Although the foregoing approaches have been applied in the study and analyses of the foreign economic policies of advanced industrial nations, they are of equal relevance, in my view, in analysing similar policies of dependent nations. In practice, one could see clear overlapping of various theories as the underdeveloped nations grapple with the problems of national survival. This was the lot of the PNDC.

So far as Ghana under the PNDC was concerned, the neo-liberal paradigm offers the best theoretical grounding for understanding foreign economic decision-making. Katzenstein (1976: 11) rightly argued:

The neo-liberal paradigm has been very successful over the last decade in picking up the shift from security to prosperity concerns in government policies as well as in pointing to the prominence of domestic factors in the expanding scope of policy. In addition it has drawn attention to the cross-currents affecting government policy. On

the one hand international forces of growing importance subject governments to impartial and rigorous logic of the international market. On the other hand, these international forces also increase citizens' aspirations and demands and, with them, government objectives in domestic policies.

Ghana is a unique case because since independence in 1957, both economic and political foreign policy orientation seem to have been influenced, either by omission or commission, by some of the approaches standing independently or in combination with others. I underscore that unlike industrial countries, dependent states such as Ghana are often compelled by systemic and societal influences to compromise a particular foreign economic policy in exchange for financial assistance from the West. The PNDC offers a classic example of a Ghanaian regime that, to a large extent combined most of the approaches highlighted above. However, the influence of, and lessons from distinctive historical underpinnings of foreign policy decision-making of past governments provided the basis for its interactions with the international system.

### III. HISTORICAL OVERVIEW

Ghanaian national leaders since 1966 have been compelled by dire economic and political exigencies to experiment with various approaches to national development and international interactions.<sup>(4)</sup> While efforts have been made to steer the nation from the profoundly political bias of Nkrumah's foreign policy, the salience of his approach, and the successes he chalked on the international stage have made it difficult for successive governments and regimes to chart overly economically biased foreign policy orientation. In effect, the attempts may be successor governments to completely shed off vestiges of radical foreign policy orientation after Nkrumah had mixed results.

The PNDC after coming to power in 1981 adopted domestic and foreign policies similar to the Nkrumah regime at the tail end of its administration, especially ideologically. One major difference was that while the PNDC was a military junta, the CPP under Nkrumah was a civilian administration. It is significant also to note that the trajectory of various governments' periods of administration influenced policy choices to some extent. It was not surprising that Nkrumah's foreign policies were overly political. Nkrumah's administration coincided with two main international events that undoubtedly influenced his foreign policy orientation. The first was the cold war which pitched the East against the West for dominance in international affairs; the second was the process of decolonization which incidentally was supported by the two main protagonists of the cold war era — the former Soviet Union and the United States of America. Ghana became the first country south of the Sahara to attain independence. Ghana therefore saw herself as a pacesetter in Africa in many respects. Consequently, Nkrumah marshalled state as well as diplomatic resources in the struggle for the total decolonization of Africa. Diplomatic initiatives and interactions in the international system were geared toward making Ghana the epicentre of the African struggle against colonialism.<sup>(5)</sup> In the process, alliances were forged with other developing countries with the objective of making the voice of

developing nations respected in the community of nations. Attempts at the twilight of Nkrumah's administration to reach an agreement with the IMF and the World Bank fizzled out due to Nkrumah's refusal to accept IMF conditions. Nkrumah's refusal to adopt IMF policies had the immediate impact of foreclosing Western sources of credit to the government. Just before Nkrumah's overthrow, a mission of the Fund invited by the government observed:

The Ghana economy is severely constrained, the balance of payments is in serious deficits, and the country's foreign exchange reserves are at a precariously low level. Foreign debt repayments are increasingly putting added pressure on the balance of payments. The cause of the difficulty is not only the fall in cocoa price but also the excess of total government spending; a period of consolidation is urgently needed; to delay action would make the inevitable adjustment onerous. (Ghana Economic Survey, 1965: 50)

The economy was in dire straits as foreign investors lost confidence in the Ghanaian economy, shortages of commodities were pervasive, and inflation was very high.

The overthrow of Nkrumah gave the military regime, the National Liberation Council (NLC), the opportunity to realign Ghana's external relations. Nkrumah was overly pro-East, because he was fascinated by the rapid economic development in the East and because he espoused socialism. This also influenced his development strategy. Central planning with the establishment of many state-owned enterprises became the fulcrum of economic policy. The pro-East stance of the regime was overwhelming, even though American finance contributed to the construction of the Akosombo Hydro-Electric power station.

What may be deemed as a clear but terse formulation of foreign economic policy, was made by the NLC. The chairman of the NLC, Lt. General J. A. Ankrah stated emphatically that Ghana "shall make full use of the IMF and the World Bank and its associated institutions" (Boafo-Arthur, 1989: 149) In reaction to Nkrumah policies, the NLC readily turned to the West. The snag, however, was that by focusing basically on the Fund and the Bank the potential of any fruitful economic interactions with other countries was not fully exploited. This appeared to be reasonable at the time not only because of the grim economic conditions of the country but also the economic clout and influence of the two Bretton Woods institutions vis-à-vis other IFIs. A certificate of creditworthiness from the IMF and the Bank was needed to facilitate further economic interactions with Western nations. The rationale, would have helped to open the gates for fruitful economic relations with the West and thereby attract investments that had almost dried up in reaction to the socialist policies of Nkrumah. It could be argued then that the seed of neo-liberal economic development since independence was sown by the NLC. The regime after reaching an accord with the Fund and the Bank started divesting some state enterprises. The NLC also froze relations with the East. By so doing, it became necessary to also expel technical advisers from the former Soviet Union and other Eastern European countries who were in charge of various projects in Ghana. Thus, Nkrumah's pro-East bias of international economic relations was substituted with pro-West bias by the NLC.

Subsequently, the NLC became a ready recipient of IMF support and in May

1966 a \$36.4 million stand-by arrangement was approved for the country. During the period of its administration (1966-1969), four stand-by credits and a compensatory financing facility worth \$78.4 million and \$17.25 million respectively were approved for the country (Jonah, 1989: 100). However, by the time the NLC handed over power, after general elections, to the Progress Party (PP) government led by Dr. Busia in 1969, the Rehabilitation Programme undertaken with IMF support had had very little or no impact on the economic wellbeing of Ghanaians. The Bank admitted in a review that the economic measures generated no improvement in export performance despite the 30% devaluation of the currency (Jonah, 1989: 100). The only discernible change was the realignment of the nation's international political and economic friends.

The PP government maintained the international economic relations charted by the NLC. The fact is, most of the high level ministers of the PP government including the Prime Minister Busia, were top-level functionaries of the NLC regime. Furthermore, given the liberal orientation of the government of Dr. Busia in a cold war era, the Progress Party was overly antagonistic to the Eastern bloc. The government renewed faith in the IMF and the Bank and invited missions from the two institutions to visit assess the economic situation. After much wrangling (acrimony within cabinet, shuttling between Accra and Western capitals by the Prime Minister, and series of meetings with the IFI officials) Busia accepted IMF conditionalities in December 1971. Seventeen days after announcing the devaluation of the national currency in conformity with the dictates of the IMF the government was overthrown by the military. The PP government had neglected to find the means of appeasing contending interests and thus failed.

As Busia's foreign economic policy was reminiscent of that of the NLC, this led to a complete take-over of Ghana's Ministry of Finance and Economic Planning by agents of external financial institutions.<sup>(6)</sup> The PP government's administration underlines a fundamental feature of Third World countries' relations with the IMF/World Bank. In sum, "powerful multilateral institutions like the Fund and the Bank can take over the bureaucracy of a weak Third World country like Ghana and reorganise it as well as create within it what they consider to be an appropriate structural network for implementing their policies" (Jonah, 1989: 102). To some extent, the PP government's experiences with the IFIs, the Bank and the Fund give credence to the system-centric perspective that a "nation-state's position in the international economy decisively shapes its foreign economic policy." For a developing country such as Ghana, the bottom-line is subservience at any price because the pursuit of independent policies or economic relations is almost always constrained by the level of the nation's dependency.

