China-Africa Economic Relations: The Case of Cameroon

By

Sunday Aninpah Khan and Francis Menjo Baye
Department of Economics and Management
University of Yaounde II, Cameroon
P.O. Box 30726 Yaoundé
E-mail: sunkhan68@yahoo.co.uk and bayemenjo@yahoo.com

Report Submitted to the African Economic Research Consortium (AERC)

March 2008

I. Introduction

China's economic transformation and its integration into the world trading system has been one of the most remarkable economic events in recent decades. Its economy has grown by almost 10% per annum over the past decade and is predicted to become the world's fourth economy in the next five years (OECD, 2005). Its share in world goods trade increased from 1% in 1979 to 6.5% in 2005 and the Chinese economy has the potentials of becoming the world's top exporter in the next decade due to increasing FDI, high domestic savings and improved productivity (Hong, 2006). According to Broadman et al (2007), between 1990-1994 and 1999-2004 the annual average growth rate of African exports to China was 20% and 48% respectively. China now accounts for about 20% of the world's population. China has become an important player in the global economy and politics, actively participating in global institutions. Whether we like it or not, China is presenting a new and significant challenge to the global economy and particularly developing economies. No country can dare ignore China nowadays; not to talk of Sub-Saharan Africa countries like Cameroon.

Cameroon's economic growth picked up since 1994, after nearly a decade of profound economic crisis during which real GDP declined at an average of about 4% per annum. After the 1994 devaluation of the CFA franc, the country's competitive situation improved, terms of trade recovered and GDP growth became positive. The donor community reacted promptly as Cameroon signed a third standby agreement with the IMF on March 1994 and her debt with the Paris Club was rescheduled a few days after. Despite these positive developments, the burden of the external debt remained unsustainable as the total debt stock stood at US$7802 million in nominal terms by end of June 1999. Cameroon was subsequently admitted into the HIPC initiative in May 2000 and attained decision point in October 2000 after satisfactorily meeting a number of triggers. It however took Cameroon another six arduous years to reach the completion point in April 2006 when the donor community became satisfied with the extent of implementation of the poverty reduction strategy. Cameroon consequently benefited from substantial debt relief including benefits under the MDRI. A good portion of the resources emanating from this initiative is intended to be used in the social sector (education, health, basic infrastructure) as enshrined in the PRSP and the various sector strategy papers.

Economic growth averaged about 4% between 1994 and 2003, slowed in 2004 and 2005 (only 2% in 2005), but picked up again in 2006 (estimated at about 3.8%) (IMF, 2007a). Though Cameroon has witnessed positive growth for almost a decade and a half, it has not been high enough to have a significant impact on poverty. According to household surveys conducted in 1996 and 2001, income poverty in Cameroon appeared to have fallen substantially by 13% (i.e. from 53% to 40% of the population). The depth of poverty also fell from 19% to 14% within the same period. However, on the current trajectory, Cameroon is unlikely to meet most of the MDGs, though there have been some improvements in educational indicators (IMF, 2007a).

In 2005, about 43% of Cameroon's GDP was accounted for by the tertiary sector and 29% by the secondary sector (of which 58% came from manufacturing). The primary sector contributed 19%, including forestry, but excluding mining which is counted in the secondary sector, while indirect taxes (net of subsidies) represented 9% of GDP. The oil sector contributed 8.2% of GDP (IMF, 2007b). Cameroon's main trading partners and sources of both foreign investment and development assistance are OECD countries, and especially the former colonial power, France. Spain, Italy and the Netherlands are also main export destinations. Other principal sources of imports apart from France have been Nigeria and the United States, though China is coming up strongly as we show below. Crude oil remains Cameroon's main export commodity.

It is also important to note that Cameroon is a member of the Franc Zone (FZ). This zone is governed by a number of principles: use of the same currency among members and hence, a common foreign exchange policy against the rest of the world; pooling together of foreign reserves of members; and the full convertibility of the CFAF to the EURO through the "Operations Account" kept at the French Treasury in which at least two-thirds of all foreign reserve earnings of member countries are held[1]. Some of the

[1] See M'Bet and Niamkey (1993) for more on the Franc Zone.

implications of belonging to the FZ are that monetary policy decisions are taken at the level of the common central bank (BEAC) and implemented by the national branches, which are independent of national governments. This facilitates the control of inflation in the region, but puts a greater burden on other policy instruments for maintaining balance of payments equilibrium by individual countries, particularly on fiscal and wage policies.

Immediately after independence, Cameroon established diplomatic ties with Taiwan in January 1960. However, on March 26, 1971, Cameroon severed its relationship with Taiwan to establish diplomatic links with the People's Republic of China. The relationship between Cameroon-China has been characterised by numerous official visits involving top government officials from both countries. These visits are always forums for the reinforcement of ties through the signing of cooperation agreements. More recent years have, however, witnessed an enhancement of the extent of interaction between the two countries. The Chinese Prime Minister was in Cameroon in August 2003 and this was followed by the visit of Cameroon's President (Paul Biya) to China in September 2003. The vice president of EXIM Bank China paid an official visit to Cameroon in March 2006, and Paul Biya again visited China in November 2006 to participate in the second China-Africa Forum. Cooperation between Cameroon and China was crowned by the first ever visit to Cameroon by a Chinese President (Hu Jintao) in January 2007[2]. Cameroonian Presidents have however paid six official visits to China over the 36 years of diplomatic ties (Cameroon Tribune[3], 30 January 2007).

Cameroon and China have signed several agreements in the domain of economic and technical cooperation. Most of these agreements define the modalities of Chinese concessional lending to Cameroon, but others concern cultural, technical and also diplomatic relations. Among these agreements we have: Agreement for the reciprocal protection and promotion of investments signed in 1997, Agreement for Economic and Commercial Cooperation signed in 2002, and several Agreements on Economic and Technical Cooperation.

[2] The visit to Cameroon on February 1, 2007 was the first leg of an eight-nation African tour of Chinese President Hu Jintao.
[3] Cameroon Tribune is the National Government bilingual daily Newspaper

A Chinese Language Teaching Centre was created in Yaounde in 1997 and is jointly managed by the International Relations Institute of Cameroon (IRIC) and the Chinese University of Zhejiang. The centre provides training for professionals from the diplomatic and foreign trade cycles and has attracted students from several countries in the Central African sub-region. Starting in 2004, the centre organises a Chinese language competition each year and the winners benefit a trip to China. In September 2005, cooperation between the education ministries in Cameroon and China gave birth to the Cameroon National Ballet with the assistance of two dance instructors from China.

China's intensification of relations with developing countries like Cameroon has been attributed to the need to secure raw materials for its hungry booming economy and markets for its manufactures. China however insist its relationship is based on "sincere friendship", "equality", "reciprocal benefit", and "win-win cooperation"[4] as emphasised in a speech by the Chinese president during his visit to Cameroon in January 2007 (Cameroon Tribune ,31 January, 2007). China appears to be a more acceptable partner to African leaders because of its policy of non-interference in other states internal affairs.

To gain an inside into the economic relations between China and Cameroon, it is useful to examine traditional channels of economic interaction such as trade, investment and aid flows. Cameroon's traditional economic partners have been European countries, and top among them has been France, the former colonial power. Economic interaction with Asia and especially China has been very low, but is increasing rapidly. China will soon rival France as the main source of imports, and a number of Chinese financed infrastructural projects are important landmarks in Cameroon today. The level of economic interaction between the two countries is rising rapidly. A Cameroonian owned bank – Afriland First Bank – has recently opened up a branch in Beijing to cater for the increasing economic cooperation between the two countries.

[4] Extracted from Hu Jintaos' speech in Cameroon (Cameroon Tribune No 8780/4979, January 31, 2007). Translated by authors from French

Increased cooperation between Cameroon and china offers a lot of opportunities, and equally some challenges to the Cameroonian economy. China's demand for Cameroon's primary commodities provides a huge opportunity for local producers. Similarly, relatively cheap manufactured imports from China impact positively on the living conditions of poor Cameroonians. China equally offers a new and increasing source of FDI to Cameroon, whose FDI performance from traditional sources has been poor (Khan and Bamou, 2007). China has long provided aid to Cameroon. Such assistance is on the rise and unlike other donors, is unconditional and very much appreciated by Cameroonian authorities.

