

THE UNIVERSITY OF THE WESTERN CAPE

THE FACULTY OF LAW

THE ROLE OF GOVERNMENT IN THE ATTRACTION OF FOREIGN DIRECT INVESTMENT : A CASE STUDY OF SOUTH AFRICA AND CAMEROON.

**MBAH EMMANUEL CHESAMI
STUDENT NO: *******

A research paper submitted in partial fulfilment of the requirements for the degree of master of law, (LLM),MODE II in the Faculty of law, University of the Western Cape.

**Supervisor: Ms PATRICIA
LENAGHAN**

MAY 2005

TITLE

The Role of Government in the Attraction of Foreign Direct Investment: A case study of South Africa and Cameroon.

KEYWORDS

Foreign Direct Investment, Good Governance, Economic Policies, Rule of law, corruption Accountability, Multinational Corporations, Development, Economic growth, Institutional framework



DECLARATION

I declare that, The Role of Government in the attraction of Foreign Direct Investment: A case study of South Africa and Cameroon, is my own work, that it has not been submitted before for any degree or examination in any other University, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

MBAH Emmanuel CHESAMI

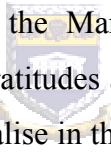
Signed



MAY 2004

ACKNOWLEDGMENT

It is quite difficult to mention all those who merit my immeasurable gratitudes for their assistance in the preparation and final submission of this Thesis. I owe my supervisor Ms Patricia LENAGHAN, a debt of thanks for her ever constructive ideas and high profiled comments, the coordinator of the LLM programme in International Trade and Investment Law, University of the Western Cape (UWC) Adv. Riekie WANDRAG for the care and high sense of human and material management, Victor Mosoti, Prof. Charles Manga Fombad, Hon, Barrister MBAH-NDAM and Dr. Chris FOMUNYOH of NDI Washington and all my lecturers for their guidance and professional know-how. This piece of acknowledgement will be incomplete if some of those who taught me to fish, are not mentioned. My brothers, sisters and friends for their love and support. It would be negligent on my part if I fail to cable my vista of thanks to my father Mr. CHESAMI James for his unrelentless resolve to sponsor me acquire knowledge, Dr. MBAH.D.A, Mr. FORSAB Joseph, Dr..DASHACO John T. and my very multicultural and dynamic course-mates, who throughout the programme were so friendly, loving and mature in their comments from which I have garnered a lot.

I would thank especially the entire staff of UWC, Hector Peterson Residence coordinator and staff. University of Pretoria, especially the Management of the Human Rights Centre, Pretoria, for organising this course. My gratitudes also go to the Carnegie Foundation for the financial support that enabled me to specialise in this valuable course at this level, to all those whose names cannot be mentioned, to you all, I say I have you at heart. The Greatest thanks will indisputably go to the Almighty Father, GOD for his Divine intervention in times of pain and joy throughout my life.

ACRONYMS

AGOA	African Growth and Opportunity Act
APRM	African Peer Review Mechanism
BEE	Black Economic Empowerment
CEMAC	Communauté Economique et Monetaire des Etats d’Afrique Centrale
COBAC	Central African Banking Commission
CPI	Corruption Perception Index
CUSFTA	Canada-US Free Trade Area
DFA	Department of Foreign Affairs
DTI	Department of Trade and Industry
EAC	Economic Commission for Africa
EU	European Union
FDI	Foreign Direct Investment
IDC	Industrial Development Corporation
MFN	Most-Favoured-Nation
MNC	Multinational Corporation
NAFTA	North American Free Trade Area
NEPAD	New Partnership for Africa’s Development
PRSD	Poverty Reduction Strategy Paper
R&D	Research and Development
REC	Regional Economic Community
RIA	Regional Integration Agreement
SA	South Africa
SADC	Southern African Development Community
SAP	Structural Adjustment Program
SHD	Sustainable Human Development
SMME	Small, Medium and Micro Enterprises
SSA	Sub Saharan Africa
TI	Transparency International

TABLE OF CONTENTS

Title Page.....	i
.....	
Declaration	
.....	ii
Acknowledgment	iii
Acronyms	iv

CHAPTER ONE

1.1 INTRODUCTION.....	1
1.2 Problem Statement	1
1.3 Objective of the Study	1
1.4 Scope of the Study.....	1-2
1.5 Research Methodology.....	2
1.5.0 Chapter Narrative.....	2

CHAPTER TWO

2.1 THE ROLE OF GOVERNMENT IN THE ATTRACTION OF FOREIGN DIRECT INVESTMENT.....	3
2.2 THE RULE OF LAW.....	3
2.3 TRANSPENCY AND ACCOUNTABILITY IN PRIVATE AND PUBLIC MANAGEMENT	7
2.4 MULTINATIONAL CORPORATIONS AND NATIONAL INSTITUTIONS.....	11
CONCLUSION	15

CHAPTER THREE

3.1 COMPARATIVE ANALYSIS OF INVESTMENT FLOW TO SOUTH AFRICA AND CAMEROON.....	16
3.2 ECONOMIC STRENGTH OF SOUTH AFRICA.....	17
3.3 INVESTMENT CLIMATE IN CAMEROON	23
3.4 SYNTHESIS OF BOTH ECONOMIES IN THEIR SUB-REGIONS	31
3.5 CONCLUSION	36

CHAPTER FOUR

4.1 REGIONAL ECONOMIC INTEGRATION: SADC AND CEMAC WITHIN THE NEPAD FRAMEWORK	36
4.2 SADC REGIONAL ECONOMIC COMMUNITY	41
4.3 CEMAC REGIONAL ECONOMIC COMMUNITY	45
4.4 ASYMMETRY OF BOTH REGIONAL INTEGRATIONS	49
4.5 CONCLUSION	51

CHAPTER FIVE

5.1 RECOMMENDATION.....	53
5.2CONCLUSION	55
BIBLIOGRAPHY	56-57

CHAPTER ONE

1.1 INTRODUCTION

The role of Foreign Direct Investment to any economy is important. It is generally considered as driving force in the integration of developing countries into the globalisation process that characterises the world economy. Regional and national economic integration initiatives have played a focal role in the attraction of Foreign Direct Investment(FDI). The research shall be based on two economies, namely; South Africa and Cameroon and shall be examining some of those policies that contribute in attracting Foreign Direct Investment through Multinational Corporations (MNC). An evaluation shall also be made on some of the impediments to Foreign Direct Investment flow, like corruption, political violence and civil strife. Basic principles of good governance shall be examined in the light of the contribution that they offer to foreign direct investors. Government policies attracting foreign direct investment shall be comparatively examined in the light of South Africa and Cameroon. The measure of investment of these two economies shall be analysed in this light.



1.2 PROBLEM STATEMENT

Most Multinational Corporations (MNC) have been blaming their inability to invest in Africa on governance, poor economic policies and laws which are unfavourable to Foreign Direct Investment in investors. The role of government is central to trade. Trade and trade practice can only flourish when more economic policies designed by government favour trade. With good political and economic programmes, FDI flows are realised. These must be sound and enabling to attract foreign investors, ever ready to invest in safe economic climates. These alone cannot account for the profits from such levelled economic playfield; it must be accompanied by well defined and favourable policies, good governance, democracy and the rule of law. With these factors in place, economic growth and human development will be achieved.

1.3 OBJECTIVE OF THE STUDY

The research in this study seeks to explore the role governments can play in the attraction of Foreign Direct Investment. This shall be done through a thorough examination on ways and

modalities about what the governments through the enhancement of good governance could help in the attraction of Foreign Direct Investment. Principal focus here shall be on two economies; South Africa and Cameroon, and how FDI has impacted on these economies.

1.4 SCOPE OF THE STUDY

The study shall examine economic and government policies of South Africa on the one hand and that of Cameroon on the other hand. This shall be on specific periods after democratisation of both countries. For South Africa from 1994-2004 and for Cameroon from 1992-2004. Their comparative economic strength in the face of Foreign Direct Investment flow shall be measured on the one hand and the impact of governance in attracting Foreign Direct Investment on the other.

1.5 RESEARCH METHODOLOGY

Legal texts shall be consulted to support the arguments that shall form the corpus of this study. International journals as well as seminars papers and all that researchers in this area have written shall be consulted and analysed critically. The Internet will also be an authorisation source to access useful websites that may help in the advancement of the study. Available published works on the two economies ie that of South Africa and Cameroon shall be explored equally. NEPAD's source material will play a pivotal role in the progress of this work as this continental organisation has much to offer in terms of trade and general human development.

CHAPTER NARRATIVE

CHAPTER ONE

INTRODUCTION

The introductory chapter shall be consecrated to the treatment of the objectives of the study, which shall be an exploratory on way; and modalities available to governments to attract foreign direct investment. It shall be stating the problem statement; namely, why multinational corporations are reluctant to invest Africa, with specific examples drawn from South Africa and Cameroon. The scope of the study shall be limited to an examination of economic and government policies of South Africa and Cameroon. This shall be done through consultation of

legal texts, journals as well as seminars reports/papers and all that researchers in the area have published.