The National Redemption Council (NRC) and later the Supreme Military Council (SMC I & II) formed after the overthrow of the PP government in 1972 marked a completely new strand of foreign economic policy approach in Ghanaian politics. In his first radio and television broadcast after the coup, General Acheampong "accused Busia of permitting excessive international influence and of failure to take more radical action to suspend payment on the much publicised external debts" (Frimpong-Ansah, 1991: 108). The Acheampong regime therefore adopted "a mixture of self-propelling, self-reliant approach to development and growth through the



maximisation of domestic resource mobilisation and the repudiation of the country's international financial obligations, especially debt repayments which were due, but deemed to have been dubiously contracted" (Boafo-Arthur, 1999a). NRC's economic nationalism that was expressed through active interventionist policy served as a major platform for any form of international economic relations contemplated by the NRC. For instance, the regime took 55% of the equity shares in foreign mining and timber enterprises; 50% shares in the breweries; and 40% shares in foreign owned banking and insurance companies.<sup>(7)</sup> This was much to the consternation of international finance capital. Nonetheless, Acheampong's economic nationalism met the aspirations of powerful constituents who felt that the previous government was overly subservient to international capitalist manipulation; and had failed to exploit domestic capabilities to the maximum.<sup>(8)</sup>

The NRC's policy of economic nationalism was given legal backing with the promulgation of the Investment Policy Decree 1975 (NRCD 329). The outcome of that policy was that:

The state could acquire directly 13,189,471 shares ...in twenty-four foreign companies. It could acquire some more shares indirectly through parastatal organisations. In contrast, foreign companies lost to the state, Ghanaian entrepreneurs and individual shareholders 62,181,004 worth of shares. Largely because of this policy the NLC's sale of some state-owned enterprises was nullified; and the state sector became widely expanded again. At the same time however Ghanaian private participation in the economy expanded considerably. And so did the joint enterprise sector. (Jonah, 1989: 103)

Foreign capital was under attack under the NRC. Foreign creditors had no choice than to accommodate the policies being pursued and granted Ghana unprecedented debt rescheduling terms.<sup>(9)</sup> In the estimation of many, including the Bank and the Fund, the main obstacle to close international economic relationship with the Fund and the Bank was General Acheampong. This explains why soon after his overthrow in a palace coup in July 1978, the relationship with the Bretton Woods institutions were normalized, and the Fund immediately granted a stand-by credit of SDR 53.0 million spread over twelve months with the usual conditionalities.<sup>(10)</sup>

On 4<sup>th</sup> June 1979, the SMC II regime led by General Fred Akuffo was overthrown by the junior ranks of the Ghana Armed Forces. The armed forces made Flight Lieutenant Jerry Rawlings whom they released from prison the chairman of the Armed Forces Revolutionary Council (AFRC). The coup was staged at a time the country was in the process of being ushered into civilian administration. The AFRC automatically became an interim government and supervised the already laid down mechanisms for a return to constitutional rule. The Peoples' National Party (PNP) led by Dr Hilla Limann won the presidential elections and his party also won majority seats in parliament.

The poor economic situation since the last days of the First Republic under Nkrumah led to various kinds of pressure on successor governments to accede to IMF and World Bank demands. The PNP was not immune to these external and internal pressures. The general expectation in international circles, therefore, was that the new leader would realign foreign policy interactions after the quasi-isolationist policy by the NRC. However, any form of international interactions had to

take into consideration the precarious economic situation and the implications (both positive and negative) of any relationship on the generality of the people.

It must be underscored that the PNP had a peculiar ideological problem. It was an offshoot of the CPP of Nkrumah<sup>(11)</sup> and the prospects of IMF dependency stirred internal party opposition, especially from the party's youth wing. Every interaction with the international capitalist system, according to Limann must be based on the social needs of the people. With regard to the implications of IMF/World Bank policies on the people, Limann argued that "every action must be related to the social climate... The government is a major employer and we are dealing with human beings, we cannot simply carry out a massive dismissal of workers" (Jonah, 1989: 109). Limann's resistance to the IMF left in limbo any form of foreign economic relations with the IMF/World Bank, and in the process, undermined confidence in the economy by the IFIs and to some extent the nation's trading partners. It must be added that agreement with the IMF would probably have assured the trading partners that the nation would obtain foreign loans to service debts owed to them.<sup>(12)</sup>

However, it does not appear that national strategies aimed at attracting direct foreign investments were seriously pursued. This may partially be attributed to the relatively short periods such governments administered the affairs of Ghana.<sup>(13)</sup>

#### IV. DOMESTIC EXIGENCIES AND INTERNATIONAL EXPECTATIONS UNDER THE PNDC

From the outset, the PNDC put itself in an ideological bind<sup>(14)</sup> and had no other choice than to restructure political and economic relations along socialist lines. This seeming intractable position was made more compelling by the key advisers of the PNDC as well as the main support base.<sup>(15)</sup> They espoused socialism as a developmental strategy and this ultimately influenced the international friends cultivated by the regime and governmental structures put in place during the early phase of its rule. Within the PNDC, however, there were others who had liberal tendencies and were not overly opposed to any form of interactions with foreign capital whether from the IMF/World Bank or from any other source.<sup>(16)</sup> Before mid-1983, classical or neo-liberal approach or solutions to national economic problems was an anathema to the PNDC.

The belief held by key government officials was that Ghana's economic problems were the outcome of the nation's incorporation into the international economy. The immediate concern therefore was the initiation of populist structural economic and social reforms. The management of state enterprises and corporations were therefore placed in the hands of Committees for the Defence of the Revolution (CDRs) while Ghanaian elite and entrepreneurs were verbally harangued and stigmatised as imperialist lackeys. However, apart from rhetorical attacks on imperialism and Western capitalism, no serious measures aimed at restructuring the economic base of the country were implemented for lack of financial resources. Radical students of tertiary institutions, workers, the armed forces, and socialist-inclined organisations such as the June Fourth Movement (JFM), the New Democratic Movement (NDM),



the Kwame Nkrumah Revolutionary Guards (KNRG), and the African Youth Command (AYC) formed the support base of the PNDC. They were overwhelmingly opposed to relations with the West, especially with the IMF and the Bank.

For the regime to be able to realign international economic relations in favour of the IFIs and the West, effective control of the radical left within the PNDC, among Rawlings' advisers, and the general support base was needed. In addition, the PNDC had to be prepared to dispense with the friendship of the so-called international "pariah" regimes such as that of Muammar Gaddafi of Libya if it wanted to gain recognition in the West and thereby obtain the needed financial support from the West. The more difficult of the two was dispensing with Muammar Gaddafi for the sake of Western capital. It was alleged that Libya financed the military take-over of 1981 and that the arms to stage the coup were smuggled into Ghana from Libya. Moreover, Libya proved to be the only nation that readily came to the aid of the fledgling PNDC, as Rawlings himself noted, "in a time of crisis when other countries were sitting on the fence."<sup>(17)</sup> Thus while serious domestic measures were needed to solve serious economic problems, the approach of the PNDC fell short of the expectations of the West whose support was tied to the pursuit of foreign economic and domestic policies acceptable to the IMF/World Bank, in particular, and Western donor nations, in general.

## V. THE UNDERPINNINGS OF INITIAL POLICY MEASURES

The underlying factors that influenced initial policy measures were both domestic and external. The PNDC's policy-framework was aimed at ensuring national survival "in the face of what was perceived as a very hostile international environment, especially the constraints to internal development imposed by the neo-colonial and imperialist-dominated international economy, and to stimulate economic growth and gain self-sufficiency" (Boafo-Arthur, 1993: 143). Rawlings called for a radical transformation of the socio-economic and political order so as to contain national economic, political and social retrogression and degradation. Advocating such structural changes, in the view of Emmanuel Hansen (1987), the first Secretary to the PNDC implied, (i) the termination of the control of the local economy by foreign multinational companies; (ii) changes in the structure of the control of the state; (iii) the creation of political forms which would make the interests of the broad masses of the people predominant and realisable; and (iv) a programme which would initiate a process of improving the material conditions of the mass of the people.<sup>(18)</sup>

The Secretary for Finance and Economic Planning, Dr. Kwesi Botchwey while presenting the revised budget for 1981-82 reiterated the conception that Ghana's underdevelopment was the result of undue exploitation by the capitalist nations. In his view, the national economy was in crisis because of the "inevitable working of the pattern of international economic relations, controlled by a concentration of integrated multinational corporations in industry working hand in hand with transnational banks" (GOG, 1982). It was felt that it was only by breaking the existing inequitable international economic relations that the nation's economic crisis could

be solved and genuine economic development and growth initiated.