There is however the other side of the coin. Increased links with china equally constitute a challenge to the Cameroonian economy and society. The huge influx of cheap Chinese manufactured goods poses a serious threat to fragile export manufacturers in Cameroon and even more so, to small- and medium-sized enterprises who are still producing only for the local market. According to Kaplinsky (2007), even the boon from rising commodity prices equally poses some threats since the consequences of high commodity prices often are more of a "resource curse" than a "resource boon". Chinese FDI is not risk-free, however. Their technological and entrepreneurial advantage can threaten the survival of domestic firms in both productive and commercial activities. The unconditional aid from China risks stalling the reform process or even reversing some gains that have been made in terms of governance and democracy, thanks to conditionality from Western-based donor agencies.

Increased economic cooperation with China therefore carries huge potential advantages, but equally some risk and challenges. It is important to assess the benefits and the risk of this relationship with China, rather than take for granted the rhetoric from the Chinese leadership about a new strategic relationship based on sincere friendship, reciprocal benefits and win-win economic cooperation. Cameroon needs to know what they are gaining and losing from the relationship with China, so as to devise a strategy to increase the benefits and reduce the losses.

The objective of this study is therefore to examine the nature of the economic relations between China and Cameroon especially with regards to trade, investment and aid flows. This will entail examining the size, composition (or structure) and the significance of the various flows, and identifying and evaluating the implications for the relevant stakeholders in Cameroon.

II Chinese Investment in Cameroon

The government of Cameroon through the president has been openly wooing the Chinese to invest in Cameroon. In a speech to visiting Chinese President in January 2007, President Biya invited Chinese firms ". . . to come in their numbers and invest in Cameroon in all the sectors, especially hydrocarbons, mineral exploitations and wood extraction" (Cameroon Tribune, 2 February 2007, p.3). He first made the appeal while visiting China in January 2006.

Despite this desire to have the Chinese invest in the private sector in Cameroon, there is no government department that can say the amount of Chinese investment in the country at the moment. There are apparently no official records tracking the activities of Chinese in the private sector of the economy. However, there are many Chinese working in the private sector in Cameroon. They are involved in diverse activities, which range from road construction, fishing and poultry farming, confectioneries, catering, medical care, forest exploitation and retailing of a wide variety of cheap goods imported from China. These are essentially small scale activities. Given that there is no consistent data on the amount of Chinese private investment in Cameroon, this section will simply describe some of the activities of Chinese in the private sector and the possible impact they are having on the Cameroon society.

One of the sectors in which the Chinese are interested is agriculture. A Chinese firm known as Shanxi State Farms, in January 2006, reached an agreement with Cameroon to invest US$60.5 million in projects linked to rice growing, cassava processing and ostrich rearing. Shanxi State Farms is operating in Nanga-Eboko in the Centre Province. The firm has already started activities with 150 hectares of rice cultivation. The project is financed by a loan from EXIM Bank China.

The activity attracting the bulk of Chinese into Cameroon nowadays is the retailing of cheap goods imported from China like electronic appliances, textiles, travel goods, footwear, clothing, etc. Chinese retail shops are found on almost every street in urban settlements in the country. They are relatively small-sized businesses, generally owned and managed by Chinese families. Local retailers are facing stiff competition from the Chinese, even though they equally import from China.

An increasing number of Chinese is also operating in the health sector in Cameroon. Chinese medicine and clinics are becoming very popular in Cameroon. Many billboards are noticeable in towns indicating the location of clinics specializing in Chinese traditional medical practices like acupuncture, massage etc. They do not only provide medical services, but equally supply all the Chinese-based drugs needed.

The strategy of the Chinese government of late has been to forge joint venture projects between Chinese firms and private sector partners in Cameroon. EXIM Bank China is called upon to play an important role in this direction. In 1997, EXIM Bank accorded the government of Cameroon (managed by SNI) a loan worth US$14 million for the financing of two joint venture projects between Chinese and Cameroonian businessmen:

- A project for the production of tractors costing US$2.32 million in Kribi. A few tractors were produced but were uncompetitive on the local market because they were limited to only 7 horse power and could not operate effectively in the forest zone where the factory was located.
- The second joint venture project was to recycle tyres costing US$2.12 million. The problems of the company arose from the paucity of raw materials, soon after it went operational.

The above factories have been shut down. A metal works project that was to accompany these projects costing US$6.4 million was suspended. Cameroon private partners retained for the project did not contribute their share and SNI stood as the only Cameroonian partner for the two Chinese firms. Of the US$14 million budgeted for these joint venture projects, only US$4.56 million was consumed, the rest cancelled. The Cameroonian authorities blame the Chinese for solely carrying out the feasibility studies, while the Chinese blame the Cameroonians for mismanagement.

This is the result of joint venture projects imposed or initiated from above by governments. The appropriate or acceptable procedure should be for private Cameroonian/Chinese partners to identify profitable projects and contact EXIM Bank or both governments for assistance. There is no guarantee that continuing with the top-down approach will yield successful outcomes. Other things being equal, lessons must have been learned from this disastrous experience.

Chinese firms are involved in the construction sector in Cameroon. One recent phenomenon is that of Chinese firms bidding for construction contracts. When the China Road and Bridge Corporation (CRBC) won the bid to construct some 13 km of road in Cameroon's economic capital, Douala, it was unprecedented. CRBC accepted US$18 million, beating rival bidders who were requesting US$30 million. The construction was successful completed one month ahead of schedule and was appreciated by both the Douala municipal authorities and the World Bank, also involved in the project.

Chinese firms have been involved in huge construction projects in Cameroon since 1973, like the Lagdo Hydroelectric dam and the Yaounde Conference Centre. These are however firms hand-picked by the Chinese government without any tendering process in Cameroon. The activities of such firms nonetheless involve some investment (which is different from the aid given by China) whose amount is not known. All projects funded by Chinese aid are executed by Chinese firms.

Other sectors attracting Chinese private investment is the fishing, forestry and oil sub-sectors. There are a number of Chinese firms (groups of a few individuals and not large firms) involved in fishing, especially in the port town of Douala. They use more sophisticated fishing equipment than the locals. The Chinese are getting involved in forest exploitation, with only two or three small firms at moment. This is expected to rise as wood exports to China increase. Two Chinese firms including China National Petroleum Company are actively involved in oil exploration in the Gulf of Guinea, and Chinese investment in the mining sector is expected to increase following an appeal from the president of Cameroon.

The Impact of Chinese investment in Cameroon

There is no doubt that Chinese private investors have brought some benefits to the Cameroonian economy. They have increased the stock of capital goods through cheap capital imports from China. They have equally increased the production of goods and services at lower costs like construction of the road in Douala which has greatly improved circulation in that neighbourhood.

Local labour is benefiting from some of the employment opportunities created by Chinese firms, especially as assistants in Chinese shops and clinics, but also in Chinese construction sites and restaurants. These are however jobs requiring no specific skills, poorly remunerated, of short duration (some are laid off as soon as the Chinese can communicate in the local language - French or English) and the workers do not have any employment contracts with their Chinese employers. Local labour is also losing as workers are laid off or wages reduced as local firms adjust or collapse due to Chinese competition. Worst still, Chinese firms import most of their labour, even the unskilled. On the balance, local labour could have been better off, if Chinese investors were hiring most of their labour locally.

It can also be said that local labour is also benefiting from some skill spill-over by working with the Chinese, though this might only be inadvertently. A case in point is the recent phenomenon of Cameroonians practicing Chinese traditional medicine. They claim to have studied in China, but many are understood to have acquired some minimal knowledge working in Chinese-owned clinics in Cameroon. The level of skill transfer from Chinese firms is certainly low when compared with Western investors who employ more highly educated Cameroonians.

The local population is benefiting as Chinese investors provide goods and services at lower cost, promote efficiency and increase the variety of goods and services. Chinese firms have the reputation as low cost producers. However, the local population might also stand to lose as the quality of goods and services supplied by the Chinese is very often doubtful. The low quality of goods from Chinese-owned shops is known to everybody, though their low prices allow some of them to stay in business. A number of their shops have been closed as the public shun their cheap, low quality goods. It is equally alleged that some of the Chinese working in their clinics are unsuccessful businessmen with little or no knowledge of Chinese medicine. Hence, the Chinese might be increasing the supply of health services, but the quality is unverified. Moreover, their drugs are typically labelled only in the Chinese language.

