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PROMOTING EXPORT
DIVERSIFICATION IN
CAMEROON: TOWARD WHICH
PRODUCTS

Lydie Tankoua Bamou

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Promoting export
diversification in
Cameroon: Toward which
products? .

Lydie Tankoua Bamou

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List of abbreviations

ACP	Africa, Caribbean and Pacific
BEAC	Bank for Central African States
	World Bank (Banque Mondiale in French)
CAR	Central African Republic
CEMAC	Economic and Monetary Community for Central Africa
CFAF	African Financial Community Franc
c.i.f	Cost, insurance and freight
CIMA	Inter-African conference insurance market code
CNCC	Cameroon National Shippers Board
COBAC	Central African Banking Commission
DCs	Developing countries
DRC	Coefficient of domestic resource cost
DSNA	Department of statistics and national accounting
	European Union
FCP	Financial capital profitability ratio
	French franc
FOB	Free on board
GATT	General Agreements on Tariffs and Trade
GDP	Gross domestic product
GHCI	Gini Hirschman concentration index
MFN	Most favoured nation
MSA	Maxwell Stamp and Associates
MINDIC	Ministry Of Trade And Industrial Development
OAU	Organization of African Unity
PPP	Purchasing power parity
PTAs	Preferential trade agreements
QRS	Quantitative restrictions
RCCA	Regional Commission Of Insurance Control
SAPs	Structural adjustment programme
SFDf	Statistical and fiscal declaration
SSAs	Sub-Saharan African countries
UDEAC	Central African Customs and Economic Union
UNDP	United Nations Development Programme
UNCTD	United Nations Conference on Trade and Development
	Uruguay Round
US	United States
USA	United States of America
	World Trade Organization

Abstract

In a bid to solve the chronic balance of payments deficit resulting from the economic crisis that Cameroon has been experiencing since the mid-1980s, the Government opted to promote diversification of exports. Given the supply and demand constraints on traditional exports, non-traditional ones have been given pride of place. This research intends to provide an indication of a priority order of these exports by classifying them according to their world market access prospects. The calculations of the competitiveness and financial capital profitability indexes show that from the 33 identified non-traditional export products, of which close to three fourth are industrial, 19 (4 primary agriculture and 15 industrial) are competitive and profitable and can thus be promoted in priority within the exports diversification promotion framework that the government intends to put in place. The analysis of the competitiveness and profitability determinants revealed that these performances can be improved if the tariff and non-tariff barriers as well as national and international inadequate socioeconomic environment that constrain them are lightened,

1. Introduction

In 1985, Cameroon entered a period of acute economic recession following two decades of sustained growth (see Table A1 and Figure A1 in the Appendix). Between 1986 and 1993 the GDP fell constantly,¹ a degradation in economic activity that resulted in a chronic balance of payments deficit. The balance went from CFA francs (CFAF) 61.2 billion in 1985/86 to CFAF -252 billion in 1990/91 and stabilized around that amount until 1993/94. That situation is consequent to the long-term net capital flows, which became negative from 1990/91, as well as the effects of the considerable accumulation of the external public debt and the relative stagnation of the trade surplus (See Figure A2 in the Appendix)².

According to international trade theory, there are three ways Cameroon can reduce this drastic fall in her trade balance surplus: (1) reduce imports, (2) increase exports or (3) reduce imports while increasing exports. The first alternative is the main objective of the import-substitution strategy adopted after independence and reinforced in the Third and Fourth Five-year Development Plans (1971—1975 and 1976—1980). This strategy resulted in the development of a sufficiently wide industrial base, but was mainly geared towards the satisfaction of local needs (Amvouna, 1996; Bamou, 1998).

The Fifth Five-year Development Plan (1981—1985) retained the same strategy while stressing the setting up of an autonomous self-sustained industrial sector, controlled by nationals, with the main objective of processing local raw materials. Thus, without being a priority, foreign market penetration was initiated. This strategy can be assimilated with the third alternative. During this period, non-oil exports performance had not yet improved (See Table A2 in the Appendix).

Following the first structural adjustment programme (SAP) set up by the government in 1988/89, the orientation was definitely towards the second alternative with the promotion of exports, thanks to a general economic liberalization policy. The choice to promote exports pre-supposes not only diversification towards non-traditional exports but also an increase in the exportation of the traditional products that constitute the basis, albeit a narrow one, of Cameroonian exports.

The high dependency of the country's export earnings (the principal source of foreign currency) on a limited number of products justifies the emphasis on export diversification.³ This is all the more necessary for two other main reasons: (1) It should play an important role in establishing a variety of export earnings sources while at the same time positively affecting total export and local production growth rates (Lyakurwa, 1990), and (2) efforts to increase the volume of traditional exports are subject to both supply and demand constraints.⁴

However, if we consider only the warnings of Lyakurwa (1990) that export diversification has to take into account the import structure of target countries, we can rightly pose the question of which product(s) to promote in priority within the framework of export diversification in Cameroon.

Our study provides some answers to this question by identifying and classifying Cameroon's non-traditional exports according to their world market prospects (competitiveness) and their financial profitability measured, respectively, with the coefficient of domestic resource cost (DRC) and the financial capital profitability ratio (FCP). The discussion of this principal objective is preceded by: (1) the presentation of the diversification conceptual framework and (2) the description of Cameroon's export sector. A review of non-traditional export constraints and incentives and the conclusion and policy recommendations constitute the last two sections of the study.

Conceptual framework of the study

his study is in line with developments in international trade theory. Closely linked to the comparative advantage thesis developed by Ricardo, it is motivated by the need to address macroeconomic management difficulties of developing countries resulting from harmful fluctuations in their revenue. Such fluctuations are due to the international price instability of their exports, which rely on a small number of products (Deaton and Miller, 1995; Collier, 1996). The abundant literature on this subject deals with the justification and quantification of export diversification determinants. This section focuses on these two main points.

Justification for export diversification

On the basis of the two major groups of arguments, export diversification is considered in the literature as one of the main solutions to the instability of export earnings of developing countries.

The first and oldest of these two arguments is based on the conclusion of MacBean et al. (1980). Their arguments show that the instability index of export earnings is higher for developing countries that have a narrow export base than for developed countries with a wider base of exports. These authors concluded that commodity and geographical concentration were not the cause of export earnings instability as was previously believed, but rather than depended on the type of commodity.⁵

The second more current group of arguments is partly a rebuttal of development literature against the Ricardian static concept of comparative advantage, which when carried to its logical conclusion advocates complete specialization to maximize gains from trade. Comparative dynamic advantage is thus used to justify export diversification.

The reasons for basing export diversification on comparative dynamic advantage are twofold: As a reaction to autonomous factors (taste, technology, industrial capacity, producer competitiveness, etc.), the comparative advantage of a country changes with time.

Changes caused by the economic policy in place (e.g., tariff barriers) affect comparative advantage. These changes render the dynamic comparative advantage more significant than the static one.

With the dynamic theory, this means that "a nation's pattern of development is not determined once and for all, but must be recomputed as underlying conditions change or

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are expected to change over time. Therefore developing countries are not necessarily or always relegated by traditional trade theory to export mostly primary commodities and import mostly manufactured products" (Salvatore, 1990: 313, cited by Luvanga and Musando, 1993: 976).

In addition to these two main groups of arguments in favour of export diversification, others taken from supply and demand approaches, debt and industrialization concepts, and those having to do with the country's economic performance, environment, tariff barriers, risk aversion, etc., are well developed by Luvanga and Musando (1993), Ssemogerere and Kasekende (1994), and Atungire and Tumwebaze (1996).

In fact, it has been shown in the literature that growth in the demand of raw materials is less than it used to be. Among the reasons most cited for this are inelastic income demand, trade barriers and discovery of substitutes. Salvatore (1990) has shown that the prices of raw materials have decreased since 1980 and

the income demand elasticity of developed countries is lower than 1 (one). Also, the discovery in developed countries of raw material substitutes as well as the setting up of trade barriers as a result of the development of market economies have reduced demand. All of this suggests that export diversification is the only way of increasing the exports of developing countries that are mainly raw material exporters.

It is shown in the supply approach development that changes in a country's resource endowment are the main supply factors that argue in favour of diversification. Marketing information that makes it possible to identify what is available in the market and what is in demand is also necessary for orienting supply with a view to world market penetration. Comparative dynamic advantage suggests, as a reaction to changes in local resource endowment (improvement in human capital, changes in production technology and availability of imported inputs due to reduction of trade barriers, etc.), the development of new products as a result of adjustments in the productive structure and therefore the emergence of new exports (diversification).

It appears in the debt approach that just as it is true that debt can make it possible for a country to increase its future production capacity; it is also true that creditors are primarily interested in a country's capacity to repay its debts. This capacity is generally appreciated from the ratio of debt servicing, which is a proportion of export earnings. The weakness or reduction of a country's export earnings indicates low capacity—or no capacity—to repay its debts, and therefore compromises its credit rating.

In developing countries this can imply a reduction in social services (transport, health, education, etc.) generally financed through debt. These implications can have disastrous economic and social consequences. It is therefore dangerous for a country to specialize in raw materials with low income-demand elasticities in developed countries (the main buyers) because such materials cannot facilitate increased export earnings. Under these conditions, diversification is the only solution.

It has also been shown that countries whose export earnings have grown are those whose total exports show a high proportion of manufactured products. In this connection, a positive relationship has been established in the economic literature between export diversity and the degree of industrialization. This also implies that countries with rising export earnings are those that graduate to higher and more sophisticated products.

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On the supply side, industrialization gives a country several opportunities for innovation (creation of new products or differentiation of existing products), which makes it possible to introduce new products into the market. On the demand side, product differentiation favours the effect of substitution within the same group of products (Ssemogerere and Kasekende, 1994). Easy control of the industrial production environment and gains from competitiveness resulting from the possibility of cost reduction also justify industrialization as a factor of diversification.