CHAPTER TWO

The role of governance in attracting Foreign Direct Investment will be explored; emphasis will be placed on the rule of law as well as accountability and transparency of management, not only in government but in the public and private sectors as well. This influence government action has on Multinational Corporations (MNC) decisions to invest will be examined in the light of macroeconomic policies of both countries to foreign investors.

CHAPTER THREE

This chapter will be comparing the economic stands and strengths of South Africa on the one hand and that of Cameroon on the other. The Investment climates of both economies shall be at focus here and shall also be making a synthesis of their strengths in their various sub-regions, for South Africa; the SADC and for Cameroon; the CEMAC. All these form the corpus of the comparative analysis that is the main theme of the study.

CHAPTER FOUR

This chapter will be discussing Regional Economic integration initiatives, with inspiration from the New Partnership for Africa's Development (NEPAD). Focus shall be laid on two regional economic integration initiatives, to unit; the Southern African Development Community (SADC) and the Central African Economic and Monetary Community with French acronym CEMAC. Focus shall be on their economic might and on their roles as Regional Economic integration schemes, as precursors of economic growth and development.

RECOMMENDATION AND CONCLUSION

Focus in this chapter shall be on some recommendations to both countries on ways and modalities to create favourable climate to investment and investors both national and foreign willing to invest. This shall be followed by a general conclusion.

CHAPTER TWO

2.1. THE ROLE OF GOVERNMENT IN THE ATTRACTION OF FOREIGN DIRECT INVESTMENT.

INTRODUCTION.

It is widely argued that a country's economic performance over time is determined to a great measure by its political, institutional and legal regulatory environment. These institutions and policies of government form the Governance infrastructure largely determines the inflows of Foreign Direct Investment.¹ The flow of Foreign Direct Investment is largely determined by a good and favourable investment climate which is a precursor to economic growth and Sustainable Human Development (SHD). In addition to this, economic governance infrastructure and other structural infrastructure have a very important role to play in the attraction of foreign direct investment. Developing countries of Africa have a primordial role to play in the regulation of FDI, which role among others must include the enhancement, enforcement and judicious maintenance of the rule of law, ensuring accountability and Transparency in both private and public management.² This regulatory role extends also to multinational corporations on national institutions. It is a cardinal principle of investment that an investor need to be secure with his investments anywhere hence, the rule of law shall be the next head we shall examine.

2.2 THE RULE OF LAW.

The evolution of a country is a function of how it manages to attract both domestic and foreign investment³. This largely depends on the country's macroeconomic regulatory framework. This invariably calls for both sound legal framework and effective corporate governance.

The legal background bequeath to African developing countries leaves much to be desired given the fact that the number of factors adversely play around the enforcement of rules meant to guide both government and corporate action. In any political setting where the rule of law is not binding, there is bound to be anarchy and a discriminatory application of the law.⁴ Foreign

¹ Mosoti (2004) 196

² Mbaku, (1998) 298-302

³ Akere Muna "The Applicability of the ohada treaty in Cameroon, proceedings of the ohada seminar held at the University of Buea, Buea, Cameroon 18-19 September 2003. 15-16 Presprint Ltd Limbe

⁴ www. Transparency de/documents/CPI/index.html [Access on 12/10/2004]

Direct Investment inflows can not be guaranteed in a background of a deficient legal framework that is either a respecter of most government policy makers or multinational interest other than the dictates of the law.⁵ This can be said to explain why Cameroon has been unable to attract considerable FDI at the dawn of multiparty politics in 1990s. This status quo still prevalent, Cameroon falls amongst those countries that have less legal guarantees to domestic and international investors.⁶

On the one hand, South Africa even though without an investment code attracts much FDI than the whole Central Africa sub-region put together. This is so because the country enjoys a sound legal impartiality than most other countries with the same conditions but legally deficient.⁷ Up til date most legal procedures are still adopted and very often do not particularly reflect international standard investment contracts. One of such Cameroonian national, James Onobiono representing SITABAC (Société Industrielle de Tabac du Cameroun) and a German Tobacco Group called Reetma, to produce and market tobacco and tobacco products. The Joint venture never survived the whims and caprices of SITABAC representative. In court, the German tobacco group's plea for justice fell in mud due to the fact that judges were corrupted.⁸ Where the judiciary is corrupt the rule of law is either twisted to suit national or foreign investors who for purposes of their investment want at all odds to guarantee, protect and secure their investments in the host country.

The quest for protection and guarantee of investment notwithstanding, rent-seeking and unethical enforcement of legal rules seriously play in disfavour of investors. Such tendencies have unfavourable effects to the inflow of foreign direct Investment,⁹ and discourage promotional spirit of entrepreneurial activities and the creation of wealth which moves along with foreign direct investment.¹⁰ Free negotiation of contracts is lacking when rules are thwarted. The most disturbing issue in a bad legal environment is the unnecessarily long court procedure with unjustifiable adjournment which are not only time consuming but costly to litigants. It is a disincentive to investment. In Cameroon, the practice is the order of the day in

⁵ Stighitz J. Globalisation and its Discontent (2002) 194-196

⁶ Mbaku J, Governance, wealth creation and Development in Africa, www.web.africa.ulf.edu/as9/u4/v4: 2a3htm [Access on 22/01/05] <www.theti.govza [access on 12/10/2004]

⁸ The shareholders of SITAB AC as of 1992 included. The German Group with 30% of the shares. Joet Holding CO 22%, James Omobiono 2%, Theodore Ebobo 15%, others 0.8%. the Company had 26.000shares of 10.000each as of 1993. "La nouvelle Expression". No. 15 of march 1993. See also Jeune Afrique Economique, No 167

⁹ ibid 6.

¹⁰ www.UNCTAD FDI/TNC/information Database

all courts. Unlike the present status quo in Cameroon's bijurial legal framework,¹¹ the South African legal framework is most effective and pragmatic and devoid of legal bottlenecks that characterise court procedural hurdles, which deter both national and foreign investors from investing.¹²

When in the negotiation of any joint venture, business concern, rules of partnership are not in conformity to national laws, there is bound to be judicial errors when problems crop up. This is exactly what happens in Cameroon, where rules of free exchange, rules against theft, fraud, and other activities that involve the illegal redistribution of wealth like bureaucratic corruption and rent-seeking have been known to impede the free flow of foreign direct investment to Cameroon as opposed to South Africa.¹³

Judicial corruption does not only slow down FDI flow to host country but seriously negatively impact on the peoples lives.¹⁴ It is necessary to eliminate corruption in the judiciary in order to create a good investment climate that can lure investors whose investments will better the lots of the poor languishing under bad governance. Poverty can be reduced outrightly, by government adopting sound legal and regulatory framework that guarantee free-enterprise. Only in such conditions can sustainable human development be achieved.¹⁵ A sound high-quality policy environment is one that sends clear and unambiguous signals to investors, precludes rent-seeking, does not waste economic resources¹⁶ as is the case with Cameroon, whose judiciary is bribe-prone due to low salaries and who sometimes are under mounted high pressure from government barons,¹⁷ who are invisibly present in the discharge of judiciary decisions. Influence peddling and traffic of authority are some of those things that hold down Cameroon's quest for foreign direct investments, as opposed to South Africa.¹⁸

Before now, in post independent South Africa, the Apartheid regime failed to create an enabling climate for fair trade. Rules were tailored to favour whites against blacks. Before

¹¹ *ibid*

¹² <www.the dti.gov.za>, [access on 10/12/2004]ministry of Justice Cameroon, procedural lapses in court procedures, the plight of litigants

¹³ Morisset J. 'Foreign Direct Investment in Africa, policy research paper'. www.worldbank.org/research/markings paper [access on 20/10/2004], Drabek, Zdenek and Warren (1999). "The impact of transparency on Foreign Direct Investment Staff working paper EAR 99-02

¹⁴ Ajaga N, why Poor People Remain Poor".