Careful reading of the Revised Budget of 1981-82 makes it clear that the PNDC was confused as to the best approach to adopt in solving the economic problems of the country. One can search for solutions when the real problems are identified. However, while attacking international finance capital and the West generally for the nation's economic woes, the government in the same breath accused local management for the problems of the nation. Commenting on the inconsistencies in the Revised Budget Professor Kweku Folson (1993: 83) noted:

The opening paragraph of the preface, as a true neo-Marxist dependency theory, prepared the reader for a radical socialist-revolutionary attack on the basic causes of the 'unrelenting crisis' in the Ghana economy. However, there was almost immediately a shift away from basic structural causes to managerial factors which were blamed for the ills of the economy. The precipitous fall in the value of the cedi was now blamed not on the basic factors shaping the economy as set out in the opening paragraph, but on 'unprecedented mismanagement' as exemplified by the past failure to establish appropriate machinery for inducing increase in productivity and on the other conditions militating against efficient management.<sup>(19)</sup>

The confusion as to the root cause(s) of the nation's economic problems reflected the differing ideological persuasions within the PNDC. The leftist elements felt the problem was with the capitalist world order whilst the moderates and conservative elements felt the leadership had to pay equal attention to domestic constraints to development. With the dominant position of the left in the ruling junta and also the core support base, the choice of international friends and policy measures initially followed socialist prescriptions.

The change in orientation of the PNDC came as a result of the failure of the regime to obtain the needed economic support from the East. This effectively undermined the influence and role of the radical left in the government. Those with leftist- or Marxist-leaning had two options: Either to "commit ideological suicide" or resign from the government. Key personalities in the government who had acquired reputation whilst teaching at the University of Ghana as Marxist socialists such as Kwesi Botchwey, the long serving Finance Minister of the PNDC, and Tsatsu Tsikata, a key Rawlings adviser who now heads the Ghana National Petroleum Corporation (GNPC) took the first option. Young Marxist firebrands such as Zaya Yeebo the first PNDC Secretary in charge of Youth and Sport, Chris Atim a member of the PNDC, Akwasi Adu, Taata Ofosu and many others fled into exile.<sup>(20)</sup>

Without doubt, there were internal struggles among factions within the ruling junta and their respective supporters in the body politic for influence and control of both domestic and external economic policies. As postulated by the state-centric approach, explanations of foreign economic policy are found in the ongoing struggle for influence among domestic social forces or political groups. John Ikenberry, et al. (1988: 7) argued further that "policy outcomes on any particular issue are a function of the varying ability of groups to organise and give their interests prominence in the policy process." In this regard, government institutions become arenas for group competition and the articulation of group interest. No past government in Ghana symbolised these sharp competing interests more than the PNDC.

It is instructive to note also that the Policy Guidelines issued by the regime in 1982 incorporated a blueprint to be followed by the Ministry of Foreign Affairs in the conduct of international relations. The Guidelines clearly opted for a closer relationship with “progressive” countries among others. Within one year three months, the initial domestic economic policies that influenced the choice of international friends had collapsed.

## VI. RATIONALISING THE CHANGE IN POLICY ORIENTATION

The initial hopes of obtaining economic assistance from the Eastern bloc, especially the Soviet Union never materialised. A government delegation to the Soviet Union came back empty-handed. While sympathising with the economic problems of the country and expressing the willingness for closer collaboration in many fields, the Russians pointed to their own problems that constrained their ability to assist financially. The Ghanaian delegation was advised to go to the IMF and try at the same time to hold on to the revolution.<sup>(21)</sup>

The negative outcome of the Russian trip had sobering effects on the radical left within the PNDC and among the supporters. It undermined leftist influence on policy making and paved the way for realignment of relations.

Second, the fragile economic situation was compounded by the populist economic policies implemented. These policies included the confiscation of the assets of entrepreneurs, imposition of price controls, the imposition of heavy fines on those alleged to have hoarded goods, the withdrawal of higher denomination currency notes as a means of combating excess liquidity, and the take-over of some enterprises by Workers Defence Committees.<sup>(22)</sup> The policies failed to improve the economic situation of the country and in addition severely reduced the incentives for production, savings, domestic and foreign investments, and increased productivity.<sup>(23)</sup>

The measures were taken against the backdrop of economic stagnation over the years. For instance, the leading export earner cocoa had declined in production from 450,000 tons in the early 1970's to 180,000 in 1982. Manufacturing industries were producing below capacity, and devastating drought and bush-fires in 1982-83 had adversely affected cash and food crop production.

Politically, the question was how long the people could endure the economic hardships after the promises of positive economic changes in the course of the revolution. In the face of the failure of the initial policies the regime obviously faced the prospects of losing political power to other contenders across the ideological divide.<sup>(24)</sup> As Eboe Hutchful (1997: 254) pointed out, “the PNDC found it necessary to deflect challenges to its authority—and, indeed, to its very hold on power—by ranks disillusioned with the pace of the ‘revolution’ and the implementation of declared policies.” To maintain political power after diffusing several countercoups, the economic problem had to be tackled. The most appealing option was to reach an agreement with the IMF irrespective of the earlier socialist posturing and unbridled attacks on the West, in particular, and capitalism, in general. The PNDC's readiness to negotiate with the IMF was therefore due to an intricate combination of domestic

economic and political imperatives. This further attests to the interface of domestic and external policies.

While contending with domestic politico-economic problems emanating from the wishes of the radical support base of the regime, clandestine negotiations were held with the IMF. An agreement was reached with the IMF/World Bank and in April 1983 Ghana's economic recovery programme was launched. Official government pronouncements for consumption by domestic constituents and the international community had to be in sync with the changed orientation of the PNDC. The Finance Minister, Dr. Kwesi Botchwey underlined the spirit of change and the new international economic relations by noting that:

Ghana will actively encourage direct foreign investment and ensure that while safeguarding the interest of the economy and honour of the people, investors will not be frustrated when the time comes to transfer their profits and dividends to their shareholders overseas. (West Africa, 4 June 1984: 1155)

The change in political orientation and *ipso facto* change in the focus of international economic relations was complete by the end of 1983. Efforts were geared toward bringing radical supporters on board or to put them in permanent check. It was in this connection that Rawlings cautioned against empty revolutionary rhetoric. With particular reference to radical workers who had originally given staunch support to the revolution Rawlings declared: "We can no longer postpone the time for halting the populist nonsense...We must not get into the way of thinking that revolutionary activities are substitutes for productive work" (West Africa, 12 Sept., 1983: 21-23).

There were overt and covert official attacks on the socialist approach. These were meant to convince donors that the regime had changed its ideological, economic, and political orientation with regard to the international community and especially the West. For instance, the Deputy Chairman of the PNDC, Justice D. F. Annan stated that the PNDC's initial dalliance with Marxism "did us a certain amount of harm, in that it sought a short cut to modern government on the basis of the experience of Europe which was not quite germane" (West Africa, 28 Jan., 1985: 1987). Justice Annan was emphatic also on the shift from the "blood and thunder" politics initially adopted and confessed to the inappropriateness of Marxism or socialism.

The denunciation of Marxism-Leninism was of political and economic significance. Generally, it demonstrated the emergent politics of the regime in its relations with domestic constituents and the international system with reference to economic relations. Politically, the new approach won the support of liberals and the elite who were initially perceived as imperialist agents and consequently antagonised and marginalised. In domestic economic terms, the changed approach also gave some hope to domestic entrepreneurs most of whose businesses had been confiscated or closed down in the course of the revolution. Thus in its effort to maintain power, the change in policies broadened the domestic support base and placated Western donors. For the IMF and the World Bank, that was the precise setting they had anticipated from the pressures exerted. Theoretically, neo-liberalism gradually replaced the socialist underpinnings of the regime. Again, it demonstrates the indispensability

of domestic explanation in any analysis of foreign economic policies or interactions.