In general, the main arguments for diversification include: long-term tendency toward declining terms of trade for primary products, variability in export earnings and their implications for growth, and the poor correlation between real per capita incomes and natural resource dependence.

Quantification and analysis of export diversification determinants. A large part of the theoretical literature on export diversification deals with quantitative comparative advantage models. At the level of the individual exporter, indexes of competitiveness are widely discussed, while at the global level economic models are developed so as to illuminate the global comparative advantage. Ssemogerere and Kasekende (1994) classify them into supply and demand

models, which use disaggregated microeconomic models to identify supply or demand prospects for specific commodities for a country to diversify into, in order to increase its export earnings. Demand models generally take the following form:

$$X_t = \int [Y_{wt} (P_{xt}^d / P_{wt})] \quad (1)$$

where P_{xt}^d , P_w and Y_w are, respectively, the quantity of exports of commodity X over time t , the export prices (c.i.f.) in foreign exchange of commodity X , the average export price of X in the world market where the country is exporting and the real income of the importing country.

A growth rate of export commodity X can be derived from Equation 1 and the logarithmic form can be written as follows:

$$\ln X_t = b_0 + b_1 \ln Y_{wt} + b_2 \ln (P_{xt}^d / P_w) \quad (2)$$

If $b_1 = \epsilon_{Y, X}$ and $b_2 = \epsilon_{P, X}$, the coefficients b_0 , b_1 and b_2 can be interpreted, respectively, as the historical factors affecting exports, the growth elasticity of exports X with respect to income in the importing country and the growth elasticity of exports X

1 1 4

with respect to relative prices (P_{xt}^d / P_w). It becomes obvious from this demand model that for a commodity to have good prospects on foreign markets it is necessary that its demand be simultaneously elastic with respect to both prices and income.

Unlike the demand models, there is no uniform structure for the supply models. The formulation depends on the production function from which a particular supply model is derived. Nevertheless, most supply models are concentrated on the constant elasticity of substitution production function form, which can be written as follows:

$$Q = A[\hat{\theta} \cdot K^{-\rho} + (1 - \hat{\theta}) \cdot r^{\rho}]^{-1/\rho} P \quad (3)$$

where Q , A , K , L , $\hat{\theta}$ and ρ are, respectively, the quantity of output for export, the coefficient of scale that refers to technological changes that increase the productivity of factors of production, capital and labour, the distributive parameter, and the substitution parameter (Ssemogerere and Kasekende, 1994).

A reduced form of Equation 3 is also used to estimate the reaction of supply with respect to a certain number of independent parameters likely to influence the tradeable commodity.⁸ From equations 2 and 3, one can derive a set of criteria based on world market conditions and domestic supply conditions for identifying a priority of commodities for exports. The criteria include: (1) high income elasticity of demand, (2) high price elasticity and (3) supply responsiveness of the product.

The main limitation of economic models lies in the difficulty of applying criteria to a specific individual country, particularly for developing countries like Cameroon. These models are also less explicit on the motivation of individual exporters, who produce for the world market only when the realizable price in

local currency covers the cost of exports and produces an adequate profit margin, The higher a product's profit margin, the greater the exporter's motivation. In short, the exporter's main objective is to maximize profits. Indexes of competitiveness are thus constructed to incorporate this major preoccupation of exporters. Because of the multiple and sometimes very different meanings often given to the term "competitiveness", several indicators are associated with it.

Competitiveness is generally defined at two main levels (micro- and macroeconomic). At the macroeconomic level, it is often defined as a country's capacity to maintain and increase the well-being of its citizens (Markusen, 1992). According to Dollar and Wolff (1993), this definition imposes the concept of productivity as an approximation of competitiveness. Krugman (1994) stresses the dangers of macroeconomic definitions by arguing that while it is reasonable to speak of competitiveness at the firm level, its application at national level is inappropriate.⁹

- At the microeconomic level, definitions based on efficiency (unit costs lower than those of foreign competitors) are often distinguished from those based on trade (market share). Cockburn and Siggel (1995) synthesize these two approaches by defining competitiveness as the capacity of a production unit to profitably and durably win a large share of the market. This reflects the producer's capacity to reduce production costs with

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respect to competitors. That definition has the advantage of incorporating both notions of profitability, which is important to private exporters, and comparative advantage, which is better appreciated at the national level by policy makers. Taken separately, several indicators describe these notions:

The gross profit margin describes the difference between realizable export price and variable export costs at market prices (costs include on-farm and off-farm ones).

The net financial benefit (NFB) is the ratio of the export value at domestic prices to the production cost. If this ratio is higher than one, export activity is attractive and vice versa.

The economic profitability rate of the capital (EPC) is the difference between direct value added of output i and the sum of labour costs used in the production of i and the ratio between capital depreciation costs and the value of the total capital used in the production of i .

The net economic surplus (NES) is the difference between the direct value added of the production of i and the sum of labour cost, capital depreciation cost and the total capital value used in the production of i .

- The financial capital profitability (FCP) relates the financial costs of production to the value added at internal prices for each of the firm's products.

Among other indicators of comparative advantage, the coefficient of domestic resource cost (DRC), which is derived from the microeconomic profit function and is based on economic prices, is most often used.¹⁰

The most recent studies have concentrated on the analysis of export determinants. Like Love (1982) and Svedberg (1991), several others have centred their studies on developing countries (DCs) in general and African ones in particular.¹¹ Most of these studies show that relative prices, exchange rate, institutional factors and export diversification have a significant impact on the export performance of DCs. These

conclusions are reiterated in the studies led by Love (1982) on 50 DCs, by Svedberg (1991) on 33 sub-Saharan African countries (SSAs), and by Shepherd and Geraldo (1991) on 8 Latin American, European and Southeast Asian countries.

In Cameroon, the pioneer work on export performance is that of Maxwell Stamp Associates (MSA, 1987). Basing their hypotheses on those of the theoretical protection framework developed by Sjaastad and Clements (1981) and Sjaastad (1984), MSA show that the protection of Cameroonian enterprises weakens both their internal and their external competitiveness, thereby leading to poor export performance. These conclusions are confirmed by Samen (1990).

Greenaway and Milner (1987, 1988) and Milner (1990) try to identify the sources of this poor performance. Using a shift parameter, they find fault with the institutional framework, namely tariff protection, which constitutes a 71 to 85% anti-export bias,

Njinkeu (1992, 1994), using an improved shift parameter, arrived at practically the same conclusions. It should be noted that the industrial sector was the main focus of these studies.

In order to identify the efficient firms elected to the unique tax fiscal regime, using the Central African Economic and Customs Union (UDEAC) as a cooperative instrument, Bela (1996) ponders their comparative advantage and financial profitability. Using a Balassa version of the DRC index and the FCP ratio, the author contradicts the radical conclusions of MSA (1987) and those of World Bank (1991) on the inefficient use of resources in UDEAC industries; he rather points out that industries using more local inputs are more efficient than those using imported inputs. Furthermore, he stipulates that some few firms are profitable because their profitability rates are higher than the market debit interest rate.

Bela (1998) is the first to examine the competitiveness of Cameroonian products taken individually. He focuses especially on those elected to the unique tax regime. In order to explain the supremacy of Cameroonian products in the UDEAC market, in relation to their Gabonese and Central African Republic (CAR) competitors, the author compares the unit costs of the products and concludes that the dynamism of the Cameroonian entrepreneur is the determining factor of that supremacy. He explains his conclusion by the fact that Cameroon is exporting products with unit costs higher than those of Gabon and CAR. According to the author, these two countries do not export because their entrepreneurs are satisfied with the high margins they enjoy on local markets. The author's analysis is still incomplete because he does not consider the notion of "preference", which significantly affects the products' demand.

It is important to note that only the Cameroonian industrial sector is examined in the studies cited above. Maybe it was in a bid to fill this gap that Douya (1998) analysed the competitiveness of the cotton sector and deduced the competitiveness of the agricultural chains and the non-competitiveness of the industrial chain (cloth manufacturing) and that Gbetnkoum and Khan (1998) proposed to analyse the determinants of traditional and non-traditional agricultural output and exports.

Our study completes the macro and sectoral studies cited above. The fact that it is focused on a detailed study of products taken individually gives it a microeconomic character. It is in line with studies on cereals carried out by AIRD (1991) in the West African subregion (Guinea, Mali and Senegal) showing that traditional cereals are more competitive than local rice and that there exists, on the basis of comparative advantages, the possibility of exchange of cereals between countries in this subregion. The research is also in line with the more recent work of Atungire and Tumwebaze (1996), which classifies the three types of Ugandan banana according to their comparative advantage; their work is itself a follow-up to that of the Agricultural Secretariat (1993), which identified banana as a Ugandan high potential non-traditional export product.

3. Cameroon's export sector

The brief description of the Cameroonian export sector presented here focuses on the evolution of the total exports, and the identification and description of non-traditional ones.

