

Cashews, Neoliberalism & a Korean-born Economics

Revolutionary

Part I: Cashews

Going nuts over cashew nuts

More regularly than I would like nowadays I obsess over cashews.

I have [wondered aloud](#) why cashew roasters and retailers have such a colossal margin in Ghana, for instance.

Using international prices to measure their input cost, roasters and retailers of cashew nuts make between 20x and 40x in gross markups.

Using local prices, roasters and retailers make between [40x and 80x](#) in gross markups. They buy the nuts from farmers for ~\$500 a ton and sell to customers for amounts between \$20,000 and 40,000 a ton.

When I posted this on social media, some cashew processors reached out to complain bitterly. They argued that I was ignoring their high value addition, which, in addition to roasting and shelling, also included salting.

A witty commenter asked whether unsalted and unroasted cashews were sold for much less at the retail outlets. No, they are not, I responded, which seemed to add more confusion to the mix.

My point, though, was not to accuse cashew roasters of price-gouging. I had more interesting points about “intangibles” in value addition and notes of caution to sound about the much more famous discussion point of chocolate makers cheating cocoa farmers.

Whilst I share the [concerns of campaigners](#) about the plight of farmers, I have not always been too sure that manufacturers are the right target. The debate, it seems strongly to me, is best situated in the broader discussion of economic paradigms.

Roasting and selling cashews locally seems tough

My latest finding is that a lot of retail points in Accra, Ghana’s capital city, are now importing cashews.



An increasingly popular brand comes from Thailand, and retails for \$33 per kilogram (kg) or \$33,000 per ton in Accra's modern marts.

Somehow, some merchant has found that s/he can ship these nuts more than 11,000 km from Laem Chabang or Khlong Toei to Tema, pay Ghana's notoriously high tariffs, and still sell for a similar price as the local cashew brands.



Just for perspective, it costs over \$400 per ton in freight and logistics to cart cashews to the retail point. That is more than double what it costs to buy the nuts themselves in-country during high season in some locations. Add the turnaround time of 4 weeks on the high seas and at least two weeks for clearance once at the port. Yet, it still seems more profitable to ship in than buy local.

My inquiries show that the importers and retailers could actually sell the imported Thai cashews for lower but Ghanaian entrepreneurs are an MBA Strategy Professor's dream come true: they never compete on price. For now, they just match the prices of the local variants.

Retailers, on the other hand, tell me that the imported cashews are actually more in demand because of regularity of supply and standardisation and not even because of price.

The local cashew roasters, according to the retailers, are unreliable because they would sometimes commit to delivery schedules they have no plan of sticking to.

When one talks to the roasters, they also, as one would expect, have their complaints. Some of the retail outlets don't stick to the

credit terms. Invoices don't get paid on time. Cashew suppliers from the hinterlands are moreover unreliable. Many times, they promise to deliver and fail.

In an environment of high inflation, high cost of capital, and regulatory harassment, supply chain problems and business counterparty risks often prove too much and lead to suspension of production even when there is demand and markups appear crazily lucrative.

Part II: Neoliberalism

“Business climate” may be relevant but measuring it can be highly (geo)political

One could say that this is a “business climate” issue. There are capacity shortfalls across the cashew supply chain that undermine the best laid plans of investors, entrepreneurs, and business operators. The World Bank has a lot to say on the subject.

Between 2003 and 2021, it published a highly influential document every year called the Doing Business Report.

Countries aggressively competed to rank better than their peers and to improve their standing from year to year. To the extent that such competition meant improvement in national policies, the report and the underlying index were working as expected.

The media would often chronicle the reform path of a country simply by charting changes to its ranking in successive Doing Business reports. Kosovo, for instance, set up a dedicated government unit backed by the US government to up its rankings.



Source: USAID (2018)

Naturally, such a thing would have geopolitical consequences. Powerful countries would seek to influence the rankings.

In 2018, the World Bank had some upcoming reforms, and senior management's levels of anxiety over the posture of some big countries were going through the roof.

China was very unhappy about the prospect of falling 7 steps from its 2017 ranking in the 2018 edition as it appeared likely would

happen.

Hints were given that such a situation might dampen the People's Republic's enthusiasm about cooperating on the reforms. World Bank bosses had to move to avert, which they did by coming up with methodological changes just in time to prevent the drop.

In subsequent editions, Saudi Arabia was likewise unhappy about the Kingdom seeming to fall behind Jordan and the UAE. The appropriate methodological changes were made in the 2020 report, disappearing the inconvenient problem.

In the case of Azerbaijan, the World Bank seems to have gotten wind of a concerted government effort to impact responses from the private sector in national surveys for the report. For this sin, the country appeared to have been penalised by means of a last-minute change to the methodology.

It doesn't mean that we stop trying to measure, though

The lesson from all these case studies is certainly that governments the world over would sometimes obsess over the cosmetics of business climate reform instead of doing the real work on the ground, and that even sophisticated international organisations can be manipulated to play along.

Anyway, when [word got out](#) about these methodological "gymnastics" inside the World Bank, a massive scandal erupted, and the Doing Business Report was [shelved in late 2021](#).

This week, the World Bank re-introduced the essentials of the Doing Business Index through a new report branded as *Business Ready*. All the countries caught up in the geopolitical uproar surrounding the old Doing Business report – China, Saudi Arabia, UAE, Jordan, and Azerbaijan – have been carefully omitted.

To justify these decisions, the Bank says the report is in pilot mode, covers only a subset of global jurisdictions, and will appear in its full glory only in 2026.