¹⁵ *Ibid* 4

¹⁶ Bernard. Hoekman, Aaditya Mattoo, Philip English, "Development, trade and the WTO. A handbook. 2003

¹⁷ *Ibid*

¹⁸ *Ibid* 4

1994, White South Africans used the nation's resources framework of security and order to effectively marginalize the black majority poor population, create and sustain artificial privileges for themselves and generally stunt economic, social and political transformation of Africa. This blockage failed to create a favourable climate for investments, development and sustaining of indigenous capitalism and the participation of blacks in main policy streams.¹⁹ This was not only peculiar to the then South Africa, today the government fabric of Cameroon is one whose political configuration is tailored to influence the judicial system to function as an instrument of hate.²⁰ Small and medium size, economic operators of particular ethnic origin and/or political affiliation are subjects of high taxes and discriminatory application of existing colonial laws that have become so obsolete to present economic realities of the country, given the rules set out by the WTO and other intergovernmental Organisation dealing with trade.²¹ The capture of governance structures by most ethnic elites have stultified economic development and sustainable human development . These and more have slowed down the flow of FDI to Cameroon as opposed to South Africa after and between 1994-2004 et al. ²²

Talking about governance infrastructure, the rule of law is not the only fact that assures investors. There are other factors that contribute to the inflows of foreign direct investment into a country; one of these factors is transparency and accountability in private and public management.

2.3. Transparency and Accountability in Private and Public Management.

Much research has been done to determine what actually discourages Foreign Direct Investment flow to Africa. A number of hurdles have been identified namely; bad governance, institutional transparency, accountability and bureaucratic corruption. This and others have contributed largely to discourage both domestic and international investors from investing in

¹⁹ Ibid 4

²⁰ Mbaku J, "corruption and economic Development . Ch.14.323

²¹ Mbaku, J, Nepad and prospects for Development in Africa in the New Millennium, papers prepared for presentation at the Annual meeting of the Association of Third World Studies, macon, Georgia, [October 7-9, 2004]

²² Elizabeth A, The role of Government policy, Governance and Political Instability < www.people.ku.edu/asiedu> [Access on 12/10/2004]. Globermann, "The role of Governance infrastructure Western University Washington

Africa, especially in countries like Cameroon where the practice is very present in the daily run of government business.²³

More so, the inward flow of the much needed FDI can be very traumatic and problematic if proper measures to ensure transparency and accountability in both public and private management are absent. At the dawn of independence, FDI flow followed natural resources endowment but today natural resources have not been very much at the fore.²⁴ Even though some primary sectors are managing up at snail's pace, the tertiary sector is dormant.²⁵ A recent example is the Chad-Cameroon pipeline project that has increased the flow of FDI into Cameroon and Chad in the recent past. In spite of this colossal project,²⁶ FDI flow to the whole Central African sub-region fails to outmatch that flowing into South Africa. This phenomenon can be explained away by the huge lack of transparent and accountable measures. As one of the corner stone of good governance, transparency and Accountability stand strong as determinants of foreign direct investment into a country.

In most of Africa especially as in the Central African sub-region where Cameroon belongs, budget transparency and public participation in the allocation of resources is quite limited and is almost the exclusive preserve of the executive that dwarfs parliament.²⁷ South Africa in the recent past is often pointed at, as a country with good legal framework that ensures transparency and accountability in the participatory initiation and execution of the budget process to the public.²⁸ Some of these lapses seriously play in disfavour of African developing countries wanting to attract foreign direct investment. It is from, this kind of high-handedness that Cameroon in 1998 and 1999 earned successively the trophy of the most corrupt nation in the World.²⁹ This classification was done by a German base NGO, known as Transparency International (TI).

Transparency International published its finding following a scale known as the Corruption Perception Index (CPI) with the most corrupt countries found at the bottom of its

²³ Elizabeth A, The role of Government policy, Governance and Political Instability, <www.people.ku.edu/asiedu> [Access on 12/10/2004] Mbaku M. Bureaucratic corruption in Africa. The futility of cleanups <www.cato.org/pubs/journal/cjibn1-6.html

²⁴ Mosoti, v, "The New partnership for Africa's Development: Institutional and legal challenges of Investment Promotion" copyright (c) San Diego International Law Journal

²⁵ Ibid

²⁶ Ibid

²⁷ Mosoti (2004) 202-204

²⁸ Ibid 21

classification.³⁰ Cameroon unlike South Africa has occupied the first most corrupt country position twice. Even though this has seriously played in her economic openness it has caused the government to try to sit up and to fight corruption.³¹ Almost all ministries in Cameroon now have anti-corruption units.³² Despite these units, foreign investors are still very scared to invest in Cameroon. This explains why Cameroon with almost the same natural resources endowment attracts less FDI than South Africa.³³

Most governments in the past decades took upon themselves sectors reserved for the private sector and plundered them. The goods and services these sectors were to provide to the citizenry were not provided. Their management of such sectors was not transparent and there were accountable to nobody except the executive that appointed them. This caused to increase their internal and external debt burden at all time high. Where the investment climate is marred by uncertainty, business generally is bound to slow down, if not stopped completely. In this wise, serious reform measures should be taken to curb corruption and lack of business savvy amongst national and foreign investors.³⁴

Incentive competition may act as an indicative device that improves the allocation of investment, given localisation needs across jurisdictions by ensuring that FDI moves to where it has the highest social return. This often is the case where social return to FDI is lower. One way governments can ensure this, is by putting in place policies of non-discrimination and to ensure that any corporation that is investing is devoid of malpractices of any form. A more open and transparent FDI policy, however, would invite not just one Multinational but many and would thereby foster competition among not only Multinationals but domestic and other foreign firms. Such policies impose a certain degree of predictability, transparency, ruled-bound behaviour and non-discrimination in areas of policy, often subject to exclusive executive discretion and rent-seeking.

It is often the cry of foreign investors that, good governance measures be put in place to ensure transparency that characterises trade and investment along side other incentives that lure

²⁹ <www.transparency.de/document/CPI/index.htm> [Access on 12/10/2004]

³⁰ Ibid

³¹ <www.imf.org/external/np/pfp/camer/cam_01.htm> [Access on 7/01/2005]

³² <www.heraldnewspaper.net> [Access on 4 march 2005]

³³ Tandon Y, "The role of Foreign Direct Investment in Foreign Direct Investment in Africa's Human development

³⁴ Mosoti (2004) 198-206

foreign investors, like adequate road and communication infrastructure network.³⁵ Developing countries of Africa should at least to attract FDI, minimize their political and macroeconomic risk factors while upholding the principles of good governance foremost amongst which is transparency and accountability in public as well as private management and the elimination of corruption and fraud and excessive taxation. Throughout the continent, elites constantly over the past decades subvert national rules, promote perverse economic programmes and engage in other activities that benefit them but impose significant development cost on society. In this process, they stunt growth and stifle both human and economic development which could have been realised through the influx of FDI.³⁶ Another unaccountable practice very present in most African economies is income inequalities, that push those in privileged positions like judges and directors of enterprises into bribery and corruption which thwarts economic, social and political progress of a country.³⁷ Cameroon's ailing economy is bedevilled by this practice, where sound economic and political policies are far-fetch to government policymakers.³⁸

The case of South Africa after the end of Apartheid is exemplary in the clean-up mechanisms put in place by the New Democratic Regimes that have attracted much FDI into the economy.³⁹ This is further buttressed by the fact that other auxiliary good governance precepts are quite applicable in all sectors of the economy.⁴⁰ This has encouraged a lot of Foreign Direct Investment into the country. In as much as these measures and mechanisms are present in the South African economy shall continue to boom. While this economy in Sub Saharan African (SSA) is growing faster, others whose colonial institutional mechanisms still hold their economies down, growth will be difficult.

In as much as developing African countries are clamouring for FDI known to bring development in all its ramifications, if most of these measures are not checked nothing economically progressive shall be realised. Some of the following have been identified as

³⁵ Ibid

³⁶ Ogutçu, OECD Secretariat, "International Conference on Regional Development and Foreign Investment in Brazil. Foralleza, Brazil, 12-13 December 2002. Elizabeth A, "The role of government policy, Governance and Political Instability" <www.people.ku.edu/asiedu> [Access on 12/10/2004]. Globermann, The role of Governance infrastructure Western University Washington

³⁷ Mbaku M, "corruption and economic development" ch.14. 323

³⁸ Ibid

³⁹ Ibid

⁴⁰ <www.thedti.gov.za> [Access on 8/03/2005]

obstacles to economic growth and development⁴¹ and if nothing is done to reverse the tide, FDI will be hard to flow into countries where the following adverse indicators are present, namely:

1. Bureaucratic and political corruption
2. Political violence, including destructive ethnic conflicts,
3. Unmanageable external debt, continued dependence on primary Agriculture products.
4. Shortage of both human and fiscal capital and
5. Poor infrastructure.

All these et al contribute largely to the low inflow of FDI to the countries where they are identified.

