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TRADE AND INVESTMENT POLICY REFORMS IN CAMEROON: IMPACT ASSESSMENT AND PERSPECTIVES

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TRADE AND INVESTMENT POLICY REFORMS IN CAMEROON: IMPACT ASSESSMENT AND PERSPECTIVES

Abstract

The paper analyzes the links between liberalization of trade and investment policy reforms and economic growth in Cameroon within 1980-2004. After identifying trade and investment policy reforms and market access conditions, which appears to gear towards liberalization, it appears that their expected results are still awaited. However, facts from the costs/benefits analysis tend to confirm the literature assertion that their long term benefit effects are superior to their short term adjustment costs. Despite the improvement in market access conditions thanks to trade preferences, the country did not take full advantage of that opportunity as well as those offered by trade and investment policy reforms because of the remaining trade, investment, institutional and economic bottlenecks including poor governance and external and mostly internal supply constraints. The growth elasticity determinant forecast model results show that additional reforms in view to lift those constraints are necessary and indispensable to boost growth in Cameroon.

TRADE AND INVESTMENT POLICY REFORMS IN CAMEROON: IMPACT ASSESSMENT AND PERSPECTIVES

Introduction

In the past ten years, the government of Cameroon has implemented significant structural reforms to streamline public finance, improve the business environment, economic competitiveness, growth and development (World Bank, 2005). Meanwhile, the recorded performances remain poor compared to the real potentials of the country and the Millennium Development Goals (MDG). Like a majority of Sub-Saharan African (SSA) countries, trade and capital flows play and shall continue to play a key and significant role in the full utilization of the country's potential (Collier and Gunning, 1999).

The recent papers examining the interaction between financial flows and trade, arguing that a larger inflow of Foreign Direct Investment (FDI), will lead to a higher volume of trade as well as other benefits such as increased rates of total factor productivity growth or higher output growth rates [Aizenman and Noy (2005), Lane and Milesi-Ferreti (2004) and Swenson (2004)]. International trade and investment may therefore be considered as the major axis of growth acceleration in Cameroon. For the Cameroonian government to achieve its objectives of sustainable growth and attracting more FDI, special emphasis must be laid on trade and investment policy reforms. The identification of such feasible reforms requires an impact assessment of the previous. The present paper aims to realize assessment from 1980 to date and propose the perspective reforms.

The remaining part of the paper is organized as follows: The first section deals with the review of trade and investment policy reforms. The second section analyses the cost-benefits of the reforms. The third evaluates the impacts of the implemented reforms. The fourth

section identifies the feasible future reforms and quantifies their expected impacts. The fifth section analyses the constraints that may hinder projected reforms or reduce their impacts. The last section deals with the conclusion and policy recommendations.

Review of trade and investment policy reforms

From 1980 to date, two main trade and three investment policy reforms are identified. The first trade policy reform started in 1989 and lasted till 1993 and the second, began in 1994, is underway. The investment policy in the country is regulated by the Investment Code. Changes of this Code are considered as reform periods. Thus, 1984-1990 is the first, 1990-2002 the second and the third, which is ongoing, started in 2002. These reforms were complemented by other related trade and investment policy reforms.

Trade policy reforms

Before 1989, the country's trade policy was protectionist with important non tariff barriers, the fiscal structure with about 20 different taxes applicable selectively to import and export products at rates sometimes reaching 150% of the Cost, Insurance and Freight (CIF) value. This protectionism is reduced from 1989 with the implementation of Structural Adjustment Programs (SAPs) in 1988. Quantitative Restrictions (QRs) as well as price controls are gradually abandoned. QRs are lifted on a first wave of 105 products and those on the last 22 are lifted in 1990 (Bamou, 1999). In 1994 substantial tax reform, proposed within the framework of the Central Africa Economic and Monetary Community (CEMAC), Regional Fiscal Reform Program (RFRP), is implemented in view to simplify the fiscal system to allow for easy and transparent administration, increase fiscal yield through improved revenue collection, improve the efficiency and competitiveness of enterprises within the CEMAC sub-region through a wider tax base and reduced and uniform tax rates, foster the development of

the private sector to become the engine of economic growth, and improve overall national competitiveness to promote investment. The fiscal system reform is reinforced by the devaluation of the currency (CFAF –‘*Franc de la Communauté Finanière d’Afrique*’-) in January 1994 (the value of 1 French franc (FF) went from 50 to 100 CFAF).

From 1994, market access conditions have significantly improved thanks to commitments of the Uruguay Round (UR) to limit the use of non-tariff barriers, tariff bindings, and avoid future increases in tariff protection, the decision to apply the Most Favorable Nation (MFN) clause, and grant to Developing Countries (DCs) including Cameroon, many trade preferences. In average, Cameroonian products are confronted to low tariffs on the international market. The MFN rate on 95 of 514 tariff lines of Cameroonian products out of 9 506 of the EU Customs Code is zero. The remaining products still face low MFN rates. These rates have always been low even before the UR Negotiations as shown in table 1.

Table 1: Pre and post-UR MFN rate of some Cameroonian products in some developed countries’ markets (in percentage)

Products	European union-15			USA		
	Pre-UR	Post-UR	Change	Pre-UR	Post-UR	Change
<i>Agriculture except fish</i>	4.8	0.8	-84.5	0.04	0.02	-50.0
Fish and fish preparations	17.6	11.7	-33.4	0.0	0	0.0
Banana	20.0	16.0	-20.0	na	na	na
Coffee	5.0	0.0	-100.0	0.0	0	0.0
Palm oil	5.0	1.9	-62.0	na	na	na
Cocoa	3.0	0.0	-100.0	1.2	0.3	-75.0
Timber product 3	5.2	2.6	-50.0	5.7	3.2	-43.9
Leather, rubber, footwear	0.3	0.2	-25.0	0.2	0.1	-66.7
<i>Industrial products</i>	1.4	0.8	-43.0	1.2	1.1	8.0
Wood, pulp, paper and furniture	0.3	0.2	33.0	na	na	na
Fabrics and clothes	2.2	1.8	22.0	16.1	14.5	10.0
Shoes and travel articles	0.9	0.7	22.0	1.9	1.3	32.0
Metals	0.1	0.0	100.0	0.6	0.6	0.0
Chemical products	4.9	0.6	88.0	na	na	na

Note: na: Not available.

Sources: Amjadi et al. (1996), Njinkeu and Monkam (2002), and Yeo (2002)

The most important preference schemes that the country benefited from are GSP, Lomé/Cotonou Agreements (ACP-EU), African Growth and Opportunity Act (AGOA) and regional integration agreement within CEMAC, which, contrary to the others, involves reciprocity. Table 2 is summarizing the preference scheme in EU, the main external market of the country, and US, one prospect market on the products in the interest of Cameroon.