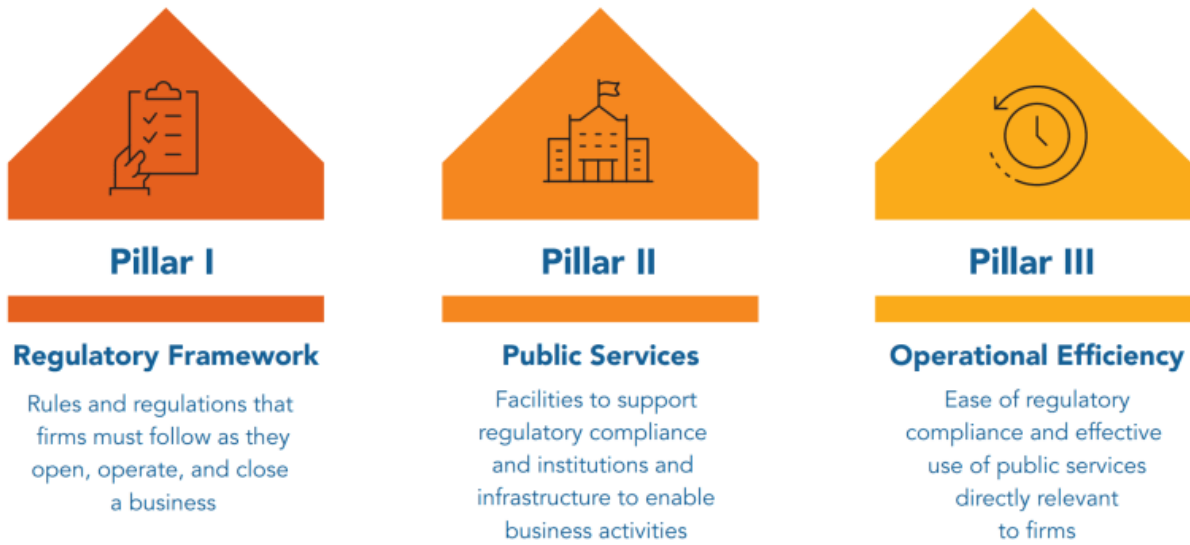
Ghana's "business climate" situation according to the just released report

What does the new [Business Ready \(B-Ready\)](#) report say about Ghana's business climate? Any insights for cashew roasters?

The B-Ready report clusters the ten topical areas and three cross-cutting themes driving the country assessments into three buckets: the state of the regulatory environment, the quality of the services delivered to businesses by the public sector, and how efficiently firms are able to respond to regulation and utilise the public services on offer.



Source: B-READY project.



Source: B-READY project.

In the reckoning of the report writers, Ghana is an average performer in Africa in business climate terms.

It is not as good as Botswana, Morocco, Rwanda, and Mauritius, but, then again, it is not as bad as Sierra Leone and Chad. Even if it underperforms Togo and Tanzania in the majority of assessed areas, it does show up strongly in two areas.



Source: B-READY 2024.

Note: The sample comprises 50 economies. The income classification data are as of June 2024 to ensure alignment with the latest data collection period.

Ghana is saved from falling into the lower third of the assessed African countries because of strong performance in some specific areas. For example, its utility services are better than average, and it has a fairly modern law for corporate bankruptcy.

All said, however, it is Ghana's very strong showing in the "regulatory framework" area as a whole that sustains its ranking. I interpret this to mean that Ghana has been quite active in creating a lot of sound, modern, rules for businesses and investing in the institutions meant to enforce these rules.

Pillar I Regulatory Framework		Pillar II Public Services		Pillar III Operational Efficiency	
Morocco	68.92	North Macedonia	53.56	Botswana	67.73
Côte d'Ivoire	68.16	Viet Nam	53.41	Barbados	66.55
Bosnia and Herzegovina	67.45	Tanzania	51.56	Colombia	66.38
New Zealand	67.45	Philippines	50.80	Lesotho	66.06
Ghana	66.91	Paraguay	50.68	Pakistan	65.90
Viet Nam	66.81	Togo	49.58	Romania	65.74
Botswana	66.01	Nepal	49.29	Togo	64.36
Kyrgyz Republic	65.22	Montenegro	48.92	Seychelles	63.57
Tanzania	65.00	Botswana	48.52	Tanzania	62.15
Mauritius	64.55	Ghana	47.67	Mexico	61.73
Indonesia	63.98	Barbados	46.40	Indonesia	61.31
Cambodia	62.94	El Salvador	45.36	Cambodia	60.66
Chad	61.22	Pakistan	44.97	Paraguay	60.60
Central African Republic	61.11	Bangladesh	41.64	Morocco	59.66
Paraguay	60.90	Kyrgyz Republic	41.23	Greece	58.98
El Salvador	60.38	Côte d'Ivoire	40.34	Philippines	57.95
Nepal	59.34	Samoa	40.04	Peru	56.20
Pakistan	59.10	Cambodia	39.14	El Salvador	54.53
Seychelles	58.85	Lesotho	37.89	Ghana	54.42
Barbados	58.81	Bosnia and Herzegovina	37.81	Costa Rica	53.66
Madagascar	57.38	Seychelles	37.21	West Bank and Gaza	52.75
Samoa	57.13	Vanuatu	32.06	Sierra Leone	52.51
Bangladesh	56.99	Madagascar	31.64	Madagascar	52.29
Lesotho	54.94	Sierra Leone	30.73	Côte d'Ivoire	50.31
Sierra Leone	54.09	West Bank and Gaza	28.42	Gambia, The	48.44
Gambia, The	53.37	Timor-Leste	23.80	Chad	48.05
Vanuatu	50.44	Chad	23.51	Iraq	46.79
Iraq	49.39	Iraq	21.45	Timor-Leste	44.83
West Bank and Gaza	47.54	Gambia, The	20.11	Vanuatu	43.94
Timor-Leste	46.21	Central African Republic	18.35	Central African Republic	40.36

Quintile: ■ Top ■ Second ■ Third ■ Fourth ■ Bottom

Source: B-READY 2024 data.

Note: The economies are ordered according to their scores in each of the three pillars: Pillar I, Regulatory Framework; Pillar II, Public Services; and Pillar III, Operational Efficiency. They are further grouped in quintiles, which are marked with varying shades of blue (with darker shades representing better performance).

Anyone who has been to Accra lately would testify to the many posh buildings springing up all over the place that are owned by public sector institutions.

The Bank of Ghana, for instance, is constructing a new \$300 million head-office that may end up costing close to \$450 million once items like a new security center, taken out of the original design during the first phase of construction, are added.



Image source: Yaw Obeng

Ghana's government is input-driven and outcome-shy

A careful look at the ranking table for the lower three tiers of the B-Ready report's five-tier ranking, where Ghana features, should lead to one insight: the country does relatively well when it comes to the **supply-side**. It provides more public services and has a sounder regulatory system than the average African country listed on the index.