Good governance being the only catalyst to change, new strides to economic salvation cannot be attained. This is supported by the argument that, good governance must be accompanied by an efficient, merit-base civil service, professional and properly structured legislature, free-market economies where business actors are allowed to freely engage in contract and free exchange and a sound Judiciary systems that should adjudicate impartially and not on wealth status, ethnic or political affiliation of the defendant whether national or foreign. The above factors have seriously hampered economic and human development both in South Africa during Apartheid and Cameroon due to a strong ruling elite that encourages favouritism, nepotism and tribalism which have all contributed to bring the country's economy into the mires.⁴²

This situation is further worsened by a restive Anglophone (English Speaking) person of Cameroon continuously marginalized by a Francophone majority who for the past three decades have confiscated the state apparatus and stunt both human and economic developments.⁴³ Successive regimes in Cameroon after independence and in the era of multiparty political dispensation have encouraged corruption and poor governance and this has crashed down Cameroon's leading role in the Central African sub-region. As opposed to South Africa's economic policies those of Cameroon are tailored to suit a select few.⁴⁴

⁴¹ Jua, N. (1998) Cameroon: Jump-starting an economic crises, "in Mbaku, J.M (ed), corruption and the crises of Institutional Reforms in Africa," Lewiston, NY: The Edwin Mellen Press.

⁴² Saitoti, G. (2002), the challenges of Economic and Institutional Reforms in Africa (Aldershot, UK: Ashgate)

⁴³ Mbaku. M, "NEPAD and Prospects for Development in Africa in the New Millennium

⁴⁴ Ibid

Drawing renewed inspiration from NEPAD's core principle of good governance in its broadest sense; that include good corporate, economic and political governance, emphasis is laid on transparency and accountability in both public and private management, the absence of opportunism, rent-seeking, maintenance of the rule of law and finally the provision of traders with incentives that enhance their involvement in productive activities.⁴⁵ To this list can be added a complete overhaul of colonial legislations that continue to deter the flow of FDI especially in French Africa that has the poorest countries in the world.⁴⁶ Transparency and Accountability cannot be examined in isolation, Multinational Corporation equally play a role and shall be examined under the next head.

2.4. MULTINATIONAL CORPORATIONS AND NATIONAL INSTITUTIONS

Multinational Corporations (MNCs) are said to be the main vehicles of Foreign Direct Investment (FDI) to developing countries of Africa. These Corporations do not only carry with them much solicited FDI but a lot of influence on national governments and its institutions. Most of these companies sometimes create firms in the host country leaving behind their industrial and technological know-how when the host countries of Africa seriously need their technology for development. Often times too, contractual and operational practicalities are tailored not to only suit host country needs but for profit generation and complete exhaustion of a particular natural resource of interest to them. It is from this behaviour that, they are often said to move not only with their economic might but with a hidden political sledge hammer that always often fall on national institutions meant to regulate their activity in the host country.

Due to the economic might and the pressure MNCs mount on the National Institutions, host countries tend to create hurdles that discourage them from investing.⁴⁷ Some of these hurdles include, administrative and institutional bulwarks further compounded by bribery and corruption greased with colonial inadaptable legislations to present global economic dispensation. Multinational corporations are interested in areas where controls on foreign exchange transactions and liberalised price, licensing and related controls on both domestic and international trade as per the statutes of the WTO.⁴⁸ Developing countries are particularly sensitive to the admission of MNCs due to the colonial memory that continue to flash back and

⁴⁵ Mosoti (2004)

⁴⁶ UNCTAD (2004)

⁴⁷ Ibid

⁴⁸ Ibid

sometimes due to the policies of donor institutions like the World Bank and the IMF who adopt a policy of “one solution” fits all and enforcing abroad what they don’t implement at home.⁴⁹ More so registration procedures are cumbersome, unnecessarily long and frustrating due to a corruption chain that is opportunistic and which has been inherited from obsolete colonial mercantile legislation. Examples abound in the Central African sub-region where most country constitutions are replica of French 1958 constitution. Cameroon too has a representation of this old colonial legislation, some dating far back to 1932.⁵⁰

Interestingly enough, South Africa with a multiracial population representing old colonial settlers has updated its rules such that reflect recent global market trends. This has enabled it to attract much FDI than Cameroon between 1994-2004. The number of MNCs in South Africa outmatches those in Cameroon,⁵¹ but most of them do not exert pressure on national institutions as South Africa has a strong civil society and strong regulatory institutions,⁵² that are very watchful on these companies.

The way the Developing world looked upon globalisation through these multinational companies gives a different impression of what role these companies have actually to play in national or host country economic and social development. Looking at individual country perspective, incentives to attract FDI may be justified if FDI generates positive externalities which actually affect main sectors of the economy. This explains why the South African economy is rising both within the SADC Sub-Region and throughout the continent. Though the activities of some Multinationals leave much to be desired. Some of these companies that always suppress national institutions are of the Oil and Gas sector, namely; Enron; Shell, Petronas, Chevron, Exxon and Elf serepca.⁵³ These companies represented sometimes everything that goes wrong with globalisation, respect for sustainable human standard, Environmental control and utmost respect for national legislations that regulate their activities. Cases abound where they corrupt local officials to rebate or write-off some of their taxes.⁵⁴ The activities of some of these Multinational Corporations are so discouraging that they tend to be

⁴⁹ Stightz J, ‘The Roaring Nineties, A new History of the world’s most prosperous Decade’ *w:w.Norton & company New York*, 258

⁵⁰ Ibid 37

⁵¹ <www.thedti.gov.org> [Access on 10/01/2005]. This recent statistics as provides by South Africa Business Guide Book edition 9. 2004/2005

⁵² Mbaku J, “corruption and economic Development” 319-332.

⁵³ Ibid 49

looked upon by certain fragile economies with scorn. This is so due to standard formula contracts they carry about, forcing them on host state. Their responsibility too revolves only around exploitation and repatriation of profit and no deposition or transfer of technology.⁵⁵ A good example here is Enron's activity in India and Elf oil in the Central African sub-region. This situation has been so peculiar with undemocratic developing countries where contracts are negotiated by a team representing dictators of such states. One of such occurrence follows from weak regulatory frameworks and infrastructure insufficiency.

It is important to note that South Africa has no investment code like Cameroon but FDI flow into her economy is higher than in Cameroon. This is so due to corporate governance structure, good Regulatory Department of Trade and Industry, and a conscious ministry of Foreign Affairs all working in collaboration to attract and regulate the entry of FDI into their economy.⁵⁶ The Department of Trade and Industry further helped by an active civil society has contributed much to the growth of South Africa's economic performance. These civil societies check excesses and shortcomings of operating within their domains. The converse is true to Cameroon where even the investment code and other statutory legislations regulating investment are not known to potential investors.⁵⁷ In any sector of National development where information is hidden, it paves way for corruption, bribery, rent-seeking and opportunism. Coupled to these shortcomings, registration procedures are unnecessarily long; unknown and government's policy sometime deter both national as well as foreign investors from investing.

From this multinational corporation analysis small shall no longer wonder that South Africa as opposed to Cameroon is suggested often to be the lead goose that is to champion the course of Africa into a trajectory of self sustaining growth and greater economic salvation.⁵⁸ Foreign Direct Investment is often considered a direct instrument of development and growth. Since growth paradigms vary from country to country and from policy to policy schedules. It also depend on certain factor endowment like; technology, human and social capital harnessed by good economic policies, these makes FDI a country specific issue which also depends on how

⁵⁴ Sornarajah. M, "The International law on Foreign Investment. Cambridge 1994. Some of these tax exoneration seldom have legal effects although it is conceivable that they could later disable the country from advancing various solid arguments to regulatory bodies like International tribunals.

⁵⁵ Stightz J, The Roaring nineties; A new history of the world's most prosperous Decade, Norton & company 2003. 258

⁵⁶ <www.thedti.gov.org> [Access on 10/01/2005]. South Africa Business Guide Book edition 9. 2004/2005 South Africa's international magazine "phambilisa" Taking South Africa forward, Edition 3. October/November 2004

⁵⁷ See the ministry of Commerce, Finance and Chamber of Commerce Cameroon.