## VII. THE PNDC'S INTERNATIONAL ECONOMIC RELATIONS

Even though the PNDC made relations with the IMF/World Bank the centrepiece of its relations with the international community for reasons stated above, its brand of international interactions whether economic or political, differed from most of its predecessors. The NLC closed the door to the Eastern bloc after the overthrow of Dr. Nkrumah. The Progress Party government of Dr. Busia had very little to do with socialist governments and largely maintained the frozen relations imposed by the NLC. The NRC pursued a certain level of balanced political and economic relations. However, the economic nationalism exhibited by General Acheampong was contrary to the expectations of the West even though Western creditors accommodated the regime and rescheduled debts owed by Ghana.

After implementing IMF/World Bank imposed stabilising policies, the PNDC virtually had to disavow socialism. Nonetheless, and unlike earlier governments, political and economic relations with so-called progressive regimes in the international system continued. The point is, the PNDC reasoned, and rightly too, that it was necessary to maintain that sort of relationship for two main reasons. The first was to underline national sovereignty, and secondly, for the sake of national interest. It was clear that the PNDC had learned objective lessons from the failures of earlier governments that were either overly pro-West or pro-East and thereby foreclosed potential sources of assistance from one or the other. Thus, whereas the regime was doing everything possible, including making the right statements to win Western capital for economic development, it presented another face of dealing evenly with the internationally accepted ideological divide, at least until the collapse of communism. It was a pragmatic approach if not the full essence of political brinkmanship.

The newly found policy of the PNDC was in line with what Brigadier Nunoo-Mensah a leading member of the PNDC had noted at the inception of PNDC rule. This was at a time the PNDC and the core support base of the regime favoured socialism and the adoption of a posture of what Naomi Chazan (1984: 106) term "defiant isolationism." Nunoo-Mensah noted:

We are making friends with everyone. We do not intend to take part in big power politics. We are too small and weak to get involved in that. We have stretched out our hands to make friends with everyone regardless of his ideological thinking or his political persuasion. (West Africa, 25 Jan. 1982: 8)

At the time such sentiments were expressed<sup>(25)</sup> the radical left had the ear of the Chairman of the PNDC. It seems, therefore, that only a passing thought was given to such a clear blueprint for a balanced relationship with the international community at the outset.

The question is whether compatibility should be at any price. Making friends with everyone was eventually followed by the PNDC to most probably ensure the compatibility of domestic politics with the international economy. Paradoxically, it was

compatibility that was to border on subservience to external dictates. It seems that the long-term implication of “national addiction” to external support was not seriously factored into the relationship.<sup>(26)</sup> The PNDC could afford to ignore that because the pursuit of the newly embraced foreign economic policy propelled by neo-liberalism went hand in hand with unprecedented infringement on the rights of Ghanaians.<sup>(27)</sup>

In line with the desire to obtain the best in the international system for national development, the PNDC, especially after the dogged implementation of IMF/World Bank programmes, intensified relationship with other nations capable of offering economic assistance. It appears there was a careful balance between the search for economic support and the desire for security-related assistance. Whereas the economic support came largely from the West and the financial institutions, the security-related support came from the so-called progressive regimes.

The regime saw nothing wrong with the pursuit of liberal economic policies and its disregard for the fundamental rights of the people. The disregard for due process seemed to be a fallout of the relations with the progressive regimes. Tight security and the abuse of the rights of many Ghanaians converged, more or less, to facilitate IMF/World Bank economic stabilisation. As later events in the international system proved,<sup>(28)</sup> it was an incongruous blend of domestic politics and international economic relations. It, however, succeeded because the policy incidentally had the covert support of the Bank and the Fund. Until the collapse of communism, the two institutions openly courted and favoured the grant of loans to dictators.<sup>(29)</sup>

A distinction appears to have been drawn between what the progressive regimes could offer and what the West could give. The PNDC's relations with the Eastern bloc, especially after the ideological shift, and before the collapse of communism was, therefore, motivated principally by the need for security training for revolutionary cadre. It ought to be stressed, however, that the foundation of such relationships with progressive regime were laid before the PNDC committed “ideological suicide” by turning to the West for economic reasons.

After the overthrow of the PNP government, the PNDC immediately restored diplomatic relations with Libya that had been severed by President Limann, and went on to open diplomatic missions in Cuba and Bulgaria.<sup>(30)</sup> Ghana entered into economic and cultural agreements with Cuba, the former German Democratic Republic, Bulgaria, Ethiopia (under Mengistu), China, Mozambique, Nicaragua (under the Sandinistas led by Daniel Ortega) and Romania under Ceausescu. Revolutionary cadres were also sent to Cuba, Bulgaria and Libya for training. It became a standard policy for newly recruited foreign-service personnel to be given six-months training in Bulgaria in what was termed a study in “mobilisation for national development.” There was no doubt, however, that most of the people were trained in military tactics, espionage, sabotage, guerrilla warfare and political indoctrination of the socialist hue. A large number of secret service personnel and commandos who were the security backbone of the PNDC and currently of the National Democratic Congress (NDC) had been trained in the USSR, Bulgaria, and Cuba. A sizeable number of those trained in Bulgaria and Cuba also found themselves in the outfit of the former security chief Captain Kojo Tsikata who was also the PNDC member in charge of the Ministry of Foreign Affairs (ACR, 1985/86, B 40). Others served on new structures of state control such as the Citizens' Vetting Committees



(CVCs), National Investigating Committees (NICs), and the Bureau of National Investigation (BNI).

Cultural and trade agreements were also signed with some of these countries. Under such agreements, several Ghanaians were awarded scholarships to study in various fields in Moscow and Cuba. Some companies in the German Democratic Republic (GDR) and Bulgaria won Ghana government contracts. What were not made known to the general public, ostensibly for security reasons, were the security training components of the agreements. The point remains, however, that the PNDC knew what it wanted from the international community and went in for it.

To buttress the pragmatic approach of the regime, relations with the Middle East especially the oil producing countries and those in the Gulf region, were stepped up. It synchronised with the PNDC Policy Guidelines that advocated "closer collaboration with progressive countries as well as friendship and co-operation with all advanced and prosperous nations, as well as all the oil producing countries" (Boafo-Arthur, 1989: 137). Economic motives were crucial in the relations with most countries in the Middle East. It was natural for the regime to have very good relations with the Palestinian Liberation Organisation (PLO). This might have been motivated by the need to gain support from Arab countries supportive of the PLO. More importantly, it was in line with traditional Ghanaian foreign policy of support for decolonization whether in Africa or elsewhere.

The PNDC obtained assistance from various funds operated by Arab countries for development in Sub-Saharan Africa. For instance, in 1988 the Kuwait Fund granted to the government \$3.5 million for the Northern Power Grid at three and half per cent interest rate, three years grace period and a repayment period of fifteen years. In addition, between 1985 and 1987 the Saudi Fund granted over \$114 million to Ghana for various projects. These included the building of grain storage silos, Science College, the Rehabilitation of the Tema and Takoradi ports, and the Northern Power Grid. Interest charges on the various loans ranged between one and four per cent. Generous repayment terms were offered.<sup>(31)</sup> In the same year, the Arab Bank for Economic Development in Africa (BADEA) granted Ghana a loan of \$10 million for the rehabilitation of the cocoa industry. The repayment period was fifteen years, a grace period of five years and interest at five percent.<sup>(32)</sup>

Financial assistance from the two Bretton Woods institutions for both short and long term programmes is, however, unprecedented in the annals of Ghana's chequered relationship with the institutions. Consequently, the Ghanaian economy under the PNDC became aid-driven. There is no indication that this has changed under the NDC.