Yet, businesses appear to have major impediments in their way to utilising these regulations and ancillary services.

The few African countries that find themselves in the top two tiers of the ranking – like Togo, Mauritius, Rwanda, and Morocco – may not be building \$450 million head-office structures for their central banks, but they have become increasingly known for their superior efficiency in connecting business need with governance supply.

Pillar I Regulatory Framework		Pillar II Public Services		Pillar III Operational Efficiency	
Hungary	78.23	Estonia	73.31	Singapore	87.33
Portugal	78.11	Singapore	70.40	Georgia	84.75
Georgia	77.67	Croatia	70.24	Rwanda	81.31
Slovak Republic	77.29	Portugal	69.53	Estonia	80.28
Colombia	76.50	Hungary	69.50	Hong Kong SAR, China	78.52
Bulgaria	76.33	New Zealand	68.91	New Zealand	76.39
Romania	76.19	Slovak Republic	68.17	North Macedonia	75.81
Greece	75.60	Rwanda	67.37	Bulgaria	74.82
Mexico	75.07	Colombia	66.28	Kyrgyz Republic	74.71
Croatia	73.48	Greece	64.51	Viet Nam	72.78
Estonia	72.84	Bulgaria	64.03	Nepal	72.21
Montenegro	72.48	Costa Rica	63.58	Slovak Republic	71.14
Hong Kong SAR, China	72.40	Indonesia	63.44	Montenegro	71.03
Singapore	72.37	Georgia	63.33	Hungary	70.68
Costa Rica	71.41	Romania	63.19	Portugal	70.53
Philippines	70.68	Hong Kong SAR, China	62.64	Bangladesh	70.49
Rwanda	70.35	Peru	59.76	Bosnia and Herzegovina	70.05
North Macedonia	69.95	Morocco	58.66	Mauritius	69.79
Peru	69.51	Mexico	57.25	Samoa	68.32
Togo	69.03	Mauritius	56.28	Croatia	68.31

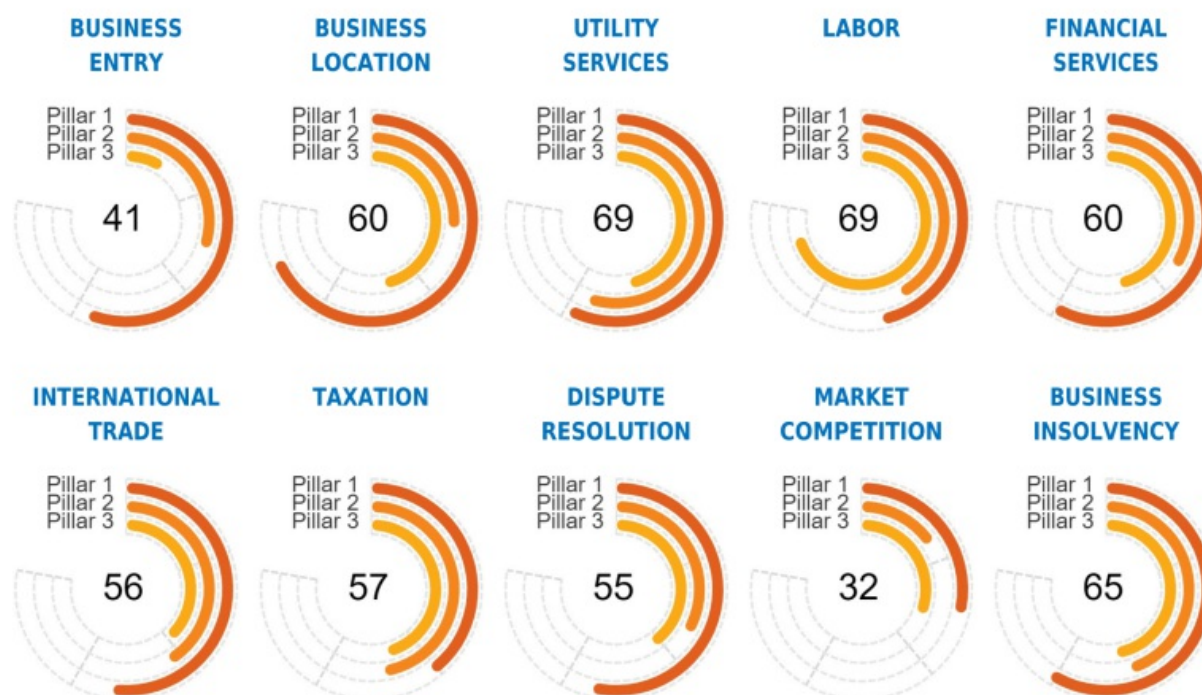
Quintile: ■ Top ■ Second ■ Third ■ Fourth ■ Bottom

So much so that in the current campaign ahead of the December 2024 presidential elections, [both frontrunners are promising](#) to take Ghana's port services to the level of Ghana's tiny Eastern neighbour, Togo, a country that has very little of Ghana's international media bling.

A closer look at Ghana's shortcomings

Focusing on the two areas where Ghana faltered the most in the B-Ready report – business entry and market competition – should shed some light on anecdotal episodes such as overpriced yet unavailable cashew nuts in Accra's modern marts.

LEGEND: ■ Pillar 1 = Regulatory Framework ■ Pillar 2 = Public Services ■ Pillar 3 = Operational Efficiency



The elements in the “business entry” dimension that responds to the concerns of international investors catalog the usual complaints about overly restrictive rules and poor investor facilitation that I have been [sparring with](#) the Ghana Investment Promotion Center about in recent weeks. They come as no surprise. The decline of foreign direct investment into Ghana by ~50% in 2023 speaks for itself.


More surprising is the poor performance chalked by the country in certain areas of the “digital services” segment within the broader “public services” pillar.