⁵⁸ See mosoti (2004)

different governments receive those Multinational Corporations that are vehicles of FDI. Other natural as well as artificial factors and infrastructural development contribute largely to the flow of these companies. This is corroborated extensively by South Africa that can boast of the best roads, telecommunication and energy infrastructure in Africa. Comparatively Cameroon naturally endowed with some of the above lags behind in the flow of FDI in some key sectors of her economy due to government policies and other red-tape measures

Today it is quite clear that MNC are still hidden tools used by capitalist colonialist who project development theories and not liberation theories to integrate developing economies into the global economy they are major players.⁵⁹ This semblance is misleading to national institutions whose regulatory mechanisms are defenceless in the dire need to attract FDI, bow to MNC to disorientate their policies to suit their economic whims and caprices.⁶⁰ The ultimate question that remains to be answered by MNC, is whether national governments should surrender their sovereignty and accept the rule of MNCs and /or settle for whatever crumbs of bread they leave behind mostly in the form of dilapidated and consumed real estate after almost all natural resources would have been tapped out?⁶¹ The answer to this question invariably should be that host governments should ear-mark sectors of their economies that need MNCs and which shall enhance economic growth and sustainable human development and overhaul their regulatory frame-work to embrace principles of good governance and corporate governance.⁶²

Developing countries should maintain control over economic and social policies, make sure that domestic savings contribute effectively to local capital accumulation and that FDI flowing in should be properly targeted and conditioned to meet the urgent and serious development needs of the country.⁶³ These are rights and obligations developing countries should not let go for the sake of luring foreign investors to invest in host country economies. No matter the sector earmarked for investment by Multinational, what is important for developing countries should be the selection of undeveloped sectors of their economies that require urgent modernisation and reforms, eg transfer of technology, improvement in the financial sector,

⁵⁹ See IMF and world bank organigrammes and executive functions which revolve between America and Europe. See also the “green room” decision within the WTO

⁶⁰ Stiglitz J, ‘Globalisation and its Discontents’ 194, *Penguin Books 2002*. Tando Y, “the role of Foreign Direct Investment in Africa’s Human Development paper written (summer 2000) for UNCTAD available at <www.rorg.no/dok/arkiv/ytfcli.1.htm> [Access 10/10/2004]

⁶¹ Tando Y, “ The role of Foreign Direct Investment in Africa’s Human Development paper written (summer 2000) for UNCTAD, available at <www.rorg.no/rorg/dok/arkiv/yi/di1.htm> [10/10/2004]

⁶² Mosoti (2004)

⁶³ Ibid 61

reduction of unemployment and general improvement in road, transport and telecommunication sectors that are sure baits to foreign as well as domestic investors

2.5 CONCLUSION

The foregoing chapter attempted to show the role of government in the attraction of FDI due to the orthodoxy that FDI goes along with economic development and sustainable human development which can be achieved through a well meaning rule law. We have examined the need to enhance the role of good governance and corporate governance. Their importance in any economy cannot be overemphasised as they are very essential to any investment environment. Host governments in the admission of FDI should ponder first on the needs of its development,⁶⁴ purposes. More so, in contracting with such huge firms that wield a lot of power, host governments should insist on transfer of technology and portfolio guarantees that could precipitate their own small and medium size enterprise towards growth. Affiliates and/or firms moving into the developing world, should be moving all their know-how and should plough-back some of their gains to areas deficient in infrastructure. Adaptation of technology has no paradigm that must be known to reflect local reality but original technology should be the hall-mark of their contract term. Clean-up measures should be enforce both between domestic and international investors. Information should be dispensed to the general public and the civil society should be allowed to be watch-dog of all sectors of the economy. With these mechanisms at work, then developing Africans countries should hope for higher trends of FDI. Cameroon unlike South Africa should reframe its investment legislation and clean-up to be able to attract FDI like South Africa. Further more, NEPAD's Prescriptions are to the effect that steps should be taken to ensure the adaptation of and mainstreaming of economic management of countries to promote market efficiency and control wasteful expenditure.⁶⁵It postulates that steps should also be taken to adopt and mainstream codes and standards in transparency and financial management into the economic management of countries, review economic laws and regulations of countries, all these in compliance to APRM (African Peer Review Mechanism).With these strides, economic activity will boom and Foreign Direct Investment will readily flow into all sectors of the economy.Eventhough these objectives are so noble and aimed at taking Africa out of poverty, country application remains a problem to most least developed countries of Africa.

⁶⁴ UNCTAD 2000, wells 2002

⁶⁵ www.dfa.gov.za/nepad.htm Placing Africa on the path of lasting Growth and Development (Access on 12/03/2005)

CHAPTER THREE
COMPARATIVE ANALYSIS OF INVESTMENT FLOW TO SOUTH AFRICA AND
CAMEROON

INTRODUCTION

The South African economy is one of the most sophisticated and promising emerging market in Africa and globally. The combination of a highly developed first-world economic infrastructure and a huge emergent market economy has given rise to a strong entrepreneurial and dynamic investment environment that guarantees economic and social growth accomplished by high social investment return. Within the Southern African Development Community (SADC), the economy is a lead economy and that assures the free flow of foreign direct investment⁶⁶ within the region. SADC's economic growth owes largely to a commitment of large investments flowing into the sub-region that South Africa stands as the leading economy.

In comparative terms to that of Cameroon, its economy is not as sophisticated and dynamic as that of South Africa. Cameroon's economy is a growing economy but which needs serious economic reform measures. Of late, the government is working hard to put in place good economic reform framework that will once more enable Cameroon to play leading role in the Central African Monetary Union, known by its French acronym CEMAC.⁶⁷ Though both economies share almost the same roles, and natural resource endowments, they differ in the implementation, exploitation and distribution of these resources. More so, their social and economic priorities and policy reform framework are at variance. This explains, why South Africa more than Cameroon enjoys a considerable amount of Multinational Corporation (MNCs) investing in South Africa than Cameroon. The role of the population is not also negligible given the fact that corporations tend to consider market outlets when investing. This notwithstanding, structural and infrastructural reform measures account very much to the growth of any economy. Further, to support this aspect of investment choice, is also the direct incentive policy of governments, since foreign direct investment sometimes is a respecter of countries, regions and sectors of the economy, they have high interest to invest in. As pointed out in the previous chapter, most of these Multinationals flowing into Africa in the recent past have shown considerable interest in the oil and Gas sector, eg Chad-Cameroon Pipeline project,

⁶⁶ www.thedti.gov.za/investing/whyinvestina.htm [access on 9/04/2005]

⁶⁷ <www.europa.eu.int/comm/development/body/country/doc> [access on 15/04/2005]

that is one of the highest World Bank funded project in Black Africa.⁶⁸ Even though such giant investments are gradually flowing into the sub-region much is still solicited to relaunch these economies. In the early 1980's Cameroon was one of Africa's success stories nowadays the economy has been overpowered by bad reforms, corruption and too much red-tape measures that have stultified and stunt economic pick-up.⁶⁹ South Africa's isolation during the period before 1994 was bedeviled by poor economic management but during and after its first Democratic Election in 1994 put the economy on a growth path⁷⁰ and created a conducive environment for both domestic and foreign investments. This has created a macro economic stability in South Africa.

3.2 ECONOMIC STRENGTH OF SOUTH AFRICA

The success of the first democratic election in 1994 put the economy on the path of growth and development at the same time created a conducive environment for both domestic, regional as well on foreign investment that have continued to robust the economy despite World economic slumps and boom that have fragilised some developing economies around the world.⁷¹ This notwithstanding, South Africa remains one of the world's favourite emerging markets, offering investors highly sophisticated financial infrastructures and exceptional investment opportunities and incentives. Coupled to the positive indicators, the government has put in place investment friendly range of business incentives against a background of robust standardized economic policies regulated by very efficient rules and structures. To this could be added its open business climate with transparent rules and regulations, high standards of corporate governance, one of the most liberal constitutions in the world and a strict observance of the rule of law.⁷²

Following the state of things, South Africa is the leading economy in Sub-Saharan Africa (SSA) and often considered as the gateway to Africa. This fact is supported by the presence of many multinationals based there, and export local goods and services to the rest of Africa. Even though, still considered as a Developing economy, its infrastructures and structures far surpass those of other Developing economies on the same classification of the World Trade

⁶⁸ Mosati (2004)

⁶⁹ www.europa.eu.int/comm/development/body/country/doc [access on 15/04/05]

⁷⁰ www.thdti.gov.za/investing/whyinvestinsa.htm [access on 9/04/2005]

⁷¹ *ibid*

⁷² South Africa Business Guidebook edition 9. 2004/2005

Organization (WTO). An appraisal of the SA (South African) economy reveals its growth and macro stability in the face of a fluctuating world economy.⁷³

From the stream of the above it was realized that the economy recovered quite robustly after 1998 before world economic conditions began to deteriorate towards the end of 2000. The weakening of the international economy resulted in a slowdown in growth in South Africa during the first quarters of 2001 and 2002 but the second quarter of 2002 the economy picked up. Despite these fluctuations noticed here and there, trade in South Africa is very diversified across a range of products and markets within the sub-region, Africa and the world.⁷⁴ This makes South Africa an important economic junction in a continent bedeviled by poverty and misery and HIV/AIDS, coupled with low economic out-put and which relies primarily on primary agricultural products whose prices have sharply fallen in the world market. Despite these adverse economic trends across developing countries, economic stability in South Africa is maintained through the minimization of the gap between the rich and the poor and the continuous innovation initiatives targeted at those living below the poverty line. Communities have government supported initiatives at enhancing incentives. Small medium and micro enterprise (SMME) ventures are given the opportunity and support to blossom and to compete and/or enter the market place. This is further harnessed by a buoyant market that sells to all, both rich and poor. Market distortions are controlled and checked systematically by guilds overseeing how both perfect and imperfect markets work.⁷⁵ This and other factors have contributed largely to the flow of foreign direct investment into the South African economy as the paragraph illustrates.