Most Chinese private investment in Cameroon has so far been of the market-seeking type like in health, retailing, fishing and poultry farming, construction, etc. Market-seeking investment is the type that is likely to pose a significant threat to local stakeholders, as the Chinese possess superior technical know-how and better managerial skills. They have significantly raised the level of competition in the sectors in which they are participating.

Another group of losers from Chinese investment are local retail businessmen who operate similar businesses like the Chinese. They are facing fierce competition and many are closing their shops, despite the fact that most of them equally import from China. Same can be said for locally owned private clinics. Chinese clinics pose a serious competitive challenge, as they are said to be less costly in terms of consultation and non-requirement of laboratory examinations, and equally provide cheap drugs. Local contractors are facing similar problems. They cannot bid for Chinese funded projects (reserved for Chinese firms), and to make things worst, Chinese firms have started bidding and winning local contracts. Some of them expressed their frustration when a Chinese firm won the bid to construct roads in Douala.

The government is both losing and gaining from increased Chinese investment in Cameroon. Chinese increase fiscal revenue as they pay tariffs and business taxes to the government. However, the government loses taxes as local firms are shut down, engendering rising unemployment in the country.

III Trade Relations between China and Cameroon[5]

Cameroon has been trading with China even before the establishment of diplomatic relations in 1971. The volume of trade leaped to more than US$170 million in 2000, up from only about US$85 million in 1999. According to the Chinese ambassador to Cameroon[6], trade between the two countries stood at US$340 million from January to November 2006, representing an increase of 101% compared to the same period in 2005 (Cameroon Tribune, 30 January 2007). In this section, we describe the nature and extent of trade links between Cameroon and China and the likely impact on relevant stakeholders. We examine separately exports, imports and the bilateral trade balance with China.

Exports to China

Cameroon's exports to China were relatively low prior to 1999, but shot up by more than 170% within a year to stand at more than US$123 million in 2000. Exports to China then represented almost 7% of total exports from Cameroon, up from barely 2.7% in 1999. China was ranked 6th among Cameroon's export destinations in 2000. This was however going to be the peak of Cameroon's exports to China, as they took a downward trend from then onward. By 2005, exports to China declined to barely US$69 million, representing only 2.5% of Cameroon's total exports. China fell to the 8th position among Cameroon's export partners. Therefore, while Cameroon's exports to the world increased from US$1791 million in 2000 to US$2806 million in 2005, exports to China were on a steady decline as shown in Table 1.

[5] The exchange rate used to convert trade data to US$ is taken from WEO database of the IMF for the respective years. This was possible since trade data is organised on yearly basis, unlike that for aid and investment.
[6] Interviewed on the eve of the arrival of the Chinese leader's first ever visit to Cameroon

Table 1: Exports to China, Share and Rank among Major Export Destinations (million US$)

Year	China	World	China's Share (%)	China's Rank
1999	45.3	1674.6	2.7	6
2000	122.8	1790.6	6.9	5
2001	101.7	1724.1	5.9	6
2002	77.8	1799.0	4.3	6
2003	98.0	2241.4	4.4	6
2004	62.8	2380.3	2.6	8
2005	68.9	2806.3	2.5	8

Source: INS (2004) and INS (2006)

An examination of the structure of Cameroon's exports to China indicate that they are limited to a few raw materials as indicted on Table 2 and Table A2 in the Appendix. These include crude oil, wood and cotton. However the export of crude oil, which represented an average of more than 50% of export income from China, ended in 2003. This might be attributed to declining oil production in Cameroon which made the quantity available to the Chinese too small to be transported economically to China. Most of Cameroon's oil is exported following long-term agreements. The Chinese then decided to turn to other countries where they can have oil in reasonable quantities. Beginning in 2004, raw cotton became the principal export commodity to China, representing almost 75% of all exports to this country. China bought about 39% of Cameroon's total cotton exports in 2005.

In 2001, the export of rough wood and wood related products to China represented 3.5% of total exports of the commodity by Cameroon. By 2005, this share has increased to almost 4%. In terms of total exports to China, the share of Wood increased from 9% to about 24% between 2001 and 2005. The substantial increase in relative terms is largely attributable to declining total exports to China, and not to a significant increase in wood exports to China. Therefore, as per 2005, Cameroon practically exported only cotton and wood products to China. Cameroon's main export destinations remain Spain, Italy, France and Holland with respectively 20.7%, 14%, 12.8% and 10% yearly average share of exports between 2002 and 2005. China's share of Cameroon's export within this period averaged 3.5%.

Table 2: China's share of Cameroon's exports by commodity groups (million US$)

Commodity Groups[7]	2001			2005		
	China	World	China's Share-%	China	Total	China's Share-%
Crude materials except food/fuel	9.45	365.90	2.58	67.62	547.15	12.36
• Raw Cotton	0.00	96.62	0	51.18	133.22	38.42
• Rough Wood & products of	9.45	269.28	3.51	16.44	413.93	3.97
Mining	92.22	798.16	11.55	0.00	1257.07	0
• Oil	92.22	798.16	11.55	0.00	1257.07	0
Remaining Exports	0.04	----	----	1.25	----	-----

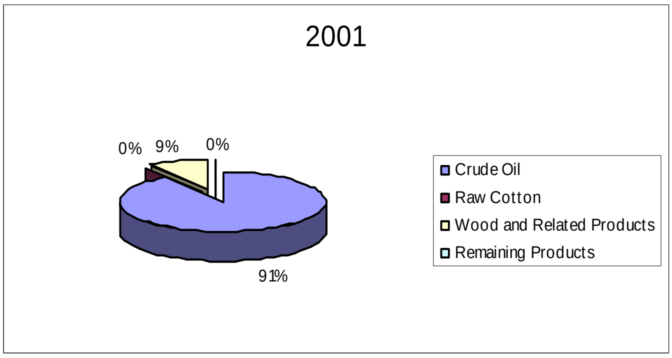
Source: INS (2004) and INS (2006)

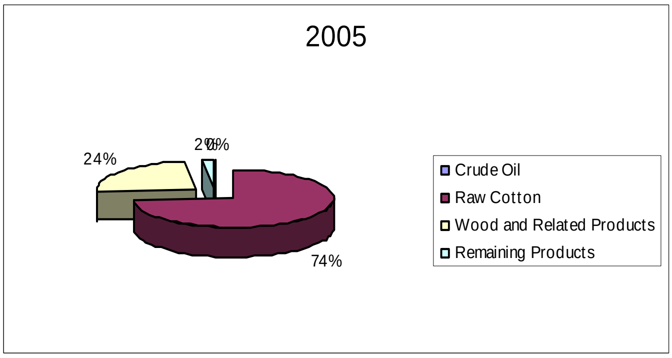
Note: For exports to the world, we have only retained those categories of products equally exported to China. For example, world export of crude materials (except food and fuel) concerns only raw cotton and wood products, as these are the only categories of crude materials exported to China.

The pie charts in Figure 1 vividly show the evolution of the composition of Cameroon's exports to China between 2001 and 2005. It clearly indicates that the structure of Cameroon's exports hardly changed, though cotton came in strongly to replace oil exports. The fact remains that Cameroon exports essentially only two primary commodities to China.

[7] The composition of each commodity group (for both exports to China and to the world) is explained in the appendix.

Figure 1: Composition of Cameroon's Exports to China in 2000 and 2005





Such export performance is rather disappointing, as the indication is that Cameroon is not yet reaping much from the huge demand for raw materials by China. However, it also represents opportunities for increasing exports to China. First, by increasing wood and cotton exports, and then exploring the possibility of diversifying exports to other raw materials produced abundantly in Cameroon like cocoa, coffee, Banana, etc. Presently, Cameroon is not exporting some of the commodities on high demand like crude oil, non-petroleum minerals and metals to China. An invitation from the president of Cameroon, as mentioned earlier, for China to invest in mineral exploration might be a positive move in this direction.