CATEGORY: DIGITAL SERVICES		<input type="checkbox"/>	3.33	/40.00
Sub-Category: Business Start-Up Process		<input type="checkbox"/>	3.33	/20.00
Company Name Verification	✓	3.33	3.33	
Entire Company Registration Process	✗	0.00	3.33	
Update of Company Information	✗	0.00	3.33	
Registration and Update of Beneficial Ownership Information	✗	0.00	3.33	
Payment of Incorporation Fees	✗	0.00	3.33	
Issuance of Company Incorporation Certificate	✗	0.00	3.33	
Sub-Category: Storage of Company and Beneficial Ownership Information		<input type="checkbox"/>	0.00	/10.00
Database on Company Information	✗	0.00	3.33	
Company Information Records Digitally Stored	✗	0.00	3.33	
Database on Beneficial Ownership	✗	0.00	3.33	
Sub-Category: Identity Verification		<input type="checkbox"/>	0.00	/10.00
Availability of Electronic Signature and Authentication	✗	0.00	5.00	
Identity Document Verification Process	✗	0.00	5.00	

Despite tons of public money spent on digitalisation, a dedicated long-term World Bank funded initiative called e-Transform, and the

[almost messianic fervour with which the country's leaders discuss the subject](#), the country scored a grand ZERO on several digital services indicators, such as online corporate information search that are now commonplace in several African countries.

Despite a much celebrated World Bank-funded [e-Justice initiative](#), praised by World Bank project rating staff and the country's political bosses, it turns out that several important elements of that scope also fall in the ZERO score territory.

Electronic Initiation of a Case	✗	0.00	2.78
Electronic Flow of Documents during the Proceedings	✗	0.00	2.78
Issuing an Electronic Judgment	✗	0.00	2.78
Electronic Communication with Courts and Enforcement Agents	✗	0.00	2.78
Admissibility of Digital Evidence	✓	2.78	2.78
Virtual Hearings	✓	2.78	2.78
Auxiliary Electronic Services	✗	0.00	2.78
Online Auctions	✗	0.00	2.78
Sub-Category: Transparency of Courts (includes gender)		3.17	/22.22
Public Database for Acts of Legislation	✗	0.00	3.17
Public Access to Court Hearings Held in Person	✓	3.17	3.17
Public Access to Court Hearings Held Online	✗	0.00	3.17
Publication of Judgments of Higher Courts	✗	0.00	3.17
Publication of Judgments of First Instance Courts	✗	0.00	3.17
Publication of Information on Court's Composition	✗	0.00	3.17
Publication of Information on Performance of Courts and Enforcement Agents	✗	0.00	3.17

All of these assessments contributed to the considerable drag in the country's performance on the "operational efficiency" pillar.

Limits of neoliberal reforms?

Two issues arise at this point in the conversation. Firstly, ease of doing indices and reports have methodological complexity that need not be formally manipulated like happened with B-Ready's predecessor to achieve the goal of deflecting public attention.

Without the unpacking I have done above, it is very unlikely that most citizens would appreciate how dire the situation is in certain aspects of the country's business climate. Yet, on pure account of the sheer length of this essay, the vast majority of citizens are bound to remain unaware. Governments can improve their overall ranking in the headline layers and channel that message through the media without actually fixing the most pernicious items.

Second, there has over the years developed a tendency to [dismiss this whole business climate thing](#) as "[neoliberal orthodoxy](#)". Or maybe even [neoliberal hegemony](#).

Assessments like B-Ready and the reforms they help push have been said to be moribund vestiges of the [Washington Consensus](#) that must [die and be buried](#).

"Market competitiveness" itself, the area that Ghana flunked the most in the inaugural edition of the Business Ready report, and its measurement frameworks, have been described as deserving a "[comprehensive attack](#)".

In short, there are many thinkers who believe that all these indices and measurements focus on the interests, locally and globally, of a few dominant actors and that their benefits don't really spread far beyond their circles.

Thus, rather than evaluate Ghanaian cashew producers' inability to compete with foreign imports in the context of business climate measures, such as those outlined in B-Ready 2024 and its assorted rivals, anti-neoliberal thinkers would prefer to look at "[industrial policy](#)".

The turn from neoliberal to heterodox industrial policies

More specifically, we could focus [our attention](#) on the [Tree Crop Development Authority](#) and demand direct and sustained government interventions to boost the capacity of cashew farmers, set up and empower cashew trading boards, and design market access initiatives that could economically penalise shops for stocking imported cashews.

Industrial policy lovers would ask hard questions about why the cashew value chain is not treated as an "[infant industry](#)" of "[strategic importance](#)" and directly supported by the government to create jobs, generate revenue, and open the door to broader Research and Development. Mirroring, say, [India](#).

Just last year, the Indian state of Kerala added 24 more cashew products to a list of valuable derivatives from the nut it has been promoting aggressively.

How come Ghana's [10-year development plan \(2017 to 2027\)](#) incorporates virtually nothing from the lessons learnt from [an identical effort in 2000](#)?

Part III: The Korean-born guru & revolutionary thinker

Ha-Joon Chang made "industrial policy" sexy again

When you hear "industrial policy" and the term sounds pleasing to your ears, you would do well to find Ha-Joon Chang, the Korean-born Professor who spent decades in Cambridge making the case for infant industry protection, heterodox economics, anti-neoliberalism, policy pluralism, and the decolonisation of economic thinking. He is now at [SOAS](#).

Just a note of caution: [he is not your usual charismatic speaker](#). It is more delightful [reading him](#).

Ha-Joon's thoughts are varied and multifaceted. But they center around the need to avoid enslavement to mainstream economic thinking and to recognise that economic policies are highly nuanced and best determined by place and time.

In this context of Ghana, I want to focus on his best known idea: that the neoliberal claims of national economic progress stemming from generically "good" and "well understood" *template* policies, typically based on freeing markets and trade from unnecessary restrictions and regulations, are plain wrong.

The part of Ha-Joon's work that has most delighted a new generation of young policy folks is his arguments that many of the richest countries in the world today pursued exactly the opposite of the policies the World Bank and IMF tell countries to pursue today.

Policies partially enforced, according to [heterodox thinkers](#), through the appeal of indices like B-Ready. That is when they are not being imposed during economic crises like [we have seen with Ethiopia](#) and its reversal of longstanding forex and capital controls.

How much do some of these ideas coincide with Africa's historical reality?

I generally sympathise with Ha-Joon's thinking about the importance of local agency; situation, time, and place specificity; and realism about geopolitical incentive structures.

I am not too sure however about the depth of his policy appreciation of the *nature of the state system* in places like Africa, however, and I have said so in [some ramblings](#) in the past.