Evolution of total exports

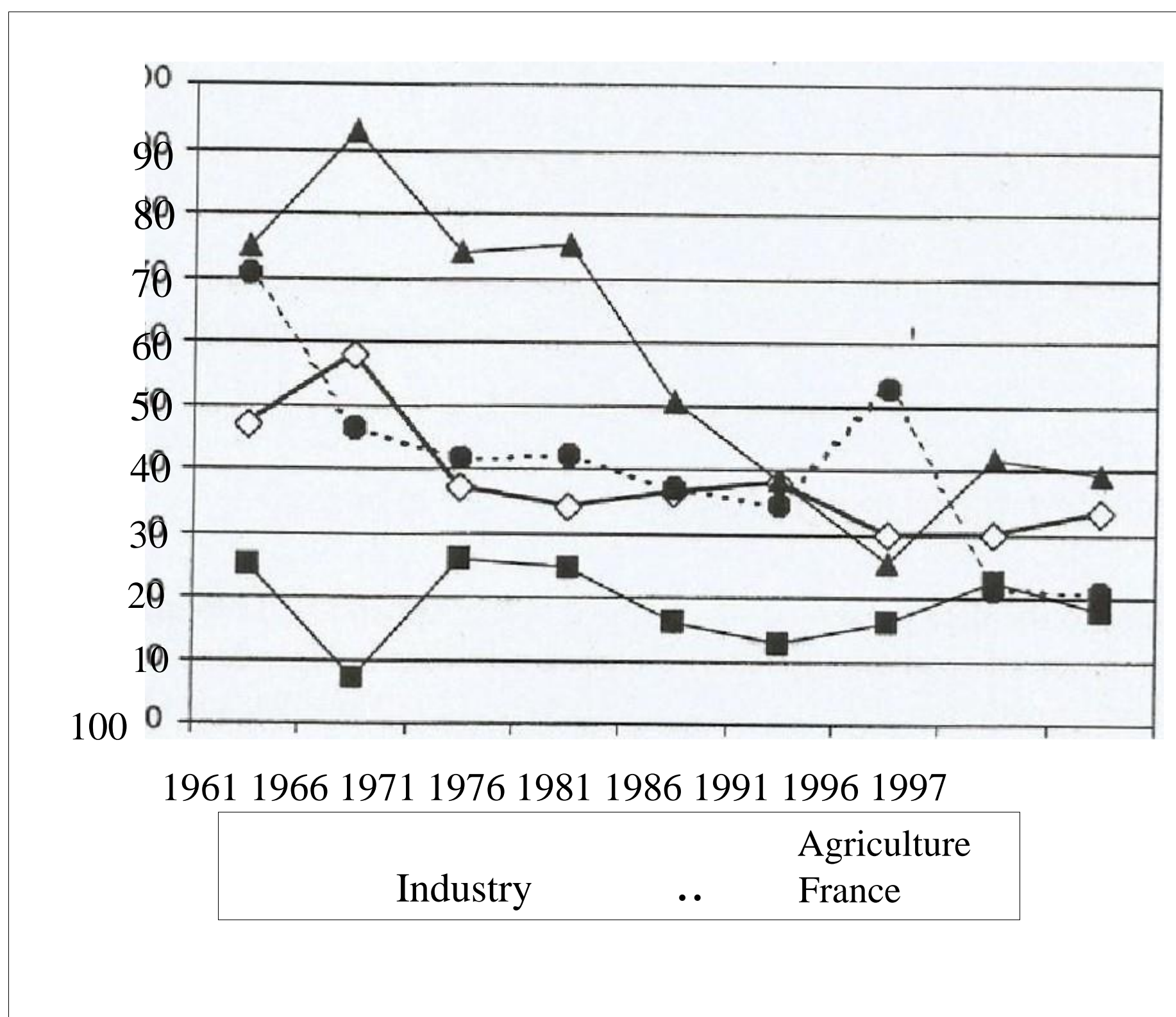
According to the data presented in Table A2 in the Appendix, three main phases in the evolution of total exports can be picked out from independence (1960) up to 1997: (1) rapid growth from 1960 to 1986, (2) a fall from 1987 to 1994, and (3) continuous growth recovery since 1994.

The first phase lasted for more than 20 years and was characterized by rapid growth at an annual rate of 10.6%. Spurred by the good performances of primary agricultural products (coffee, cocoa, cotton, timber, etc.) of the first 15 years, growth was further crowned from 1981 by oil exports. Behind this global good performance, however, there were great sectoral imbalances: a very limited number of agricultural products represented over 75% of total exports before oil started being exported. The lower part of industrial products exported is dominated by mineral derivatives, mostly aluminium.

During the second phase, this imbalance worsened* with the fall in both agricultural and industrial contributions and a boom in the oil contribution to total exports, despite the decline in the export revenue due to both the world economic recession and depreciation of the US dollar, which is the main currency in the payment of exports. This is an adequate manifestation of the "Dutch disease" described by Benjamin and Devarajan (1985). In spite of the poor performance of exports in this phase, there was a relative diversification of industrial exports. Chemical industry and timber products sliced bits off the market lead by mineral derivatives and agricultural food products, top of the list since the mid-1970s. This phase coincided with the implementation of the first SAP leading to the gradual abandonment of the import substitution policy in place since independence. Quantitative restrictions (QRs) as well as price controls and other nontariff barriers were gradually abandoned from 1989.

The third phase began with some major changes in the country's trade policy: a fiscal reform was implemented and the local currency (CFAF) devaluated by 100% relative to the French franc (FF). The export growth in this last phase was also accompanied by a relative harmonization of contributions to total exports, especially in the industrial sector.

Although primary export products still fetched over 80% of total export earnings, agricultural exports gradually took back the front stage they had occupied in the preceding Figure 1. Evolution of the Gini Hirschman concentration index (GHCI), sector contributions to Cameroon's export earnings and French imports from Cameroon (in percentage)



Source Tables A2 and A3 in the Appendix.

years. That is an indication that the Dutch disease was avoided. The growth in the contribution of both chemical industry and agricultural food products, and mineral and timber derivatives to exports is noted; the contributions of the first two subsectors came closer to 45% of the industrial export earnings.

The relative diversification of exports, which implicitly appeared in the growth of the sectoral contributions to export earnings, is confirmed by the decrease of the Gini Hirschman concentration index (GHCI), especially the non-oil exports as shown by the curve in Figure 1.12 This diversification is accompanied by a diversification of the market, representing a drop in exports to France. France was Cameroon's first client from independence, buying 70% of the 85% exports to Europe, but in 1997 she had only 25% of the 78% exports to Europe (see Table A2 in the Appendix).

Europe still remains the main outlet for Cameroonian goods, thanks to the preferential trade agreements (PTAs) between the European Union and Cameroon in the Lomé conventions.

Nevertheless, there are some openings in America, Africa and Asia as can be seen in the data in Table A4 in the Appendix. This opening towards Asia became remarkable in 1991, and that in Africa was timid due to the drop in the Maghreb market, which somehow

counter-balanced the upsurge in the SSA market. The rather timid opening on the American market is due to the limited number of partners. Almost all exports to this market go to North America and the USA in particular, which takes more than 95% thereof.

Whereas the GHCI has the merit of indicating that there has been diversification of Cameroonian exports since independence, it does not however show on which products such diversification was operated. The following paragraphs will attempt to fill that void.

Identification and description of non-traditional exports

Export diversification refers to changes in the composition of exports or in the relative contribution of each product to total export earnings with view to widening the scope for products with good prospects that are not affected in the same manner by fluctuations of international prices. This entails changing the composition of exports with the purpose of increasing the country's foreign exchange earnings (IMF 1987). The notion of diversifying exports thus implicitly refers to traditional and non-traditional exports, and identifying such exports requires a good definition of the two notions:

- Traditional exports are products that constituted the export structure Of the colonial period: cocoa, coffee, cotton, etc.
- Non-traditional exports are all other products that sprang up after independence (Ssemogerere and Kasekende, 1994) 13

As thus defined, traditional exports can be determined by doing a comparative analysis of a recent period export structure with that of the colonial period. That is why we have compared 1996/97 to 1959 export structures in Table A.5 in the Appendix. The 1996/97 products not featuring in the 1959 period are considered non-traditional, and illustrated by sector in Table 1. Crude and refined oil do not feature on the table because of difficulties in Obtaining data.

Selection of products was on the basis of the UDEAC custom rates nomenclature, which classifies products in sections having chapters and subchapters that make up specific product indexes. A tariff position of eight figures (four groups Of two) recaps this classification.

Our identification made reference to this tariff position, though some similar positions were aggregated, including (1) fresh and dry banana as well as plantains, as banana; (2) dry and green beans, as beans; (3) crude and refined sugar, as sugar; and (4) cotton cloth, spun or woven, tinted or printed, all as cotton cloth.

Table 1. Cameroon's 1996/97 non-oil non-traditional exports

Nos.	Products	Quantities (tons)	Values
			(CFAF millions)
<hr/>			

Primary			
1	Products		
2	Prawns		
	Barks		
3	Wheat	277	
4	Beans	1,631	485
5	Corn	3,115	980
6	Orange	2,393	863
	Rice		1,216
7	Saps and vegetable	4	1
8	extracts	18	
9	Tomato	92	15
	Total	6	2,041
		1,385	66
Industrial			
	Products		
10	Matches	8,921	5,668
	Soft drinks		
11	Paper boxes	1,081	1,680
	Glass bottles	9,196	2,215
12			
13	Chocolates	2,844	584
14	Hydraulic cements	982	784
15			
16	Woodsheets	21,676	5,102
	Insecticides	390	477
17	Aluminium household	163,916	8,760
18	articles	22,392	11,556
19	Perfumes		432
		2,745	3,640
20	Food pastries	274	606
21	Paints and varnishes	812	424
22	Batteries	339	535
23	Cereal preparations	2,034	2,711
24	Preparations for soups	1,140	1,126
25	and pottage	1,625	2,629
26	Beauty/make-up		
	products	515	442
27	Plastic bags	2,666	1,514
28	Soaps	653	136
29	Powder soaps	47	22
30	Bran and wheat	11,260	317
31	residuals'	500	238
32	Cotton cloth	1,810	41306

Source : Table A4 In the Appendix.

The identified non-traditional exports make up a small proportion of non-oil exports in 1996/97 (10.6% only). It can be noticed that diversification is more oriented towards industrial products, with 24 new products as against 9 only for the primary sector. Agroindustries have the lion's share (10 products), followed by chemical products (7), mining (4) and timber derivatives (3). In terms of export earnings,

mining products came first (40.5%), followed by timber derivatives (25.5%), agro-industries (22.4%) and chemicals (11.6%).

In spite of the relatively high diversification of industrial exports, primary products still remain preponderant in the country's export earnings. Primary agricultural products, which represented 76% of total export earnings in 1959, still stood at 40% in 1996/97, and would almost reach 82% if we add to them crude oil export earnings. This predominance of the primary sector shows that in spite of advancements in the industrial sector, industrialization after independence was geared more toward import-substitution than exportation (Amvouna, 1996; Bamou, 1998).