The South African, Trade and Industry Department in implementing government economic policies offer a number of incentives to investors,⁷⁶ both foreign and domestic. The Department of Trade and industry (the DTI)'s primary role is to facilitate access to sustainable economic growth, with the main objective of promoting the development of small, medium and micro enterprises (SMMEs), increasing Black Economic Empowerment (BEE), reducing inequality and poverty reduction, developing the Southern African Development Community (SADC) region, and strengthening the international competitiveness of South African business internally as well as externally in collaboration with the Department of Foreign Affairs (DFA). In the

⁷³ www.thedti.gov.za/investing/whyinvestinsa.htm [access on 9/04/05]

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ South African Business Guidebook, Edition 9. 2004/2005 17.

same framework, these incentives are geared towards increased market access⁷⁷ to foreign investment and usher in an air of fair, efficient and competitiveness in the market place. In this kind of reform framework the consumer is protected and product quality assured high standards. The Department of Trade and Industry in order to assure the effectiveness of these measures has put in place more than hundred different incentive, loans and rebate measures that can be really categorized under 10 different heads, to wit;

1. Development finance
2. Empowerment
3. Expert facilitation
4. Human Resources and skills development
5. Investment incentives
6. Matching grants
7. Sectoral waivers
8. Small, medium and micro-enterprises
9. Technology (Research and Development)
10. Tourism

To harness this institutional reforms, government through the dti has redoubled its efforts in the intervention afforded to SMME in the area of promoting entrepreneurial spirit, encouraging greater number of firms to start enterprises and improving the competitiveness of existing enterprises.⁷⁸ The importance of such an initiative is that vibrant sectors of the economy are not left out and certain backward communities are covered depending on their specific growth needs. From this strand of reasoning one would notice that certain sectors are highly supported than others, to enable them stand international competition, eg the textile and clothing sector than the agro-processing sector requires special attention and more protection.⁷⁹ Another focal pointer to the support afforded to building enterprises is that all enterprises are supported depending on their specific growth needs and size of the venture.

Another area of importance government attaches to small businesses is a core objective of the government's broader economic development strategy⁸⁰ among which is improving the provision of infrastructure, lowering the cost of logistics; improving the skill base, improving competition in areas such as monopoly pricing; ensuring that administered prices for inputs

⁷⁷ Ibid.

⁷⁸ www.thedti.gov.za/Article/articleview.asp?current [access 23/01/05]

⁷⁹ Ibid.

⁸⁰ Ibid.

such as water, telecommunication and electricity are kept under control and increasing the amount of resources spent on Research and Development (R&D) and the diffusion of new technologies.⁸¹ The implementation of these reform base underscores governments determination to ensure a competitive economic base which is a precursor to development in which businesses of all sizes are active and enjoy the same business environment where big enterprises do not knock-out budding and small ones out of the economic chain.⁸² This initiative is to encourage black businesses, which are predominantly small in size to grow, through the sourcing of large companies cooperating with these enterprises. In this bid, new international trade opportunities are being opened through the signing of bilateral trade agreements and free trade agreements with countries in Africa, the European Union, countries in South America and Asia.⁸³

In the same vein, the of AGOA (African Growth and Opportunities Act) are rewarding as South Africa is forging a way to enter into a Free Trade Agreement with the United States of America that will enable both large and small businesses to export to U.S markets under its preferential agreement and negotiation. Though South Africa is presently experiencing growth, more still need to be done to stabilize their general economic growth. This has been achieved so far with the collaboration of trade unions, sector and industry Association, chamber of business, international donors and NGOs, all who have actively participated in the drive toward the present economic growth and macroeconomic stability South Africa presently enjoys.⁸⁴ As these trends move forward, its consolidation and supervision should be enhance to enable South Africa maintains its leading role in the Region , Africa and the world at large.

The strength of the South African economy can be measured from its consistent growth despite intermittent slumps that affected world economy from 1994 when the country entered a new political era, that of democratization. From 1994 the economy has been witnessing an all-sector growth until 2004 when it registered a remarkable growth especially in the goods producing sector or industries. This present growth rate exceeds the rate of population growth, this increased the per capita income and reduced unemployment sharply.⁸⁵ Labour productivity has markedly improve and poverty is gradually reducing.

⁸¹ [www.thedti.gov.za/nesandevents/speeches\(current\)](http://www.thedti.gov.za/nesandevents/speeches(current)) [access on 23/01/2005]

⁸² Ibid.

⁸³ Ibid

⁸⁴ Ibid.

⁸⁵ www.resbank.co.za/economic/growth.htm [access 10/02/05]

General economic expansion both horizontally and vertically over the past two years has been underpinned by strong growth in domestic demand and real gross domestic expenditure increase sharply above 4% in 2003 and the first quarter of 2004.⁸⁶ A very much welcomed development from the view point of strengthening growth capacity of the economy has been the robust growth in real gross fixed capital formation amounting to about 8.4% in 2003 and averaging about 10% in the first half of 2004. All this minus depreciation. This is so, thanks to government and private enterprise as hereinabove explained. During this period international commodity prices have contributed enormously to the improvement of favourable terms of trade. This trend further explain away the economic strength of the South African economy vis-à-vis other developing economies whose internal and external economic reform framework has contributed little to their economic stability at a time when the value of the strong Dollar has dropped remarkably after September 11.⁸⁷

At this pace, the South Africa economy is gradually affirming its lead role both in the sub-region and in the continent that relies solely on imports of finished products and the exports of primary products whose prices are determined by international market forces or predator international buyers.



To revisit, revamp and restructure business, the South African government has put in place a number of initiatives to relaunch economic growth and development between large companies and small, medium and micro size enterprises.⁸⁸ This the government does through the establishment of state-initiated projects to supportive legislation and numerous funding schemes controlled and supervised by the Department of Trade and Industry (DTI). Some of the government initiative include;⁸⁹

- 1) Create an enabling environment for small enterprise
- 2) Level the playingfields between big and small businesses and between urban and rural businesses.
- 3) Facilitate greater equalization of income wealth and earning opportunities.
- 4) Restructure the legacy of apartheid-based disempowerment of black businesses.
- 5) Support women in business.
- 6) Create and sustain long term jobs

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ www.thedti.gov.za/SMMES/factsheet.htm [access on 14/04/2005.]

⁸⁹ Ibid.

- 7) Stimulate economic growth by strengthening small businesses to face challenges of an internationally competitive economy.

It is worthy of note here, that the implementation of these scheme flows from the legislative blessing of the National Small Business Act of 1996. To fulfill this very lofty economic salvation policy,⁹⁰ the dti has signed an agreement with the E.U. (European Union) which is to donate risk capital to SMMEs under the management and supervision of the Industrial Development Corporation (IDC) and the European Investment Bank.⁹¹ It is estimated that about 90% SMME shall benefit from this risk donation scheme aimed at salvaging small businesses to enable them sustain and also compete with large businesses.

In the same vein, the dti also has extensive technology programmes, business regulatory compliance advice,⁹² new product development support, quality management training and trade and investment development programmes meant to vulgarize small businesses and also empower women and disabled in business. Even though government is not relenting, a number of problems are encountered in this bid to empower this second economic trends into mainstream economic activities. Most of these SMMEs suffer from shortage of funds, overtrading, crime and theft with sometimes non-respect to payment of customer accounts. Government has also put in place mechanisms to check these exigencies to wit; putting in place venture capital through donor community contributions.⁹³ Other incentives granted micro businesses bear on a review of Regulations governing SMMEs like in the area of start-up cost, taxes and legal expenses which are believed to hinder the development of this sector. These reviews are aimed only at micro businesses to enable them stand small and medium size enterprises' competition. It is in such bids that government urges SMMEs performance through the implementation of Black Economic Empowerment (BEE) whose implementation qualifies these enterprises to government tenders and procurement contracts.⁹⁴

From the above economic analysis, it is trite, to affirm that the South African economy remains the only triumphant trajectory in economic strides put in place by the new Democratic Regimes that has tremendously improved the economy, by maintaining favourable terms of trade,

⁹⁰ South Africa: Business GuideBook, Edition 9.2004/2005.

⁹¹ Ibid.

⁹² www.thedti.gov.za [access on 14/04/2005]

⁹³ Ibid.

⁹⁴ Ibid.

balance of payment and reduced inflation to single digit figure. Crime has reduced, unemployment minimized and a sound fiscal and monetary policy put in place whose fall-out are evident from its growth rate. Development is gradually being realized thanks to a dynamic government and active civil society. If these factors were to be implemented in Cameroon, its investment climate would have been favourable to both domestic and foreign investors and as such attract much Foreign Direct Investment.