Impact of exports to China

Exports to China impact on a number of stakeholders in Cameroon. The first among which is the government. The export of wood products and cotton provide government with additional revenue in the form of royalties and various forms of taxes. According to

Global Forest Watch (2000), in 1998, the logging sector accounted for 28 percent of non-petroleum export revenues. In an attempt to encourage exporters to add some value on wood before exporting, the government imposes additional taxes on rough than on sawn wood. The government also benefits from cotton exports, especially as the production and export of cotton are overseen by a government parastatal – SODECOTON[8]. Exports to China, though not increasing during the past years, contribute positively to Cameroon's fiscal balance, as well as the current account balance.

Local producers of cotton benefit from the revenue from cotton exports to China. The villages from which timber is exploited also benefit as a fixed percentage of the royalties received from timber cutters is paid directly to them. These resources are used to finance community projects in the education, health, rural roads, water sectors, etc. Cotton and wood export to China also create some jobs, especially related to wood, as government is trying to limit the export of wood in the rough. Global Forest Watch (2000), reports that in 1998, roughly 55,000 people were directly or indirectly employed in the logging industry in Cameroon.

Imports from China

Imports from China have been on a steady rise. In 2005, Cameroon imported goods from China worth more than US$144 million, up from barely US$39 million in 1999. China's share of total imports to Cameroon consequently moved from just 2.8% to 5% and China became Cameroon's third source of imports after France and Nigeria[9], up from the 9th position in 1999 (see Table 3). While Cameroon's total imports increased by 110% between 1999 and 2005, imports from China increased by 270%.

[8] French acronym for cotton development company.
[9] Imports from Nigeria are essentially hydrocarbons – 99.7% of imports in 2005

Table 3: Share of Imports from China,, and Rank among Major Import Sources (million US$)

Year	China	World	China's Share (%)	China's Rank
1999	38.9	1378.5	2.8	9
2000	47.8	1598.6	3.0	8
2001	49.3	1824.8	2.7	8
2002	66.5	1859.4	3.6	7
2003	86.7	2154.7	4.0	5
2004	110.7	2585.3	4.3	7
2005	144.1	2898.0	5.0	3

Source: INS (2004) and INS (2006)

While exports to China are concentrated on essentially two commodities, imports from China cover a wide range of products. Before 2003, cereals (and especially rice) were the main import commodities, taking almost 50% of all imports. However, cereal imports from China started declining as Cameroon diversified her import sources to countries like Thailand, India and France. By 2005, cereal imports from China have dropped to barely US$0.01 million, down from almost US$35 million in 2002. Thailand has become the main source of cereals with US$57 million in 2005, and France with US$15.2 million and India with US$9.5 million. The share of food imports (essentially cereal) from China consequently declined from 18% in 2001 to less than 2% in 2005 (Table 4).

With the far-reaching decline in the import of cereals, imports from China are now largely made up of manufactured goods. This commodity group (other manufactured products) represented 53% of all imports from China in 2005, and about 36% of that category of imports from the world, up from 8% in 2001 (Table 4). Another commodity group with significant increase of imports from China is Machinery, transport and other equipment. In 2001, only 1.3% of total imports of this commodity group were imported from China, but by 2005, this has risen to almost 8%. As a share of imports from China, the Machinery, transport and other equipment group increased from 13% to 31% between 2001 and 2005. Most of these commodities were hitherto imported from Western countries, and especially Europe. Table A3 in the appendix, which provides more details on imports from China indicates that most of the commodities witnessed an increase of more than 75% between 2000 and 2005.

Table 4: **China's share of Imports to Cameroon by Commodity Groups** (million US$)

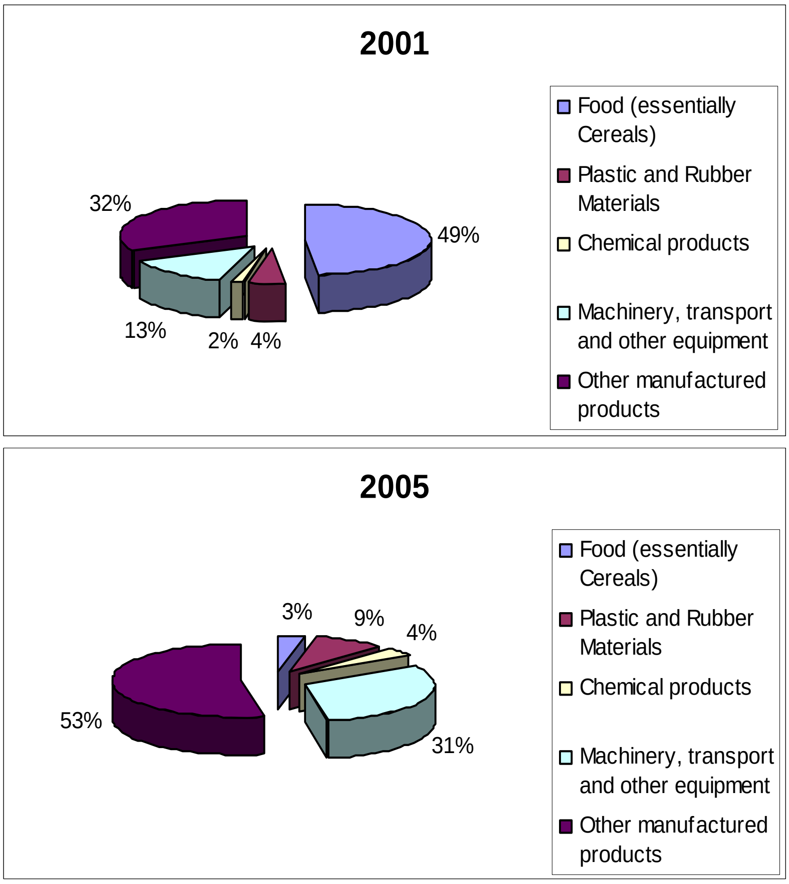
Commodity Groups[10]	2001			2005		
	China	World	China's Share-%	China	World	China's Share-%
1 Food (especially Cereals)	23.9	131.9	18.08	4.9	278.1	1.76
2 Plastic and Rubber Materials	2.2	74.4	2.89	12.9	116.9	11.04
3 Chemical products	0.9	80.1	1.10	5.5	122.4	4.50
4 Machinery, transport and other equipment	6.5	505.0	1.29	44.6	561.5	7.95
5 Other manufactured products	15.9	193.3	8.22	76.2	214.9	35.45

Source: INS (2004) and INS (2006)
Note: For world imports, we have only retained those categories of products equally imported from China. For example, those categories of chemical products not imported from China are not included in chemical product imports from the world. Details are provided in Table A3 in the appendix.

To better appreciate the evolution of the structure of imports, we use pie charts to compare the commodity groups in 2001 and in 2005 (Figure 2). Significant changes are recorded for the pies for cereals, machinery, transport and other equipment, and other manufactured products as already indicted above. This is evidence of the increasing diversification of imports from China, especially as each of these commodity groups is an aggregation of several other products.

[10] The composition of each commodity group (for both imports to China and to the world) is explained in the appendix.

Figure 2: Composition of Cameroon's Imports from China in 2000 and 2005



The rapidly rising share of imports from China has certainly meant a reduction of imports from some of Cameroon's traditional partners. France appears to be one of the main losers, as its share of total imports has fallen from 24.3% in 2002 to 17.7% in 2005. The share of imports from the USA has also declined from 8.4% to 4.6% within the same period. It should be recalled that China's share increased from 3.6% to 5%.

The Impact of imports from China

There is no doubt that Cameroonians, especially those in the middle and the lower income groups are gaining from the cheap consumer goods imported from China. The gain is not only in terms of lower prices, but also in the large variety of goods now accessible to a large portion of the population. There are some complaints about the quality of these goods, compared with goods imported from the West or even those produced locally. This is however, not enough to deter people from consuming made in China goods.

The manufacturing sector is also benefiting from cheap capital and intermediary inputs imported from China, especially those small- and medium-sized enterprises involved in manufacturing activities who are acquiring most of their capital goods from China. The machinery, transport and other equipments commodity group is one of the fast growing import categories from China. From only about US$6.5 million in 2001, imports of this category rose to almost US$45 million in 2005. The cost of production of such firms should reduce substantially, thus making them more competitive.