Data in Table A5 in the Appendix, indicating the evolution of non-traditional exports during the past ten years, show that their contribution to the total export earnings is dropping. Falling from 16.1% in 1988/89 to 12.2% in 1997/98, the contribution had an annual drop of 2.4%, after hitting the lowest level in 1993/94. This global downward trend, which somehow explains Government's intention to promote these exports, rather hides the unbalanced evolution of the sectoral contributions of non-traditional exports. In spite of the high growth in 1991/92 to 1993/94, it can be said that the evolution of the agricultural sector contributions follow this global drop. Even the 1994 CFAF devaluation did not reverse this trend and thus confirmed the rigidity, whose theory is pointed out in economic literature. The trend is rather upwards as regards the evolution of the industrial sector contributions, which could be compared with the agro-industry contribution.

The global downward trend of the volume and value of non-traditional exports, reversed only by the CFAF devaluation and commercial liberalization policies of early 1994, as well as the relatively continuous drop in their contribution to total export earnings, indicates that there is need for urgent government action in promotion. Economic rationale demands that priority be given to products with good prospects (competitive and profitable). The following Section will identify these products.

4. Classification of Cameroon's non-oil non-traditional exports

In a relatively liberal economy like that of Cameroon, economic policies strive to support profitability and economic efficiency. Private operators, whose actions condition the success of every economic policy, are more interested in profitable investment projects while policy makers implement those whose economic efficiency is certain. These two notions (profitability and economic efficiency) must be taken into account by government when promoting non-traditional exports. Issues of motivation, the economic environment, including trade policy, and the economic infrastructure are also important and should be considered as well. In order to establish a certain priority, this section begins with a brief presentation of the method for calculating indicators of competitiveness and profitability ratios.

Methodology

Domestic resource costs (DRC) has been chosen as an indicator of competitiveness (the product's capacity to penetrate the international market) in order to answer whether the country can gain by producing or importing. In other words, whether the local production can use the resources better than the rest of the world. This indicator furthermore compares added value generated by imported and local resources at shadow prices. The DRC concept is derived from the microeconomic profit function based prices. It can be defined as follows:

Let us suppose on the one hand the production of commodity i based on two production techniques (traditional and modern) known as t and j , respectively, and on the other hand that the two techniques use two types of inputs: (1) imported inputs or tradeables known as (m) subject to taxes and or subventions, and (2) resources or non-tradeables known as (l) subject neither to taxes nor to subventions. The producer profit function of this commodity for each of the two techniques can be expressed as follows:

$$NEP_t = P_i \cdot Q_{t,i} - \sum_m P_m \cdot a_{m,i}^t - \sum_l P_l \cdot b_{l,i}^t \quad (4)$$

$$NEP_j = P_i \cdot Q_{j,i} - \sum_m P_m \cdot a_{m,i}^j - \sum_l P_l \cdot b_{l,i}^j \quad (5)$$

where NEP_t , NEP_j , Q_i , $Q_{t,i}$, $Q_{j,i}$, $a_{m,i}^t$, $a_{m,i}^j$, $b_{m,i}^t$, $b_{m,i}^j$, P_m and P_l are, respectively, the net economic profit for the two techniques, the quantity of output (i) produced by the two techniques, the quantity of imported input m used in the production of output (i) for the two techniques (t) and (j), respectively; the quantity of local resources (l) used in the production of output (i) for the two techniques (t) and (j), respectively, the shadow price of output i , the shadow price of imported input m , and the financial cost of local resources (l).

According to microeconomic principles, a production technique is economically profitable if the NEP is positive. If both NEPs described above are positive, the producer

faces the problem of resource allocation between the two techniques. To solve this problem, we have to develop criteria for comparing the two techniques. The criteria are obtained by simple mathematical manipulation of the respective NEP of the two techniques. We can therefore note that:

$$BEN, f O \quad \text{if} \quad e.Q_{i,i} - EP_m.d_{m,i} \leq P_i \cdot b_{i,i}$$

$$BEN^* O \quad \text{if} \quad e.Q_{j,i} - EP_m.a_{m,i} \leq P_i \cdot b_{j,i}$$

That being the case, the following quotients can be used to eliminate the effects of scale in the two techniques.

$$\frac{\sum_l Pl.b_{l,i}^i}{P_i \cdot Q_{i,i} - \sum_m P_m \cdot a_{m,i}^i} < 1 \tag{6}$$

$$\frac{\sum_l Pl.b_{l,i}^j}{P_i \cdot Q_{j,i} - \sum_m P_m \cdot a_{m,i}^j} < 1$$

In these quotients, the denominators represent the value added generated by imported inputs (IVA). The numerators represent the local costs in accounting prices of the inputs used in the production of the commodity i (LC). These quotients can thus be interpreted as the domestic resource cost for a unit of foreign currency earned from exports. Considering the presence of both tradeable and non-tradeable goods in these ratios, we can introduce an exchange rate to give them a shadow value in a single currency (local currency). The harmonized ratio obtained, known as a coefficient of the DRC, can be expressed as follows:

$$DRC_i = \frac{\sum_l Pl.b_{l,i}}{(P_i \cdot Q_i - \sum_m P_m \cdot a_{m,i}) \cdot \frac{e^r}{e^o}} \tag{8}$$

where e^r is the shadow exchange rate and e^o the official exchange rate.

The DRC can also be interpreted as the ratio of the total domestic factor costs (TDFC) and the international value added (IVA) rated at shadow prices. In other words, the DRC rates the value per

produced value added unit and in shadow prices of the resources used in the production. As any domestic production can be seen either as an export or as a substitute for an imported good, the DRC also rates the cost of domestic resources per foreign exchange earned or saved in the activity. In national currency units per unit of foreign currency, the DRC, in foreign currency, could therefore be rewritten as (Siggel et al., 1993):

$$\frac{\text{TDRC}}{\text{DRC}} = \text{IVA} \quad (9)$$

A production activity is thus said to be profitable when the DRC index is lower than the shadow exchange rate (d). It is practical however, to resort to I as the decision criterion. To this end, IVA is replaced by IVA/e_0 and both parts of the equality of Equation 9 are divided by e_r to obtain:

$$\frac{\text{TDRC}}{\text{DRC}} = \text{SERIVA} \quad (10)$$

where SER is the ratio between the shadow exchange rate and the official one.

The law of comparative advantage using the DRC index can therefore be expressed as follows:

- (1) If the DRC index is lower than 1, then fewer local resources are required to generate a unit of foreign currency, or the value of the product at the world market prices is greater than the resource costs used in production. Therefore, as opposed to the rest of the world, the country uses its resources more effectively and thus has a comparative advantage in the production activity.
- (2) If the DRC is higher than 1, more local resources are required to produce a unit of foreign currency and the country has no comparative advantage in that production activity"

The DRC index can also represent the sum of labour and capital cost rates in shadow prices. As the capital cost is the sum of interest payments rated at the shadow interest rate and the capital depreciation costs rated at shadow prices, the DRC index can be written as follows if all these elements are considered:

$$\text{DRC} = \frac{w_r \cdot L + (r_r + d) \cdot K}{\text{SER.IVA}} \quad (11)$$

where w_r , L , r_r , d and K stand for shadow salary rate, quantity of labour, shadow interest rate, capital depreciation rate and the amount of capital rates at shadow prices.

The financial capital profitability (FCP) ratio relates the financial costs of production to the value added at domestic prices for each of the firm's products:

$$\text{Fcp} = \frac{\text{VA} + \text{SB} - (wL + DK)}{K} \quad (12)$$

where VA , wL , DK , SB and K are, respectively, the value added of production i , labour cost (salaries paid), capital depreciation cost, subvention for the production of commodity i and capital used in the production of that commodity.

According to the origin of the capital invested, FCP is often compared with two financial market interest rates (r):

- Lending interest rate, in the case of investment financing through a bank loan
- Borrowing interest rate, in the case of self-financing investment¹⁶

These comparisons aim to answer the following two main questions:

- Does the economic operator gain by borrowing money to invest?
- Does the economic operator gain more by investing available money than by placing it in the financial market?

The FCP law can thus be stated:

- (1) If $\text{FCP} < r$, then the investment is not profitable.
- (2) If $\text{FCP} > r$, then the investment is profitable.

Data, indicator calculations and classification

Although the DRC generates much information, there are several practical difficulties in its application. These difficulties lie mainly in the choices of the shadow price and exchange rate, capital and its depreciation rate, and the level of detail of the analysis. Referring to equations 11 and 12 used in our indicator calculations, the shadow salary

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rate, the shadow interest rates, the stock of capital valued at domestic and shadow prices, the shadow and official exchange rates, and the capital depreciation rate have to be chosen.

To avoid choosing the depreciation rate, we have used the amount of provision for the capital depreciation given by firms in our period of analysis (1996/97)¹⁷ as the amount of capital depreciation in order to agree with the firms' accountancy realities.¹⁸ The depreciation rate is directly obtained as the ratio of this amount with the stock of the capital valued at shadow prices. However, provision for the depreciation of capital is previously treated, as proposed by Balassa, as non-tradeable inputs. It is divided into that due to tradeable and that due to non-tradeable capital. The amount due to tradeable capital is deflated by the corresponding equipment average nominal tariff protection rate (NTP)¹⁹. Several methods are proposed for determining the shadow exchange rate, which should reflect the scarcity of foreign exchange. An alternative is to use the purchasing power parity (PPP) index, which postulates that any change in the exchange rate is always equal to the difference between the inflation rate in the two countries so that the real value of the currency remains unchanged. This method poses the practical problem of choosing the inflation rates. Other estimates of the shadow exchange rate are obtained from weighted averages of import duties and export subsidies (Squire and Van Der Tak, 1975).