3.3 INVESTMENT CLIMATE IN CAMEROON

Cameroon's economy used to be one of a success story within the Central Africa sub region. This situation of the economy's success never lasted 10 years as in the early 1980s and 1990s the once buoyant economy crashed down due to a number of poor governance factors and shall be elaborated in the later part of this sub head. Despite the surge of the economy in 1995, the effects of a decade of crisis (1985-94) have not disappeared. Since this recession government has rumbled, rattled but not grasp any potent solution to economy recovery after the country's classification by Transparency International, government is cleaning-up. But still yet most policies tailored after this period have been more or less paper tiger, structural, social, political and fiscal policy reforms have been slow to reverse the tide, coupled to unabated corruption, administrative red-tapes, political tension and very bad budgetary allocations and execution have brought the entire economic machinery to a near halt. Even though Cameroon stands as the lead goose in a sub-region plagued with ethnic violence and civil strife much is still needed to be done for the country to stand the appellation that may not be misleading but apparently so due to poor governance and high bureaucratic corruption, rent-seeking and a civil service that has no road-map and ill-trained to run government action. If any social, cultural, political and economic reform framework has to be put in place, it should certainly be due to pressure from international donor organizations like the IMF, World Bank et al. The country since recession has too much relied on foreign aid than meaningful economic recovery reform framework to put in place to revamp the economy. Incentive schedules or mechanisms are not priority to economic planners. This has hampered both national and international investments into the country. Growth has been slow, development has been stunt. Existing infrastructure is dilapidating fast than its being replaced. Ancillary reagents to economic development and sustainable human development have been ignored. Both internal and External debt burden has been rocket-high, all these bad indicators have largely contributed to the general economic collapse of Cameroon, within and without the sub-region. The Investment climate in Cameroon

is marred by a number of ill-conceived macroeconomic policies that are accompanied by poor administrative skills followed by corruption in all its faces.⁹⁵ This has seriously hampered private sector investment in the productive sectors, poverty has swallowed all nooks and crannies of the country. Due to this downward economic trends, the government has been unable to complete budgeted projects and investments generally failed to rejuvenate the economy, during the recessionary period.⁹⁶

The intervention of the IMF (International Monetary Fund) and the World Bank through successive economic recovery mission to Cameroon have yielded not quite much in economic stability. Transparency and accountability are still far-fetched principles to the administration and the private sectors.⁹⁷ Due to the need to relaunch the economy, government through the help of the Bretton Woods Institutions have mapped out strategies to bail out the economy from doldrums. Some of these strategies garnered some strength when in 1998 and 1999 Transparency International (TI) classified the country as the most corrupt country in the world.⁹⁸ To clean the image of the country the government has embarked on reforms to put the economy back on rails. Some of the measures include, namely; To implement appropriate macroeconomic policies, to establish an enabling environment for the private sector, so as to ease private saving and investment and wealth creation, the implementation of structural reforms geared at reinforcing external competitiveness and finally the definition of social policies to reduce poverty. These reform framework are currently being implemented to revamp development of human resources.⁹⁹ In this bid government has embarked on reinforcing macroeconomic policies that will reduce double digit inflation, stabilize economic performance of key sectors and strengthen market forces. All these strides are being initiated at a time government has identified improved governance, strengthen the fight against corruption, is reforming the judicial system and the need to maintain a sound and competitive financial sector, modernization of government financial agencies.¹⁰⁰ International competitiveness will be maintained through prudent fiscal, monetary and usage policies as well as through further structural and infrastructural reforms. To achieve the above objectives, government realized the need for privatization, restructuring of the port of Douala and the Development of the natural

⁹⁵ www.oecd.org/data.oecd/45/11/1240.pdf [access on 02/03/2005]

⁹⁶ Ibid.

⁹⁷ www.europa.eu.int/comm/development/body/country/doc [access on 15/04/2005]

⁹⁸ www.transparency.de/documents/epi/index.htm [access on 12/10/2004.

⁹⁹ www.imf.org/external/np/pfp/camer/cam01.htm [Access on 12/10/2004.

¹⁰⁰ Ibid.

deep sea port of Limbe, the privatization of major public utilities.¹⁰¹ Even though privatization has not been completely achieved much still needs to be done on State Owned Corporations that are crumbling due to management crisis rocking these enterprises. This has led the government to realize that to overhaul this sector there is need to improve on transparency in the public expenditure management systems so as to fight corruption and to ensure that budgetary outlays reach their intended destination.¹⁰²

Following this reform measure, a number of steps involved in the budget execution have been reduced, responsibility of financial comptrollers in other spending ministries have been increased, and the control functions of the ministries of Economy and Finance and state control have been enhanced to enable them sanction strictly, officials found guilty of corruption or misappropriation of public funds. It is true that government is working towards the elimination of corruption from the administrative machinery but the mechanism used are not properly adopted. Some of these measures are not spread over the administrative chain, instead of top-to-bottom there are limited to the bottom. The government monetary and financial policies are still very rudimentary and traditional, with a sharp shortage of economists and financial experts to galvanise the efforts government is making so far. The few who are available are unemployed, those employed are under paid and sometimes, others are considered as neophytes or summarily victimised because of their ethnic, social and political affiliations.

It is worthy to note that a well-functioning and efficient financial system, is essential to private sector development and sustainable economic growth; these and others that have contributed enormously to Cameroon being regarded as the bread basket of the CEMAC sub-region in the hay-days of proper economic growth and stabilisation before the recession.¹⁰⁴ The banking sector has not been reformed completely as public and private lending and borrowing is too low due to high interests rates. With economic growth lapses, restructuring of the banking sector needs serious reforms that can internationalise the sector to encourage foreign investors to have confidence in the sector.¹⁰⁵ to revamp the sector government control over commercial banks and loans and thrift cooperatives has been drastically reduced. COBAC (Central African

¹⁰¹ Ibid.

¹⁰² Ministry of Economy and Finance; The budgetary policies of the country are designed and implemented by this ministry with instructions from the prime minister who gives ministry with guidelines to government action and draws up national strategies for the government, the poverty reduction strategy paper (prsp) is the handwork of the prime minister in collaboration to the about 30 ministries that Cameroon has, in the government of 18/12/2004

¹⁰⁴ Ibid 99.

Banking Commission) has taken over control of the banks including the savings and loan cooperatives. It is trite to say here that, since COBAC took over control of banks; no bank has collapsed. The banking sector is responding but for the fact that it is still rudimentary and sometimes traditional. Any standardised reform framework that should be put in place will positively enhance the sector as such, lure both domestic and foreign investors to the sector. It is from this perspective that one can aptly say liberalization of the banking sector has not been complete.

It would not be an overstatement if one says Cameroon's economy is a traditional economy in the face of liberalization and globalisation when countries are fast modernising in order to catch the train of economic growth and development: if serious reforms are not practically put in place, Cameroon's economy will collapse in a not too distant future.

Today the least other structural issues need to be tackled with pragmatism. It has been noted since independence that Cameroon faces persistent structural problems including; out-of-date and inadequate infrastructure (transport, telecommunications, health and education) bad governance (inefficient courts and non-independent private sector) and corruption that harm the country's image and puts off potential investors.¹⁰⁶ If nothing is done to review the justice system to restore confidence in local and foreign investors, foreign direct investment will always be a foregone conclusion to Cameroon. Clean-up administrative mechanisms need to be updated in order to usher in economic growth maintain macro-economic stability, ensure development and wealth creation.¹⁰⁷

Cameroon being one of the most diversified economy in the sub-region, energy supply remains very traditional. Electricity supply is inadequate to supply the few heavy industries that need power supply. There are often intermittent power failures which cause low production and push most industries to operate below capacity. This seriously affects market supply. Until date, government has no real plan to develop the energy sector, even though strengthening basic infrastructure, especially electricity output is a priority in the poverty Reduction strategy paper (PRSP).¹⁰⁸ In another face the National water corporation needs restructuring and/or privatisation for it to satisfy nation-wide demand for water supply. Before now the corporation

¹⁰⁵ < www.imf.org/external/np/pfp/camer/cam01.htm > [access on 12/10/2004]

¹⁰⁶ < www.oecd.org/data.oecd/45/11/3241240.pdf > [access on 02/03/2005]

¹⁰⁷ Ibid.

has been operating below capacity due to obsolete equipment and poor management. Cameroon attracts few foreign investors and not many local companies have the resources to tender for these state firms earmarked for privatisation. Other state-run corporations are on the list for privatisation but the tender bids are not suitable knowing their importance to the economy, e.g. Cameroon Airlines (Camair), Camtel (fixed line phones) and sodecoton.¹⁰⁹