Under the PNDC Ghana became the largest per capita aid recipient in Africa. In 1985 alone, "total foreign exchange resources including export earnings, inflows of private and official loans and transfers, and IMF drawings amounted to \$1.3 billion. This was a 19 per cent increase on 1984's \$1.1 billion" (ACR, 1985/86: B 42). Indisputably, Ghana's dependency on external sources of finance deepened beyond all expectations. As noted by Colin Legum (1984/85: B 462), Ghana's pattern of dependency under the PNDC became "reduced to the simple need for large-scale hard currency finance in every sphere of the economy." According to the U.S. Department of State report on Ghana, "the World Bank, the largest donor, gives

assistance at an annual level of approximately \$300 million in the form of sectoral and structural adjustment credits" (Quoted in Boafo-Arthur, 1999b: 12). Nana Wereko Ampem II (1994: 50) a former government statistician and a member of the UN Investments Committee since 1980 has also noted that Ghana has been receiving considerable inflows of external finance to the tune of \$500-600 million per year. Again, since the change in ideological orientation and the close relations with the IMF/World Bank, external donors have injected a total of \$8 billion into the Ghanaian economy (Appiah-Opoku, 1998: 6-10). The immediate impact of the steady inflow of foreign aid is the mounting debt obligations and increased debt-service ratio as shown in table 1.

Table 1 shows a quantum leap in debt service ratio from 28.9 per cent in 1986 to 62.8 per cent in 1988. Total external debt by the time the PNDC democratised at the end of 1992 had also increased from the 1988 figure of \$2.270 billion to \$4.88 billion. By the end of 1997 the debt had risen to \$6.4 billion (EIU, 1998). Donor conferences on Ghana sponsored by the World Bank became a virtual annual ritual. Table 2 shows some of the IMF/World Bank supported financial pledges made at

**Table 1.** Long term debt<sup>(a)</sup> (US\$ millions).

	1983	1984	1985	1986	1987	1988
Total	1,177	1,144	1,290	1,686	2,158	2,270
of which:						
public & publicly guaranteed	1,156	1,112	1,250	1,648	2,128	2,238
of which:						
multilateral creditors	372	402	539	795	1,152	1,318
bilateral creditors	642	584	552	621	708	692
private creditors	142	127	159	232	269	228
Total debt service as % of export of goods & services	30.5	23.3	32.2	28.9	49.9	62.8
Net transfers	309	193	93	166	33	- 8

(a): Debt with maturity of one year or over, outstanding and disbursed.

Source: *EIU Country Report, Ghana*, No. 1, 1990, p. 21

**Table 2.** Paris donor conference financial pledges to Ghana.

Year	Amount Expected <i>US\$ millions</i>	Actual Pledge <i>US\$ millions</i>
1983	—	415
1984	—	450 <sup>(a)</sup>
1985	535	517
1986	—	608
1987	575	818
1989	—	930 <sup>(b)</sup>
1991	850	970

Sources: Compiled from *Africa Contemporary Record, EIU Country Report on Ghana and West Africa*: various years.

(a): In addition to the \$450m in pledges, \$75m in export credit was given. However, the bilateral component of the pledges was reduced from \$150m in 1983 to \$115m. The World Bank contributed slightly more than the 1983 figure of \$93m.

(b): Of this amount, \$500m and \$430m were pledged by bilateral and multilateral sources respectively.

various donor conferences in Paris.<sup>(33)</sup>

It is worth noting further that in June 1993, barely six months after the transition to democracy, Ghana received a commitment of \$2.1 billion in assistance for 1993-94 at donors' meeting in Paris chaired by the World Bank. The Bank had earlier indicated that Ghana needed \$1.7 billion.

## VIII. POLICY IMPLICATIONS FOR NATIONAL DEVELOPMENT

The PNDC regime's greatest achievement with regard to international economic relations was the very close relations it forged with the West and especially with the IMF and the World Bank. This is because other regimes could not reach such accords with the IMF and the World Bank. Those who did or attempted had serious political backlash.

The PNDC was consequently extolled by the Bank, the Fund and individuals for a successful implementation of stabilisation policies. The compliments were the results of increased national growth rate recorded after the implementation of stabilisation policies. At the 1984 Paris donors meeting, Ghana's increased growth rate from 0.7 per cent to 5.5 per cent was described as "courageous" and "an exemplary model" for Sub-Saharan Africa (ACR, 1985/86). That set the tone for deluge of commendations. The PNDC's 1987 budget statement indicated that GDP increased by 5.3 per cent in the previous year. Per capita income grew by 2.6 per cent and agricultural output increased by 4.6 per cent. Inflation witnessed a high level of moderation declining from 122 per cent in 1983 to 40 per cent in 1984 and 10 per cent in 1985. (However, by 1989 inflation had shot up to 25 per cent.)

External financial resources were procured to rehabilitate agriculture, especially cocoa production. Exports of both traditional and non-traditional commodities were stimulated due to increased incentives for exporters. Foreign exchange earnings from the traditional exports of goods and services increased by almost one hundred per cent from US\$460 million in 1983 to US\$912 million in 1989. The value of non-traditional exports which was a meagre US\$5.5 million in 1983 increased to US\$42.4 million in 1988 (Anyemedu, 1993). In addition, mining received a tremendous boost due to trade liberalisation and divestiture of some state-owned mining companies.<sup>(34)</sup> The positive outcome of this was the high production figure of 342,188 ounces of gold produced in 1991. In fact, this increased further to 1,261,000 ounces in 1993. Under the liberalisation programme, gold has overtaken cocoa as the leading foreign exchange earner for the country.

In the view of John Toye (1991: 155) the PNDC created "Africa's most successful stabilisation and structural adjustment program..." if compared with the state of the Ghanaian economy before the implementation of the programme. For John Healey and Mark Robinson, (1992) Ghana's experiences with adjustment under the PNDC were a manifestation of political commitment, capacity and skill, as well as bureaucratic competence, independence and probity.

PNDC's foreign economic policies energised the macroeconomic indicators. Kwesi Anyemedu (1993: 34), a lecturer in economics who was once on secondment to the Ministry of Finance and Economic Planning during the time of the PNDC,

noted that “economic growth, if it does nothing at all, increases the range of choice. It could be well argued that, although it did not guarantee generalised benefits in terms of ‘trickle down’ theory, it generally made the satisfaction of the basic needs of the community easier, if the satisfaction of these needs was also a major goal of policy.”

This position is highly contentious. How could the basic needs of the majority of Ghanaians be satisfied in the absence of any “trickle down” effects? One is tempted to ask in this context the relevance of a national policy that succeeds in only creating a class of novel rich at the expense of the majority of the people. If the stabilisation measures had had the desired positive impact on a majority of the people, then one would have given unqualified credit to the PNDC for successful international economic relations. If policy actions by nations are aimed at obtaining the highest good for the citizenry, I do not think this was the case under the PNDC. The policies may have been well intentioned. However, altruism happens to be inadequate with regard to the general welfare of the people. The anticipated positive economic outcomes were frustratingly slow while the nation’s external debt burden doubled. The impact on the poor left much to be desired. This led to the implementation of the Programme of Action to Mitigate the Social effects of Adjustment (PAMSCAD) in 1988.

The introduction of PAMSCAD with the objective of lessening the burden on the poor as a result of the ‘religious’ implementation of externally imposed economic policies without any local input, to my mind, undermined the high praises heaped on the PNDC government in the corridors of international financial institutions. PAMSCAD itself provided another avenue for further foreign assistance (EIU, 1988).

The mode of implementation coupled with the negative implications of the unbridled, rigid, and anti-people IMF/World Bank sponsored policies on Ghanaians equally raise questions about national sovereignty. Whether we like it or not, the loss of national sovereignty was not only phenomenal, it was also unparalleled in the political economy of Ghana’s external economic relations. There is no basis for the magnitude of the loss of national self-respect to be compared with what Ghana experienced under the Second Republic. Anyemedu (1993: 41) noted, and it is worth quoting his words extensively:

The ERP has to a very large extent been financed by IMF and World Bank credits subject to policy conditionalities. This has implied a degree of control over economic policies in Ghana by the IMF/World Bank, as well as the pervasive influence of assorted consultants, advisers and experts, which have reached intolerable levels not only for the professional classes and students, but also for workers. These groups of Ghanaians have all in various times expressed misgivings about the degree of external control over the economy. There was hardly a day when there was not an IMF or World Bank mission in Ghana. All types of advisers and consultants were installed in virtually every major public institution. John Loxley (1988) pointed out that it was common knowledge that major agreements are typed in Washington for signature by the Ghanaian government and that often, because of bureaucratic delays in the government, the Bank will actually draft its responses to its own proposals on behalf of the Government (my emphasis).

