



International Chamber of Commerce

The World Business Organization

A decorative graphic consisting of three semi-circles arranged horizontally. The leftmost semi-circle is a thin blue outline, while the two on the right are solid light blue.

CAMEROON INVESTMENT FORUM

Trade Liberalization & Economic Growth:

Strengthening Regional Markets

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Introduction

● **Trade Liberalization**

- No or Low Tarriffs on imports and exports
- Elimination of Non-tarriff-barriers
 - External: Trade quotas, Sanitary measures etc.
 - Internal: Trade taxes, special tax on imports, subsidise etc.
- Developing Countries account for 1/3 of world trade up from about 1/4 in the early 1970s.
- Trade between developing countries has grown rapidly, with 40% of their exports now going to other developing countries.

Benefits of Trade Liberalization

- Trade opening (along with opening to foreign direct investment) leads to economic growth. How?
- These benefits can be divided into:
 - **Static Gains:**
 - Increased specialization based on comparative advantage (Competitive advantage)
 - Trade creation.
 - **Dynamic Gains:**
 - Increased investment
 - Faster productivity growth (economies of scale)
 - Acquisition of new technology from abroad.
 - Learning by doing (transfer of knowledge)

CEMAC Regional Market

- **Regional integration** is a crucial factor for accelerating economic, social, cultural, and political development in Africa.
- The Central African Economic and Monetary Community (CEMAC) was created in 1994 to replace the Customs and Economic Union of Central African States (UDEAC).
- Comprises of 6 states in Central Africa; Cameroon, Gabon, Chad, Central African Republic, Equatorial Guinea, and Rep. Of Congo.
- With the main objectives of a Customs Union (free movement of goods and people) and a Monetary Union.

Intra-regional trade is low at less than 10% of GDP and less than 2% of total trade (WTO, 2007).

Intra-regional export shares, 1970-2001

	1970	1980	1985	1990	1995	2000	2001	year in force
Europe and North America								
CEFTA	14.6	11.5	12.4	1993
European Union	59.5	60.8	59.2	65.9	62.4	62.1	61.2	1957
NAFTA	36.0	33.6	43.9	41.4	46.2	55.7	54.8	1994
Latin America and the Caribbean								
CACM	26.0	24.4	14.4	15.4	21.7	13.7	15.0	1961
Andean Group	1.8	3.8	3.2	4.2	12.2	8.8	11.2	1988
CARICOM	4.2	5.3	6.3	8.1	12.1	14.6	13.4	1973
MERCOSUR	9.4	11.6	5.5	8.9	20.3	20.7	20.8	1991
Africa								
CEMAC (UDEAC)	4.8	1.6	1.9	2.3	2.2	1.2	1.3	1999
COMESA ^a	7.4	5.7	4.4	6.3	6.0	4.8	5.2	1994
ECCAS	9.8	1.4	1.7	1.4	1.5	0.9	1.1	1983 ^c
ECOWAS	2.9	9.6	5.1	8.0	9.0	9.6	9.8	1975 ^c
SADC ^b	4.2	0.4	1.4	3.1	10.6	11.9	10.9	1992 ^c
UEMOA	6.2	9.9	8.7	12.1	10.3	13.0	13.5	2000
Middle East and Asia								
ASEAN/AFTA	22.4	17.4	18.6	19.0	24.6	23.0	22.4	1992
GCC	4.6	3.0	4.9	8.0	6.8	5.0	5.1	1981 ^c
SAARC	3.2	4.8	4.5	3.2	4.4	4.3	4.9	1985 ^c

^a Prior to 2000, data unavailable for Namibia and Swaziland.

^b Prior to 2000, data unavailable for Botswana, Lesotho and Swaziland.

^c Year of foundation.