Table 2: EU and US tariff on some products in the interest of Cameroon by preference scheme: Simple average in 2002 (in %)

Products	European Union-15			USA		
	MFN	GSP	ACP	MFN	GSP	AGOA
Live animals	21.3	20.8	14.8	1.4	1.2	0.0
Meat and edible meat offal	29.1	28.7	25.2	4.6	4.3	1.6
Fish, crustaceans, mollusks, etc.	12.2	10.0	2.4	0.9	0.2	0.0
Dairy products, egg, honey, etc.	68.4	68.0	60.0	20.7	20.5	13.7
Products of animal origin, etc.	0.2	0.1	0.0	0.6	0.1	0.0
Tree, plants, bulbs, flowers, etc.	6.0	2.9	0.0	2.3	0.3	0.0
Vegetables, tubers, and roots	12.4	9.6	4.4	5.6	3.3	0.2
Fruits and nuts	9.8	7.0	2.8	4.2	2.8	0.0
Coffee, tea, mate, and spices	3.1	1.1	0.0	0.9	0.2	0.0
Cereals	52.0	52.0	51.0	1.7	1.1	0.0
Malt, starch, insulin, wheat, gluten, etc.	23.1	22.8	20.5	2.6	0.8	0.0
Oilseeds, miscellaneous grains, etc.	2.0	1.2	0.8	5.4	5.1	4.3
Lac, gums, resins, etc.	2.2	1.3	0.0	0.8	0.4	0.0
Vegetable planting materials	0.0	0.0	0.0	0.8	0.3	0.0
Fats and oils	14.0	11.1	8.4	3.8	2.6	0.2
Preparation of meat and seafood	18.4	15.1	6.4	4.9	2.9	0.0
Sugars and sugar confectionery	26.1	24.9	20.4	13.8	11.5	10.4
Cocoa and cocoa preparations	34.3	28.5	13.0	12.2	10.2	9.6
Preparation of cereals, flour, starch, or milk	30.9	25.4	16.4	15.4	13.3	9.1
Preparation of vegetables, fruits, nuts	24.6	20.5	4.8	8.9	6.8	2.1
Miscellaneous edible preparations	12.1	7.5	4.3	14.0	10.9	7.9
Beverages, spirits, and vinegar	7.0	4.1	3.1	3.9	3.1	0.7
Residues and waste	36.2	34.3	29.9	2.3	1.8	0.6
Tobacco and tobacco substitutes	21.0	17.4	0.0	49.5	48.4	43.8

Source: Authors' construction using data from Wainio et al. (2005)

Investment policy reforms

The first investment policy reform (1984-1990) upholds the government's determination to encourage the involvement of nationals in Small and Medium-sized Enterprises (SMEs) and

regional development. While maintaining the protectionist character of the former, signs of liberalization are however shown. The number of enterprise regimes fell from 6 to 4 [those to be promoted (A), to be given priority (B), SMEs (C) and those under special agreement (D)]. Enterprises enjoying advantages no longer feature by size and activity sector, but by their strategic importance. The structure of incentives, particularly fiscal ones, is also modified. The importation of machines and factors of production, hitherto fully exempted, are now subject to a 5% reduced rate on a 10 year period for enterprises registered under regimes A and B and 15 years for those under regimes C and D. Exports of all enterprises of the 4 regimes were exonerated from excise duty.

The second wave of investment policy reforms (1990-2002) is launched to adapt the investment policy to the new liberal economic environment due to the implementation of SAPs. The concepts of competitiveness and increase of processed exports are given preference in this reform. Two frame structures were created to support this new policy: the National Industrial Free Trade Zone Board (ONZI) and the Investment Code Management Unit (CGCI). The scope of application of the remaining fiscal advantages is largely reduced and many are no longer offered in a discriminatory manner. All exports are exonerated from exit tax and other insurance and transport taxes. All import of raw materials, inputs, water and electricity from the sub-region are exempted and those from the rest of the world are subject to a 15% reduced rate. The main principles of these reforms include: the equal treatment of foreign and national investors; a 'bill of rights' elaborating ownership, free transfer of capital and income, compensation in the event of expropriation, free movement of investors within the country, and protection from non-commercial risks; and promotion of processed exports through exemptions from certain taxes.

The third wave of investment policy reforms launched with the Investment Charter defined by Law No. 2002/004 of 19 April 2002, aims to internalize the spirit of the Community's Investment Charter (CIC) signed in December 1999 and the regional fiscal reform adopted in January 1994. The Charter provides for the creation of several organizations to supervise, manage and promote investment, exports and private initiatives, notably: the Single window for investment in replacement of the CGCI; the Regulations and Competitiveness Board; the Investment Promotion Board; the Exports Promotion Board; the Industrial Partnership Board; The Institute for Entrepreneurship; the Trade and Industries Observatory; the Standards and Quality Board, and the Intellectual Property Center. Of all these organizations, only two have been created: the Regulations and Competitiveness Board and the Investment Promotion Board. Several of the special regulations referred to by the Charter are still awaited. Due to those reasons, the 1990 Investment Code will still be in force until the entire drafting of the enabling legislation and regulations necessary to implement the more liberal Charter, in spite of its abrogation as clearly stipulated in Article 43 of the Charter.

Other related trade and investment policy reforms

The Government also implemented many sectoral reforms and signed some international related trade and investment policy agreements. *In the agricultural sector*, subsidies to support enterprises were fully or partially suppressed and benefited enterprises restructured, followed by privatization, liquidation or outright closure. *In the industrial sector*, procedures for obtaining technical importation visas were simplified. *In the services sector*, the government suppressed most of the restrictions formerly applied to the external trade of services. The *finance services* sector (banking and insurances services) is streamlined, liberalized and opened to competition and placed under the authority of independent supranational (regional) institutions [Bank of Central African States (BEAC), Central African

Banking Commission (COBAC), Community Code of the International Conference on Insurance Markets (CIMA)].

In the *transport services*, railway exploitation is under concession to a private company (CAMRAIL) for 20 years. In *maritime transport*, ports services and auxiliary maritime services were liberalized since 1999. The national preferences and arrangements providing for cargo distribution, hitherto administered by the National Shipping Lines Company (CAMSHIP), were suppressed, just like the fee levied by the National Shippers Council (CSC) on exports and imports. Domestic and regional air services are liberalized by provisions of Law No. 93/008 of 16 July 1993 which also prohibited actions likely to hamper or restrict competition in the sector. As from 1998, the *telecommunications* sector was liberalized and two private mobile telephone network operators (Mobile Telephone Networks –MTN-), a branch of the South African MTN group and ‘Orange Cameroun’, a branch of France Telecom/Orange) entered into scene. A third mobile telephone network is launched by the national operator (CAMTEL), which still monopolized the fixed telephone sector that also recorded a huge leap forward.

At the level of *public services*, new laws governing trade and normalizing activities were adopted and regulatory boards such as the Telecommunications Regulatory Board (ART), the Electricity Sector Regulatory Board (ARSEL) and the Public Contracts Regulatory Board (ARMP) were created. However, it is worth noting that, though the text governing ART seems to be complete in terms of the role and means put at the disposal of the Board, the latter is still to fully play that role. The billing principles are still vague, the two mobile telephone network operators behave as if in a cartel and consequently, limit their services to the strict minimum and practice prices quasi harmonized at a level superior to that of the other neighboring countries. Similarly, and despite

the exhaustive nature of the regulatory text of ARSEL, the full exercise of its functions is still restricted by several technical difficulties.

As concerned imports-exports procedures, licenses, pre-shipment inspection, customs valuation and rule of origin, contingency measures, standards and technical requirements, government procurement, state-owned enterprises, export assistance, export promotion and marketing assistance, and tariff binding related to the WTO commitments, a single window for customs procedures is operational since December 2000. Most imports valued at more than CFAF 1 million f.o.b. are subject to a compulsory quality and quantity inspection and price comparison by the 'Société Générale de Surveillance' (SGS). The Brussels definition of Value still applied. However, the dutiable value for certain items is fixed by regulations and the official price list is published. Law No. 98/012 of 14 July 1998, not notified to the WTO, regulates the imposition of anti-dumping, countervailing duties, and the imposition of safe measures. The country is in the process of drafting a sanitary and phytosanitary law, which would, inter alia, regulate quarantine and the use of pesticides. Exports or export-related activities are not subsidized and there is no export finance mechanism in place. The government has bound at the WTO all agricultural products at a ceiling rate of 80%. Tariff bindings for non-agricultural products are limited. Only three non-agricultural products were bound at a rate of 50%: raw jute; single yarn of jute; and multiple yarn of jute. The government has also bound other charges, committing to a maximum level of 230% for agricultural products, 80% for raw jute, and 150% for the other two jute derivatives (OMC, 2001).