I believe that a naive reading of Ha-Joon's work would inevitably lead one to condone the kinds of policies that have led Ghana to a situation where shop shelves are being swamped with cashews imported from Thailand, even as cashew growers lament their plight ([crying the same cry for over a decade](#)), and the long promised value addition fails to materialise. I will return to this specific subject, but let's first take a quick look at Ha-Joon's thesis on state behaviour during early industrial policy formation.

On the question of infant industry protection, Ha-Joon's argument, very crudely summarised, is that the rich nations of today, when they were at a comparable level of development as today's low-income countries, such as Ghana, were highly protectionist. They protected their markets from foreign competition whilst encouraging the entry of capital (and sometimes, cheap labour).

He believes it is more the movement of factors of production that accounts for many of the positive effects of globalisation usually attributed to the movement of factors of consumption (i.e. free trade in goods and services).

To demonstrate this logic, Ha-Joon likes charts like the below.

TABLE 1. AVERAGE TARIFF RATES ON MANUFACTURED PRODUCTS FOR SELECTED DEVELOPED COUNTRIES IN THEIR EARLY STAGES OF DEVELOPMENT						
(weighted average: in percentages of value) ¹						
	1820 ²	1875 ²	1913	1925	1931	1950
Austria ³	R	15-20	18	16	24	18
Belgium ⁴	6-8	9-10	9	15	14	11
Denmark	25-35	15-20	14	10	n.a.	3
France	R	12-15	20	21	30	18
Germany ⁵	8-12	4-6	13	20	21	26
Italy	n.a.	8-10	18	22	46	25
Japan ⁶	R	5	30	n.a.	n.a.	n.a.
Netherlands ⁴	6-8	3-5	4	6	n.a.	11
Russia	R	15-20	84	R	R	R
Spain	R	15-20	41	41	63	n.a.
Sweden	R	3-5	20	16	21	9
Switzerland	8-12	4-6	9	14	19	n.a.
United Kingdom	45-55	0	0	5	n.a.	23
United States	35-45	40-50	44	37	48	14

Source: Bairoch (1993), p. 40, table 3.3.

Notes:

R= Numerous and important restrictions on manufactured imports existed and therefore average tariff rates are not meaningful.

- World Bank (1991, p. 97, Box table 5.2) provides a similar table, partly drawing on Bairoch's own studies that form the basis of the above table. However, the World Bank figures, although in most cases very similar to Bairoch's figures, are *unweighted* averages, which are obviously less preferable to *weighted* average figures that Bairoch provides.
- These are very approximate rates, and give range of average rates, not extremes.
- Austria-Hungary before 1925.
- In 1820, Belgium was united with the Netherlands.
- The 1820 figure is for Prussia only.
- Before 1911, Japan was obliged to keep low tariff rates (up to 5%) through a series of "unequal treaties" with the European countries and the United States. The World Bank table cited in note 1 above gives Japan's *unweighted* average tariff rate for *all goods* (and not just manufactured goods) for the years 1925, 1930, 1950 as 13%, 19%, 4%.

What this chart purports to show is that in the earliest stages of their industrial emergence, say in 1820, both the United Kingdom and the United States had "tariffs" (a fancy term for "import duties" and similar taxes on imported goods charged at the port) that

went as high as 50% or 55% of the value of the imported item. The US in fact persisted this policy all the way until it emerged as a global economic superpower after the second World War.

Yet, it is the UK that industrialised earliest, fastest and most thoroughly during the 19th Century, and the US that succeeded it as the world's industrial alpha behemoth.

Coincidentally, 1820 was when average income levels in the UK were similar to what prevails today in places like Ghana, Nigeria, and Kenya.

Ha-Joon also debunks a common notion that protectionism and the absence of “economic dynamism” and/or laissez-faire policies in France led to that one-time greatest power in Europe falling behind Great Britain. He shows that British tariffs were higher than France's for the relevant periods.

TABLE 2. PROTECTIONISM IN BRITAIN AND FRANCE, 1821–1913 (measured by net customs revenue as a percentage of net import values)		
Years	Britain	France
1821–1825	53.1	20.3
1826–1830	47.2	22.6
1831–1835	40.5	21.5
1836–1840	30.9	18.0
1841–1845	32.2	17.9
1846–1850	25.3	17.2
1851–1855	19.5	13.2
1856–1860	15.0	10.0
1861–1865	11.5	5.9
1866–1870	8.9	3.8
1871–1875	6.7	5.3
1876–1880	6.1	6.6
1881–1885	5.9	7.5
1886–1890	6.1	8.3
1891–1895	5.5	10.6
1896–1900	5.3	10.2
1901–1905	7.0	8.8
1906–1910	5.9	8.0
1911–1913	5.4	8.8

Source: Nye (1991), p. 26, Table 1.

Ha-Joon accepts that when such analyses extend to places like Africa, one does have to acknowledge that post-independence governments have had very high tariffs for a long time.

Many African countries have been very protectionist, really

Take Ghana, for instance. For most of its post-independence record, before the onset of neoliberal reforms in the late 1980s, the country had more than just high tariffs. It also operated a system of strict import quotas and controls on top.

In 1973, more than 170 consumer items were outrightly banned on protectionist grounds from entry. Those restrictions remained for more than a decade. It was not until 2000 before the highest tariff band was dropped to 20%.

I feel, however, that standard tariff lists rarely capture the full monetary barriers to imports in Africa. As Dani Rodrik [observed](#) in 1998, Ghana, in the middle of World Bank-IMF backed reforms, still retained a 40% “special” tax on top of import tariffs.

Even today, Ghanaian social media is replete with complaints about the layers of “taxes on taxes” that make up the tariff structure in Ghana.