We have used the 1997 annual average exchange rate of US\$ to CFAF constructed by the national branch of the United Nations Development Programme (UNDP). The results obtained are compared with those based on the 1997 annual average exchange rate of the £ US\$ to CFAF in the informal financial market. The official exchange rate used is the one published in IMF Financial International Statistics for the year 1997.

The capital stock at shadow prices is computed from the following formula:

$$K' = \frac{K}{1 + c} + (1 - c).K \quad (13)$$

where c , K , K' and t_k stand, respectively, for the proportion of tradeable inputs in the capital stock value, the capital stock value at domestic prices and shadow prices, and the average NTP of the tradeable inputs incorporated into the capital stock.

In order to obtain the capital stock value at domestic prices, that is, the capital that has effectively contributed to the production, the net assets of the firm at the beginning budgetary year are added to the new acquisition during the period of analysis (1996/ 97). There are various types of shadow salary rate, corresponding to various qualifications, t periods or regions (Squire and Van Der Tak, 1975), but there is no standard rate in a country. Because skilled workers are scarce in developing countries, we have considered, following Siggel et al. (1993), that those workers be paid at the international price and c the salary paid directly used as shadow salary. That is the case for administrative, commercial, executive and supervisory staff]a

Moreover, because there is always disguised unemployment of unskilled workers in developing countries, we have supposed that the salary paid to this category of workers is relatively higher than the international one and has to be adjusted. In practice, there are two ways of adjustment: (1) using the agricultural marginal labour productivity or

(2) using the informal salary rate to deflate the salary paid. The first method is used in this case because of the unavailability of the informal salary rate. Following Adenikinju (1996) and Bamou (1999a), the marginal productivity is derived from the Euler theorem. In general, the shadow interest rate is estimated as the marginal capital productivity. Due to the higher capital mobility, we have considered international interest rates as an approximation. The annual average inter-banking interest rate offered in London on US dollar deposits is used because of the preponderance of European Union (EU) investments in Cameroon. The rate also offered in London on the six-month pound (£) deposits on the Paris market is used for the DRC sensitivity analysis. This analysis is extended by increasing the chosen shadow interest rates by 10% and 15% in order to capture the country risk of foreign investment. The international interest rates are found in International Financial Statistics.

For the sample firms, we have first listed all the main producers of each product and then completed the list with the exporting firms that deposited their statistical and fiscal declaration (SFD) of the fiscal year 1996/97 (chosen as the base period of our analysis) at the Department of Statistics and National Accounting (DSNA). For each product, a questionnaire adapted from the one developed by Cockburn and Njinkeu (1993) was sent to a group of producing and exporting firms. Those who responded positively were finally selected. For the products without exporting firms or those with SFD deposited, small producers were directly interviewed. The sample firms thus obtained comprise, for each product, whether the main producer, a group of small producer firms or firms exporting more than 50% of the period total exports of the Table A6 in the Appendix recapitulates the sampling procedures.

The results of DRC and FCP calculations are presented in Table 2, along with the product classification in view of investment financed, respectively, by bank loan and self-financing. It can be seen from Table 2 that only 10 of the 33 identified non-oil nontraditional exports, of which three are primary agriculture and seven industrial, are competitive and profitable with bank financing. Nine products (one agricultural and eight industrial) are competitive and unprofitable. Four other products (two primary agriculture and two industrial) are uncompetitive and profitable, while the last ten (three primary agriculture and seven industrial) are uncompetitive and unprofitable.

If self-financing is considered, nine other competitive products (one primary agriculture and eight industrial) become profitable and bring the number of all competitive and profitable products up to 19. Only two competitive products (both industrial) are still unprofitable and only four (two primary agriculture and two industrial) of 19 products that are unprofitable with bank financing are still unprofitable with self-financing.

These results, which remain relatively unchanged when shadow interest and exchange rates are varied,²⁰ agree with some of Bela's (1998) conclusions, especially on the revealed competitiveness of soaps, plastic bags, and paints and varnishes, and also on the uncompetitiveness of hydraulic cements, matches, breweries (beer and soft drinks) and cotton cloth highlighted by Douya (1998). Bela (1998) revealed also the uncompetitiveness of aluminium sheets and household articles, but this has not been confirmed by the results of our study. This contradiction can be partly explained by the choice of different shadow prices or the treatment of non-tradeable inputs, which are not deflated by Bela (1998).

Table 2. Classification of Cameroon's 1996/97 non-oil non-traditional exports according to their competitiveness and financial profitability

Nos.	Products	DRC (in units)	FOP (in 0/0)	Class. ^t (1)	Class ² (2)
Primary products					
	Prawns	0.73	28.29	C-P3	C
2	Barks	0.64	25.36		
3	Wheat	3.21	7.06	UC-UP'	UC-
4	Beans	1.19	4.06	UC-UP	UC- UP
5	Corn	2.06	23.33	UC-P	IJC- P
6	Orange	0.97	1250	C	
7	Rice	4.11	422	UC-UP	UC- UP
8	Saps and vegetable extracts	1.02	21.60	IJC-p	IJC-p
9	Tomato	0.88	22.94	C-p	C-P
Industrial products					
10	Matches	1.07	23.41	-P	UC- p
11	Beer	1.91	13.71	UC-UP	U
12	Soft drinks	212	12.95	UC-UP	UC- p
13	Paper boxes	0.56	12.32	C-UP	C-p
14	Glass bottles	0.76	20.96	P	C-P
15	Chocolates	0.44	19.97	P	C-p
16	Hydraulic cements	1.70	14.45	UC-UP	UC- P
	Woodsheets	0.79	19,81	C-P	C
18	Insecticides	1.01	13.91	UC-UP	UC- p
19	Aluminium household articles	0.42	11 .63	C-UP	C-p
20	Perfumes	2.86	4.17	UC-UP	UC- UP
21				Food	C-P pastries 0.91 C-P 7.64 C-UP C-P C-P
					22 Paints and varnishes 0.43
					20.75
23				Batteries	0.82 9.10 C-UP

24					Cereal preparations	0.62		
					10.75 C-UP			
25					Preparations for soups and pottage	1.03	14.24	UC-UP
					uc_p			
					C-P 26 Beauty/make-			
					up C-P products	0.47		
					C-P 9.98 C-UP			
					C-P 27 Plastic bags			
					UC-P 0.58 20.98			
28					Soaps	0.98	20.06	
29					Powder soaps	0.84	29.20	
30					Bran and wheat residuals	1.67	25.21	UC_p
31	Sugars	0,97	15.60		C-UP			
32	Cotton cloth	1.53	3.94		UC-UP IDC-UP			
33	Aluminium sheets	0.46	15.04		C-UP C-P	33	0.46	
			15.04		C-UP			

Notes : I : Classification in view of bank financing

2: Classification in view of self-financing

3: Competitive (C) and profitable (P)

4: Uncompetitive (UC) and unprofitable (UP)

5: Uncompetitive and profitable

6: Competitive and unprofitable

Source: Author's calculations,

The existence in our sample of a relatively higher number of uncompetitive and profitable products in view of self-financing (33.3%) shows that Cameroonian entrepreneurs are more interested in the profit margins they have on the local market than in the competitiveness of their production activity. This behaviour can be partly attributed to the import substitution policy in place before the liberalization of the economy at the end of the 1980s,

The revealed competitiveness of some agricultural products confirmed the World Bank (1991) conclusions on the existence of the potential comparative advantage in the Cameroonian agricultural sector. The competitiveness of a large proportion of sample industrial products (62.5%) reduces the scope of MSA (1987) and World Bank (1991) conclusions on the inefficient use of industrial resources in the UDEAC zone and revives discussions on the suitable level of disaggregation in the competitiveness studies.

5. Analysis of export competitiveness and 1 profitability determinants

ost often, tariff and non-tariff barriers as well as economic environment obstacles constitute the main groups of determinants of competitiveness and profitability of exports. This section a reviews the components of these groups of export determinants in the case of Cameroon.

Tariff barriers

ariff barriers refer to all measures that lead to a direct disbursement of sums of money by exporters. During the period under study, as shown in Table 3, an exporter had to pay about 18 taxes and duties before selling abroad.

Apart from these national constraints, Cameroonian exports as well as those of other SSAs face a good number of international tariff obstacles. According to Njinkeu (1999), in spite of the significant international tariff reduction following the implementation of the Uruguay Round (UR) agreements, some industrial countries still apply some tariff peaks of 350% on some developing countries' products. The consultation group of experts of the Organization of African Unity (OAU) on ACP-EU negotiations (1999) reported that agricultural export products, comprising some Cameroonian non-oil non-traditional exports (tomato, beans, oranges and maize), to EU, Japan, USA, Canada, Brazil, China, Korea and Malaysia continue to suffer taxation rates between 0 and 9 1 % depending on the country.

Non-tariff barriers

such barriers include all other measures on exports or on export supply, They comprise quantitative restrictions and export subsidies and could be either favourable or not, depending on whether they are aimed at reducing exports or the production of exports.

At the national level, the number of non-tariff barriers is important, These are closely related to lengthy and costly

administrative procedures, corruption, inadequate judicial, banking and financial environments, and high production and transaction costs.

In Cameroon specifically, considering that the country's administration is slow and con-upted, the simple fact that one has to get visas from many administrations to comply with the regulations on exports is a source of inefficiency that deeply hampers competitiveness. In addition, there are discriminatory settlements of commercial litigation as well as judicial delays and inadequate professionalism of Cameroonian exporters.