Costs/benefits analysis of trade and investment policy reforms

Expected effects

The most recognized adjustment costs of trade and investment liberalization, derived from the

'infant industry' arguments, are the effects on (un)employment, government revenue and trade balance. When import barriers on the products of industries facing foreign competition are lowered, the foreign producers will be able to attract domestic consumers with lower prices. Domestic import competing firms will face downward pressures on sales and profits, which in turn can lead to pressure for lower wages, job losses and perhaps even closure of industries. Lower wages and/or loss of jobs, and the prospects of lower capital returns (investment), will cause workers and investment to seek for employment in other sectors of the economy or outside the economy. This is very likely to include the country's export industries. Sometimes transitions from the previous employment to the new employment take place relatively smoothly. When the export sector does not absorb workers and investment from domestic import competing firms, workers incur adjustment costs in the form of periods of unemployment, along with moving expenses and/or retraining costs to obtain new skills. Entrepreneurs and shareholders in the declining import competing firms are also likely to suffer adjustment costs in the form of declines in capital values. In the same manner, if reallocation of workers exists, as it is the case in many developing countries, additional unemployment can occur and the economy loses the value added normally generated by idle workers (Miller and Wright, 1998).

For many developing countries, tariff reduction is an element of trade and investment policy reforms which is of particular concern to policy makers due to its apparent negative impact on tax revenue and the importance of the latter on the government budget. However, the final revenue impact of trade and investment liberalization depends on the nature of the restriction and liberation process. Eliminating NTBs and replacing them with tariffs will always have a positive revenue impact. Once trade protection is based only on tariffs, the revenue implications of reductions on applied tariff rates depends on the price elasticity of imports and

exports. According to a recent study, price elasticities in open economies have to be much higher than empirically observed elasticities for trade liberalization to be self-financing. These findings imply that significant tariff reductions should be planned together with a reform of the general tax system to avoid the emergence of fiscal deficits or a curtailment of government expenditure.

Another adverse effect of liberalizing trade and investment policies may be a worsening of the current account deficit, owing to increased imports stimulated by lower prices (Jebuni et al., 1994). At the same time, however, due to investment policy reforms, access to imported inputs could enhance export competitiveness and the removal of import barriers may lead to a greater inflow of investments, which in turn would contribute towards the capital account, thus offsetting the previously mentioned adverse impact.

Product differentiation, quality of goods and services, consumer benefits, and dynamic gains (exploiting of economies of scale, positive externalities, investment, economic efficiency and capital training effects, etc.), particularly the likely impact on the growth rate, of trade and investment liberalization are often opposed to the adjustment costs of trade and investment liberalization. Due to short term adjustment costs of liberalization, the aggregate consumption is presumed to decrease first. After a certain period of time, consumption increases further until it reaches a more or less stable but higher level. Theoretically, liberalization is expected to lower consumer prices due to lower production costs caused by more rationalization and efficiency in the industries. The decline in domestic prices is likely to make goods and services more affordable. Given that the goods and services subjected to liberalization are price elastic, reductions in price are likely to result in increased demand that, in turn, can bring about increased consumer welfare. This impact is likely to be strong in the case of less

developed countries where affordability is a major constraint. Another likely benefit of trade and investment liberalization is the increase not only in access to a wider variety of goods and services at lower costs, but to higher quality of goods as services as well (diversification). Trade preferences aim to foster exports and hence, economic growth in the beneficiary countries. They have been seen as a possible alternative to financial and technical assistance (aid), as reflected in the slogan '*trade rather than aid*' (Mold, 2004).

The key idea of dynamic gains of trade and investment liberalization is that, when an economy opens up to trade and investment, the opportunities to export to larger global markets creates incentives for firms and individuals to invest in innovative activity. Also, increased pressure from importers can also stimulate firms to become more innovative to stay competitive. However, the magnitude of the gains from trade and investment are difficult to assess. The net effect depends on the relative weight of positive and negative aspects, which would vary from country to county.

Country experience

During the reform periods in Cameroon, the evolution of employment was erratic (see table 3). However, it is clear that the positive effects of the 1994 reforms on employment faded out as from the third year. The recovery observed after the year 2000 is due more to economic growth than reforms, given the upward trend recorded in the public and private sectors from that year. It is thus difficult to draw a conclusion on the impact of trade and policy reforms on the level of employment in Cameroon. However, it can be observed that salaries almost evolved positively from the beginning of these reforms in 1990, despite the break in growth between 1995 and 1997, caused by drastic salary cuts in the public sector as part of efforts to streamline government expenditure.

Table 3: Cameroon macroeconomic performances: 1979-2004

Indicators	1979-85	1986-93	1994-99	2000	2001	2002	2003	2004
<i>Annual growth rate (in percentage)</i>								
GDP	7.3	-2.7	3.4	4.5	4.5	4.0	4.1	3.5
Non-oil-GDP	5.4	-1.9	3.7	7.3	5.5	4.9	4.9	4.7
Agriculture	6.0	0.4	6.7	3.6	3.73	3.7	3.7	4.2
Manufacturing	12.8	-0.8	3.0	4.3	1.0	0.8	0.8	0.5
Inflation (CPI)	10.9	2.3	8.8	4.3	1.0	0.8	0.8	2.6
Terms of trade	-1.8	-8.8	1.2	-2.4	-9.9	-4.4	6.6	1.5
<i>Percentage of GDP</i>								
Export	30.2	19.0	23.8	23.3	21.9	19.9	20.2	19.7
Oil export	22.2	14.0	9.4	4.0	3.0	2.6	2.3	6.5
Non-oil export	8.0	5.0	14.4	19.3	18.9	17.6	17.9	13.2
Import	30.7	17.5	21.4	19.7	23.2	20.7	19.9	18.6
Trade balance	-0.5	1.4	2.3	-1.3	-0.8	0.3	1.1	-1.3
Investment	25.5	19.2	15.8	16.0	20.3	19.8	18.1	18.3
Government	5.8	6.0	2.3	2.1	2.2	2.3	2.3	2.4
Private	19.7	11.5	10.3	13.9	18.1	17.5	15.8	15.9
Foreign direct investment	1.6	2.1	-0.5	0.4	0.8	0.9	1.7	1.6
Government revenue	21.2	16.4	13.6	19.9	17.7	17.9	16.8	15.6
Oil		3.7	3.7	6.6	4.8	4.9	4.2	4.0
Non-oil		12.7	10.0	13.2	12.9	13.0	12.6	11.6
Government spending	20.7	23.0	16.9	15.6	16.9	16.0	15.5	13.8
Current	12.1	15.6	14.7	12.1	13.6	13.3	13.3	11.6
Capital	8.5	7.4	2.2	3.3	3.3	2.5	2.1	2.2
Budget balance	0.5	-6.6	-3.4	2.3	-0.6	-2.9	1.4	-0.1
Total external debt	131.3	102.5	72.5	67.2	60.0	52.2	49.0	43.9
<i>Indexes (base 100= 1994)</i>								
Total formal civil employment			102.6	65.6	77.1	110.7	113.5	102.6
Private formal civil employment			118.5	56.3	81.4	145.3	145.9	118.5
Public formal civil employment			84.8	75.9	72.3	72.1	77.3	84.8
Total salaries			95.5	105.2	111.1	122.6	131.2	95.5
Total final consumption	51.6	92.6	129.4	159.5	173.1	185.9	197.0	204.5
Private final consumption	51.1	88.4	129.9	158.9	170.9	183.6	195.6	201.8
Public final consumption	54.8	124.6	125.3	164.2	189.8	203.6	207.4	225.2
Current account balance	-127.6	-193.2	4.6	86.8	-482	-525	-590	-482
<i>Ratios (in percentage)</i>								
Trade tax revenue/ Total tax revenue	50.1	30.8	31.9	36.2	30.2	30.3	31.2	31.8
Export to EU /Total exports			76.3	68.66	63.36	74.74	62.49	68.64
Export to US /Total exports			1.5	1.79	1.89	7.14	7.39	5.91
Exports of products under EU preferences/EU exports			27.3	22.29	21.67	24.42	24.3	22.38
Exports of products under US preferences/US exports			8.2	26.76	6.53	11.16	14.88	19.35
CEMAC exports/Total exports			6.3	3	3.2	6	6.7	5.8
CEMAC imports /Total imports			2.54	2.5	2.9	0.8	1.2	2.1
CEMAC total trade/Total trade			4.66	2.8	3.1	3.2	4.1	3.9

