

TRADE POLICY REVIEW

CAMEROON

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of Cameroon is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on Cameroon.

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I. HISTORICAL BACKGROUND TO CAMEROON'S ECONOMIC SITUATION

1. The Cameroonian economy enjoyed sustained growth and positive results for over two decades owing to the steady development of industrial production and agricultural exports and, as of the second half of the 1970s, the exploitation of petroleum resources. For about a decade, Cameroon achieved an average annual growth rate in real terms of about 7 per cent.

2. However, from the 1985/86 fiscal year onwards, the country experienced a dramatic decline in export earnings following the slump in the prices of its main export products (coffee, cocoa and cotton), including petroleum.

3. The economic situation began to deteriorate from this point onwards. Growth rates were negative between 1985 and 1994 and the economy sank into a deep recession.

4. In an endeavour to confront this crisis, the Government implemented internal adjustment policies, reinforced by the currency adjustment introduced in January 1994. As the crisis persisted, the Government, with the assistance of its bilateral and multilateral partners, subsequently introduced a Three-Year Economic Programme (1997/2000).

II. OVERVIEW OF THE CAMEROONIAN ECONOMY

The country's overall economic situation is as follows:

Table 1
Summary of Cameroon's economic situation:

Average GDP	5,187.2 billion CFA francs
Average growth rate	4.74 %
Average inflation rate	3.52 %
Average current account deficit	-3.44 %

Source: Table A.1

5. Imports and exports have shown a constant upward trend, climbing to CFAF 1,084,509 million and CFAF 881,782 million in 1997 and 1998 respectively.

6. The country's trade balance has remained positive throughout, a factor which could stimulate exports.

7. Petroleum is the country's top export product: a total of 5,939,200 tonnes, for a value of CFAF 266,616 million, was exported in 1998/1999. Petroleum exports have a significant influence on the trade balance.

8. From 1995 onwards, Cameroon's major trading partners, in order of importance, have been Italy, France and Spain.

9. Cameroon is endowed with a wealth of tourism resources and has developed several different kinds of tourism: seaside, water sports, cultural activities, safaris, hunting, mountaineering, horse-riding, spa cures and business conferences.

10. Cameroon has seven national parks, the most important being Waza which is particularly representative of African fauna.

11. Cameroon also boasts 250 ethnic groups, making it a culturally very rich country.

12. The two major cities, Douala and Yaoundé, are both home to a luxury international hotel infrastructure and the country has 120 accommodation establishments (6,984 beds), 193 catering establishments and 40 tourist agencies.

13. The road network is well developed and good communication routes link the major cities.

14. A draft tourism investment code is being drawn up and includes greater facilities for both domestic and foreign investors.

III. MAJOR REFORMS

(1) REFORM OF THE LEGAL AND INSTITUTIONAL FRAMEWORK FOR BUSINESS

15. The Government has instituted a reform of its legal and judicial system with a view to improving the business environment and attracting foreign direct investment.

16. Cameroon's adherence to the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty attests to its will to step up the modernization of the legal and institutional framework for business in order to attract greater investment in an increasingly secure context.

17. Moreover, the Central African Economic and Monetary Community (CEMAC) States adopted a subregional investment charter on 17 December 1999. Cameroon's national investment charter, inspired by the CEMAC Charter, is in the final stages of preparation.

(2) ECONOMIC LIBERALIZATION PROCESSES

18. In an endeavour to establish a successful, competitive market economy, the Government has taken action to reform its trade policy, further liberalize economic activities, enhance dialogue and partnership with the private sector through sound economic management and establish a competitive environment in various sectors. The following action has been taken in the framework of this economic liberalization process:

- (i) Elimination of non-tariff barriers, notably by abolishing both quantitative restrictions on imports, and import and export licences and authorizations;
- (ii) reorganization of the general price system, in particular through: (a) establishment of free pricing and trade margins in accordance with market conditions; (b) control and prevention of anti-competitive practices; (c) introduction of measures to guarantee fairness in trade transactions, in particular through metrology controls and a crackdown on discriminatory sales, refusal to sell, retention of speculative inventories and conditional sales; and (d) the promulgation of legislation on dumping and competition in order to promote healthy and fair competition;
- (iii) reorganization of the tax and customs regimes to bring them into line with the subregional programme adopted by CEMAC;

- (iv) liberalization of the petroleum sector;
- (v) liberalization of the cocoa and coffee sectors;
- (vi) reform of the ports sector;
- (vii) reduced State involvement in the trade-related sectors of the economy;
- (viii) establishment of regulatory bodies in the following sectors: electrical energy supply, telecommunications, hydrocarbons, government procurement, aviation and ports.

19. All of these liberalization measures have led to sectoral reforms in the monetary, tax, foreign exchange, insurance, labour, telecommunications and transport areas.

(3) SECTORAL REFORMS

1. Financial sector reforms

(a) Banks

20. Action has involved stabilizing and strengthening this vital sector of the economy. To this end:

- The State has launched a far-reaching bank restructuring/liquidation programme, worked to create a supranational institution responsible for bank supervision known as the Central African Banking Commission (COBAC) and, to a great extent, given up its banking shares;
- banking conditions have been liberalized and a regulatory framework favouring security and professionalism in the area of micro-finance is being prepared;
- a money market is operational;
- lastly, a domestic financial market is being set up (stock exchange).

(b) Insurance

21. Cameroon became party to the treaty establishing the Inter-African Conference on Insurance Markets (CIMA) with a view to stabilising its insurance sector.

Outlook

22. The Government plans to deepen the process of reform in the banking and insurance sectors through a number of measures, notably:

- Backing all measures aiming to:
 - increase foreign currency cover;
 - ensure the prompt implementation of COBAC decisions.

Other measures taken include:

- (1) At the national level:
 - restructuring the *Crédit Foncier du Cameroun* (Land Bank of Cameroon) within the framework of its operations and the housing promotion strategy;
 - restructuring the *Caisse d'Epargne Postale* (Post Office Savings Bank).
- (2) At the regional level:
 - introduction of common authorization for banks to operate in the CEMAC zone;
 - creation of a Community insurance card.

(c) Foreign Exchange

23. Until 1998, the only players on Cameroon's exchange market were commercial banks. However, private economic operators (natural and legal persons) have been able to conduct money-changing activities through exchange offices since 16 September 1998.

24. Furthermore, in April 2001 Cameroon adopted exchange regulations in keeping with those of the CEMAC.

2. Reform of the tax and customs systems

25. The tax and customs reform adopted by the CEMAC States may be considered to be the most significant of all reforms introduced since 1994. Deemed to be an integral part of the structural adjustment of the subregional economies sorely afflicted by the recession, it aimed, among other things, at harmonization of tax and customs policies, fiscal consolidation, broadening of the tax base and elimination of exemptions with a view to a return to sustained growth.

26. Suitable legislation has been adopted at the national level to institute this reform.

(a) Customs

27. The reform is characterized by:

- Simplification of the common external tariff creating four categories for imported goods with customs duties ranging from 5 to 30 per cent;
- a substantial cut in cumulated taxes and duties;
- the adoption of a generalized preferential tariff, with a zero rate of duty since 1998, to foster trade between CEMAC States.

(b) Taxation

28. The domestic turnover tax (ICA), single tax and domestic production tax have all been abolished and replaced by turnover tax (TCA). A limited number of products are now subject to excise duties.

29. The regional reform programme also provided for far-reaching amendments to the national investment codes and establishment agreements to improve State revenue and encourage business competitiveness. These measures have been gradually implemented since 1994.

30. The problems related to the turnover tax led to the consumption tax systems being improved with the introduction of value added tax (VAT) on 1 January 1999.