On the other hand, these firms might be facing stiff competition on the domestic market with cheaper products from China, especially if they are producing what is imported from china. A comparison of the prices of made-in-Cameroon and made-in-China batteries can better illustrate this competitive threat. In Cameroon, a pack of 4 size AA batteries made in Cameroon (Hellesens) cost US$0.67, while those imported from China (Royal)[11] sales at just US$0.22[12] i.e. almost 67% less despite incurring additional costs like custom duty, insurance, transport costs, etc. it should be an interesting exercise to understand how the Cameroon battery firm is surviving amid China competition.

Therefore, some firms will be winning from cheap capital goods imports from China, while others are being competed out of the market by cheap consumption goods imports. It is even possible that the same firm might be winning and losing at the same time. On the balance, the survival of Cameroonian forms depends on their ability to innovate and remain cost competitive.

---

[11] Hellesens batteries are produced in Cameroon by PILCAM, while Royal batteries are produced by the China Royal Battery Company Ltd. There are about four other brands of China-made batteries selling in Cameroon.

[12] We have used an exchange rate of US$1=CFAF450 i.e. the exchange rate at moment

Another likely group of losers from increased imports from China is local labour and their trade unions. A number of firms are wining-up because they cannot compete with cheap Chinese imports, especially small businesses in clothing and footwear. This implies that many people are likely to lose their jobs.

The government is expected to gain and also lose from increased imports from China. The gain is in terms of increased revenues from import tariffs. The loss is due to foregone income tax from those losing their jobs, and also tax from firms closing down because of competition from Chinese imports. The extent of the net effect can only emanate from a detailed survey of SME producing similar items.

There is also a risk that cheap Chinese exports might be depriving Cameroon of market share in the Central African Sub-region. It should be noted that Cameroon has the most developed manufacturing sector within the Central African sub-region, and exports a reasonable quantity of manufactured goods to neighbouring countries like Gabon, Chad, Congo, etc; but also to other African countries like Côte d'Ivoire and Togo. The share of industrial products in total exports stood at 26.5% in 2002, down from 30.7% in 2001 (INS, 2004). It is in this sector that China is likely to pose a serious indirect competitive challenge to Cameroon; especially as concerns those commodities equally produced and exported or consumed locally by Cameroon. China will not represent a threat to Cameroon in the market of raw material exports, as she is not an exporter.

To better appreciate the competitive impact of Chinese exports, we examine the evolution of Cameroon's exports to the Central African sub-region (a traditional market for Cameroon's manufactured exports), and then specifically look at some commodities exported by both China and Cameroon.

Table 5: Evolution of Cameroon's Exports to the Central African Sub-Region (Million US$)

Central African Sub-region	2001	2002	2003	2004	2005
➢ Congo Republic	18.58	21.22	20.34	22.49	21.01
➢ Gabon	15.44	18.66	42.81	37.70	28.54
➢ Equatorial Guinea	9.86	9.88	30.38	29.74	18.15
➢ Central African Republic	5.13	14.22	13.05	11.35	11.39
➢ Chad	11.44	38.77	45.64	27.63	26.36
➢ DR Congo	26.72	11.43	28.50	20.91	0.00
Sub-Regional Total	**87.16**	**114.17**	**180.72**	**149.82**	**105.44**
Some Selected Manufactured Export products					
➢ Total Perfumes and toiletries	4.71	4.76	3.09	2.32	0.60
➢ Total battery exports	0.06	2.71	3.92	1.48	1.34
o Batteries to Gabon			2.28	1.17	0.90

Source: INS (2004) and INS (2006)

As shown on Table 5, Cameroon's exports to the Central African sub-region have declined sharply from US$181 million to only US$105 million between 2003 and 2005; a reduction of more than 42% within two years. This decline followed a steady increase up to 2003. Exports to the different countries in the sub-region mimicked the sub-regional trend. For all the countries under consideration, Cameroon's exports for 2005 were lower than for 2003. It is very likely that competition from cheap Chinese exports may be responsible for this dwindling performance of Cameroon's exports within the sub-region.

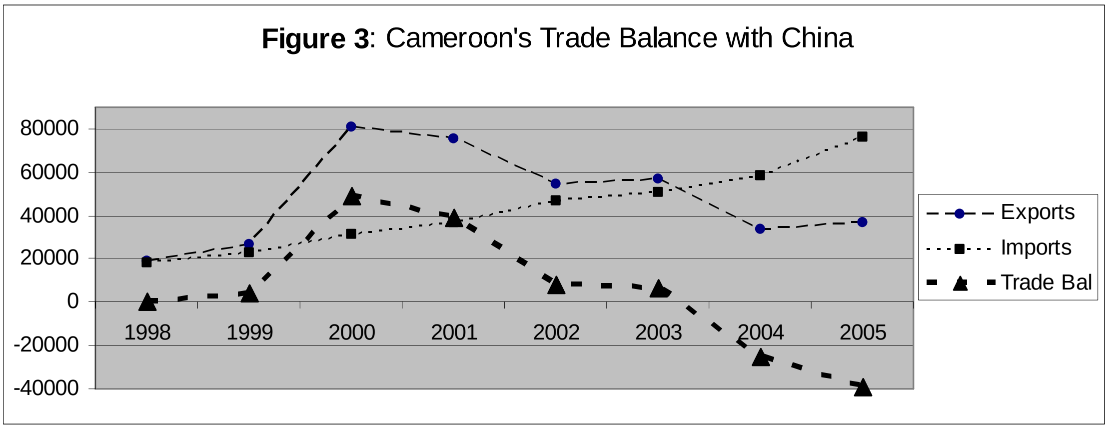
An examination of some specific products can better reveal the competitive impact of imports from China. We select two sets of products that are exported by both Cameroon and China. These are perfumes/toiletries and batteries. Table 5 clearly indicates that Cameroon's export of these products declined sharply in the period under consideration. For example, total exports of perfumes/toiletries declined by 87% between 2001 and 2005. The trend for battery exports is not much different – falling from US$4 million to US$1.3 million between 2003 and 2005. This is reflection of battery exports to Gabon, the hitherto main export market for made-in-Cameroon batteries. Exports fell from 908 tons in 2003 to only 278 tons in 2005 – a drop in quantity exported of more than 69%. The price difference between Cameroon-made and China-made discussed above should explain why Cameroon battery exports are declining, especially since insurance, transport and other costs will further raise the price of Cameroonian batteries.

It is therefore very probable that the manufacturing sector is losing from increased trade with Cameroon. Cameroon firms are not only losing market at home, but also in their backyard. The population at large might also be feeling the effects as these firms are either dismissing workers or cutting their wages. However, it might be too quick to conclude that all manufacturing firms in Cameroon with declining output or losing export market shares are due to competition from cheap Chinese imports. The culprit might be supply constraints within the country, the sector or the firm itself. A definite answer to such a query can only be obtained following a visit to some of the firms concerned i.e. need for further research to evaluate the extent to which the declining exports can be attributable solely to competition from China and the strategies Cameroonian firms designing to cope with the Chinese onslaught.

Trade Balance between China and Cameroon

Trade between the two countries in the past consisted mainly in Cameroon exporting raw materials to China with little imports from China. Cameroon therefore, enjoyed a favourable trade balance with China until a few years ago. Indeed, Cameroon's exports to China peaked in 2000 and started a downward trend in 2001, while imports from China on the contrary have been on a steady rise. Cameroon's trade surplus with China has consequently been declining since 2001 and turned negative by 2004 (see Figure 3 and Table 6).

Export and import shares (Tables 6) confirm the increasing trend of Cameroon imports from China and declining trend of exports to China. In 2000, exports to China represented 6.9% of total exports from Cameroon, and by 2005, exports to China were only 2.5% of total exports. On the contrary, the share of imports from China in total imports has been on the rise. From 3% in 2000, it reached 5% in 2005. In terms of ranking sources of Cameroon's imports, China moved rapidly from the 9th position in 1999 to secure the 3rd position by 2005. With regards to Cameroon's export destinations, China retreated from the 5th to the 8th position between 2000 and 2005.



President Biya raised the issue of the worsening trade balance in a speech to the visiting Chinese president in January 2007. He said, "we wish to benefit from export quotas for some of our products like coffee, cotton, cocoa, banana, just to name a few; so as to re-equilibrate as much as possible, the trade balance between our two countries" (Cameroon Tribune, 2 February 2007, p.3).