Sources: Authors' construction using data from BEAC (1992, 1996 and 2005), World Bank (2001 and 2004), INS (2005a, b and c), MINEFI/DAE (2005), MINEFI/DSCN (1983, 1985 and 1993), and the Customs Department.

On the contrary, a direct relationship can be established between trade and investment policy reforms undertaken and the share of international trade tax revenue in the government tax revenue. In fact, the very important share of this component of tax revenue dropped in the 1980s caused by the institution of the oil tax. The reforms introduced in the late 1980s did not really affect the level attained upon their introduction. The 1994 fiscal and monetary reforms will increase this share due to the double effect of suppressing tax exemptions and increasing the value of imports following devaluation. This share stabilized during the 2000s at a relatively lower level than that of pre-reforms (see table 3). Considering the increase in the absolute level of this revenue, it could be concluded that the reforms helped not only to reduce the tax burden on the international trade of Cameroon, but also to increase tax revenue generated by this activity. The worsening of the deficit of the current account balance (see table 3) meets the short term expectations of the reforms analyzed. The mechanical effects of the 1994 devaluation alone helped to offset the trend which unfortunately did not last long due to numerous internal supply constraints and liberalization of service sectors, especially the financial sector. The situation got worse as from the year 2000 when the government resumed payment of interest on the external public debt in view of reaching the completion point of the HIPC initiative.

The long term impact is analyzed through consumption, investment, especially foreign direct investment (FDI), export and import differentiation (index of concentration), and growth paths, despite the problem of disentangling from those indicators the effects of trade and investment reforms from other policy changes implemented at the same time. Consumption, on a sharp increase sharply prior to the first reforms as indicated (see table 3), continued to do so during the study period. Note is however taken of the fact that the first reforms of 1989 offset the downward trend following the beginning of the economic crisis in 1987. The 1994

reforms helped to boost this growth thanks to availability and accessibility of goods due to the relative fall in prices. Because of the low share of public consumption in total consumption, the trend of the latter is determined by private consumption, despite the peaks observed in public consumption, following the use of the first disbursements by the Bretton Woods institutions in support of the first SAPs. This increase in consumption was unfortunately not accompanied by a real diversification of products as theoretically expected. The concentration

indexes show that, exports and imports rather concentrated on a small number of products (see table 4). This trend is however higher in exports

Table 4 : Gini-Hirschman Concentration index (GHCI)

	1981	1986	1992	1994	1999	2004
Export	0,36	0,38	0,53	0,48	0,42	0,51
Import	0,34	0,32	0,3	0,31	0,32	0,36

Sources: Authors' calculations using data from INS (2005b) and MINEFI/DSCN (2003).

than imports, whose structure is still a bit more stable. The rigidity of food habits and mostly the stability of the structure of production could further justify these trends¹.

Growth recovery started with the implementation of the first reforms. However, there was only a slow down of the negative production growth. Real growth resumed only during the second wave of reforms (see table 3) and it is difficult not to attribute that result to the related trade and investment policy reforms implemented.

This evidence is however not confirmed by the FDI flows. Even if a net positive and growing flow of FDI is observed from the adoption of the 1990 Investment Code, it turned negative after the 1994 reforms. Only the privatization operations of 1996 and 1997 led to a near

¹ The Gini-Hirschman Concentration Index (GHCI) gives the relative dispersion of a distribution. It is based on the value of each export/import to total export/import value and is expressed as follows:

$$GHCI = \left[\sum_{i=1}^n \left(\frac{X_i}{X_e} \right)^2 \right]^{\frac{1}{2}}$$

Where Xi, Xe and n represent the export/import value of product i, total export/import value, and the number of export/import products respectively. The GHCI ranges from 0 to 1. When there is diversification, the index tends towards zero because Xi/Xe gets smaller. When there is concentration on few commodities, the value of Xi approaches the value of Xe causing the index to tend towards 1 (Bamou, 2001).

balance of FDI inflows and outflows (see table 3). The non-effectiveness of most fiscal advantages provided by the existing investment code due to the 1994 tax reform, coupled with the capital transfer facilities of the said code led to real disinvestment especially in the forestry sector, aided by the more restrictive new forestry law scheduled to enter into force from 1998. It must be acknowledged that a substantial share of the capital was transferred out of the country as part of speculation owing to persistent rumor of the eminence of the CFAF devaluation.

The analysis of the country export products under preference schemes toward the preference offering countries indicates that there has been a slight increase of those exports to US with the entry into force of AGOA. Meanwhile, only cocoa mass, from a large-scale enterprise, was able to benefit from this preference. Exports of the other products stagnate when not regressing as well as EU export products under EU trade preference schemes. The fluctuations observed in the EU exports are due more to oil than the other products. It is then clear that the trade preferences offered are not fully used by the country. In like manner, the country did not take full advantage of the openness of the regional market offered by the CEMAC agreement. Its share of trade with the region remains small and even decreases with time. The slight recovery recorded during the years 2000 is mostly due to crude oil imports from Equatorial Guinea and fuel and lubricants exports to Chad and Central Africa Republic.

Though the dynamic effects of the trade policy reforms on consumption and growth were relatively in conformity with the theory, the expected effects of investment policy reforms are still awaited. In general, facts in Cameroon tend to confirm the literature assertion that long term effects of trade and investment policy liberalization are superior to the related

adjustment costs. However, the impact of the reform of those policies can not be disentangled from the entire reforms of the economy, thus their impact analysis.

Impact analysis of trade and investment policy reforms in Cameroon

Following the previous studies [World Bank (2004), and Banque Mondiale (2005)], we estimated a growth determinant model of the country and that of its main sectors, which takes into consideration trade and investment policy reform indicators. The model is specified as follows:

$$Y = f (Hc, Pui, Pri, Fdi, If, Tpr, Ema, Pr, Re) \quad (1)$$

Where, Y, Hc, Pui, Pri, Fdi, If, Tpr, Ema, Pr, Re are the growth rate of GDP or sectoral production, human capital, public investment, private investment, foreign direct investment, infrastructure, trade policy reform, external market access, prices and revenue respectively. They are however used alternatively according to the estimated sector specificity.