Table 3: Duties and taxes paid on Cameroon exports in 1996/97

Nos.	Label	Ranges
1	Fees for establishment of loading slip (customs)	ndt
2	Fees for registration in the permanent survey on merchandise transactions (custom)	rid
3	Export duty or exit tax (custom)	2-170/02
4	Sanitary certificate (Ministry of Agriculture)	rid
5	Sanitary control fees (Ministry of Agriculture)	CFAF 50 /Tonne
6	Conditioning tax	0.5%
7	Packaging tax	5%
8	Loading tax	CFAF 247.2 - 588.5
9	Cameroon National Shippers Board (CNCC) tax	0.30 - 0.39%
10	Toll and weighting charges	nd
11	Credit distribution tax	
12	Turnover tax	
13	Council tax	CFAF 18 /quintal
Added in the case of anway exportation		
14	ASECNA royalties	CFAFŽ/kg
15	Turn over tax on transport costs	4.95963
16	Servicing tax	10.99%
17	Progressive tax or cash tax	1 0/04
18	Uniform tax	CFAF 1000

Notes: 1 Not determined.

2. Percentage of FOB value.

3, Percentage Of transport costs.

4. Percentage of cash payments,

Source: Author's construction using information from the National Department of Customs and the Douala and Yaounde airports,,

The many police checkpoints on the main highways, the poor State Of road infrastructures and the insufficiency of storage facilities have serious consequences for the development of exports. These may be delays in loading, increased transportation costs and alteration of quality, which often result in poor sales and are in addition to the higher direct transport costs. The Douala port, which is the main transit port in CamerOon, is the most expensive port on the WestAfrican coast. For instance, a tonne of rice charged CFAF 861 at Douala port is charged only CFAF 666, 550, 357 and 250 in Libreville, Conakry, Dakar and Abidjan, respectively (Njinkeu and Monkam, 1999). Port authorities explain these uncompetitive prices by attributing them to the need for frequent draining of the channel, which is subject to regular silting-up.

In spite of the relatively good quality of the telecommunications network, the supply Of this service, which is gaining importance in the international trade system, remains low and its cost higher as compared with other countries. The average waiting time for a telephone line in Cameroon was 5.5 years in 1994, but only 2.5, 1.4, 1.2 and 4.6 years in Côte d'Ivoire, Gabon, Senegal and all Africa, respectively. Likewise, a one-minute call

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to the USA from Cameroon is charged CFAF 2,000; the same call costs 1,545, 960 and 1,330 from Côte d'Ivoire, Senegal and all Africa, respectively (ITU, 1996).

Like exporters in most developing countries, Cameroonian exporters face serious problems due to lack of financing. Their access to bank loans is very limited because of the prohibitive nature of guarantees required and the lack of specialized financial institutions. Fojana (1999), citing the United Nations Conference on Trade and DevelopmentfWorld Trade Organization (UNCTD/WTO) census report, noted that financing constraints are the main problem faced by African exporters.

On the international market, Njinkeu (1999) asserts that the level of non-tariff barriers applied on Cameroonian exports is the highest in SSA, in both OECD and EU countries. Among other obstacles restricting African exports in general and Cameroon's in particular, we have noticed:

- Sanitary and phytosanitary measures, particularly on agricultural exports: These constitute constraints essentially because of lack of information on international regulations.
- Technical barriers related to packaging and packing: These increase export costs, given that costs of control activities are often incurred by exporters.
- Anti-dumping measures and compensatory rights, which constitute the greatest obstacles to the actual international trade regime: Members of the WTO, for instance, have the right to institute compensation charges on imports whose prices seem doubtful

(Stevens et al., 1998).

Despite the higher number of obstacles faced by Cameroonian exports in general and non-traditional ones in particular, this sector benefits from national as well as international institutional incentives, which shows an awareness of their importance to the economic growth and development of the country.

At the national level, the government in 1989/90 adopted the SAPS, which were accompanied by a gradual elimination of quantitative restrictions and simplification of administrative procedures relating to foreign trade as well as domestic transactions. Likewise, the implementation in January 1994 of the fiscal reforms suggested to the UDEAC countries by the regional institution, under support of the international financial institutions (World Bank and IMF), was accompanied by a considerable reduction in the number and scope of customs tariff instruments as well as rates (E. Bamou, 1998, 1999). The creation of the national competitiveness committee presupposes greater consideration of export constraint problems.

Cameroonian non-traditional exports are guaranteed access to the international market by government ratification of the agreements setting up the Economic and Monetary Community for Central African States (CEMAC) as well as those of WTO. The creation of an inter-ministerial technical committee for the follow-up of WTO agreements reinforces the Commitment to ensure market access to Cameroonian exporters. To revamp the production sector, a new investment code, attractive to foreign capital, and a new

nd labour code, which rendered domestic salaries more flexible, have been put in place since 1990.

us Cameroon's membership in the Central African Banking Commission (COBAC in of French) instituted by the Bank for Central African States (BEAC) reduces the risks Of i al national banks' insolvency and increases their managerial capacity by reducing political pressures on their decisions. Likewise, the adoption of the new insurance code (InterAfrican Conference of Insurance Market Code (CIMA) and control of the sector by a subregional institution (Regional Commission of Insurance Control, (CRCA) are likely .rs to revamp these important sectors for exports.

At the international level, the General Agreement on Tariffs and Trade (GATT) has relatively improved market access of developing country products, Among Other facilities, GATT allows a reduction Of an average 38% of tariffs applied on industrial exports Of developing countries, From 2005, after the enforcement of the WTO agreements, the consolidated tariff rate applicable on imports from developing countries will be around 21 4.5% (Njinkeu, 1999).

The GATT also reduces discrimination relating to international trade through the most favoured nations (MFN) clause, which warrants that preferences obtained from bilateral negotiations be extended to other countries. The dispensation from this rule that benefits developing countries is an ddvantage that Cameroon 's non-traditional exporters can exploit within the framework of UDEAC/CEMAC as well as the information and training Opportunities offered by the WTO.

6. Conclusion and policy recommendations

This research intended to support government options to promote non-traditional exports in line with its exports diversification policy. The research attempted to provide an indication of the order of priority of Cameroon non-traditional exports by classifying them according to their world market access prospects.

From the comparison of the export structure of the period before the independence of the country with that of 1996/97, some 33 new export products are identified and can be considered as non-traditional. Of these, nearly three-fourths are industrial. The calculations of their competitiveness and capital financial profitability indexes show that 19 of them (4 primary agriculture and 15 industrial) are competitive and profitable. These can thus be promoted in priority within the export diversification promotion framework that the government intends to put in place.

The analysis of the competitiveness and profitability determinants revealed that Cameroonian exports in general and non-traditional ones in particular are constrained by tariff and non-tariff barriers, as well as an inadequate national and international socioeconomic environment. Nevertheless, export performances can be improved if: (1) the number of taxes and duties is reduced, as well as the rate levels; (2) the unique export taxes and duties window is opened; (3) specialized production and export financing institutions are created; (4) ongoing privatization of telecommunications and roads maintenance is accelerated; (5) the activities of the national competitiveness committee are reinforced, along with those of the Inter-ministerial Technical Committee for the follow-up of WTO negotiationy²¹ (6) the restructuring of the economy is followed; and (7) the rehabilitation of the judicial environment is reinforced.

The main limitation of the study, which cautioned against a possible misinterpretation of the conclusions, is essentially due to the inadequacies of the competitiveness indicator: (1) the choice of shadow prices and (2) the static character in particular.

Despite that limitation, the research has the merit of underscoring the relative competitiveness and capital profitability, as well as the constraints, of some of Cameroon's non-traditional exports. One of the important questions in the Cameroonian non-traditional exports diversification process that the research didn't address is the identification of the potential destinations of those exports; this issue constitutes the future research area.

Notes

- 1 The growth rate of Cameroon's GDP became negative in 1986/87, one year before the adoption of the first structural adjustment programme (See figure A1 in the Appendix).
- 2 The long-term net capital flows moved from CFAF 56.5 billion in 1989/90 to CFAF -43.1 billion one year after, before falling to CFAF -191.2 billion in 1995/ 96 (MINEFVDCEFE, 1998). The external debt rose by between 1989/90 and 1992/93. The ratio of the external debt to export earnings thus moved from 33.8 to 69.1, while that of the internal debt shifted from 0.5 to 18.4 during the same period, Public debt servicing evolved from less than 5% of GDP in 1989/90 to almost 10% in 1991/92 (Government letter of intent to the International Monetary Fund, 1994),
- 3 Cocoa, coffee, cotton, timber and oil still made up almost 85% Of the country's total export revenue in 1992/93 (MINPAT/DSCN, 1993).
- 4 On the supply side, traditional commodities are not responsive to price changes in the short term On the demand side, income elasticities are also small, showing that even if global exports of these commodities were increased, the market will be unable to absorb all the export surplus thus created (Luvanga and Musonda, 1993). This hypothesis was verified with the fall in international prices of these commodities as a result of an increase in world supply (see Table A1 in the Appendix).
- 5 Export earnings from coffee, rubber and cocoa are more unstable than those from oil, banana, sugar and tobacco.
- 6 See T.L. Bamou (1999) for more developments on the notion of "new products".
- 7 See Ssemogerere and Kasekende (1994) for more developments on the derivation procedure of the equation and the description and economic interpretation of the parameters.
- 8 See Bond (1985) and Lukonga (1994) for examples of export supply functions.
- 9 See Marsh and Tokarick (1994) and Cockburn and Siggel (1995) for a detailed critical review of macroeconomic indicators of competitiveness.

- 10 More details on the DRC are given in the methodology section. See Siggel (1993, 1997), Cockburn and Dostie (1994), and Atungire and Tumwebaze (1996) for a review of other comparative advantage indicators.
- 11 See Vézina (1995) for a detail and review of this literature dealing with industrialized countries.
- 12 The GHCI right away gives the relative dispersion of a distribution. It is based on the value of each export to total export earnings and is expressed as follows:

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

Where X_i , X_e and n represent export value of product i , total export earnings, and number of export products, respectively. The GHCI is very important in the intertemporal comparisons and ranges from 0 and 1. When there is export diversification, the index tends towards zero because X_i/X_e gets smaller. When exports are concentrated on a few commodities, the value of X_i approaches the value of X_e causing the index to tend towards 1 (Osuntogun et al. 1997). The non-oil exports GHCI is preferred in our analysis to facilitate the comparison of the export structures before and after Oil export.

