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SPECIAL MEMORANDUM

Ghana's Political and Economic Malaise

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19 July 1967
No. 5-67

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

19 July 1967

SPECIAL MEMORANDUM NO. 5-67

SUBJECT: Ghana's Political and Economic Malaise*

SUMMARY

Ghana's ruling military-police junta is grappling with the economic and political mess left by Nkrumah. But economic problems are piling up and the government is unsure of how to return to constitutional rule. The junta relies heavily on US aid and advice, and looks to the US for increasing economic support. Yet even with greatly increased US aid, Ghana is not likely in the next several years to make substantial progress toward economic growth and political stability. Indeed, a regime decidedly less friendly to the US might come to power as a result of the slow pace of national reconstruction.

* This memorandum was produced solely by CIA. It was prepared by the Office of National Estimates and coordinated with the Office of Current Intelligence and the Office of Economic Research in the Directorate of Intelligence.

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GROUP I
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I. INTRODUCTION

1. Under Nkrumah, Ghana commanded headlines as pacesetter of independence in West Africa, and as one of the leaders of the radical nations of the Third World. But in the process Nkrumah, like Sukarno and Ben Bella, made a shambles of his nation's political and economic foundations before he was called to account. He squandered Ghana's \$500 million foreign exchange reserves (derived largely from cocoa sales at high world prices in the early and mid-1950's), and ran up new foreign debts of some \$700 million for prestige projects, a variety of unsound state enterprises, and political and diplomatic activities designed to further his own continental ambitions. Now, a year and a half after his ouster, the consequences of his follies have become clear, and Ghana is resuming a character more in keeping with its limited resources and prospects. For Ghana, while better endowed with natural resources and trained personnel than most of its hapless West African neighbors (e.g. Togo), still is essentially a one-crop economy, with a per capita national income of only about US \$200.

2. From the outset, the ruling National Liberation Council (NLC), a military-police junta, has sought aid and advice from the US in a multitude of economic, financial, administrative, and

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security matters. In large measure, this stems from the NLC's strong pro-Western political inclinations and from its disappointment over lack of support from other Western countries. Its close rapport with the US was dramatically demonstrated during the abortive coup in April, when high ranking Ghanaian officials sought refuge or assistance in US official residences. More recently, the US has considerably increased its aid commitments to Ghana and is considering the scope of future assistance.

II. THE CURRENT SITUATION AND SHORT TERM OUTLOOK

A. Economic

3. To some extent, Ghanaian political stability hinges upon the NLC's success in attacking the national economic mess. Over the past five years, economic growth has barely kept pace with the increase in population (about 2.6 percent per year). The NLC has made some progress. By trimming the budget, cancelling prestige projects, lopping off some notoriously unprofitable state enterprises, and tightening control over others, it has helped curb inflation. Yet the rehabilitation of Ghana's economy has scarcely begun, and there was substantially no increase in economic output during 1966.

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4. The most pressing problem is to obtain sufficient foreign exchange to pay for food imports (\$50 million a year) and the raw materials, spare parts, and machinery needed for the restoration of production and efficiency in industry and transport. In 1966, export earnings (\$270 million) were no higher than in the 1950's and fell short of imports by over \$80 million. Ghana's cocoa exports doubled in volume from the early 1950's to the early 1960's, but earnings stagnated because of the decline of prices in the world market. In recent years, production has failed to rise because pesticides and fertilizers have not been available and because prices paid to cocoa farmers by the government marketing board have been low. Other export industries (timber, gold, and diamonds) are in the doldrums because of depleted resources, obsolete equipment, or rising production and transportation costs.

5. At the same time, foreign exchange reserves are depleted and additional short term borrowing is limited by terms of an agreement with the International Monetary Fund (IMF). Loans of the type permitted by the IMF will help to reduce this year's foreign exchange gap, e.g., the US is providing about \$35 million in PL 480 and commodity import loans. Nevertheless, Ghana will probably not be able to afford the increase of imports it has planned for 1967.

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6. Economic prospects over the next few years are scarcely more encouraging. Though there will be some improvements in the picture, in particular the increased production of aluminum from the new Kaiser-Reynolds VALCO plant, there appears to be little prospect for any very substantial increase in export earnings. Moreover, Ghana now has a foreign debt of some \$800 million, of which over \$100 million is due in FY 1969 alone. It will need much more external assistance than is now in sight to meet these payments and at the same time finance essential imports. Some relief can be expected by the rescheduling of debt service payments, already envisaged by the IMF; but Ghana will almost certainly look to the US for increased financial support over the next few years.