Table 6: Trade balance with China (value in million US$)

Year	Export			Imports			Trade Balance
	Value	China's Share (%)	Rang	Value	China's Share (%)	Rang	Value
1999	45.3	2.7	6	38.9	2.8	9	6.4
2000	122.8	6.9	5	47.8	3.0	8	75.0
2001	101.7	5.9	6	49.3	2.7	8	52.4
2002	77.8	4.3	6	66.5	3.6	7	11.3
2003	98.0	4.4	6	86.7	4.0	5	11.4
2004	62.8	2.6	8	110.7	4.3	7	-47.9
2005	68.9	2.5	8	144.1	5.0	3	-75.2

Source: INS (2004) and INS (2006)

The trade deficit with China is contributing significantly to Cameroon's overall trade deficit over the past few years. In 2004, out of a total trade deficit of US$205 million, almost US48 million was with China i.e. about 23.5%. The situation worsened in 2005, with China contributing 82% of Cameroon's total trade deficit i.e. US$75 million out of US$91 million. This explains why the president of Cameroon had to take this up with his Chinese counterpart. However, there is no known official policy or strategy to deal with this huge trade deficit with China.

The *de facto* picture could be worst, if we factor-in the observation that some made-in-China goods are imported from third countries. An example is the rising imports from the United Arab Emirates (Dubai). Imports from this country rose from about US$1.5 million in 2000 to more than US$12.4 million in 2005. It should be noted that Cameroon exports virtually nothing to the United Arab Emirates. Goods labelled as made in China are also imported from Nigeria.

The risk of this growing pattern of trade between China and Cameroon (i.e. exporting only primary and importing manufactured products) is that it can lock the Cameroonian economy in the primary sector. The cheap imports help to destroy the industrial sector while the primary sector is expanding thanks to the rising demand from China. If this is not checked, the prospects of industrialisation will be destroyed and the economy will be locked in the production of primary products.

IV Chinese Aid to Cameroon[13]

Aid is that part of Sino-Cameroon economic relations that is very visible, especially in terms of huge infrastructural projects carried our by China in Cameroon. One of the most important landmarks in the capital city of Yaounde is the Conference Centre constructed by the Chinese in the 1980s among other projects. The largesse of the Chinese towards Cameroon was again demonstrated during the visit of their president to Cameroon early this year. This was manifested by the signing of eight agreements amounting to almost

[13] We use an exchange rate of CFAF500=US$1 (an approximated average rate for 2006 and 2007). Unable to use the official exchange rate because aid data is not available on yearly basis.

US$130 million - largely made up of grants, interest-free and concessional loans (Cameroon Tribune, 1 February 2007).

One serious handicap in examining Chinese aid to Cameroon is the unavailability of data on aid commitments or disbursements on a yearly basis. Incomplete information on Chinese assistance is got from government documents and notes indicating projects funded and executed by China in Cameroon. Some of these documents indicate a single aid value covering several projects in different sectors, and for several years. This makes it difficult to ascertain the amount going to each recipient sector and the period of the aid disbursement. Records also fail to indicate the cost of some projects, either completed or in the process of execution financed with assistance from China. It therefore complicates the task of assessing the size and significance of Chinese aid to Cameroon.

Aid from China has led to the realisation of some outstanding projects in Cameroon. A number of other projects are in the course of execution, while agreements on forthcoming projects were recently signed during the visit of the Chinese leader to Cameroon early 2007, and even after. We therefore classify Chinese assistance into completed projects, those in progress and forthcoming projects. This classification is followed by some observations or lessons which attempt to bring out the size, sectoral destination and significance of Chinese aid.

Table 7: Completed projects Financed with Chinese Aid

<table>
<tr><th>Projects</th><th>Recipient sector</th><th>Value (million US$)</th></tr>
<tr><td>Construction of the Yaounde Conference Centre,</td><td>Culture</td><td rowspan="3">66</td></tr>
<tr><td>Construction of the Lagdo Hydroelectric Dam</td><td>Electricity and Water</td></tr>
<tr><td>- Supply of tractors to the Ministry of Agriculture
- Dissemination of mushroom cultivation in Obala</td><td>Agriculture</td></tr>
<tr><td>Protection of the banks of river Benoue</td><td rowspan="2">Agriculture</td><td rowspan="2">10</td></tr>
<tr><td>Financing of the Lagdo rice cultivation project.</td></tr>
<tr><td>Construction and furnishing of a tailoring workshop for handicapped women in Yaounde and then a hostel for Trainers</td><td>Social Work</td><td></td></tr>
<tr><td>A 200-bed Gynaecological-Obstetrical and Paediatric hospital in Yaounde</td><td>Health</td><td>10</td></tr>
</table>

Table 8: Ongoing Projects Financed with Chinese Aid

Projects	Recipient sector	Value (million US$)
Renovation and Extension of the Buea Hospital.	Health	5.20
Renovation of the Yaounde Conference Centre	Culture	4.00
Construction of the Yaounde Sports Palace	Culture (Sports)	30.00
Construction of houses for personnel of the Gynaecological-Obstetrical and Paediatric hospital	Health	3.00
Construction of a Primary School in Mvoméka	Education	
Modernisation of telecom network between CAMTEL and HUAWEI	Telecom	45.20

Table 9: Forthcoming Projects to be financed with Chinese Aid

Projects	Recipient sector	Value (million US$)
Rehabilitation and extension of water supply system in Douala	Water	27.60
Construction of 1000 to 1500 social accommodations	Social Work	50.00
Agreement on projects to be defined by both parties in the future		9.20
Exchange of letters for construction of a Gynaecological-Obstetrical and Paediatric hospital in Douala	Health	0.90
Exchange of letters for construction of 2 primary schools	Education	
Exchange of letters for the supply of equipment to the Gynaecological-Obstetrical and Paediatric hospital in Yaounde	Health	0.13

A category of China's aid not included in the tables above is technical assistance. Presently, there are four teams of experts from China working in Cameroon, consisting mainly medics working at the Gynaecological-Obstetrical and Paediatric hospital in Yaounde (built by the Chinese) and also at the Mbalmayo and Guider hospitals. There is also a team working at the Yaounde Conference Centre (built by the Chinese) for over twenty years now. These teams are generally financed with grants from the Chinese government. China also awards scholarships to Cameroonian students on regular basis. According to the Chinese Ministry of Foreign Affairs, China provides a quota of 10 scholarships for Cameroon students every year and there are 50 Cameroonians studying in China on scholarship[14].

[14] http://www.mfa.gov.cn/eng/wjb/zzjg/fzs/gjlb/2949/t16478.htm – accessed on 30/07/07.

There was a surge in Chinese aid in 2007 following Hu Jintaos's visit to Cameroon during which aid commitments worth US$130 million were signed (Cameroon Tribune, 2 February 2007). Compared with traditional donors, Chinese aid is still small. Net ODA received by Cameroon from all donors in 2003 alone stood at US$899 million. France alone disbursed US$225 million in gross ODA (2004-2005 average) to Cameroon (Table A1 in the Appendix). China however, is providing a new and rapidly increasing source of finance for Cameroon.

In terms of the sectoral destination of Chinese aid, the health and the agriculture sectors have benefited substantially. China has also financed major infrastructure projects in culture/sports, energy and telecommunications. Other projects have been (or will be) implemented in the housing sectors and educational sectors. While China continues to invest heavily in physical infrastructure, Western donors are more interested in the social sectors as can be seen from Cameroon's aid chart in Table A1 in the Appendix. Education alone gets about 13% and health and other social sectors receive almost 7% of all bilateral ODA to Cameroon, with about 70% going to debt-related actions. Chinese aid to education in Cameroon has been limited to scholarships to study in China, and construction of primary schools begun only in 2007. Very few traditional donors will accept to finance sporting infrastructural projects nowadays, as China is currently doing in Cameroon.

Chinese aid to Cameroon is either in the form of grants, interest-free or concessional loans. Chinese aid is therefore comparatively less costly than some bilateral aid from Western donors which includes non-concessional lending and also less costly than some multilateral assistance which seldom includes grants. It is also worth noting that Chinese aid is exclusively project-based. China does not give Cameroon assistance in the form of programme or budget support as prescribed in the Paris Declaration on Aid Effectiveness (Paris High-Level Forum, 2005).