Assessing the State of CEMAC

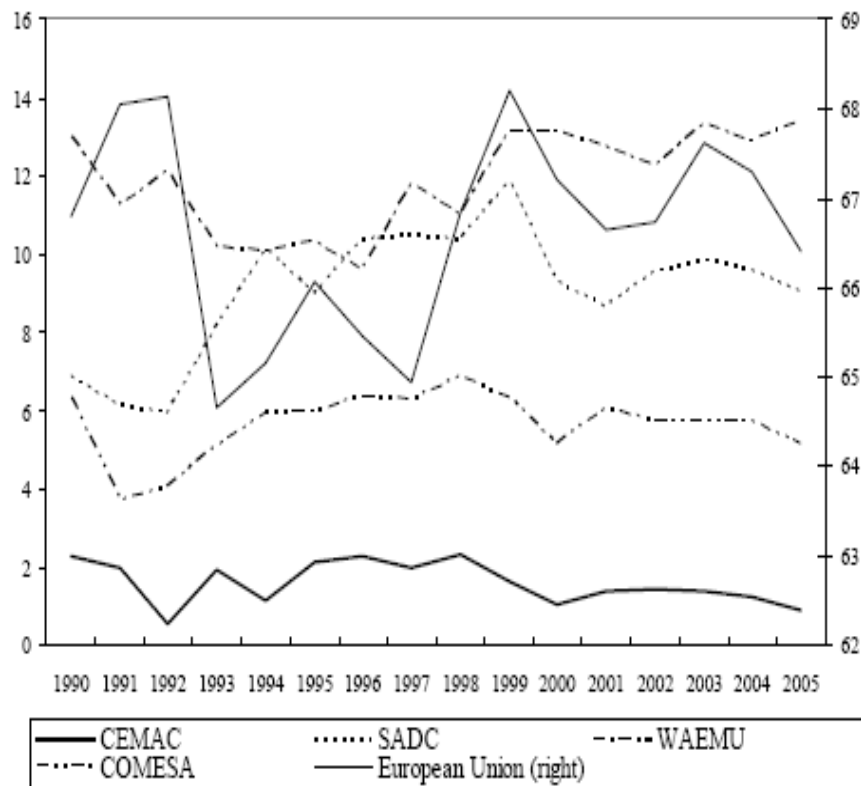
- **What Works:**
- The Monetary Union (FCFA- reduction of transaction cost)
- Inflation below Euro area levels
- Substantial increases in foreign exchange reserves.
- Member economies grew at 3.0% in 2000, 5.4% in 2001, 4.5% in 2002 and 4.7% in 2003 reflecting improved oil prices and government services.

Assessing the State of CEMAC

- **What Does Not Work:**
- Free mobility of goods and people across the borders is impeded by discretionary behaviour of customs officers and local authorities.
 - Internal linkages within the region are inadequate or none existent (poor roads, Air and Maritime)
 - Poor communication infrastructure
 - Compounded by numerous checkpoints, vigorous and long border checks