Ghana under the PNDC was a captive of the IMF/World Bank. Due to high levels of retrenchment of labour, imposition of user fees in hospitals, high cost of living, and poor salaries, despondency, fear, and uncertainty were the lot of majority of Ghanaians. In January 1990 Rawlings himself declared:

I should be the first to admit that the Economic Recovery Programme has not provided all the answers to our national problems. In spite of all this international acclaim it has received, the effects of its gains remain to be felt in most households and pockets ... Notwithstanding the vast improvements in the supply of goods and services in the market today, there are many who have found it difficult, during the past holiday season, to manage a modest celebration with a chicken for a meal or a new dress for a child or a bottle of schnapps for the folks back home (Nugent, 1990: B 50).

Earlier on April 30, 1988 Captain Kojo Tsikata (the security chief and a member of the PNDC with oversight over the Ministry of Foreign affairs) while addressing revolutionary cadres noted:

A new impetus is needed for the ERP to ensure the expected improvements in the living conditions of ordinary Ghanaians materialize as soon as possible ... The time has come when after all the sacrifices of the working people, attention must now be focused on the adequacy of wages and salaries. The welfare of the people is the supreme test of the success of the nation's economic policies and not the performance criteria of the international financial institutions. It is not the mere compliance with the conditions of the IMF that must concern us. We must ensure that an increasing portion of the benefits of the ERP goes to farmers, soldiers, policemen, and workers who have sacrificed so much for the revolutionary process (my emphasis). (ACR, 1988: B 38)

Workers had to contend with persistent erosion of wages and salaries because the World Bank prescription includes rigid control of public sector wages although it is a well-known fact that wages in Ghana are one of the lowest in the whole world (Jeong, 1996). It is evident, therefore, that the welfare of the people which is the supreme test of the success of the international economic relations or foreign economic policies of the PNDC was compromised for the sake of unimpeded flow of external finance.

The overly negative implications of the policies on majority of Ghanaians, including the well-established entrepreneurs, compelled P. V. Obeng, the long-serving secretary to the PNDC, to admit to the mistakes of the government. In an interview with *West Africa* (5-11 March, 1990: 359) magazine he stated:

We would certainly (with hindsight) have avoided the over-liberalisation of certain economic activities. We pursued a policy of trade liberalisation even though we had not put some of our local industry on sound footing ... But we now appreciate that we brought in trade liberalisation at a time when other sectors of industry that were not yet on the priority list were not on their feet. So these sectors suffered anti-dumping pressures, they suffered infant industries' problems and in the end they were recovering at a pace that was far below expectation.

Why then did the regime maintain the tempo even to the point of guaranteeing its continuity as a core element of the manifesto of the party formed by Rawlings to

succeed the PNDC? The answer, to my mind, could be traced, to the insatiable desire of the power brokers to maintain their rule and thereby their economic well-being which the constant flow of external aid without any clear-cut monitoring by the donors had, either by omission or commission, guaranteed.

## IX. CONCLUSION

Foreign policy orientation either economic or political by the PNDC was balanced and unparalleled; the main impetus was the aggressive quest for economic support for national development. In the process, the policy approach adopted with its preponderant economic bias targeted at the IMF/World Bank and other IFIs was unique. Sustained relationship with the Bretton Woods institutions and other IFIs was however contingent upon the rigid implementation of donor-brokered stabilisation programme with little or no input at all by the government.

The outcome of policy measures were a mixed bag of overblown positive macro-economic indicators on the one hand, and on the other a grudgingly acknowledged persistent depreciation in the quality of life of most Ghanaians.

The question is whether the deprivation, disregard for the due process of law, and destruction of the environment, during the period under review make the so-called gains worthy of praise. More importantly, have the policy measures laid the foundation for rapid economic take-off that would impact positively on the living conditions of majority of Ghanaians in the long-run?

What is certain is that the foreign economic policies and the mode of their application have mortgaged the future of generations of Ghanaians. As noted, the most serious negative implication is the fact that the PNDC created an economy that is aid-driven. This does not bode well for economic planning and national development in the long term. Investors trickling into the country have been highly selective. They prefer investments in economic activities with quick returns such as mining and other extractive ventures instead of laying the basis for industrialisation. Investments in manufacturing by the foreign investors were negligible. Incessant demands for further concessions by investors betrayed their real motives. While Mr. P. V. Obeng was lamenting the fact that the PNDC over-liberalised, representatives of investors were also arguing that the regime had not gone far enough. For instance, in spite of the liberal investment code put in place in 1985, the representative of the International Finance Corporation called for more concessions. They argued, maybe rightly that "success in attracting foreign investment depends on matching the incentives and tax conditions offered by other countries competing for foreign investment, since profit-maximization is the force driving foreign investors" (ACR, 1989/90: B 50). Indeed, this shows the paradox of an aid-driven economy. Everything had to be done to suit external constituents with scant attention to the long-term implications for the present and future generations. So long as the interests of those in authority were satisfied they never saw anything wrong.

The top hierarchy of the PNDC realised their impotence in making independent decisions on account of prior commitment to abide by IMF/World Bank dictates. Consistent pursuit of externally inspired policies, to a large extent, assisted in



grounding the regime's hold on political power. This is because the donors turned a blind eye to numerous human right abuses perpetrated by the regime.

Another issue of great concern in developmental terms is the fact that the external financial assistance received by the PNDC was higher in relation to what some of the fast growing Asian countries received at their periods of take-off. The World Bank in its report titled *Ghana 2000 and Beyond* "points out that external financial assistance played a modest role in financing the rapid growth of Malaysia and Thailand, and that annual capital inflows were less than 3% of GDP during the period 1969-1983. This compares with inflows into Ghana of about 8% of GDP in recent years."<sup>(35)</sup> Thus, if the development threshold has not been crossed and we do not even know whether we will cross it in the near future, then there were fundamental flaws in the policy measures.

The praises notwithstanding, Tony Killick and Moazzam Malik (1992: 610) put the bleak future for Ghana succinctly:

Ghana's recovery...was based on abnormally high levels of assistance from the IMF, the World Bank and bilateral donors, making it especially difficult to disentangle the effects of the aid from the effects of the programme. Finally, capital formation, especially in the private sector, remains depressed, with total investment ratio estimated in the range of 6-12 per cent in 1988. Ghana's impressive turnaround remains fragile. (my emphasis)

The implication is that the nation has a long way to go after years of excruciating adjustment policies even if the positive macroeconomic indicators for the country are deemed reliable.

In theoretical terms, the PNDC adopted multiple concepts. In one sense, the *modus operandi* of the regime both economically and politically supported neo-liberal postulation of the interrelationship between domestic and foreign policy. Furthermore, the realist position of the primacy of state security in the pursuit of foreign policy objectives was catered for through relationship with progressive regimes that offered security-related training to cadres. Strands of the nationalist conceptualisation of the primacy of domestic policy could also be seen.

Clearly, apart from the first thirteen months of its administration where its theoretical underpinning could be termed Marxism-Leninism, policy measures in latter years, up to the period of democratic transition in January 1993, were propelled by admixture or at best ad hoc theoretical grounding with neo-liberalism being the superstructure. Even with that, the regime could not adopt neo-liberal tenets in its entirety. As argued by Ho-Won Jeong (1996: 67), "in formulating the adjustment program, major decision makers were insulated from general social and political circumstances and popular concerns. The masses were excluded from active participation in the discussion of economic issues that influence their daily life. Adjustment policy, therefore, is a summary affirmation of state interests defined by a narrow circle of leadership and officials of international agencies." In that regard, the PNDC was opportunistic as well as pragmatic in the execution of its international economic relations.

It is the burden of the NDC, an offshoot of the PNDC, to make judicious use of the financial inflows to minimise national over dependence on foreign aid and

thereby assure Ghanaians of a better future through their mode of international economic relations. It is equally the duty of all socio-economic forces to help the government in power to attain what the generality of Ghanaians desire.

