

CEMENT: ISSUE OF COMPETITION OR UNFAIR TRADE PRACTICE?

Introduction

The past year has seen a seeming agitation between Cement Manufacturers Association of Ghana (CMAG) and the Ministry of Trade and Industry (MOTI). Their concerns have not only been directed towards MOTI but also towards the cement importers. The association has been calling on the government to ban the importation of cements into the country. They have maintained that they have the capacity to meet the country's demand in excess of 2 million tonnes per annum. Earlier in the year, in a petition to the Ministry of Trade and Industry (MOTI), Tariff Advisory Board, Commissioner of Customs and Parliament Select Committees of Finance, and Trade/Industry, the association lamented on the "alarming influx of imported bagged cements and its attendant negative consequences on the economy and on the local cement manufacturing industries." Additionally, the CMAG has reported that the foreign cement manufacturers have been involved in dumping activities, actively participating in unfair trade practices and also tax evasion. This is happening at the backdrop of intense competition which has changed the structure and share of the cement market in the country.

For decades the Ghanaian cement market was largely dominated by the Ghana Cement (GHACEM). During these years of GHACEM'S

reign in the market, consumers witnessed a constant increase in cement prices. Thus, GHACEM was able to abuse its dominant position.

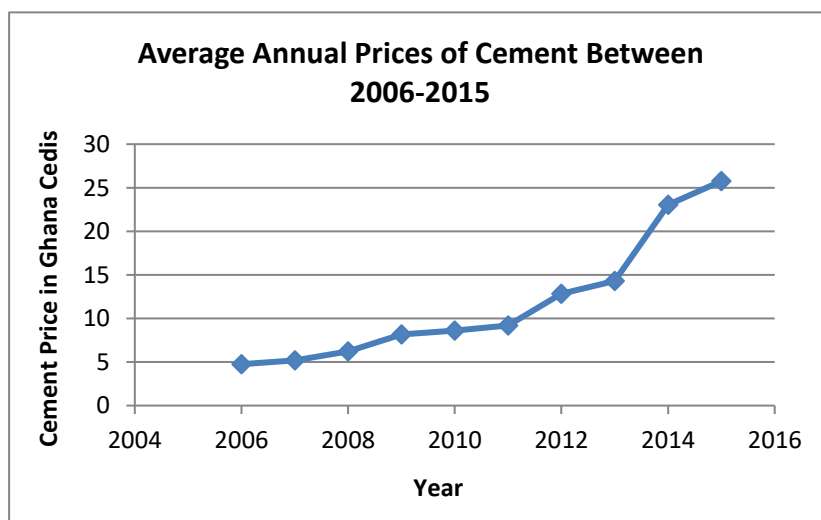
Though the average annual price jumped from 2009 to 2015, the jump can largely be attributed to the weak local currency.

Competition in the Cement Sector

Indeed, there can be no denial that the cement market has not witnessed vibrant competition lately. The price of the commodity has seen relative stability as compared with the past. Data from the Ghana Statistical Services confirms this claim. Players in the industry are now engaged in some form of price war and other methods to attract consumers. The average price of 50 Kg of cement in early October was about GHC 30.00 compared to GHC 26.5 (first week of November) though the exchange rate has not changed. In the past, cement producers in the country were involved in SELLING their products rather than MARKETING them. Today, cement companies are placing advertisements, so as to grab the attention of consumers of cement. Now Dangote, GHACEM, Diamond

Now GHACEM and DIAMOND Cement dominance has been diluted by the presence of Dangote Cements and some imports from Asia. Whilst it is important to support local

manufacturers of cement to survive in the market, it is also incumbent on every government to infuse healthy competition. Thus, the government can take relevant steps to ensure avoidance of entry barriers, cartelisation, allowing import of cement, so as to ensure healthy competition within the markets. However, due care needs to be taken in a way to ensure that the importers of the commodity are not undercutting the market.



Whilst the passage of the Export and Import Restriction on Importation of Portland Cement Regulation (LI 2240 of 2016) as a way of regulating the export and import of cements into the country is a welcome move, its implementation should be backed by data taking into account the total national demand of cement, production capacity of local producers, short falls in local demand as well as affordability of locally produced cement by local consumers.

The Case of Dumping

One of the complaints by the local firms is that the possibility of dumping and other unfair competition from Chinese imports and that imported cements not only sells lower than locally produced cements but also in some circumstances, it is alleged that the price of the commodity is cheaper in Ghana than the country of origin *Dumping*, as defined by the World Trade Organization (WTO) is, if a company exports a product at a price lower

than the price it normally charges on its own home market, it is said to be “dumping” the product. WTO agreement allows governments to act against dumping where there is genuine (“material”) injury to the competing domestic industry. In order to do that the government has to be able to show that dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter’s home market price), and show that the dumping is causing injury or threatening to do so. The General Agreements on Tariffs on Trade (GATT) in its Article 6 allows countries to take action against dumping.

Parliament has recently passed the Ghana International Trade Commission Act (XXXX of 2016). The GITC assumes the role of the Tariff Advisory Board under the MOTI and it would be the avenue for resolving and adjudicating dumping and other trade related measures to safe guard domestic players.

Aim of the policy dialogue

CUTS Policy Dialogue would bring together high profile officials from the Ministry of Trade and Industry (MOTI), Ghana Revenue Authority (GRA), Ghana Standards Authority (GSA, Ghana International Trade Commission (GITC), Association of Ghana Industries (AGI), Cement producers and Importers, Institute for Statistical, Social and Economic Research (ISSER), IMANI Ghana, Ghana Real Estate Development Association (GREDA, Cement Vendors, Attorney General Department, donor agencies, economists, trade experts, CSOs, etc.

This policy dialogue will focus on the following issues:

1. Competition in general i.e. need for an effective competition law in Ghana
2. Issues pertaining to competition in the Ghanaian cement sector
3. Steps and measures to control dumping as well as balancing a vibrant domestic producers against efficiency of the cement market in the country; and;
4. How to ensure a win-win situation in the cement market for both producers and consumers, and importers and local manufacturers?

Date: Wednesday 30th November, 2016
Time: 10:00am-1:30pm
Venue: Coconut Grove Hotel, Accra
Guest Speaker: Honourable Dr. Ekwow Spio Garbrah, Minister for Trade and Industry
Chairman: Professor Justice Samuel Kofi Date Bah, a Retired Justice of the Supreme Court of Ghana and also the Board Chair for CUTS Ghana