B. Political

7. The April coup attempt, though it collapsed of its own ineptitude, raised questions regarding political stability and the role of the NLC. The junior officers who directed the coup were inspired by personal ambition, grievances over neglect of the army, and suspicions of corruption in the regime. Insofar as the public was aware of a coup, it sided with the NLC, though some 1,000 die-hard Nkrumah supporters were subsequently jailed for prematurely

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"jubilating" over its demise. However, allegations of corruption are widely believed, and an undercurrent of disillusion pervades the scene.

8. By and large, the political vacuum left by Nkrumah's ouster persists. The NLC appears uncertain of how to regain public confidence. Most members are well-intentioned and fairly honest, and appear to understand generally the country's plight; yet they find it difficult to ignite any spark of enthusiasm for civic or economic action. They are disappointed with the lack-luster performance of the civil service, a body well regarded by its British mentors at independence, but degraded and demoralized under Nkrumah. The NLC is installing a kind of sub-cabinet of civilian special commissioners to direct some of the ministries, in the hope that this will revitalize the bureaucracy and at the same time allay the mounting pressure from the educated elite for a restoration of civilian rule.

9. Despite the NLC's ban on politics, some thinly veiled political activity goes on, but no figure has yet appeared who has popular appeal or could lead the country. Most of the older politicians either are tarred with the Nkrumah brush or, like

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the former leader of opposition to Nkrumah, Dr. Kofi Busia, have lost their touch and most of their following during their years of exile. General Ankrah and one or two others in the NLC would probably run for office if constitutional procedures were restored, but they would find it hard to overcome popular suspicions of corruption and criticism for the sluggish performance of the economy. For these reasons, it is now very difficult to foresee when a civilian successor regime may re-emerge or who might lead it.

10. Nonetheless, there is little likelihood that the NLC will be threatened by popular uprisings or civilian plots, at least for the next year or two. The current high level of urban unemployment poses little immediate threat to the regime, for the traditional African system of extended family obligations alleviates some distress. The civil service and the labor unions grumble, but are unlikely to formulate or join plots against the government.

11. Problems posed by the army are more likely to trouble the NLC or any civilian successor which might emerge. The 15,000-man force, largely created by Nkrumah as a prestige symbol, serves little useful purpose. The NLC has not found a role for the army to play in national development, nor is it willing to disband any substantial part of the force, in part because of the scarcity

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of jobs elsewhere. Indeed, because of worries about the loyalty of the army, the NLC may decide to allocate even more funds to the military from a tight national budget. The fact that a military coup easily turned out Nkrumah, and that the haphazard attempted coup of last April against the NLC caught both the government and the bulk of the military by surprise, may encourage other military figures to new adventures.

III. LONGER TERM PROSPECTS

12. Over the next three to five years Ghana's prospects for economic growth will be largely dependent on a rise in cocoa earnings, a substantial increase in domestic food production, a greater popular acceptance of economic and civic tasks, prolonged forbearance by principal foreign creditors, and a continued high level of external economic aid.

13. It would be unrealistic to expect all or many of these developments in Ghana during this period. Foreign creditors will probably reluctantly agree to debt postponement, because they will have little other choice. Continued large-scale external assistance, if forthcoming, would further ease foreign exchange stringencies, but political and economic rehabilitation will have to come largely from

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within. Even if capable and dynamic national leadership emerges, the economic malaise is likely to persist for some time. That is to say, there can be scant assurance that over the next few years even with greatly increased external economic assistance, Ghana will be much more than a debt-ridden West African coastal state with uncertain political stability and orientation.

14. The NLC or almost any likely civilian successor will continue to look primarily to the US for help in a variety of ways, but many Ghanaians have exaggerated expectations of what the US can do for them. Hence part of the blame for slow progress will fall on the US. Popular demagogues or disaffected military leaders will then likely claim that the US is not sufficiently attentive to Ghanaian needs, and that more radical solutions are needed. In these circumstances, a regime less friendly to the US, certainly more nationalistic, and probably more radical, could come to power.

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SHERMAN KENT
Chairman

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