The human capital stock (Hc) is estimated as the average number of schooling years of the active population, adjusted by life expectancy variations during the period to take into consideration the incidence of human catastrophes such HIV/AIDS (N'Cho-Oguie et al., 2004). The primary level, average educational level equivalent to three primary education years, is preferred over the stock estimated with all levels of education. This choice is motivated by the fairly rudimentary nature of national production which concentrates on little processed or low value added products. Electricity energy production per head is chose as indicator of infrastructure (If). This choice will allow us to take into account power shortage identified as one of the main constraints to the economic growth of the country during the post-1994 reform period. Trade policy reforms (Tpr) are approximated by the growth of trade liberalization index, calculated as import ratio on total international trade. Market access

(Ema) is approximated by the growth rate of export penetration index, calculated as export ratio on total international trade. However, the link between the path of the last two indicators and the economic or sectoral growth is not obvious. The annual variations of export price index (Epi), consumer price index (Cpi), relative consumer and export prices index (Rcep) and relative consumer and import prices index (Rcip) are utilized as factor prices (Pr). These prices are affecting economic growth in a different manner. Contrary to Cpi, whose growth is harmful to economic and sectoral growth in an economy where growth is demand-driving like that of Cameroon, growth of Epi and Rcip are supposed to enable economic growth as exports and consumption of local production are encouraged and inversely. The growth rate of the Available Gross National Income (AGNI) is utilized whenever the revenue (Re) intervenes. There is a direct linear relation between this indicator and global economic or sectoral growth. The sources of these data are essentially those mentioned above, notably, national accounts, the World Bank database, and the Department of Economic Analysis of the Ministry of the Economy and Finance.

The value of the estimated elasticities of the selected determinants for each sector and period are utilized to calculate the contribution of the latter to the growth observed in the sector during the said period. The contribution of Total Factor Productivity (TFP) to growth in the sector during the said period is considered as the remainder of the aggregate contributions of selected determinants as against the growth observed. It can be seen from table 5 summarizing the calculation results that global production depends on the short term effects and TFP more than factors accumulation, that however has a positive influence on production as a whole, contrary to market access conditions, foreign access and FDI which rather constrain growth. Nevertheless, these indicators play a positive role in the two growth periods. The short term effects and the fall in productivity better explain the decline in

production during the crisis period.

Table 5: Source of growth: 1976-2004

	Elasticity (in unit)				Contribution to growth (in %)			
	76-86	87-93	94-04	76-04	76-86	87-93	94-04	76-04
<i>Entire economy (Real GDP)</i>								
Price (cpi)	0.494		-0.087	0.055	3.947	0.000	-0.316	0.210
Revenue	0.308	0.365	-0.038	0.434	2.460	-0.865	-0.140	1.668
Short-term effect	0.802	0.365	-0.125	0.489	6.406	-0.865	-0.456	1.878
Domestic private investment	-0.035	0.045	0.042	0.054	-0.277	-0.105	0.154	0.206
Foreign direct investment	0.002		0.002	0.000	0.015	0.000	0.009	-0.001
Public investment	-0.047	0.072	0.079	0.068	-0.378	-0.169	0.290	0.261
Infrastructures	-0.209	-0.455	0.103	0.149	-1.667	1.077	0.376	0.573
Human capital				0.064	0.000	0.000	0.000	0.247
Trade policy reforms		-0.050	0.172	-0.149	0.000	0.119	0.626	-0.571
Market access conditions	0.194			-0.149	1.552	0.000	0.000	-0.571
Total factor productivity					2.336	-2.423	2.650	1.820
Average observed growth rate					7.987	-2.367	3.648	3.842
<i>Primary sector</i>								
Price (Rcep)	0.310	0.135	0.135	0.026	1.300	-0.603	0.669	0.062
Revenue	0.938			0.472	3.930	0.000	0.000	1.129
Short-term effect	1.248	0.135	0.135	0.498	5.230	-0.603	0.669	1.191
Domestic private investment	0.539	0.005	0.005	-0.209	2.260	-0.024	0.026	-0.499
Foreign direct investment	0.018	0.274	-0.274	-0.002	0.075	-1.220	-1.354	-0.004
Public investment	-0.654			0.087	-2.741	0.000	0.000	0.208
Infrastructures	0.103			0.172	0.430	0.000	0.000	0.411
Human capital	-0.224	0.302	0.302	-0.001	-0.939	-1.345	1.493	-0.002
Trade policy reforms		0.432	0.432		0.000	-1.925	2.137	0.000
Market access conditions	-0.612			0.131	-2.563	0.000	0.000	0.313
Total factor productivity					2.438	0.659	1.977	0.773
Average observed growth rate					4.190	-4.459	4.949	2.390
<i>Secondary sector</i>								
Price (Rcip)	0.304	0.838	0.188	-0.004	5.558	-4.059	-0.211	-0.020
Revenue	-0.327		-1.679	0.173	-5.973	0.000	1.880	0.925
Short-term effect	0.169	0.838	-1.490	0.169	3.097	-4.059	1.669	0.905
Domestic private investment	0.848	1.269	-1.048	0.073	15.514	-6.146	1.173	0.393
Foreign direct investment	-0.059	0.131	-0.039	-0.037	-1.070	-0.632	0.044	-0.197
Public investment	-1.367	-0.411	0.405	0.000	-25.00	1.992	-0.453	0.001
Infrastructures	-1.187		-0.001	-0.001	-21.71	0.000	0.001	-0.007
Human capital	1.223		0.451	0.114	22.365	0.000	-0.505	0.610
Trade policy reforms	-0.525	1.281	2.201	1.506	-9.609	-6.203	-2.464	8.047
Market access conditions					0.000	0.000	0.000	0.000
Total factor productivity					34.708	10.206	-0.583	-4.408
Average observed growth rate					18.289	-4.843	-1.120	5.344
<i>Tertiary sector</i>								
Price (Cpi)	-1.831	-1.631	0.124	0.045	-12.53	1.977	0.800	0.217
Revenue	0.286		0.414	0.238	1.956	0.000	2.681	1.131
Short-term effect	-1.546	-1.631	0.537	0.283	-10.58	1.977	3.482	1.348
Domestic private investment	-0.160	-0.210	0.278	-0.043	-1.097	0.255	1.803	-0.203
Foreign direct investment	0.010		0.003	-0.005	0.070	0.000	0.022	-0.023
Public investment	0.368	0.293	0.079	0.202	2.517	-0.354	0.512	0.963
Infrastructures	0.001	0.002	-0.001	0.000	0.007	-0.002	-0.006	0.001
Human capital	-0.064		-0.005	0.044	-0.436	0.000	-0.036	0.208
Trade policy reforms	0.498	0.997	-0.932	0.068	3.407	-1.208	-6.035	0.325
Market access conditions					0.000	0.000	0.000	0.000
Total factor productivity					12.958	-1.879	6.735	2.142
Average observed growth rate					6.845	-1.212	6.478	4.761

The various sectors of production do not benefit the same way from these determinants. While still strongly dependent on the short term effects as a whole, the *primary sector* growth benefits from TFP, foreign market access conditions, infrastructure and public investment. *The secondary sector* production benefits the most from factor accumulation. Human capital, FDI and domestic investment contribute positively just like domestic market liberalization. The positive contribution of the revenue level indicates the importance of domestic demand in the growth of the sector. Contrary to the protectionist years where production margins were exorbitant, as shown by the high TFP levels, the liberalization period is characterized by the disappearance of numerous advantages formerly enjoyed by enterprises and thereupon, of the super profits. This is reflected by the negative contribution of the TFP, which thereby reveal problems of competitiveness and effectiveness of enterprises of this sector (ageing equipment, low utilization of existing capacities, high costs of inputs and transactions, etc.). Production growth in the *tertiary sector* is also dependent on factor accumulation. Besides, production also benefits from domestic market access, despite the reduction in the positive contribution of TFP that follows. Even if as a whole FDI and domestic investment contribute negatively due to their continuous reduction, FDI played a positive role in reviving growth in the sector during the growth periods.