Value of Car = GH¢ 692,343.10 (Cost + Insurance + Freight) — (A)

Imports Duty = $20\% \times 692,343.10$ = GH¢ 138,468.62 — (B) [Calculated as $20\% \times A$]

Imports NHIL (National Health Insurance Levy) = $2.5\% \times (A + B)$ = $2.5\% \times (692,343.10 + 138,468.62)$ = GH¢ 20,770.27 — (C)

Imports COVID-19 Health Recovery Levy = $1\% \times (A + B)$ = $1\% \times (692,343.10 + 138,468.62)$ = GH¢ 8,308.12 — (D)

Imports GETFund Levy (Ghana Education Trust Fund Levy) = $2.5\% \times (A + B)$ = $2.5\% \times (692,343.10 + 138,468.62)$ = GH¢ 20,770.27 — (E)

This is where it gets interesting →

Imports VAT = $15\% \times (A + B + C + D + E)$ — (F)

$= 15\% \times (692,343.10 + 138,468.62 + 20,770.27 + 8,308.12 + 20,770.27)$

$= 15\% \times \text{GH¢ } 880,660.42$

$= \text{GH¢ } 132,097.06$

And then the rest follows....

VEHICLE SPECIFICATIONS			
VIN	[REDACTED]	Model Year	2023
No of Seats	7	Manufacture Year	2023
Fuel Type	Petrol	Date of Arrival	December, 2023
Engine Size	4000 ccm	Age on Arrival	1 yr
Vehicle Measurement	N/A	HS Code	8703.24.20.00
Vehicle Weight	2450		

COST, INSURANCE & FREIGHT			
MSRP	572,233.00	Insurance	5545.63
15% Depreciation Allowed	510,834.95	Cost, Ins and Freight (CIF)	562,903.68
FOB	561,398.05	Exchange Rate	11.0064
Freight	590.00	CIF in Ghana Cedis	692,343.10
Cost and Freight	562,358.05		

DUTY, TAXES & LEVIES			
20% Import Duty	138,468.62	GHS Disinfection Fee*	143.38
Imports VAT	132,099.06	MoTI e-IDF Fee*	5.00
Processing Fee	0.00	Special Import Levy (2%)	13,846.86
ECOWAS Levy	3,461.72	Ghana Exp-imp Bank Levy	5,192.57
Vehicle Exam. Fee	6,923.43	Ghana Edu. Trust Fund	20,770.29
Network Charges	2,703.09	GET Network Charge*	27.03
Network Charge Vat	419.65	African Union Import Levy	1,384.69
Network Charge COVID*	27.03	COVID Health Recov. Levy*	8,308.12
Ghana Shippers Authority	9.00	Certification	0.50
Imports NHIL	20,770.29	IRS	0.00
Network Charge NHIL	67.58	0% Overage Penalty	0.00

Computing “taxes on taxes” in Ghana’s tariff structure

Source: TaxLawGh (2023)

In certain instances, the use of arbitrary valuation reference benchmarks, ad hoc penalties, and charges lead to *real effective tariffs* that amount to several multiples of the value of the imported item. In the case of [used cars](#), some have reported over 300% real tariffs.

In short, tariffs in most African countries have always been high and remain high today with barely any discernible effect on protectionist objectives. How does Ha-Joon respond to this?

First, he argues that African countries suffer from a much higher “productivity gap” between their economies and the source of current imports than was the case between trading partners when the likes of the UK and US were industrialising. In that sense, maybe, the tariffs in Africa are still not high enough! One wonders what [local chambers of commerce](#) would make of that assertion.

Second, he warns against any one-size-fits-all strategy. Any industrial policy – based infant protection model cannot rely solely on high tariffs. In fact, perpetual infant protection without weaning off is itself a sign of a lost cause.

African countries would thus have to complement protectionist policies with a wide range of measures to enhance producer capacities and ensure that they can move up the technological ladder and nurture talent.

But what is new, exactly?

My response is that all these ideas are *exactly what African governments, like the one in Ghana, purport to be implementing* every day of the week.

A wide range of parastatals, agencies, and the like have been set up to execute all manner of policies meant to drive industrialisation

and value addition. Think of Ghana's [One District One Factory](#).

Given the overall budget constraint, such “developmental state” thinking has led to poor prioritisation, thin bureaucracies, and pretence-policies.

African governments tend to mimic rather than truly copy. Whether it is neoliberal designs recommended to them by the World Bank or the latest developmental fad from China, India, or Turkey.

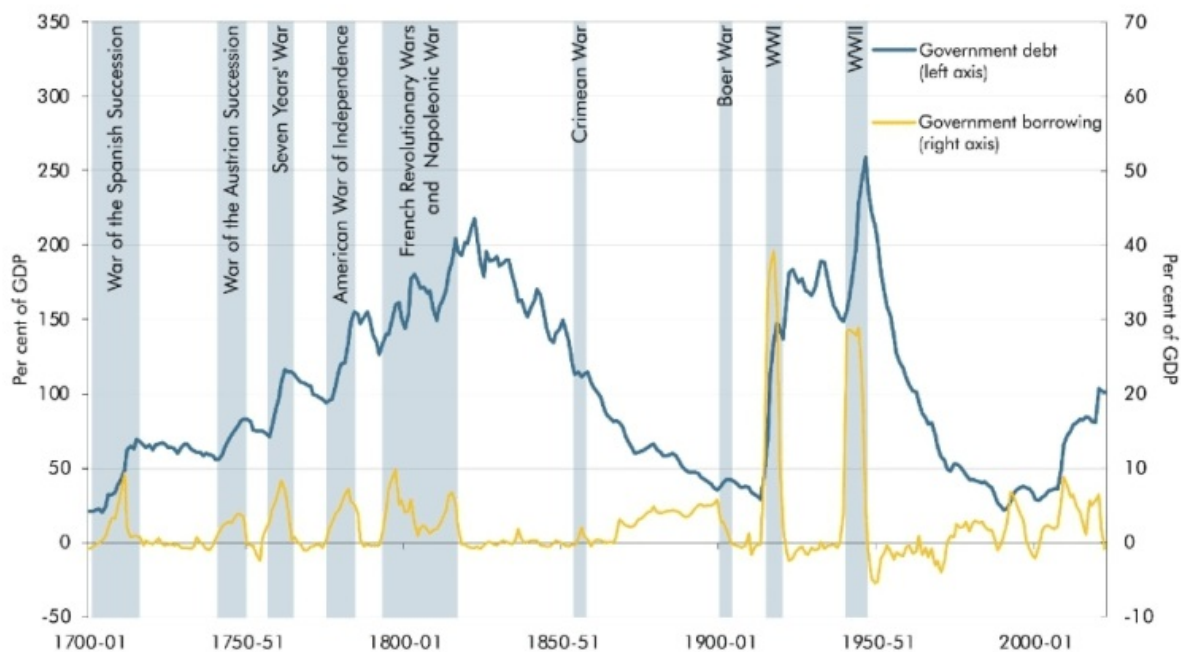
Did Europe & America build large state sectors to drive industrialisation?