31. The current tax legislation reform focuses on the Unified General Tax Code and personal income tax.

32. The Book of Tax Procedures (LPF), which forms part of the Unified General Tax Code, aims to make tax management more transparent and ensure better implementation of the tax law while at the same time protecting taxpayers' rights. All of the procedural rules which were formerly scattered throughout the General Tax Code (CGI) and regulations are now compiled in a single document. Once in force, this will be backed up by a Taxpayers' Charter.

3. Labour market

33. The new labour code, which was promulgated in 1994, affords greater flexibility in terms of company staff management.

34. In the public sector, the authorities have launched a civil service reform in conformity with international standards. The overall aim is to step up the modernization of public administration, keep staff numbers and the wage bill under control and enhance productivity. To do so, a reform of the various civil service bylaws was introduced.

4. Telecommunications

35. The restructuring of the telecommunications sector, which got under way in the 1997/98 tax year and continued throughout 1998/99 and 1999/2000, has resulted in the creation of new entities, namely CAMTEL, CAMTEL MOBILE and the Telecommunications Regulation Agency (ART). These structures were set up following the reorganization and merger of the company formerly in charge of telecommunications (INTELCAM) with the market services of the former Telecommunications Authority under a decree signed on 18 September 1998.

36. These reforms have made headway, with the award of the second cellular telephone network to Société Camerounaise de Mobile (SCM), the privatization of Camtel Mobile (taken over by MTN) and the designation of a temporary contractor (TELECEL) to take over CAMTEL.

5. Transport

37. The following major reforms, directed in particular at enhancing the competitiveness of the economy, have been undertaken in this sector: (1) the liberalization of maritime transport; (2) the creation in the ports sector of a National Port Authority and the autonomous ports of Douala, Kribi, Limbé and Garoua; and (3) the implementation of measures aiming to simplify procedures and

reduce cargo-clearance time at the port of Douala by creating the Foreign Trade Operations Facilitation Committee and the Single Window. With regard to the road transport sector, the Road Maintenance Fund has been operational since 1998 and ensures the ongoing financing of infrastructure maintenance work. In the air transport sector, international air services have been deregulated.

6. Petroleum

38. A great many reforms have been instituted in this sector: (1) the transport, storage and market supply of petroleum products have been deregulated, as has the margin on the pump prices of refined petroleum products; (2) a new Petroleum Code has been adopted; and (3) an organizational and functional audit of the State enterprise Société Nationale des Hydrocarbures (SNH) and the institutional framework for its activities has been conducted. All these reforms should, in the long run, produce a clearer definition of the respective roles of both the SNH and private operators in the petroleum industry.

7. Agriculture

39. Agricultural sector reforms have been strengthened by the Structural Adjustment Programme for the Agricultural Sector (PASA) which was introduced within the framework of the stand-by arrangement reached by the Government and donors in March 1994. This programme focuses on a new medium-term development strategy for the agricultural sector. The following measures have been taken:

- Gradual liberalization of the agro-input supply;
- gradual privatization of agricultural development activities;
- restructuring of public enterprises in the agricultural sector in an endeavour to make their financial situation more balanced and their internal management more autonomous;
- greater responsibility for the farmers themselves.

40. The implementation of all these measures resulted in the gradual reduction of State involvement in the agricultural sector and the abolition of input subsidies. Agricultural export products have been diversified and both agro-industrial and animal industry enterprises privatized. The State has also withdrawn from the supply of inputs to the livestock breeding sector (cattle feed, day-old chicks, chickens, etc.) and the provision of veterinary services.