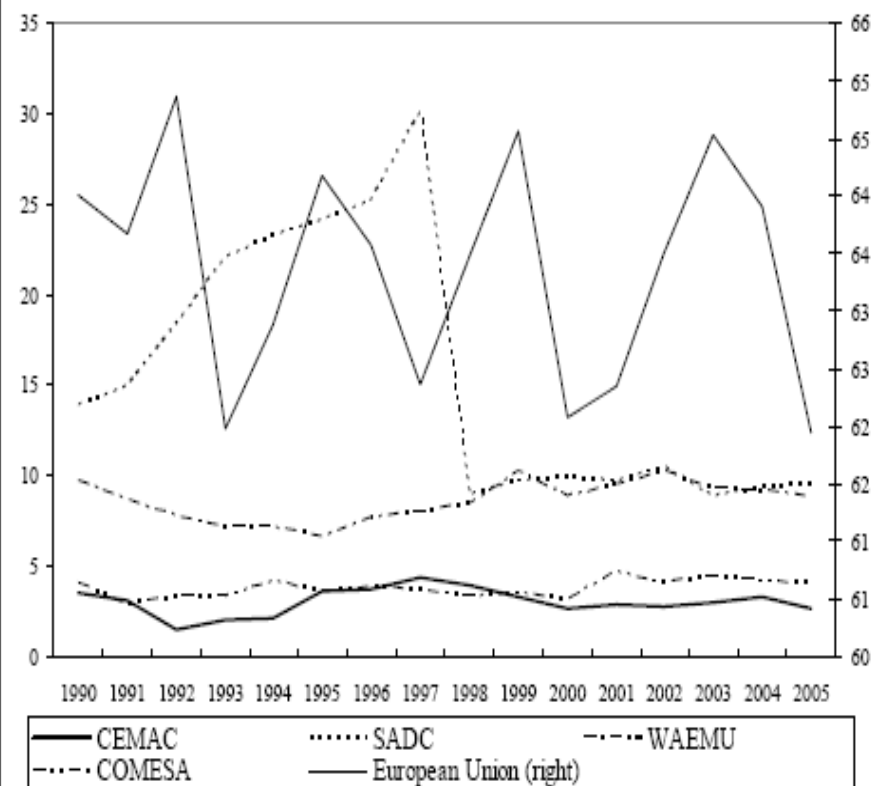
African Regional Trade Characteristics

Figure 4. Intraregional Exports
Selected Regional Groups



Source: IMF, Direction of Trade Statistics; and staff estimates.

Figure 5. Intraregional Imports
Selected Regional Groups



Source: IMF, Direction of Trade Statistics; and staff estimates.

Assessing cont.

- Poor implementation of regional trade policies
 - rules of origin, administrative hurdles
- Red tape (bureaucracy – paperwork)
- Weak and insufficient customs administration (missclassification of imports and corruption problems)

The Way Forward



WAY FORWARD



- In strengthening our regional market, we have to examine the following problems:

Regional Level:

- Increase common budget to finance regional projects (Regional Development Bank)
- Create functional transport corridors (land, air (Air CEMAC), sea, telecommunication)
- Support investment and prioritize manufacturing and processing industries.
- Suppress all regional trade restrictions (phasing out remaining surcharges, determination of products country of origin)

Way Forward Cont.

- Institute regional policies that compensate the losers of the integration process (Cotton/Chad, Sugar/Gabon).

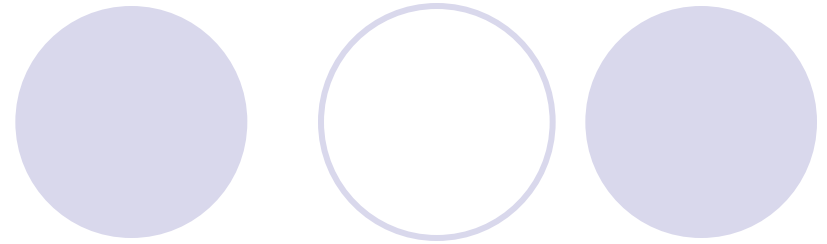
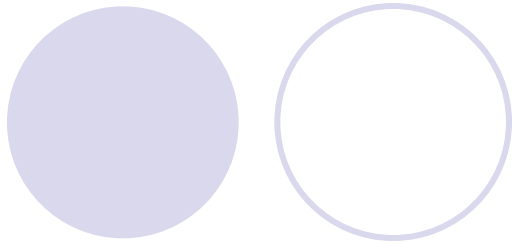
National level:

- Change policies and regulations that prevent efficient use of infrastructure or deter private sector investments in building infrastructure.
- Harmonized policies at national levels.
- Educate and train immigration and customs officers

Private Sector:



- There are some contributions that have been made by the private sector.
 - Conference of the Chamber of Commerce of CEMAC: meets 2-3 times yearly.
 - Sharing of Trade Fairs
 - Sharing of Missions
 - ICC Contribution: Conception of Incoterms, Provision of business tools, best business practices, Arbitration etc
 - ICC Africa Regional Coordination: Integration of policy and sharing of information at the African regional level.



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Thank You for Your Kind Attention

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