---

\* Dr. Kwame Boafo-Arthur is a Senior Lecturer in Political Science at the University of Ghana, Legon. He is also a Barrister-at-Law. He was a 1997-98 Fulbright Senior African Research Scholar at the University of California, Los Angeles. His publications have been mainly in the area of Ghana's Politics and International Relations, Foreign Aid and Development, Structural Adjustment and Democratisation, and International Integration.

## NOTES

- (1) The relationship put in place by the PNDC has not been abandoned because the PNDC succeeded itself by forming a political party, National Democratic Congress (NDC), to contest general elections in November/December 1992. Its campaign slogan was the continuity of policies pursued by the PNDC.
- (2) Traditional foreign policy concerns until the collapse of the Eastern bloc and the dismantling of apartheid had revolved around support for liberation struggles in Africa, commitment to non-alignment, opposition to racism and minority rule in Africa and support for the OAU and other international organisations.
- (3) As compared with the PNDC, the civilian governments of the Progress Party (PP) and the Peoples' National Party (PNP) had relatively short periods of twenty- seven months each before they were overthrown by the military. Thus in terms of all governments since independence, the PNDC had the longest reign and, therefore, all the time to pursue whatever policies it had.
- (4) These approaches, in the words of Naomi Chazan, have run the gamut of "non-alignment, an avowedly pro-Western orientation, disengagement, external supplication and purposeful isolation." (See Naomi Chazan, "GHANA" in Timothy Shaw and Olajide Aluko eds. *The Political Economy of African Foreign Policy*, London: Gower, 1984, p. 94.) It must be added that these shifts in foreign policy orientations moved in tandem with various developmental strategies.
- (5) For a comprehensive discussion of Nkrumah's high profile foreign policy approach see W. Scott Thompson, *Ghana's Foreign Policy, 1957-1966*, New Jersey, Princeton University Press, 1969.
- (6) The Prime Minister, Dr. Busia split the Ministry of Finance and Economic Planning into two just to strip his Finance Minister J.H. Mensah, who was opposed to most of the IMF measures, of sufficient control of finance matters. The new Ministry of Finance came directly under the Prime Minister while the Finance Minister was asked to oversee the Ministry of Planning. Interestingly enough, Busia preferred to listen to IMF and Bank officials than the advice of the Ghanaian officials. For details of the political economy of the PP government's relations with international finance capital represented by the IMF and the Bank see Libby Roland, "External Co-optation of a Less Developed Country's Policy-Making: The Case of Ghana 1969-1972," *World Politics*, 1, October 1976, pp. 67-89.
- (7) For details on some of the economic policies adopted by Acheampong's NRC, see Kwame Boafo-Arthur, "Trends in Ghana's Foreign Policy After Nkrumah," in E. Hanson and K.A. Ninsin ed. *The State, Development, and Politics in Ghana*, Dakar, CODESRIA Book Series, 1989, pp. 135-153.
- (8) Acheampong professed to be an admirer of Nkrumah's economic policies. Thus his

- approach won him instant support from like-minded groups most of whom traced their political roots to the Convention Peoples' Party of Nkrumah.
- (9) In March 1974, the medium-term debt of the country was rescheduled. Under the rescheduled agreement, all debts due for payment after February 1, 1972 with regard to pre-1966 debt obligations were to be paid over a period of twenty-eight years with a grace period of ten years with an interest of two and a half per cent per annum.
  - (10) The Fund gave the following preconditions which were accepted by the SMC II under the chairmanship of General Fred Akuffo: 58% devaluation of the national currency, reduction in budgetary deficits, prompt repayment of external debt, and an increase in the producer price of cocoa. Later the SMC was prevailed upon to change the Ghana currency.
  - (11) Ideologically, Nkrumah and his followers were opposed to IMF prescriptions. President Limann, for instance, argued that every interaction with the IMF must be based on the social needs of Ghanains.
  - (12) To a large extent, self-interest has been a strong motivating factor for international creditors that are in favour of debtor countries reaching an agreement with the IMF and the World Bank. Such agreements that incorporate the well known conditionalities assure them ready repayments of loans some of which might have been contracted by corrupt leaders under questionable circumstances.
  - (13) The military has been a thorn in the flesh of civilian administrators with flippant interventions, especially in 1972 and 1981.
  - (14) The regime started by claiming to be Marxist oriented. The key advisers turned out to be hardcore leftist from the University of Ghana. As a result, the earlier policy measures taken had the imprints of efforts to ensure the 'dictatorship of the proletariat.'
  - (15) Majority of the advisers of the PNDC belonged to the radical left of Ghanaian politics. This group opposed any form of international interactions that was bound to solidify the already inequitable incorporation of the nation into the global economy. The radical left was an outspoken opponent of any form of relationship with the Bretton Woods institutions. The regime had to contend also with opposition from the right that was the other key political focal point in the country.
  - (16) For instance, Brigadier Nunoo-Mensah a member of the PNDC and B.B.D. Asamoah, Secretary to the PNDC overtly espoused the beliefs of the radical left.
  - (17) Kwame Boafo-Arthur, "Ghana's External Relations Since 31 December 1981," in Gyimah-Boadi ed., *Ghana Under PNDC Rule*, Dakar, CODESRIA Book Series, 1993, p. 143.
  - (18) Emmanuel Hansen, "The State and Popular Struggles in Ghana, 1982-1986," in Peter Anyang Nyong'o ed. *Popular Struggles for Democracy in Africa*, London: ZED 1987, pp. 170-173.
  - (19) Kweku G. Folson, "Ideology, Revolution and Development-The Years of Jerry John Rawlings" in Emmanuel Gyimah-Boadi ed. op cit. p. 83.
  - (20) Another explanation is that most of the young Marxists who fled into exile were implicated, one way or the other, in the abortive coup of November 1982 that nearly toppled the PNDC. Some also clearly feared for their lives, given the "blood and thunder" politics of the period which they had contributed to in its execution.
  - (21) It was impractical in the sense that the West would not be prepared to help a revolutionary regime that was not prepared to open up both economically and politically. Thus the PNDC was faced with the problem of maintaining high revolutionary profile whilst at the same time trying to woo Western capital. One was bound to overshadow the other. In the Ghanaian case the liberalising wind finally consigned the so-called socialist revolution into the dustbin of history.

- (22) See Yao Graham, "From GTP to Assene: Aspects of Industrial Working Class Struggles 182-1986" in Hanson and Ninsin eds., op. cit., pp. 43-72 for detailed analysis of an example of workers take over of the management of an industrial establishment.
- (23) For details of the initial economic measures adopted by the PNDC before its change of orientation, see James C.W. Ahiakpor, "The Success and Failure of Dependency Theory: The Experience of Ghana" in *International Organization*, 39, 3, Summer 1985, pp. 534-552.
- (24) The PNDC contended with several abortive military coups. The most serious was the one of November 1982 when the government was nearly toppled. The support base of these coups cut across the ideological spectrum. It appears, however, that the early signs of the possibility of going to the IMF emboldened the ultra-leftist within the army who were the supporters of Aloga Akate-Pore, the key architect of the 1981 military take-over, to try to dislodge the PNDC from power. The successful crushing of the abortive coups forced many of the leftist to flee into exile and made it possible for the PNDC to negotiate with the IMF without any serious opposition form within its own ranks and core support base.
- (25) Brigadier Nunoo-Mensah made the statement less than one month after the declaration of the so-called revolution by Rawlings. It was a period when the majority of the core supporters, both within and without the PNDC, were not in the mood to reflect on such moderate stance. Juxtaposed with the Policy Guidelines of the PNDC, the willingness to deal with all irrespective of ideological inclinations during that period was a heresy. It is not surprising that Nunoo-Mensah lost his place on the PNDC and had to live in exile for some time.
- (26) This seems to be the case because the PNDC had succeeded in intimidating political opponents and those capable of challenging the unbridled relationship with the IMF/World Bank. One key fact is that those who found themselves in the PNDC government were the traditionally vocal socialist group who throughout Ghana's political history had opposed IMF/World Bank policies. Some of those with the government who were opposed to IMF/World Bank lost the contest for dominance and fled into exile. Those who stayed in the country had to shut up. It appears also that Ghanaians wanted to allow the policies to run their courses and see the overall outcome for the national economy.
- (27) For details on the measures taken by the PNDC to subjugate Ghanaians in order to pursue its brand of foreign economic policies see the following. Adu Boahen, *The Ghanaian Sphinx; Reflections on the Contemporary History of Ghana: 1972-1987*, Accra, Academy of Arts and Sciences, 1992; E. Gyimah-Boadi, "Economic Recovery and Politics in PNDC's Ghana," *The Journal of Commonwealth and Comparative Politics*, vol. xxviii, no. 3, 1990; Ahiakpor James, "The Success and Failure of Dependency Theory: The Ghanaian Experience" *International Organization*, 39, 3, summer 1985; and Kwame Boafo-Arthur, "Structural Adjustment Programs (SAPS) in Ghana: Interrogating the PNDC's Implementation" *Journal of African Policy Studies* (in Press).
- (28) These were the changes in international power configurations after the collapse of the communist bloc and the consequent tying of external aid to good governance, including respect for human rights.
- (29) This point is argued in detail in Kwame Boafo-Arthur, "Ghana: Structural Adjustment, Democratization and the Politics of Continuity" *African Studies Review* vol. 42, No. 2, 1999. See also Kwame Boafo-Arthur, "Structural Adjustment Programs (SAPS) in Ghana: Interrogating the PNDC's Implementation" *The Journal of African Policy Studies* (in press).