8. Forestry and the environment

41. Considerable progress has been made in this sector, notably: (1) tax rationalization for the forestry sector; (2) the definition of new criteria for granting forestry concessions; (3) the presence of an independent observer on the inter-ministerial commission for awarding forestry licences; and (4) the adoption of the planning strategy for awarding forestry licences. Furthermore, the government has set up the Forest Revenue Security Programme (PSRF), a framework for coordination and institutional cooperation between tax and forestry administration. Likewise, a surety system, developed to ensure that development plans and specifications were respected, became operational in the financial year 2000/2001. All these reforms have been introduced with a view to:

(a) rationalizing and fostering sustainable management of forestry resources; (b) promoting a forestry industry with high economic value added; (c) protecting the environment; and (d) increasing the sector's contribution to the State budget.

(4) OUTLOOK FOR THE CAMEROONIAN ECONOMY

1. Macroeconomic policies

42. Motivated by the encouraging results of the implementation of its three-year programme (1997-2000), the Government has adopted a poverty alleviation programme for the 2001-2003 period. This programme reinforces the reforms launched since August 1997.

43. It is based on the interim Poverty Reduction Strategy Paper (PRSP-I), prepared with a participatory approach in mind and adopted in August 2000. A definitive Strategic Framework for Poverty Reduction should be established by November 2001 at the very latest. The overall aim of this programme is to create conditions for strong, sustainable growth with the potential to curb the poverty currently affecting over 50 per cent of the population, predominantly women. Cameroon intends to take up a number of major challenges, notably: (i) to ensure that GDP continues to grow at a minimum annual rate of 7 per cent in real terms in an endeavour to reduce the poverty rate by half by 2015; (ii) to discover new non-petroleum growth products to export, as catalysts for economic growth; (iii) to strengthen the national industrial fabric and improve the quality of agricultural products sold on the foreign market and the volume of which is experiencing a downward trend; (iv) to enhance governance in the fields of public finances and business with a view to: (a) improved expenditure control; (b) capacity building with regard to the design, planning, execution and following up of the Priority Investment Programmes (PIP) in particular; (c) improved government procurement procedures and greater supervision of their execution; (d) greater transparency in and modernization of the judicial system and the fight against corruption. These concerns are linked to the need to promote a dynamic private sector and ensure viable social and human development.

2. Sectoral policies

44. Over the next three years, the Government intends to develop a sectoral strategy for each sector which clarifies sector priorities and paves the way for the development of a sliding multi-year PIP.

45. With regard to the development of **rural and industrial activities**, as of 2001 the Government intends to develop both an integrated rural development strategy and an industrial development strategy. The integrated rural development strategy will, to begin with, involve developing suitable strategies for the livestock breeding and fisheries subsectors, based on their potential and on the authorities' development aspirations.

46. Within the framework of its poverty alleviation programme, the government will introduce so-called second-generation reforms in the three key sectors of health, education and basic rural infrastructures.

47. Two interim sectoral strategies have already been adopted in the fields of education and health.

48. **The education strategy** aims to introduce the principle of education for all by offering increased access to education, encouraging school attendance among girls, improving teaching quality, professionalizing teaching and ensuring that education and training are geared towards

employment. The authorities decided to scrap the payments required of the parents of pupils attending public primary schools, a measure which took effect as of the school year 2000/2001.

49. An emergency investment programme focusing as a matter of priority on classroom repair and construction will be implemented following studies to ensure effective and efficient public spending.

50. **In the field of health**, the main objective of the sectoral strategy is to reduce infant mortality and the incidence of communicable diseases, check the spread of HIV/AIDS, promote preventive medicine and improve the access of the population to essential drugs. To this end, the Government, with the support of international health organizations, plans to swiftly step up the number of public information and awareness campaigns on this scourge.

51. **With regard to basic rural structures**, the Government has increased the resources earmarked for road network maintenance. The grant from the Road Maintenance Fund and direct funding by the Ministry of Public Works have substantially increased with the 2000/2001 budget. Additional human and technical resources will also be mobilized to enable more road works to be scheduled and related tenders awarded. Support will also be given to the small and medium enterprises (SMEs) in this sector, with a view to developing their ability to complete the contracts awarded to them within the allotted time.