Projected trade and investment policy reforms' impact

As regards the country's past trade and investment policy liberalization, the poor economic growth recorded, and the ongoing regional and multilateral trade negotiations, projected trade and investment policy reforms in Cameroon must aim to improve the country's capacity to support the adjustment costs of the decisions, produce locally and export. To this end, special

emphasis must be laid on building human and institutional capacities in compensating losses of income and other socio-economic costs associated to reforms, improving supply conditions by enhancing the competitiveness of the productive sectors, upstream and downstream relations of these sectors, diversifying and eliminating market access constraints particularly for agricultural, food and industrial products by improving the capacity of enterprises to conform to international standards and provide public services to these enterprises. To fully exploit the potential of those projected reforms, improvements in external market access conditions are also necessary. These projected reforms and improvements are given in table 6.

Table 6: Summary of projected feasible trade and investment reforms and improvements in external market access conditions

Domain	Reforms	Comments
Regional integration	<ul style="list-style-type: none"> ✓ Apply the Community Integration Tax (TCI) at 1% of the CIF value of extra-regional imports; ✓ Eliminate the last obstacles to the movement of persons; ✓ Reduce administrative barriers along the transit corridors and supply chains ; ✓ Encourage the adoption of CET by other ECCAS Members. ✓ Negotiate cooperation agreements with neighboring Nigeria. 	<p>Would help finance the functioning of the institution, supply the Community Development Fund (FODEC) to compensate the revenue losses of Member States, finance integrative projects, and boost the integration process. It will also be an occasion for the country to provide more effective leadership and play a central role in the correction of dysfunctions in the community.</p>
Tariff barriers	<ul style="list-style-type: none"> ✓ Bind agricultural product tariffs close to applied levels; ✓ Bind non-agricultural products tariffs and commit to reduce them later; ✓ Levy import excise tax of 12.5% on vehicles of 2000 CC and more ; ✓ Levy import excise tax of 25% on mineral water, carbonate drink and non alcoholic fruit juices; ✓ Eliminate tariff peaks and tariff escalation on exports; ✓ Significantly reduce tariff on sensitive export products; ✓ Reduce tariff on agricultural export products; ✓ Expand tariff preferences to other products. 	<p>Binding commitments would have no immediate budgetary implications and shall enable the country improve its level of credibility and effective participation in negotiations. The other with budgetary implications, which would enter into force in January 2006, is still coherent with the fiscal reform engaged in 1994. The tax rates increased remain in the bracket recommended by the CET of CEMAC. Growth of exports and export diversification will also be enabling.</p>
Non-tariff barriers	<ul style="list-style-type: none"> ✓ Simplify product quality standards, inspection and testing procedures; ✓ Abolition of technical barriers used as indirect protection instrument; ✓ Abolition of the former Banana quota. 	<p>Considering the weakness of the capacities and means of DCs to develop and conform to the exigencies linked to these measures.</p>

Export subsidies	<ul style="list-style-type: none"> ✓ Eliminate tariff peaks and tariff escalation; ✓ Significantly reduce tariff on sensitive products; ✓ Reduce tariff on other products, especially agricultural; ✓ Expand tariff preferences to other product lines. 	The issue shall be on the agenda of the WTO Ministerial Conference of December 2005 at Hong Kong (China). Only the concessions by developed countries in this domain can salvage the summit. The EU has already made proposals to this end and those of the USA are still awaited.
Food Security	<ul style="list-style-type: none"> ✓ Increase market opening for products with deficit (meat, fish, cereals, etc.) 	In view of satisfying growing demand and fighting food insecurity in certain regions of the country (North). However, sanitarian and phytosanitatrian controls have to be reinforced.
State trading	<ul style="list-style-type: none"> ✓ Achievement of unilateral liberalization by privatizing the remaining State enterprises (CDC and SODECOTON). 	The privatization of those enterprises is part of the conditionality of the country to reach the completion point of the HPIC initiative.
Customs	<ul style="list-style-type: none"> ✓ Speed up transit time; ✓ Improve transparency in the clearance process. 	Some of the reforms are ongoing with the support of international donors and only need to be reinforced.
Transport and telecommunications	<ul style="list-style-type: none"> ✓ Effectively privatize CAMTEL; ✓ Liberalize fixed phone and intensify the liberalization of mobile phone services; ✓ Liberalize internet access and services; ✓ Define the universal postal service obligations at a level that corresponds to actual citizens' expectations; ✓ Enhance private sector participation in the postal and road (BOT) services for more competition 	The main objective of those reforms is to promote a competitive environment conducive to improve services and reduce costs. These reforms are in relation with the requests received in the said sectors and the difficulties facing operators and customers.
Financial sector	<ul style="list-style-type: none"> ✓ Achieve the liberalization of the financial sector; ✓ Correct the weaknesses of financial infrastructures; ✓ Restructure the postal financial services; ✓ Strengthen micro-finance institutions ; ✓ Revitalize the stock exchange by offering for sale part of State stocks held in certain profitable companies. 	These reforms shall contribute to intensify financial intermediation. Considering the high cost of these operations, it is necessary to seek for the support of international donors and phase-out the financial expenses with time by sequencing reforms.
Other service	<ul style="list-style-type: none"> ✓ Liberalize professional services and education, especially Mode 4. 	Could help in technology transfer and capacity building.

Source: Authors' construction

The elasticity endogenous growth projection model is used to estimate the impact of the projected reforms and improvements in external market access. In general, the elasticities (els_i) are estimated from the log-linear functions specified as follows:

$$Q_{it} = f (Pr_{it}, Q_{i(t-1)}, Cip, Rev, Kp_t, Kg_t, H_t, S_t, Dum_i) \quad (2)$$

Where Q_{it} , $Q_{i(t-1)}$, Pr_{it} , Cip , Rev , Kp_t , Kg_t , H_t , S_t and Dum_i are prices of product i at the period t , quantity of product i at the period t and $t-1$, import capacity, revenue, stock of private physical capital at the period t , stock of public physical capital at the period t , stock of human capital at the period t , stock of social capital at the period t , and related product i dummy variable respectively². The estimated elasticities are given in table 7.

Table 7: Estimated elasticities of the model

	Short term effects				Long term determinants					
	Lag	Px-r	Cip	Rev	Kpv	Kgv	Khu	Elt	Tel	Rd
Subsistence agriculture	0.267	0.25					0.239			
Perennial agriculture	0.251	0.139			0.161		0.054			
Agro-industries	0.157	-0.09			0.561	0.326	0.2	0.051		
Other manufacturing ind.	0.402	-0.05			0.113		0.012	0.6		0.014
Building and public works	0.8		0.014	0.24	0.5216	1/				
All tradable services	0.305		0.061	0.71					0.22	

Notes : Lag : Lag variable ; Px-r : Relative price; Cip : Import capacity; Rev : Revenue ; Kpv : Private capital ; Kgv : Public capital ; Khu : Human capital; Elt: Electricity supply; Tel: Telecommunication supply; Rd: Road infrastructure; 1/: Ratio Kpv/Kgy; ind: Industries.
Source: N'Cho-Oguie et al. (2004)

The growth rate of each sub-sector at period t (grQ_{it}) is calculated as the weighted sum by the elasticities of the contributions of the determinant factors of growth in the sub-sector, to which is often added, the growth cyclical objectives of the sub-sector of the period t (Plc_{it}).