- (30) This was in spite of the fact that on assuming power the regime had closed down twelve Ghanaian missions in 1982 with the aim of cutting down cost.
- (31) The grace periods ranged between four and ten years, and repayments ranged between fourteen and forty years. See Kwame Boafo-Arthur, "Ghana's External Relations..." op. cit., p. 147.
- (32) See *Economist Intelligence Unit Country Report*, no. 2 1988.
- (33) Pledges from donors at the Paris conferences happened to be just aspects of various financial inflows from bilateral and multilateral sources. Table 2, therefore, shows a small fraction of all financial receipts by the PNDC during the period. For instance, in 1987 total pledges amounted to \$818 million. However, loans independent of the pledges were granted. Switzerland granted \$6.5 for rehabilitation at Korle Bu Teaching Hospital; the US approved an \$8 million commodity package from its PL 480 programme; and Japan provided \$6.6 million to support SAP and a \$3.4 million grant for telecommunication.
- (34) Between 1983-1984 alone, a \$131 million of Fund assistance was expended on the rehabilitation of the cocoa industry. The World Bank's International Development Association (IDA) also allocated \$24 million of a \$92 million export reconstruction grants to the cocoa sector in 1984. With regard to mining the government divested itself of some of the mines previously controlled by the State Gold Mining Corporation. Local people were also granted licences to prospects for gold. Scant attention was paid to the long-term effects of environmental degradation, especially with regard to surface mining.
- (35) Nana Wereko Ampem II, op. cit., p. 51.

## REFERENCES

- Adu-Boahen, A. 1992. *The Ghanaian Sphinx; Reflections on the Contemporary History of Ghana: 1972-1987*. Academy of Arts and Sciences, Accra.
- African Contemporary Record. 1985/86, 1988, 1989/90.
- Ahiakpor, J.C.W. 1985. The Success and Failure of Dependency Theory: The Experience of Ghana. *International Organization*, 39(3): 534-552.
- Ampem II, N.W. 1994. *Ghana's Economic Progress: The Dreams, the Realities and the Prospects*. Accra Academy, Accra.
- Appiah-Opoku, S. 1998. The World Bank's Structural Adjustment Programs in Africa: The case of Ghana. *Notes* (Cornell University): 6-10.
- Anyemedu, K. 1993. The Economic Policies of the PNDC. In (E. Gyimah-Boadi ed.) *Ghana under PNDC Rule*, pp. 13-47. CODESRIA, Dakar.
- Boafo-Arthur, K. 1989. Trends in Ghana's Foreign Policy after Nkrumah. In (E. Hansen and K.A. Ninsin eds.) *In State, Development and Politics in Ghana*, pp. 137-164. CODESRIA, Dakar.
- 1993. Ghana's External Relations since 31 December 1981. In (E. Gyimah-Boadi ed) *Ghana under PNDC Rule*, pp. 135-153. CODESRIA, Dakar.
- 1999a. The Political Economy of Ghana's Foreign Policy: Past, Present and the Future. *Legon Social Science Journal*.
- 1999b. Ghana: Structural Adjustment, Democratization and the Politics of Continuity. *African Studies Review*, 42(2).
- Chazan, N. 1984. Ghana. In (T.M. Shaw and O. Aluko eds.) *The Political Economy of African Foreign Policy*, pp. 94-121. Gower, London.
- Economist Intelligence Unit. 1988. Ghana Country Report, 2.

- Economist Intelligence Unit. 1998. Ghana Country Report, 1.
- Folson, K.G. 1993. Ideology, Revolution and Development: The Years of Jerry John Rawlings. In (E. Gyimah-Boadi ed.) *Ghana under PNDC Rule*. CODESRIA, Dakar.
- Frimpong-Ansah, J. 1991. *Vampire States in Africa*, James Currey Ltd., London.
- Government of Ghana. 1965. *Ghana Economic Survey*. Central Bureau of Statistics, Accra.
- 1982. *Revised Budget Statement for 1981-82*. State Publishing, Tema.
- Graham, Y. 1989. From GTP to Assene: Aspects of Industrial Working Class Struggles 1982-1986. In (E. Hansen and K.A. Ninsin eds.) *State, Development and Politics in Ghana*, 43-72. CODESRIA, Dakar.
- Hansen, E. 1987. The State and Popular Struggles in Ghana. In (P. Anyang Nyong'o ed.) *Popular Struggles for Democracy in Africa*, pp. 162-180. Zed, London.
- Hutchful, E. 1997. Military Policy and Reforms in Ghana. *Journal of Modern African Studies*, 35(2): 250-264.
- Ikenberry, J., Lake, D. & Mastanduno, M. 1988. Introduction: Approaches to Explaining American Foreign Economic Policy. *International Organization*, 42, (1): 1-14.
- Jeong, H-W. 1996. Ghana: Lurching Toward Economic Rationality. *World Affairs*, 59(2) : 59-76.
- Jonah, K. 1989. The IMF and the Government of Ghana. In (E. Hansen and K.A. Ninsin eds.) *State, Development and Politics in Ghana*. CODESRIA, Dakar.
- Katzenstein, P. 1976. International Relations and Domestic Structure: Foreign Economic Policies of Advanced Industrial States. *International Organization*, 30, (1): 1-45.
- Killick, T. & Malik, M. 1992. Country Experiences with IMF Programmes in the 1980s. *The World Economy*, 15(5): 598-624.
- Legum, C. 1985. The Rawlings Revolution Changes Direction. *Africa Contemporary Record*, vol. xvii.
- Libby, R. 1976. External Co-optation of a Less Developed Country's Policy-Making: The Case of Ghana 1969-1972. *World Politics*, 1: 67-89.
- Nugent, P. 1990. Troubled Times for Rawlings. *Africa Contemporary Record*, 23.
- Putnam, R.D. 1988. Diplomacy and Domestic Politics: The Logic of two-level games. *International Organization*, 42(3): 425-442.
- Robinson, M. & Healey, J. 1992. *Democracy, Governance and Economic Policy: Sub-Saharan Africa in Comparative Perspective*. ODI, London.
- Sullivan, M.P. 1976. *International Relations: Theories and Evidence*. Prentice Hall, New Jersey.
- Thompson, W.S. 1969. *Ghana's Foreign Policy, 1957-1966*. Princeton University Press, New Jersey.
- Toye, J. 1991. Ghana. In (Moseley, P., Harrigan, J. & Toye, J. eds.) *Aid and Power*, 2: 150-172.
- West Africa*, 25 January, 1982.
- 12 September, 1983.
- 4 June, 1984.
- 28 January, 1985.
- 5-11 March, 1990.

----- Accepted June 1, 1999

Author's Name and Address: Kwame Boafo-ARTHUR, *Department of Political Science, University of Ghana, P.O. Box 64, Legon, GHANA. E-mail: pscience@libr.ug.edu.gh*