China's aid is not conditioned or tied to any country reforms whatsoever. Its explicit policy is not to interfere in the internal affairs of any country. The Chinese leader reiterated this in his speech in Cameroon early this year: “China has never imposed its own ideology, social system or development pattern upon others, nor worked for its interest at the cost of others”[15] (Cameroon Tribune, 1 February 2007, p.9). The only condition is the ‘One China’ policy – i.e. non-recognition of Taiwan as an independent country.

Though not attached to any political or reform strings, China’s aid is tied to the purchase of Chinese goods and services. Almost all Chinese aid projects are executed by Chinese firms, with imported Chinese labour. Cameroonians perform only the very low-skilled tasks like cleaning, driving, general labour, etc. This is one of the areas in which Chinese assistance is heavily deplored in Cameroon. It is even alleged that Chinese firms come with their food and cooks, and a Chinese can work for a year in Cameroon without buying anything locally. Some observers even see the rapid rise in Chinese aid and its focus on projects, as a way of promoting Chinese firms and setting them on the international stage, thus providing a convenient platform to penetrate new markets. It should be recalled that the international community has recognised the practice of tying aid as one of the main causes of its ineffectiveness. An appeal has consequently been made through the Paris Declaration to all donors to desist from tying aid. China was a signatory to this Declaration.

The rapid increase in aid from China raises worries about the possibility of a new debt build-up in Cameroon, after enormous sacrifices by donors to render the debt sustainable through the heavily indebted poor countries (HIPC) initiative. Debt relief was granted on the basis that Cameroon was too poor to bear any debt. If Cameroon again starts borrowing, then some Western countries might view the debt relief accorded Cameroon as indirectly subsidizing new Chinese lending. Authorities of both countries are urged to always bear in mind the debt sustainability issue.

China has cancelled some substantial amount of debts owed by Cameroon. The first cancellation of US$34 million was the fruit of the First China-African Forum for

[15] Our translation of a text in French.

Economic and Social Development which held in Beijing in 2001. The second, worth US$32 million, was signed during the visit of Hu Jintao to Cameroon in January 2007. Though not quite significant when compared with debt relief from Western bilateral donors (US$1200 million by Paris Club) and multilateral institutions (US$1306 million through the MDRI) (MINEFI, 2007), it stands well in relation to total debts owed China. It equally demonstrates China's unwillingness to condition debt relief, to say the HIPC initiative.

Impact of China's Aid to Cameroon

Cameroonians are benefiting from increased Chinese aid (including debt relief) as it increases investment in both physical and human capital with a potential impact on growth and poverty reduction. Chinese assistance in the health sector has increased the quantity and quality of healthcare services in the country. This is especially the case with Chinese medics in a number of hospitals in the country, including some in rural areas.

Chinese aid is largely in the form of grants and soft loans, and is additive to Western aid thus providing Cameroon with more and cheaper resources to finance its development process. Chinese assistance in the form of projects is seen by the common citizens as quite visible since it is typically in infrastructure, and lowers the possibility of it being swindled by some local bureaucrats, as is sometimes the case with Western aid.

The fact that Chinese assistance is not attached with strings of policy reform is considered by some to be detrimental to the population of the country (but perhaps not the political elite) as it undermines efforts to strengthen transparency, good governance and maintenance of social and environmental standards. It can thus plausibly be intimated that the better-off in the country are gaining more from Chinese aid than the poor, thus exacerbating the high social inequality in Cameroon.

Local contractors and labour appear to be losers as Chinese aid is tied to the procurement of Chinese goods and services i.e. aid projects executed by Chinese firms with Chinese labour and equipments. Local contractors cannot bid for Chinese funded projects.

V Summary and Conclusion

China has become an important player in the global economy and is impacting almost every country in the world. Cameroon has maintained steady diplomatic ties with China since 1971, after severing links with Taiwan. Relationships have been characterised by high level visits by officials from both countries, and Hu Jintao's visit in January 2007 marked an important stage in this relationship. Economic interactions are evolving rapidly, and providing Cameroon with alternative sources of finance and helping to diversify its partners. These interactions are engendering both winners and losers among the relevant stakeholders in Cameroon, thus requiring the authorities to device means of raising the gains while addressing the losses rather than relying on the rhetoric of win-win partnership and reciprocal benefits from the Chinese leadership.

There are many Chinese involved in private sector activities in Cameroon like retailing, medical care, catering, fishing, poultry, etc. These are largely family-owned and small-scale business activities. There are also larger Chinese investments, especially in agriculture and their presence is increasing in the forestry sector and mining exploration, especially oil. Attempts at joint venture projects have failed. Chinese investment is increasing capital stock, competition (hence efficiency), creating jobs (low-skilled) and spilling some skills inadvertently. However, the market-seeking nature of most Chinese investment raises its potential adverse impact on the local economy. Local producers, contractors and labour are losing from Chinese competition.

Trade with China has increased significantly over the past few years. This has however been due to a surge in imports from China, while exports are declining. Cameroon has been running a large trade deficit with China, and this accounted for 82% of total trade deficit in 2005. Imports from China are providing cheap and diverse consumption and capital goods, though issues of quality abound. Exports to China are all primary products, while imports are essentially manufactured goods. This raises the risk of undermining the industrial sector and locking Cameroon in primary activities.

Landmark infrastructure resulting from China’s aid is very visible in Cameroon. Though relatively small compared to traditional economic partners, China’s aid is on the rise, especially following Hu Jintao’s visit. Its aid is essentially for infrastructure projects which cut across several sectors: health, water, electricity, telecom, culture, etc. Technical assistance is also important. Aid from China constitutes a small fraction of total aid and is delivered in the form of grants and soft loans. Chinese aid has increased public investment and the quality and quantity of services supplied. Though a participant at the Paris High Level Forum on Aid Effectiveness, Chinese aid to Cameroon does not seem to address the 12 indicators agreed upon at the forum. These indicators revolve around ownership, alignment, harmonisation, management for results and mutual accountability.

There is need for Cameroon to consistently assess its relationship with China so as to minimise the risk and exploit the advantages. Ways should be sort to increase exports to China, especially for commodities not being exported like banana, coffee, cocoa, etc. Strategic sectors at risk of extinction from Chinese competition should be protected and dialogue engaged with China for some voluntary restraint. Joint venture projects involving genuine partners should be encouraged as there is a potential for transferring both technical and managerial skills to the local business community. Authorities of both countries are urged to always bear in mind the need for Cameroon’s debt to remain sustainable, as new agreements are signed.

There is also need for more transparency in Cameroon-China aid relationship. This should not only facilitate harmonisation with other donor programmes, but allow for public scrutiny. Civil society organisations (both local and international) are called upon to play the important role of watchdogs. They should formulate strategies for assessing and monitoring the effects of China’s assistance to and cooperation with Cameroon and other African countries, especially on issues of governance, sustainable use of the environment, etc.

Trade, investment and aid from China are good for Cameroon’s development, but good policies and better management (good governance) have also been shown to be important and should not be neglected in China’s cooperation with Cameroon.

It is also important to note the holistic nature of Chinese economic cooperation nowadays, where the line between aid, trade and investment is blurred as the Chinese government is involved in all. EXIM Bank[16], a Chinese government bank is playing a predominant role as it provides export credits, finances both Chinese private investors and joint venture projects with private foreign firms, and grants concessional loans on behalf of the Chinese government.

It will be useful for further research, to identify and survey Chinese-owned private firms in Cameroon for a deeper evaluation of their activities, given that the government holds no record of such firms. This should enable us assess their impact in the economy in terms technology and skills spill-over, labour practices, and broadly in terms of economic and corporate governance. A related issue is how to design policy to direct Chinese FDI to desired sectors of the economy, like the manufacturing sector.

References

Broadman, H et al. 2007. “Africa's Silk Road: China and India's New Economic Frontier”. The World Bank, Washington.

Cameroon Tribune No 8778/4977 of Tuesday, January 30, 2007

Cameroon Tribune No 8780/4979 of Thursday, February 1, 2007

Cameroon Tribune No 8781/4980 of Friday, February 2, 2007

Geda, Alemayehu (2006) “The Impact of China and India on Africa: Trade, FDI and the African Manufacturing Sector: Issues and Challenges”. A Framework Paper for AERC Project on “*The Impact of Asian Drivers on Sub-Saharan Africa*”.