The said growth rate can be expressed as follows:

$$grQ_{it} = \sum_i els_i \cdot (Pr_{it}, Q_{i(t-1)}, Cip, Rev, Kp_t, Kg_t, H_t, S_t) + Plc_{it} \quad (3)$$

The growth rates of the sectors are, on their part, calculated after the summation of the production levels of the sub-sectors of period t . The level of production of the sub-sectors of

² On the start date (t_0), it is decided that the physical capital stock is equal to 3/2 of the domestic production of the country. If K_t is the total physical capital stock on the date t , $K_{t0}=3/2*PIB_{t0}$. For the rest of the series, the stock of the existing capital is depreciated by the depreciation coefficient to which is added the real investment flux. $K_t=(1-\delta)*K_{t-1}+I_t$ (δ =depreciation coefficient and I_t =Investment flux in t). The public capital stock is determined in the same manner. Meanwhile, it is supposed that the initial public capital stock is a fraction of the total capital stock and depreciation and real investment flux are taken into consideration for the other years. $Kg_{t0}=(1/5)*K_{t0}$; $Kg_t=(1-\delta)*Kg_{t-1}+Ig_t$ (Ig_t =public investment flux in t) The balance represents private capital. The same technique is used for the public capital stock $Kp_{t0}=(4/5)*K_{t0}$; $Kp_t=(1-\delta)*Kp_{t-1}+Ip_t$ (Ip_t =Private investment flux in t). The human capital is an indicator that integrates in its calculation the schooling rate (primary, secondary and higher), life expectancy and some demographic indicators and fatigues. The social capital is constituted by the quality of institutions in the country, governance, proper enforcement of laws (rule of law), political stability, etc. (N'Cho-Oguie et al., 2004).

period t is obtained by adding the production growth of period t to the previous level, in the following manner:

$$Q_{it} = (1 + grQ_{it}) \cdot Q_{i(t-1)} \quad (4)$$

To account for the internal feasible reforms and improvement in external market access conditions, three investment hypotheses (pessimist, base line and optimist) are added to the adjusted official sectoral and cyclical effects hypotheses and simulated with the model. In those scenarios, the official 2005 related hypotheses are maintained constant to consider the fact that nothing can be changed again in that year which is already at the end. In the pessimist scenario, the nominal GDP share of private and public investment are respectively increased from 16.9% and 2.9% to 20% and 5%, carrying the nominal GDP share of total investment from 19.8% to 25%. All sectoral and cyclical effects are neglected. Only average and long term effects are considered in this scenario. As in the case of the other two scenarios, the official growth hypotheses of the sub-sectors exogenously projected are maintained constant. As compared to the pessimist scenario, only the nominal GDP shares of private and public investment are changed. They are respectively increased from 16.9% and 2.9% to 25% and 7.5%, carrying the nominal GDP share of total investment from 19.8% to 32.5%. The optimist scenario coupled with the increased of nominal GDP share of total investment to 40% (30% for private investment and 10% for public investment) with official positive sectoral and cyclical effects. Though called optimist, the GDP share of total investment is still low compared to that of some countries of the region (Central Africa) with higher growth rate. In some of those countries, only the stock of inward FDI is higher than 50% of GDP in 2004 (Angola: 88.8%, Chad: 72.9, Congo Republic: 66.7%, Equatorial Guinea: 123.7%, São Tomé and Príncipe: 123.4%) and the region accounts for 51.8% (UNCTAD, 2005).

The scenario results are given in table 8. These results show that an enabling economic environment, which attracts more private and public investment, is indispensable to growth, consumption and international trade in Cameroon and consequently, the fight against poverty in particular and reaching the millennium goals in general.

Table 8: Projected real GDP and sectoral growth rates: Supply and demand for 2005-2008 (in percentage)

	Official scenario				Pessimist scenario				Base line scenario				Optimist scenario			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
<i>Supply</i>																
Primary sector	3.9	4.1	4.1	3.7	3.9	2.9	2.5	1.8	3.9	2.9	2.6	1.7	3.9	4.8	5.0	4.2
Subsistence agriculture	4.3	3.7	4.2	4.3	4.3	2.0	1.3	1.1	4.3	2.0	1.3	1.0	4.3	4.5	4.5	4.1
Perennial and industrial agriculture	5.1	2.8	-0.2	0.6	5.1	2.5	4.2	2.6	5.1	2.5	4.9	3.4	5.1	5.5	9.4	8.3
Breeding and hunting	3.0	4.8	4.7	4.7	3.0	4.8	4.7	4.7	3.0	4.8	4.7	4.7	3.0	4.8	4.7	4.7
Fishing	2.0	4.0	4.0	4.3	2.0	4.0	4.0	4.3	2.0	4.0	4.0	4.3	2.0	4.0	4.0	4.3
Forestry	2.1	7.5	6.3	0.0	2.1	7.5	6.3	0.0	2.1	7.5	6.3	0.0	2.1	7.5	6.3	0.0
Secondary sector	-0.7	8.8	3.8	5.1	-0.7	5.3	2.7	5.3	-0.7	6.0	4.9	7.7	-0.8	7.7	8.5	13.2
Mining industries	-9.0	6.0	-10.1	0.4	-9.0	6.0	-10.1	0.4	-9.0	6.0	-10.1	0.4	-9.0	6.0	-10.1	0.4
Oil	-9.0	6.0	-10.1	-3.2	-9.0	6.0	-10.1	-3.3	-9.0	6.0	-10.1	-3.3	-9.0	6.0	-10.1	-3.3
Agro-industries	-4.7	1.3	4.7	5.8	-4.7	9.4	13.3	11.8	-4.7	12.7	18.8	17.0	-4.7	16.3	25.1	23.3
Other manufacturing industries	4.9	14.9	9.4	6.2	4.9	3.0	2.7	2.5	4.6	3.0	3.8	3.9	4.6	4.8	7.6	11.1
Electricity, gas and water	2.5	3.0	3.0	8.0	2.5	0.0	0.0	0.0	2.5	0.0	0.0	0.0	2.5	3.0	3.0	8.0
Building and public works (BTP)	6.2	6.4	7.7	7.4	6.2	6.4	9.6	11.1	6.2	6.4	13.1	14.6	6.2	6.4	17.0	18.8
Tertiary sector	4.7	4.6	6.1	5.1	4.7	6.9	11.6	8.1	4.7	6.9	18.5	12.1	4.7	7.3	26.6	17.5
Trade, restaurants and hotels	4.8	5.0	6.3	5.0	4.8	6.4	12.9	8.9	4.8	6.4	21.3	13.6	4.8	6.5	31.0	19.7
Transports, warehouses and communications	5.8	4.0	6.0	5.3	5.8	12.8	14.9	9.5	5.8	12.8	23.3	14.2	5.8	15.5	33.7	20.5
Bank and financial organizations	4.7	3.9	6.1	5.0	4.7	6.1	12.8	8.9	3.9	6.1	21.2	13.5	3.9	7.2	32.2	21.0
Other tradable services	5.4	5.4	7.9	6.9	5.4	6.6	13.0	8.9	5.4	6.6	21.4	13.6	5.4	6.6	31.0	19.7
Intermediary financial services indirectly measured (SIFIM)	2.5	2.3	2.3	1.8	2.5	0.8	0.4	-0.2	2.5	0.8	0.4	-0.2	2.5	2.3	2.4	2.1
Public administration non-tradable services	2.8	3.0	3.0	2.6	2.8	3.0	3.2	2.6	2.8	3.0	3.2	2.6	2.8	3.0	3.2	2.6
Other non-tradable services	5.2	6.0	6.4	6.2	5.2	6.0	6.4	6.2	5.2	6.0	6.4	6.2	5.2	6.0	6.4	6.2
Real GDP at factor cost	2.9	5.8	4.9	4.8	2.9	5.5	7.0	6.0	2.8	5.8	10.9	8.8	2.8	6.9	16.4	13.7
<i>Demand</i>																
Final consumption	0.5	0.8	3.3	2.8	0.5	-3.3	7.7	5.7	0.5	-11.8	12.9	8.5	0.5	-20.1	19.0	13.3
Private	-0.5	0.3	2.8	2.4	-0.5	-4.4	7.8	5.8	-0.5	-14.1	13.9	9.1	-0.5	-23.9	21.1	14.4
Public	7.8	4.0	7.0	5.3	7.8	4.0	7.0	5.3	7.8	4.0	7.0	5.3	7.8	6.0	9.0	7.3
Total export of goods and services	5.6	8.3	5.2	5.6	5.6	5.3	4.3	5.9	5.6	5.5	5.2	8.1	5.6	6.9	7.9	13.2
Total import of goods and services	2.7	-2.2	4.2	3.8	2.7	0.2	4.9	3.6	2.7	4.4	8.1	5.8	2.7	9.3	12.3	9.1