52. The Government is resolved to expedite and broaden the scope of structural reforms in the **agro-industrial, utilities, transport and petroleum** sectors in order to stimulate both private investment and the competitiveness and efficiency of the economy as well as its production and export capacity.

IV. IMPLEMENTATION OF THE MARRAKESH AGREEMENTS

53. A National Technical Committee for the Follow-Up of the Marrakesh Agreement Establishing the WTO has been formed by Prime Ministerial Decree. It is made up of representatives of both the public and private sectors and aims to bring the legislative and regulatory framework into line with new multilateral requirements and facilitate Cameroon's integration into the global economic system.

54. Cameroon's endeavours to implement the WTO Agreements have met with difficulties related to the fragility of its economic structures and the structural weakness of the body responsible for following up the said Agreements.

55. Like other developing countries, its concerns in relation to the international trade liberalization process revolve around the following:

- The need for constructive dialogue in order to induce all WTO Members to contribute to the development of a new architecture of international trade;
- greater transparency when drawing up the rules of the game;
- the need to take into account the specific characteristics of the economies of Least-Developed Countries (LDCs) and other low-income countries, in particular loss of market share in the wake of the dismantling of trade preferences formerly provided for in the Lomé Convention and other similar agreements;

- transparency in the preparation and running of statutory WTO meetings.

(1) AGREEMENT ON AGRICULTURE

56. The Agreement on Agriculture covers three areas: (i) domestic support, (ii) market access and (iii) export competition.

57. Domestic support is a much-debated issue. On account of this Agreement and despite the required reductions, developed countries with domestic support measures in force still have the possibility of strongly backing their agriculture to the detriment of developing countries where most support measures were dismantled under the Structural Adjustment Programmes during the base period (1986-88).

58. Market access is one of Cameroon's greatest concerns, since there are many constraints which prevent entry to developed countries' markets, such as tariff peaks, tariff escalation (tariffs increasing according to the degree of processing) or else increasingly restrictive technical and phytosanitary standards (e.g. the maximum limit for pesticide residues).

59. Moreover, the Lomé Agreements, which guaranteed preferential access for products from African, Caribbean and Pacific (ACP) countries, have been replaced by the Cotonou Agreement which will lead to preferences being dismantled and regional economic partnership agreements being established by 2008. This will result in the erosion of our preferential margins and stiff competition for our export products - hence the need to improve the competitiveness of the country's agricultural products.

60. Like most developing countries, Cameroon does not subsidize its agricultural exports. Agricultural export subsidies granted by developed countries could, however, threaten the country's food security in the long term.

61. Cameroon also argues that the agricultural sector should receive special attention on account of its specific nature (food security, poverty alleviation and rural depopulation).

(2) CUSTOMS VALUATION AGREEMENT

62. Cameroon will implement the Customs Valuation Agreement as of 1 July 2001. Technical and financial assistance in this field is imperative to support the Customs Administration in its effort to implement this new technique (exchange of information on the flow of goods).

63. This Agreement introduces a new element in the determination of customs value.

(3) AGREEMENT ON TECHNICAL BARRIERS TO TRADE

64. This Agreement basically concerns technical regulations, standards and conformity assessment procedures. Law No. 96/11 of 5 August 1996 on standardization outlines:

- The national standardization system;
- national brand name management and quality control;

- infringements and penalties.

65. The implementing decrees to this law are currently being signed.

66. Respecting these standards involves compliance costs which, in turn, affect the market competitiveness of the country's products. Technical and financial assistance from the international community would enable our countries to adapt to the technical standards and regulations of developed countries and to set up appropriate autonomous regulative legislation.

(4) AGREEMENT ON SANITARY AND PHYTOSANITARY MEASURES

67. This is one of the most complex WTO Agreements and its implementation raises difficulties, since certain countries continue to use sanitary and phytosanitary measures for restrictive purposes.

68. Cameroon is in favour of the precautionary principle; preventive measures may thus be taken owing to the difficulties which it faces in complying with external standards, the quality control system and sanitary and phytosanitary regulations.