Global Forest Watch (2000) *An Overview of Logging in Cameroon: A Global Forest Watch Cameroon Report*. Washington, DC: World Resources Institute

[16] It is said that EXIM Bank China is the world’s third largest export credit agency. It is entirely funded by the Chinese central government (Holslag, 2005)

Goode, Richard (2006) “Impact of China And India on Sub-Saharan African Metals, Ores And Minerals – Issues And Challenges” A Framework Paper for AERC Project on “*The Impact of Asian Drivers on Sub-Saharan Africa*”.

Holslag, Jonathan (2005) “China’s New Mercantilism in Central Africa”, Briefing Document No. 13.12.05, European Strategic Intelligence and Security Center

Hong, Kim Ji (2006) “Impact of China on Economies in East Asian Region” A Framework Paper for AERC Project on “*The Impact of Asian Drivers on Sub-Saharan Africa*”.

Institut National de la Statistique (2004) “Annuaire Statistique du Cameroun 2004” INS: Yaoundé

Institut National de la Statistique (2006) “Annuaire Statistique du Cameroun 2006” INS: Yaoundé

International Monetary Fund (2007a) “Cameroon: Third Review under the Three-Year Arrangement under the Poverty Reduction and Growth Facility”, IMF Country Report No. 07/285

International Monetary Fund (2007b) “Cameroon: Statistical Appendix”, IMF Country Report No. 07/286

Kaosa-ard, Mingsarn (2007) “Flying with the Dragon? Opportunities and Challenges for the GMS Countries” mimeo, Social Research Institute Chiang Mai University, Taiwan

Kaplinsky, Raphael (2006) “The Impact of China and India on the Sub-Saharan Africa: A Methodological Framework”. A Framework Paper for AERC Project on “*The Impact of Asian Drivers on Sub-Saharan Africa*”.

Khan, Sunday A. and Lydie Bamou (2006) “An Analysis of Foreign Direct Investment Flows to Cameroon” in Ajayi (ed) *FDI in Sub-Saharan Africa: Determinants, Origins, Targets, Impact and Potential*. Nairobi: African Economic Research Consortium (AERC)

McCormick, Dorothy (2006). “China, India, and African Manufacturing: Framework for Understanding the Impact of Aid and Migration”. A Framework Paper for AERC Project on “*The Impact of Asian Drivers on Sub-Saharan Africa*”.

MINEFI (2007) "Le Point d'Achèvement: un An Apres" Les Dossiers du MINEFI: Special 2007. A publication of the Ministry of the Economy and Finance

Obwona, Marios and Ephraim Chirwa (2006) "Impact of Asian Drivers on SSA agriculture and food security: Issues and challenges" A Framework Paper for AERC Project on "*The Impact of Asian Drivers on Sub-Saharan Africa*".

OECD (Organization for Economic Co-operation and Development). (2005) *Economic Survey of China 2005: Key Challenges for the Chinese Economy*. Paris.

Paris High-Level Forum (2005) "Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability". March, Paris.

Appendix

Table A1: Principal Traditional Donors and Sectoral Destination of their Assistance to Cameroon

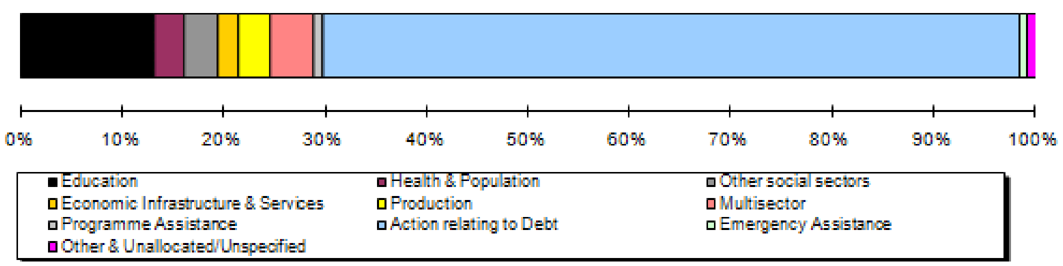
Cameroon

Receipts	2003	2004	2005
Net ODA (USD million)	899	772	414
Bilateral share (gross ODA)	84%	74%	80%
Net ODA / GNI	6.8%	5.0%	2.5%
Net Private flows (USD million)	179	146	- 76

For reference	2003	2004	2005
Population (million)	15.7	16.0	16.3
GNI per capita (Atlas USD)	720	890	1 010

Top Ten Donors of gross ODA (2004-05 average)		(USD m)
1	France	225
2	Germany	201
3	IDA	69
4	EC	44
5	Canada	39
6	AfDF	37
7	Austria	35
8	Belgium	19
9	Japan	18
10	United Kingdom	17

Bilateral ODA by Sector (2004-05)



Sources: OECD, World Bank.

Source: OECD's Recipient Aid Charts - "Aid at a Glance Charts" http://www.oecd.org/dataoecd/1/16/1879783.gif, assessed on October 5, 2007 at 17.11 pm

Table A2: Evolution of the Composition of Exports to China (Million US$)

SITC Codes	Description	2000	2001	2002	2003	2004	2005
333	Crude oil	105.75	92.22	57.37	58.33	0.00	0.00
263	Raw cotton	0.00	0.00	0.09	21.08	40.64	51.18
247	Rough wood	14.21	5.37	11.02	6.19	6.51	10.39
248	Simply worked wood	2.76	3.85	8.67	11.73	14.23	4.75
246	Wood chips and waste	0.07	0.23	0.63	0.61	0.52	1.31
	Other exports	0.00	0.04	0.04	0.07	0.85	1.25
	Total	122.79	101.71	77.82	98.02	62.75	68.87

Source: INS (2004) and INS (2006)

Table A3: Evolution of the Composition of Imports from China (Million US$)

SITC Code	**Description**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
04	Cereals	22.41	23.85	33.96	25.41	19.37	0.01
851	Footwear and accessories	2.10	2.04	2.28	9.73	18.64	16.19
73/74/75/76	Machines, electrical and mechanical components	4.42	4.33	7.26	11.66	17.07	25.46
78/72	Road vehicles; tractors	0.64	0.66	1.29	3.44	6.81	13.14
666	Ceramic products	1.21	2.18	2.50	4.06	6.91	10.43
69	Manufactures of metals	1.62	1.34	1.93	2.83	3.97	6.75
893	Plastic materials	0.81	1.25	1.48	2.12	2.84	6.70
	Fish and shell fish	0.00	0.02	0.23	0.62	0.31	4.89
62	Rubber	0.89	0.90	1.06	2.03	3.53	6.20
83/611	Travel goods, leather articles etc	1.63	1.62	1.41	2.74	3.40	6.05
266/267	Synthetic or artificial fibres	0.91	1.25	0.56	1.14	2.51	4.41
872	Medical equipments etc.	0.65	0.69	1.31	1.45	1.88	3.58
54	Pharmaceutical products	0.71	0.62	0.96	1.01	1.14	3.10
846	Clothing accessories	0.31	1.27	0.46	1.03	1.84	3.03
881/884	Photographic apparatus and optical goods, etc	1.31	0.80	0.00	1.97	2.01	2.43
59	Diverse chemical products	0.16	0.26	0.51	1.18	1.34	2.41
654	Other textiles and confectionaries	0.56	0.41	0.80	1.40	1.59	2.07
899	Other Imports	7.49	5.74	8.54	12.84	15.52	27.26
	Total	47.82	49.27	66.53	86.65	110.69	144.11

Source: INS (2004) and INS (2006)

The composition of each of the Export commodity groups as presented on Table 2

1. Crude Materials: raw cotton, rough wood, simply worked wood, and wood chips and waste
2. Mining: Crude oil

The composition of each of the import commodity groups as presented on Table 4

1. Food: Cereals and fish and shellfish
2. Plastic and rubber materials: plastic Materials and Rubber
3. Chemical products: pharmaceutical Products and diverse chemical Products
4. Machinery, transport and other equipment: machines and electrical devices, machines and mechanical devices, road vehicles and tractors, medical equipments, and photographic apparatus and optical goods
5. Other manufactured goods: ceramic products, manufactures of metals, travel goods, leather articles, synthetic or artificial fibres, clothing accessories, footwear and accessories, other textiles and confectionaries, and other imports