Sources: Authors' calculations and MINEFI/DAE (2005) for 2005, official scenario results

The millennium economic growth goal (7% annual) is reached the year following the increase in global investment by 26% only. The country even obtained the sought two-digit growth as global investment increased by 64% to reach GDP 32.5%. The millennium economic growth goal would double in the next two years if global investment reaches GDP 40%. The tertiary sector is that which attracts the observed growth. The falling of the performance of the oil sector is mostly due to the depletion of wells.

Growth is timid in the subsistence agriculture sector, at least in the first two scenarios, due to the non-consideration of cyclical and sectoral effects, which have greater impact on trends of this sector. Even if, in conformity with the theory, public and private consumption declines with the increased public and private investment, this decline is more than compensated the following years by the revenue effects attributable to production growth. Similarly, trade is clearly boosted in the year of the increase of the investment as well as thereafter. The increase in investment automatically leads to an additional demand of import capital, semi-manufactured and even finished goods. The export growth is only felt in the years following the rise in investment, due to the adjustment period necessary for investment to yield profits.

These effects do not take into consideration the change of old behaviors and constraints faced by the economy, incorporated in the elasticities, that the abovementioned reforms can induce. Taking into consideration this change would obviously improve the results observed. Similarly, the status quo of the prevailing conditions could not only prevent the abovementioned reforms from becoming effective, but also constrain their expected effects.

Constraints that may hinder projected reforms or reduce their impacts

Several economic, administrative, legislative, infrastructural and human supply constraints

are likely to impede projected reforms and/or reduce their expected impacts. At the economic level, we can cite among others, low prices and the price decrease of basic productions, high production costs, difficulties in selling off production especially agricultural, insufficient trading capital, difficult access to bank credits, poor execution of the State budget, low salaries of civil servants, inadequate distribution of bank credits, and low household revenue. Administrative bottlenecks, the low level of market regulations, poor application of the existing laws and regulations, misuse of authority by State agents, insufficient/absence of quality control, non-organization of consumers and poor economic representation in consular missions are recurrent administrative constraints. At the level of infrastructure, the absence of structures for storing and processing primary products, insufficient and poor quality of existing feeder roads and road insecurity, lack of sanitary and phytosanitary structures and infrastructure markets constitute the main ones. At the human and social level, the training/employment inadequacy and outdated knowledge of the human resources due to poor capacity building leads to insufficient qualified labor, mainly in state-of-the-art technologies, NICTs, marketing and management.

In view of mitigating those constraints, the government must promote good governance, step up the fight against corruption and systematically publish prosecution sections, streamline the State's payroll master file and consolidate the computerization of personnel management, reform the judiciary system, put in place a more efficient mechanism for monitoring State corporations and their operations, develop a national strategy of capacity building especially in public contracts, undertake to further liberalize other sectors, especially infrastructure, pay internal debt and undertake to avoid other accumulation, implement the global medium and long term energy strategy with a view to insure supply to enterprises and access to households, reduce port transactions costs, improve the road network by maintaining the

existing priority roads and constructing new ones, boost private participation in infrastructure investment and service delivery by privatizing and liberalizing infrastructure markets, develop water resources and improve the water enterprise management in view of privatizing some of its operations, create the remaining institutions established by the Investment Charter and render them operational, urgently put in place a technology absorption and accumulation capacity to master and adapt industrial and economic organization to the national and international contexts, put in place and regularly adapt a national technology and innovation system as well as an adequate maintenance policy, and promote the public-private partnership. Some of these measures are already part of the government's economic and financial memorandum of July 2005 to June 2008.

Conclusion and policy recommendations

The existing links between trade and investment policy liberalization and economic growth are not obvious in the literature and rely closely on the internal and external conditions of the country experimenting it. Between 1980 and 2005, Cameroon has implemented two main phases of trade reforms (1989-1993 and 1994 to date) all geared towards greater liberalization. In order to attract more investment, the government applied three major investment reforms as part of its successive Investment Codes (1984, 1990 and 2002). Thanks to multilateral, regional and the special preferential treatment of Cameroonian products (GSP, CEMAC, ACP-EU, AGOA, etc.) external market access was progressively improved during the phases of internal trade and investment policy reforms.

However, the expected results of these reforms and relatively better external market access conditions are still awaited. The level of investment in general and foreign direct investment in particular remains one of the lowest in Central Africa. After experiencing a severe

economic crisis at the beginning of the 1990s, the economy recorded, from the late 1990s, growth stagnation at a level lower than that of the Millennium Development Goals (MDGs). However, facts from the evaluation of costs/benefits of the analyzed reforms tend to confirm the literature assertion of their long term benefit effects superior to their short term adjustment costs.

Among other explanations of the relative failure of the reforms implemented as well as the better external market access opportunities offered, there is the incomplete application and nature of the reforms, the lack of reforms in other key sectors and above all, the numerous internal economic, administrative, legislative, infrastructural and human supply constraints. To enable these reforms to have their full positive effects as described in the theory, the country must develop sufficient human and institutional capacities in trade and investment policy formulation, trade negotiation techniques, compensation of revenue losses and other socioeconomic costs associated to reforms. It must also improve supply conditions that would enable the competitiveness of productive sectors, upstream and downstream relations of these sectors and diversify production and exports. It is also indispensable to upgrade enterprises to enable them conform to international standards and the State to effectively and efficiently provide public services to these enterprises, like the elimination, by developed countries, of the remaining access constraints to their markets, particularly as concerns agricultural, food and industrial products. Moreover, the political, technical and financial support of the latter is fundamental.

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