One thing that is now very clear in the literature is that, whatever their tariff policies, newly industrialising European and North American governments did not proliferate state agencies and try and tax and borrow their way into top-heavy bureaucratic states.

The set up of the UK's Office of Budget Responsibility in 2010 and its embrace of digital has made this point much easier to make because of all the visualisation tools they now provide.

Take government borrowing, for instance. Look at the graph and start tracing from 1820, the point in time when average incomes in the UK were comparable to Ghana's. You would see a steady decline until 1900. Except for periods of war, government borrowing generally stayed low.

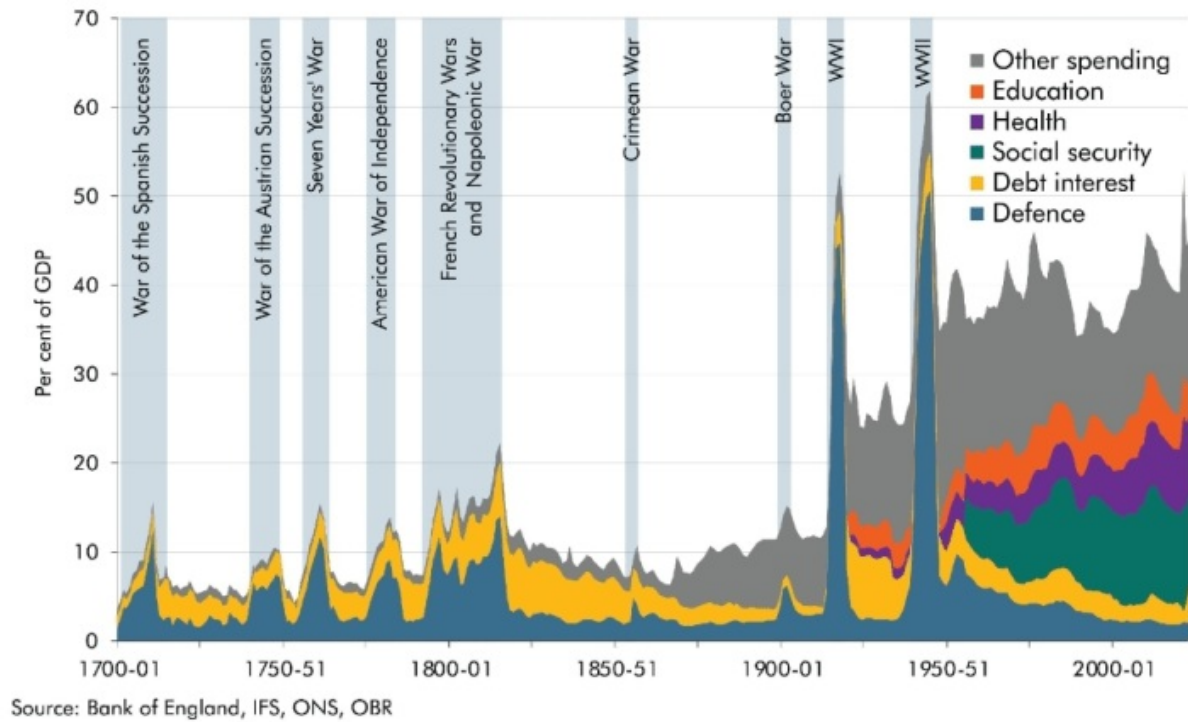
Government borrowing and debt since 1700



Source: Bank of England, ONS, OBR

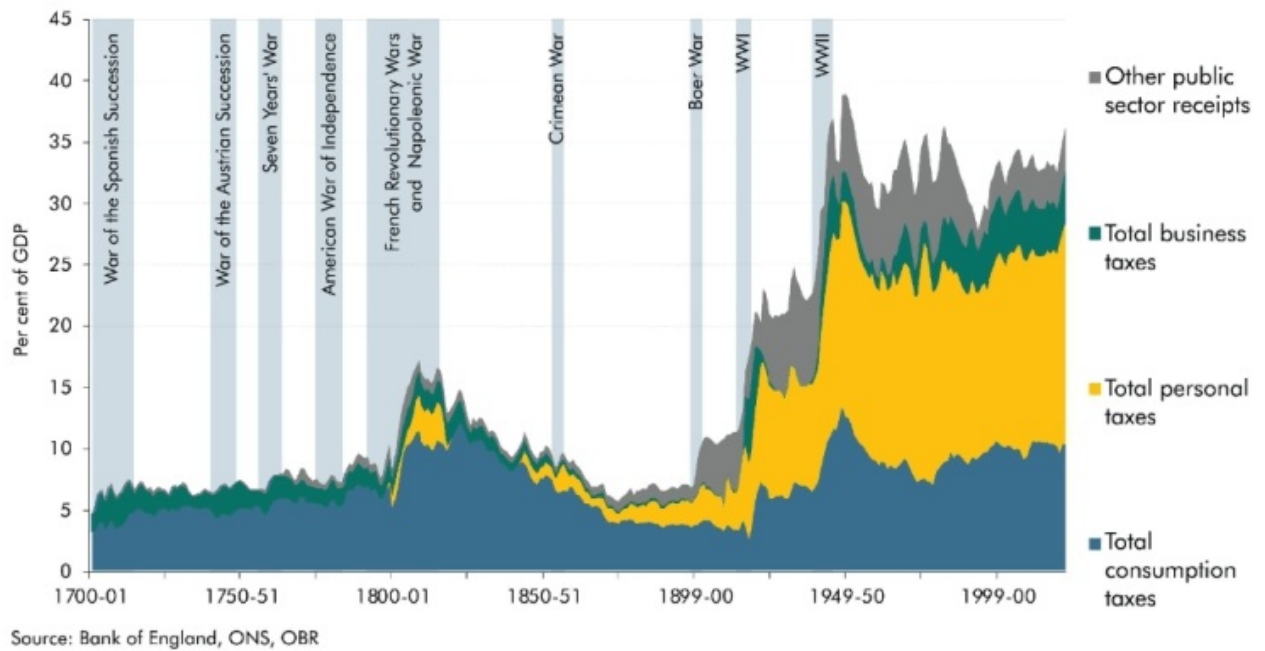
Of course, where government can't borrow lavishly, spending tends to be restrained. We see such restraint in the UK between 1820 and 1870, with brief wartime punctuations.