(5) AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

69. The aim of this Agreement is to promote the effective and adequate protection of intellectual property rights while ensuring that the measures and procedures for enforcing these rights do not themselves become barriers to legitimate trade.

70. It establishes a multilateral framework of principles, regulations and disciplines relating to international trade in counterfeit goods.

71. The Bangui Agreement has been revised to bring it into line with WTO rules and Cameroon has ratified this new Agreement. Business law has taken account of the provisions of the Agreement on the Trade-Related Aspects of Intellectual Property Rights (cf. the OHADA Treaty).

72. The Cameroonian Government has made all the necessary arrangements at national level to ensure that the implementation deadlines established in the TRIPS Agreements are respected.

73. African countries note that this Agreement does not explicitly meet the specific requirements of their States with regard to technology transfer, traditional knowledge and public health concerns.

74. The study currently in progress and future negotiations, in particular on Annex 1C of the WTO Agreement, will have to spell out the provisions on technology transfer more concretely and clarify the emergency and safeguard provisions relating to public health in order to help our countries to implement them. Traditional knowledge should also be taken into account as a matter of priority.

75. Cameroon's top priority is therefore to receive technical assistance from the WTO to help it to assess the socioeconomic impact of the Agreements and study new market access conditions.

APPENDIX TABLES

Table A.1
Development of the main indicators

Year	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000
GDP (CFAF billion)	4,571	4,932	5,240	5,406	5,787
Percentage growth rate	5.0	5.1	5.0	4.4	4.2
Inflation	6.4	4.2	2.0	2.9	2.1
Current account deficit	- 4.1	-2.8	-2.7	-4.4	-3.2

Sources: Ministry of the Economy, Finance and Industry; World Economic Outlook, October 1999 (IMF)

Table A.2
Development of trade (CFAF million)

Year	Exports	Imports
1995	812,395	598,709
1996	904,869	627,424
1997	1,084,509	793,930
1998	985,827	881,782
1999	985,492	811,226

Source: National Technical Committee on the Trade Balance (CTNBC)

Table A.3
Main export products

Products	1997/1998		1998/1999		1999/2000	
	Q	V	Q	V	Q	V
Petroleum oils	5,438,210	356,313	5,936,200	266,616	5,647,918	476,342
Sawn wood	390,956	83,238	457,034	109,492	566,185	142,932
Robusta coffee	68,210	58,031	55,044	47,549	92,760	69,195
Raw aluminium	56,503	52,524	63,595	48,142	73,559	61,630
Raw cocoa beans	100,848	89,784	96,461	85,545	89,565	60,280
Wood in the rough (logs)	1,770,635	158,896	1,320,133	122,313	1,691,492	57,609
Raw cotton	69,966	58,982	59,428	47,057	78,964	49,137
Fresh bananas	186,343	30,186	227,602	30,242	214,314	30,689
Wood veneer sheets	27,064	17,983	21,844	17,959	22,077	18,339
Cocoa paste	16,422	14,892	18,894	19,176	19,950	15,106

Q in tonnes (timber in cubic metres)

V CFAF million

Source: National Technical Committee on the Trade Balance (CTNBC)

Table A.4
Main export destinations

1995	1996	1997	1998	1999
France	Italy	Italy	Italy	Italy
Italy	Spain	Spain	France	France
Spain	France	France	Spain	Spain
The Netherlands	The Netherlands	The Netherlands	The Netherlands	The Netherlands
South Korea	China	China	Portugal	Taiwan
FRG	Taiwan	Taiwan	China	USA
Taiwan	Belgium	Belgium	Belgium	China
Portugal	Gabon	Gabon	Taiwan	Portugal
Belgium	FRG	FRG	USA	Belgium
China	Portugal	Portugal	South Korea	South Korea

Source: National Technical Committee on the Trade Balance (CTNBC).