- 13 Some authors define them as all exports representing, individually, less than a minimum proportion of the total exports of a given period (Balassa, 1990; Gbetnkom and Khan, 1998; Njinkeu, 1999). This definition seems to be arbitrary because the choice of the base period and proportion depend on the author and always vary from one to another.
- 14 This indicator is preferred to others, especially to the unit cost used by Bela (1998), mainly because it refers to the rest of the world as a competitor to which the country has to measure up. With increasing economic globalization, countries should henceforth consider world competition and not only that of neighbours. The DRC has the advantage of taking this into consideration.
- 15 The implicit hypothesis of these conclusions is that DRC used in the creation of a unit of economic value added, expressed in shadow prices and qualified as the real foreign exchange value, is lower. Thus, the more efficiently they are used, the more important the comparative advantage of the country (AIRD, 1991).
- 16 Interest rates (r) in Cameroon's commercial banks are established by the central bank (BEAC); they were, respectively, 16 and 5.5% tax excluded and 19 and 4.5% tax included during the 1996/97 period.

14

17 This period enables us to consider the first adjustments carried out by some firms in their production set-up after the 1994 CFAF devaluation.

18 This choice enables us to consider the differences in capital depreciation rates according to the type of assets imposed by national legislation and practiced by firms.

h 19 See Siggel et al. (1993) for more developments on the similarities, differences, advantages and consequences of the Balassa and Corden approaches of choosing non-tradeable shadow prices, Tradeable goods refer to those sold or bought abroad and non-tradeables are those solely sold locally. As there is a tariff discrimination between imports and local products, our NTP is obtained by applying the following formula:

$$NTP = \frac{(1 + tm) \cdot (1 + tm_i)}{(1 + tdi)}$$

Where tm , tm and td . stand for average total imports tax rate, average productspecific imports tax rate and average product-specific domestic tax rate.

The NTP rate of the sector production is used when data on product are not available. The main sources of data used are National Department of Customs Duties for trade data and National Department of Statistics and National Accounts for data on production.

20 As shown in Table A7, the Ordering of the products by increasing DRC remained unchanged with the different shadow Interest and exchange rates. However, when the chosen shadow interest rate is reduced by 10% to account for the country risk of foreign investment, only 3 of the previous 4 competitive primary products (except oranges) and 12 of previous 15 industrial competitive products (except food pastries, soaps and sugar) remained competitive. With reduction of the shadow interest rate one product (tomato) of the previous competitive ones at reduction became uncompetitive.

21 The first committee, created in December 1997, has met only twice. The second, created in March 1997, which has already worked on several notifications in about 215 domams, is handicapped by lack of financial and human resources.

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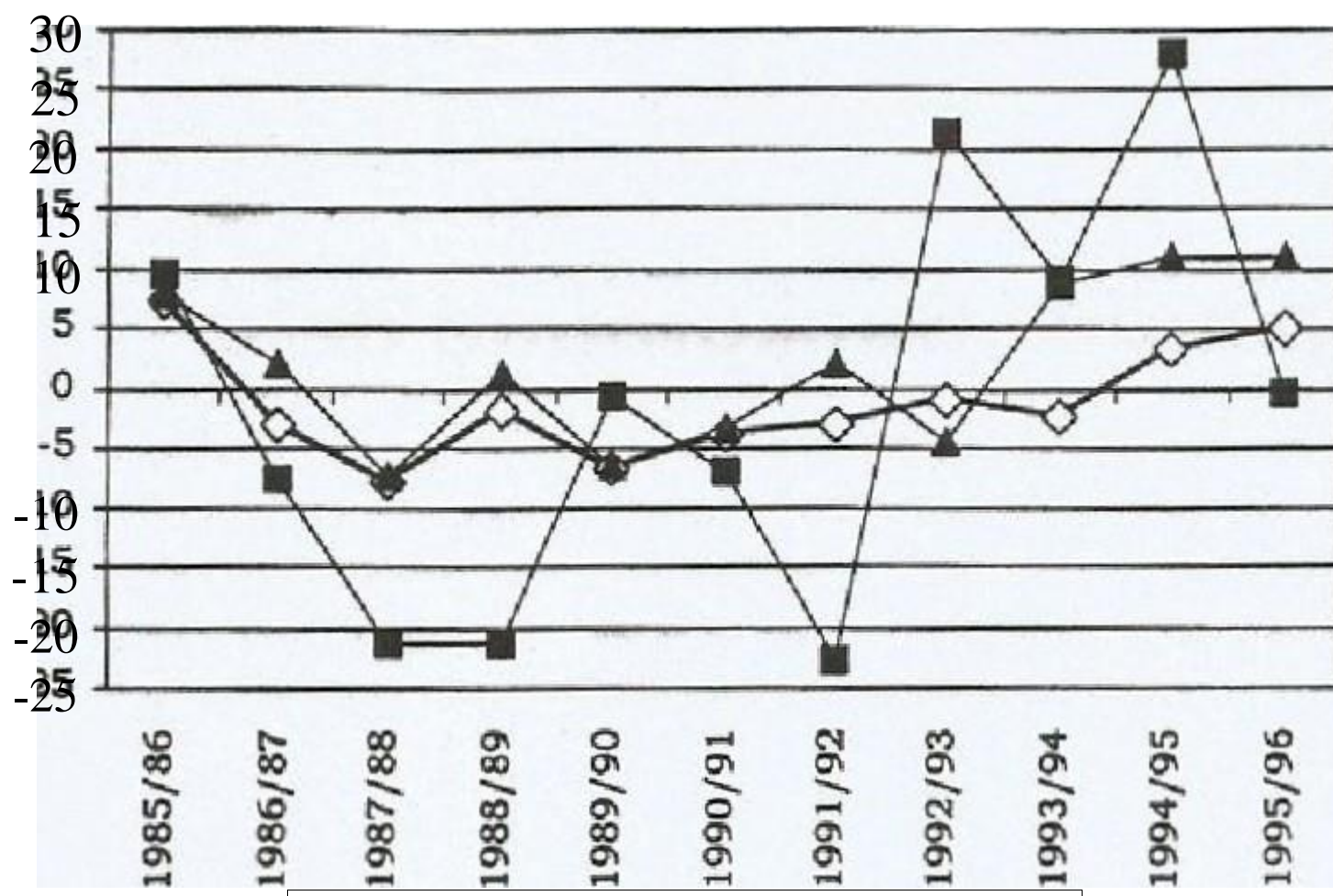
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Appendix: Background data

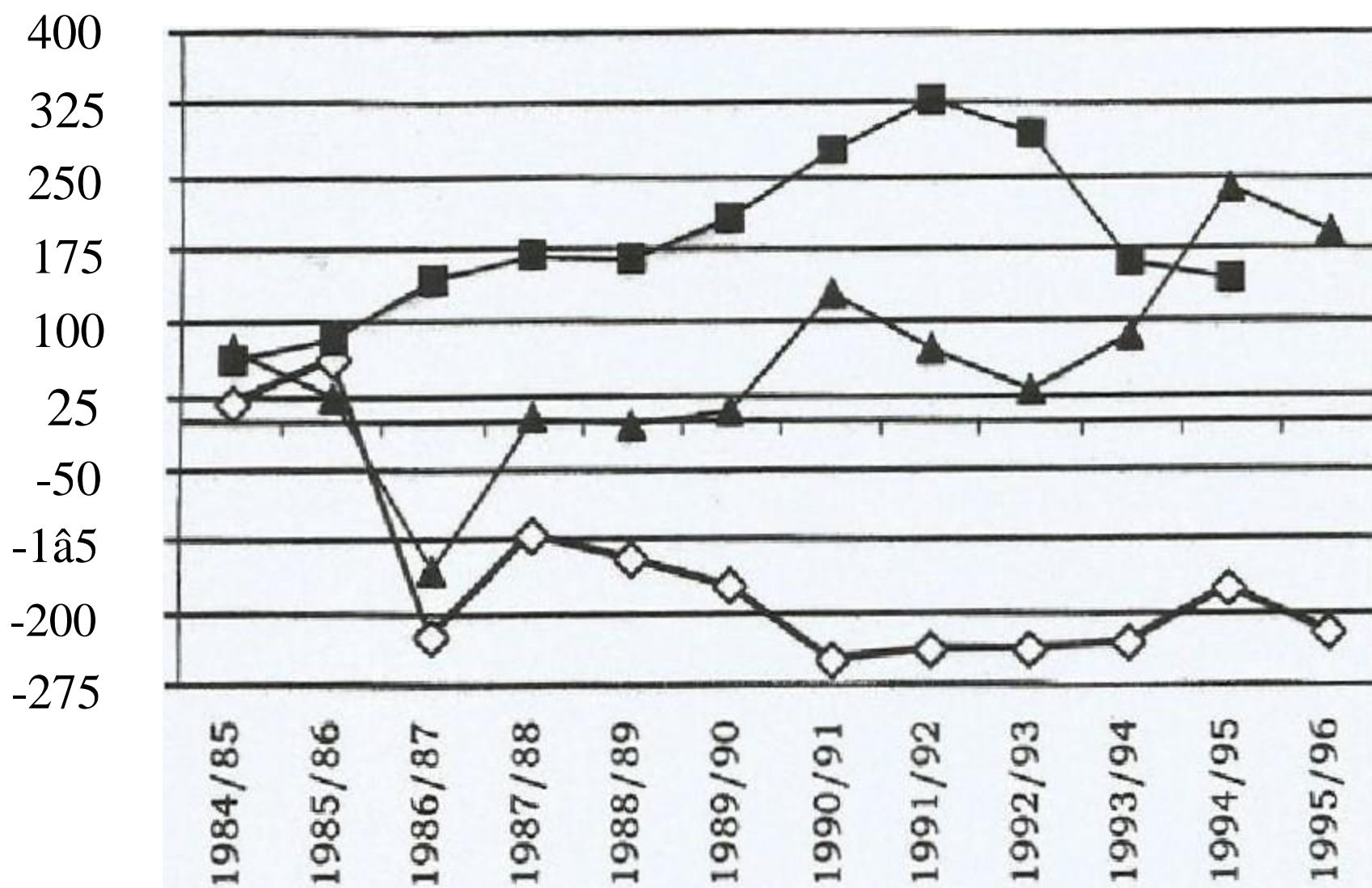


Real GDP
Final consumption
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Figure A1: Annual growth rate of some macroeconomic indicators for Cameroon (in percentage).