Government spending since 1700



Ramping up taxes was not feasible either until much later, in the 20th Century. Until the early 1900s, barely 2% of the UK population paid any income tax, an episodic affair that would [sometimes be repealed in peacetime](#). Unsurprisingly, therefore, tax receipts between 1820 and 1870 stayed on a descending path.

Government receipts since 1700



Balooning African states to drive developmentalism

It should be evident from the charts above that the goal of pushing Africa's average tax-receipts to GDP ratio from 18% closer to the OECD average of 34%, a goal shared by both the AU and the IMF – diverges substantially from the historical experience being urged on us by Professor Ha-Joon Chang.

Many European governments, when income levels were at a similar level to what pertains in Africa today, had to make do for long stretches of time with 5% thereabouts or even less.

Building a highly interventionist state in an environment where governments mimic and pretend rather than execute is bound to lead to a state of perpetual fiscal crisis with little by way of the fruits of intervention to show.

The ongoing fiscal mess in Ghana, Kenya, and Nigeria may have some underlying structural causes in a governance culture whereby the state has grown beyond what its productive citizens are capable of paying for.

The story of cashew interventionism in Ghana

Returning to cashews, it is safe to say that interventionism has been proven hollow. The government dutifully banned the export of cashews to protect the local processing industry because of the [entreaties](#) of entrepreneurs like Joseph Cheung of Mim Cashew, a company with a plant in the hinterlands that in its prime employed thousands of workers and supply chain affiliates.

But as the interesting [doctoral thesis](#) of the LSE's Daniel Schulz has shown, export ban policies, like other protectionist measures, have grave differential impacts that require serious technocratic capacity to sort out and align with any ultimate goal.

Unfortunately, in many African countries, policymaking is not always situated within the ambit of political contestation itself but emerges

as a side effect of whichever interests dominate the political center at any given time. The institutions built to drive the developmental state are therefore often a side-show.

Within three years of the ban of cashew exports in order to favour local processing, it had to be abandoned. Cashew volumes were plummeting and processing numbers weren't growing by as much as anticipated leading to backlash in farming communities.

By 2020, a split had emerged between processing plants owned by the Vietnamese and Indians who were managing to sustain a ~38% capacity utilisation rate in their plants versus those owned by Ghanaian entrepreneurs, whose plants could barely scratch ~8% utilisation. The cause? Ghanaian-owned businesses couldn't access funding in thin local capital markets and when they did, interest rates were astronomical.

The proportion of raw nuts processed locally [dropped to 10%](#) soon thereafter and has continued to drop. Joseph Yeung, the [star of the golden era](#), threw in the processing towel and moved into commodity sourcing, [laying off hundreds of workers in the process](#).

To avert a total collapse of the industry, Swiss, German, and other aid agencies [stepped in and directed targeted grants](#).

All this while, the 10-year cashew development plan was in force, a new bureaucracy, the Tree Crop Development Authority (TCDA) was in the offing, and a raft of policies had been passed.

Policy versus adhocism

It isn't clear what learnings were incorporated into subsequent policymaking and how the successor policies meant to be executed through the TCDA are being monitored for impact across the business-political spectrum.

Today, it is hard to pinpoint any large-scale processing success stories as the Africa Cashew Alliance used to do a decade ago. Only two of the fourteen modern processing plants operate at anything close to financial viability.

In my experience, the same interlinkages between business and politics that proved durable in all the Asian tiger economies and enabled industrial policy successes operate in an ad hoc fashion in Africa.

Policy is often a side-effect rather than the connecting logic that brings money and power together. Formal policies rarely have any real effect on the ground as they are in practice substituted with persistent ad hoc arrangements mediated by raw money and power.

True industrial policy requires power subordination to knowledge on a certain timescale

The [latest thinking](#) in the cashew industrial policy school is to introduce short-term producer subsidies. Such an approach however assumes the dominance of formal policy over adhocism when the contrary is true.

They also overestimate the ability to iteratively incorporate learning over time into strategies that have real effects in the policymaking setting.

Setting the right subsidy levels, distributing them effectively, ensuring that eligibility rules are met, and then withdrawing them steadily and meticulously at the right time all require a culture in which power is subservient to knowledge. That has not been the experience of industrial policy in Ghana, or in most sub-Saharan African states.

In such a depressing ground-game as I have described above, it makes much more sense for the government to be led than to lead. To be given more power and resources only as it demonstrates more learning potential, capacity and results.

Tethering the government to the learning ropes

Key actors like civil society, business associations, investor networks, donors, the World Bank – IMF and other multilaterals, could work together to tie fiscal mobilisation targets, and the political weight it grants the government, to nationally agreed performance targets in key domains.

Imagine if Ghana's [fiscal responsibility advisory council](#) and other monitoring institutions set up in the wake of the latest crisis could be made truly independent because its World Bank – IMF sponsors, the business community, and civil society are all singing from one hymn book.

Now, imagine if the government's ability to borrow more, tax more, spend more, and operate various fiscal targets was linked to a much smaller, and thus easier to monitor, but highly critical set of industrial targets and business climate improvement measures?

I am completely convinced that only in such a situation, and in other similar contexts, where the very plumbing of governance has been rejigged to allow power and public money to be shaped towards clear and measurable policy outcomes would any kind of serious economic or industry-producing reforms ever have a chance of success.

In 2016, the presidential candidate of Ghana's storied, once-Marxist, party, the CPP, promised to build a [\\$300 billion economy from almonds](#). He could have said cashews.

But it doesn't matter, political pipedreams are a dime a dozen. Which is why "industrial policy" will remain a fantasy until the African elite recognise that the enemy is hardly labels like "neoliberalism". The enemy is the failure to embed politics within a broader norm that tames power with learning and rewards results rather than ambition.