Figure A2: Evolution of Cameroon's balance payments and Its components (in billion CFAF)

data



Balance of payments
Trade balance
External debt services

Sources: Author's constructions from MINPAT/DSCN (1993) and MINEFI/DSCN (1995, 1998a),

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a) Macro-economic indicators (in billion CFAF)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total exports	577.7	657.4	635.6	573.8	674.5	699.2	512.7	656.5	565.8	766.2	811.0	821.6
Oil exports	95.0	271.3	272.8	100.0	176.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0

Source: "Bilan des Ressources et des Moyens" (1985-1996), "Comptes Nationaux" (1985-1996), "Budgets de l'Etat" (1985-1996) and "Rapport Annuel de la Banque Nationale" (1985-1996).

Oil Exports

Oil Exports (in billions of CFAF)

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Oil Exports (in percentage of total exports)

Oil Exports (in percentage of total exports)

Source: "Bilan des Ressources et des Moyens" (1985-1996), "Comptes Nationaux" (1985-1996), "Budgets de l'Etat" (1985-1996) and "Rapport Annuel de la Banque Nationale" (1985-1996).

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Oceania	0.00	0.00	0.07	0.00	0.01	0.01	0.04	0.01	0.01

Notes: 1 : Part of sub-Saharan Africa.
2 : Part of EEC/EU.

Sources: dem Table A2.

Table A2: Evolution of Cameroon's total export earnings

1961	1966	1971	1976	1981	1986	1991	1996	1997
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Table A4: Main Cameroonian exports products before and after independence (in millions of CFAF)

a) Primary Products

01	Pineapples	35	40	282	334
02	Live animals	12	20	100	93
03	Groundnut	207	135		
04	Bananas	939	588	32,957	27,938
05	Timber	410	623	76,303	103,295
06	Cocoa beans	9,372	8,506	72,676	63,222
07	Arabica coffee	1,567	1,236	13,782	20,516
08	Robusta coffee	3,939	3,974	55,569	47,889
09	Rubber	651	634	33,726	38,931
10	Cotton	1,175	1,147	35,808	65,421
11	Prawns			741	485
12	Barks			864	980
13	Wheat			57	863
14	Beans			1,093	1216
15	Palm oil	54	70	6,926	1,353
16	Crude oil			286,064	408,039
17	Corn			2	
18	Tin ore	40	37		
19	Titanium ore	1			
20	Kola nuts	1	2		
21	Gold	8	2		
22	Orange			5	1
23	Palm nuts	925	566	4	6
24	Raw hides	95	110	280	549
25	Rice			13	15
26	Sesame seeds	22			

Nos.	27	Saps and vegetable extracts			1,605	2,041
Products	28	Raw tobacco	211	131		
	29	Tomato			86	66
	30	Meat	192	98		
		Total A4a	20,356	17,937	618,943	783,254
			1959	1960	1995/96	1996/97

b) Industrial products

Nos.	Products	1959	1960	1995/96	1996/97
01				1,841	
02	Matches			54,150	1,680
03	Aluminium			4,791	50,915
	Cocoa butter			1,763	6,388
05	Beer			38,677	2,215
06	Sawn wood	4,247	4,602	412	41,404
07	Soft drinks	972	668	19,095	584
08	Paper boxes			5,572	784
09	Glass bottles	463	289	2,174	5,102
	Fuels and lubricants				
10	Chocolates			351	2,085
11	Cigarettes			,262	477
12	Hydraulic Cements			10,540	887
13	Wood sheets			9,878	8,760
14	Insecticides		5	802	11,556
15	Aluminium household			2,302	432
16	articles			871	3,340
17	Perfumes			260	606
18	Food pastries			6,975	
19	Cocoa pastry			580	10,534
20	Paints and varnishes				
	Batteries	245	196	3,792	535
21	Cereal preparations			821	2,711
22	Preparations for			3,331	1,126
23	soups/pottage			1,246	2,629
24	Beauty/make-up products			1,251	442
25	Plastic bags			4,463	1,514
26	Soaps			629	136
27	Powder soaps				22
28	Bran and wheat			1,129	317
29	residuals			4,338	238
30	Sugars	282	225	5,776	4,306
31	Cotton cloth			1,161	
	Aluminium sheets	6,317	5,985		4,806

Railway sleepers	178,939	670
Total A4b		171,416

A. Principal products (A4a + A4b)	26,673	23,922	797,882	954,670
B. Total exports	26,767	23,951	821,603	92805
C, A/ B (in percentage)	99.65	99.68	97.11	67.14

Sources: Author's construction using data from MINEN/SSGM (1960 and 1962) and MINEFI/DSCN (1996b and 1997).

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Table A6:. Sampling procedure

Nos.	Products	Number of Firms' Expons (in %)	Total Parts sel, (2) ²	Firms Exports (3)	(4)=2/3
Primary products					
1	Prawn		ppa	485	pp
2	Barks			980	sp
3	Wheat	2	sp	863	sp
4	Beans	1	1,185	1,216	97.45
5	Corn	4		1	sp
6	Orange	2	sp	1	sp
7	Rice	1	pp	15	
8	Saps and vegetable extracts	1	2,017	2,041	98.82
9	Tomato	1	pp	66	pp
Industrial products					
10	Matches	1	1,655	1,680	98.51
11	Beer	2	2,195	2,215	99.10
12	Soft drinks	1	405	584	69.45
13	Paper boxes	3		784	81.38
14	Glass bottles	1	4,584	5,102	89.85
15	Chocolates	1	452	477	94.76
16	Hydraulic cements	1	6,270	8,760	71.57
17	Wood sheets	1	7,472	11,556	64.66
18	Insecticides		425	432	98.38
19	Aluminum household articles	2	3,558	3,640	97.75
20	Perfumes		427	606	70.46
21	Food pastries	2	331	424	78.07
22	Paints and varnishes	2	528	535	98.69
23	Batteries	1	2,705	2,711	99.7B
24	Cereal preparations	4	655	1,176	58.17
25	Preparations for soups and potages	2	2,182	2,629	83.00
26	Beauty/make-up products	1	421	442	95.25
27	Plastic bags	2	812	1,514	53.63
28	Soaps	5	128	136	94.12
29	Powder soaps	1	21	22	95.45
30	Bran and wheat residuals	3	302	317	95.27

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31	Sugars	2		238	
32	Cotton cloth		pp	4,306	pp
33	Aluminum sheets	1	PP	4,806	PP
33			pp		4,806

Notes: I. sel. firms: Selected firms: 3, PP:
Principal producer 2, Exports are in million
Of CFAF 4. sp: Small producers

Source: Author's construction.

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Table A7: Sensibility analysis of the DRC coefficient
(products classified by sector and increasing level of DRC)

Products	1 ⁰	2	3	4	5	6
Primary products						
Barks	1	1	1	1	1	1
Prawns Tomato	2	2	2	2	2	2
Orange	3	3	3	3	3	3
Saps and vegetable extracts	4	4	4	4	4	4
Beans Corn	5	5	5	5	5	5
Wheat	6	6	6	6	6	6
Rice	7	7	7	7	7	7
Industrial products						
Aluminium household articles	1	1	1	1	1	1
Paints and varnishes	2	2	2	2	2	2
Chocolates	3	3	3	3	3	3
Aluminium sheets	4	4	4	4	4	4
Beauty/make-up products	5	5	5	5	5	5
Paper boxes	6	6	6	6	6	6
Plastic bags	7	7	7	7	7	7
Woods sheets	8	8	8	8	8	8
Batteries	9	9	9	9	9	9
Powder soaps	10	10	10	10	10	10
Food pastries	11	11		11	11	11
Sugars	12	12	12	12	12	12
Soaps	13	13	13	13	13	13
Insecticides	14	14	14	14	14	14
	15	15	15	15	15	15
	16	16	16	16	16	16

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Preparation for soups and pottage	17	17	17	17	17	17
Matches	18	18	18	18	18	18
Cotton cloth	19	19	19	19	19	19
Bran and wheat residuals	20	20	20	20	20	20
Hydraulic cements	21	21	21	21	2	
Beer	22		22	22	22	22
Soft drinks	23	23	23	23	23	23
Perfumes	24	24	24	24	24	24
Cereal preparations						
Glass bottles						

Notes:

Initial conditions (the official exchange rate (e_0) used is the same for all six alternatives).

e_r = Annual average exchange rate of US\$ in CFAF published by UNDP and r = Annual average inter-bank interest rate offered at London on one-year US\$ deposits (Chosen exchange and Interest rates).

e' = Informal annual average exchange rate of US\$ in CFAF and r = Annual average inter-bank interest rate offered at London on one-year US\$ deposits.

e_r = Annual average exchange rate of US\$ in CFAF published by UNDP and N = PRODUCTS? 45

Annual average inter-bank interest rate offered at London on the six months pound (£) deposits on Paris market.

4: e_r = Informal annual average exchange rate of US\$ in CFAF and r_r = Annual average inter-bank interest rate offered at London on the six months pound (£) deposits on Paris market.

5: e_r Annual average exchange rate of US\$ in CFAF published by UNDP and = 10% reduced annual average inter-bank interest rate offered at London on oneyear US\$ deposits.

6: Annual average exchange rate of US\$ in CFAF published by UNDP and = 15% reduced annual average inter-bank interest rate offered at London on oneyear US\$ deposits,

Source ,Author's calculations.

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