Positive prospects depend on rapid and substantial investment to restore cheap but good-quality infrastructure for production, the civil service also needs to be reinvigorated and urgently downsized to boost efficiency and increase productivity. The sub-regional market also presents an opportunity for Cameroon as a traditionally key supplier; due to the expected economic boom in Chad, strong growth in Equatorial Guinea; stabilisation in the Central African Republic and continued expansion in Nigeria. This seems advantageous to the country since the potential and capacity of all firms; large and small, is only that when the main bottlenecks are phased out, supply will instantly increase.¹¹⁰

Due to these hurdles and poor economic performances since 1992-2003, A technical review of the problem was put in place which sought to review the legal system and outline action-plans to implement the recommendations adopted in December 2003¹¹¹, after having been considered the most corrupt country in 1998 and 1999 successively, it was placed 89th out of 102 countries in 2003 and 29th in 2005 as per Transparency International's corruption perception index.¹¹² Efforts to stamp out corruption are still low-keyed despite the *Brutum fulmen* of the government to fight out corruption that is still eating deep into the fabric of the government machinery in Cameroon. Corruption must be phased out for foreign investors to return to the country. Specific sectoral policies have been short-listed as measures to bail out the economy from decline, some of these sectors; to wit; forestry and Environmental protection schemes. This is to rationalise the sustainable utilization of the country's rich tropical forestry resources needing increased competition and transparency in the award of forest concessions, strict

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ Prime Ministry. This is one of the recommendations in the Poverty Reduction strategy paper (PRSP) handed by the then prime minister Peter Mafany Musonge to Britton Woods institution as a core prerequisite to reach completion point of the Heavily Indebted poor country Initiative (HIPC) programme designed for developing poor countries to completely cancel their colossal external and internal debt burden in order to bring them back to rails of the multilateral trading systems, encourage economic growth and general social and human development. This paper was drawn and submitted to the IMF in December 2003, but the implementation till 2005 has not been achieved as Cameroon has not yet got to the completion point.

¹¹² www.transparency.de/country/doc/epi/index/2005.htm Access 10/03/2005]

preservation methods of the environment and the protection of the interest of local communities. This sector is known to have been contributing much to growth and macroeconomic balance but had suffered from inadequate control mechanisms to check excesses in the area.¹¹³

The government of Cameroon in a bid to clean-up its investment climate has drawn up a laudable programme to drastically reduce poverty and improve on the social conditions of rural people living below the poverty line. Some of these measures are aimed to increase access to basic social services (education, health, drinkable water); preserve and promote a high sustainable economic growth with due regards to community rights to the exploitation and management of community forest and ecosystem, involve women in economic and social development. This reform framework programme drawn up since 1998 has not yet seen the light of day following government's inability to clean-up and to really put in place these lofty reforms. Given such an unpredictable run of government business, investors both national and foreign are skeptical about investing,¹¹⁴ in such a climate or environment. This explains why Cameroon has a rich natural resource endowment but attracts less Foreign Direct Investment.

Human Resource Development has not been given appropriate consideration. Due to government sectoral policies, professional or well trained personnel are lacking and a few who dare abroad are not given the opportunity to prove their know-how. This is supported by the fact that government action is highly political and works hard to stop other ethnic groups from entering mainstream economic sectors that can positively contribute to economic growth. Statistics and data on economic growth are often tailored to suit government political agenda that has never been for the general welfare of Cameroonians.¹¹⁵

Another very disturbing factor is that most regulations and basic or fundamental rules are often twisted to suit the powers that be. They are not even sometimes made known to the public as information. One glaring example of such rule malpractices is the concurrent application of the 1972 and 1996 constitution that where taken mutandis mutatis from the French 1958 constitution. Custom valuation system is unclear and very discriminatory, transport

¹¹³ www.inf.org/external/np/pfp/camer/cam01.htm [12/10/2004]

¹¹⁴ Ibid.

¹¹⁵ <www.thepostnewsline.com/cam.economic/policy.25.htm> [14/09/2004], <www.oecd.org/data.oecd/45/11/32412:pf> [02/03/2003]

infrastructure old, maritime infrastructure not given proper attention.¹¹⁶ Banking facilities are still too traditional with very high interest rates despite the control role (COBAC) the central Africa Banking commission seems to play in the harmonisation, control and supervision of commercial banks. Property control system is still very rudimentary. With government hands in banks, most often go bankrupt, leaving its client to wallow in abject poverty and frustration. In the area of its taxation policy much needs to be done to reduce the ever high taxes that are often a bulwark to investors. From time to time the government resorts to selective tax and tariff exemptions to promote industrial development but the tax holidays incentives given to budding firms or small business are not implemented. This often leads to most small, medium and micro enterprises winding up. Most multinationals have often cried out loud to government to review its tax system to no avail, some have left the country while others have resorted to corruption and influence peddling to exonerate their corporations from excessive taxes.¹¹⁷ It is also in this body (Taxation) that the highest corruption is noticed given the discriminate allocation of taxes and government's inability to computerise the system. Various tax lords have particular sector reserve solely for them. Money collected as taxes from these industries never enters government coffers, meanwhile some of the owners enter politics and parliament to waive off huge amounts they owe government as taxes. This state of affairs has seriously destroyed Cameroon's investment climate to potential investors. Tax evasion is very present in Cameroon due to political influence peddling by these evaders shielded by the political class.¹¹⁸ With such a very porous and ill-organised tax administration, coupled with high corruption in the corps, industrial investment and growth is highly tampered with meanwhile new firms with no political god-father cannot invest in an environment bedevilled by astronomical high taxes followed by organised corruption and swindling in the sector. It is this kind of atmosphere that deters investment, thereby stunting economic, social and human development. Strong clean-up mechanisms would need to be put in place for any meaningful economic growth to be realised.

Looking at the stakes that guarantee a good environment, for investment Cameroon unlike South Africa is very deficient due to the political will to clear-up hurdles that discourage investors. While other countries are steadfast on traditional, dictatorial policies not to open up.

¹¹⁶ < www.inf.org/extrnal/np/pfp/camer/cam01.htm > {12/10/2004}

¹¹⁷ Bernard. G, Bidro. S, James T "A firm's-eye view of commercial policy and fiscal reforms in Cameroon" < [www.worldbank.org/Economic Review, vol. 16.3449-472.pdf](http://www.worldbank.org/Economic%20Review,%20vol.%2016.3449-472.pdf) > [2/3/2005]

¹¹⁸ Bernard. G, Gersovitz "Revenue erosion through Exemption and evasion in Cameroon" < [www.worldbank.org/economic review.pdf](http://www.worldbank.org/economic%20review.pdf) > [Access 2/3/2004].

In the face of liberalisation and globalisation very lasting reforms measures need to be put in place to lure both domestic and foreign investors who are active forces in the attraction of the much solicited Foreign Direct Investment, developing countries of Africa seriously need.¹¹⁹ Especially SSA has to undertake sweeping change of policy to liberalise and open their economies in the following ways to wit;

- Creating a stable macro-economic environment,
- Liberalising controls on foreign exchange transactions,
- Liberalising price, licence and other controls on both domestic markets and international trade.
- Rationalising tax and tariff structures, including reduction of average rated
- Federalising investment laws and restrictions
- Actively promoting foreign investment and exports, these factors according to James J. Emery and Melvin T. Spence should be at the fore to attract Foreign investment.¹²⁰
-

It is also worthy of note that, notwithstanding these recommendations, Africans governments are becoming skeptical regarding the effectiveness of economic liberalisation particularly because many senior-level officials believe that the reform process has been largely completed and/or if they put in place these mechanisms their policy space shall seriously be affected and moreover with unskilled labour in industrial sectors, foreign multinational would devour or deplete away their natural primitive economic base.¹²¹

Even in countries that have put in place these procedures, serious constraint still remain to be surmounted in South Africa, crime, and HIV/AIDS while in Cameroon, corruption and administrative blockages in the name of government policy. These are among the most prominent worries of these governments. Its is from these lacuna that most trade and investment law specialist say the persistence of these “second tier” administrative barriers to investment, combined with a lack of institutional capacity in government agencies responsible for them, often translate into a situation where these mere procedural task become major obstacles to investment.

¹¹⁹ James. J, and Melvis. T, “Administrative Barriers to Investment in Africa: The Red Tape Analysis (Executive summary) <www.fias.net/fias.resource.htm> [Access on 03/10/2004)

¹²⁰ Ibid.

¹²¹ Ibid.

From the view point of the above analysis it is incontestable that a number of sound regulatory framework and good macroeconomic environment attract much FDI. Given the reform measure put in place by countries willing to open up to liberalisation and globalisation, FDI flow into such countries is very encouraging even at a level where, investment climate is good. Tremendous strides are still being put in place to improve on such measures, at the same time opening up to SMMEs to start-up. Governments often do this through a number of incentives and tax holidays awarded to small, medium and micro enterprises to start up. It is from this stream of consciousness that, it can easily be said that economic growth promoters are these budding businesses. To crown it all, South Africa and Cameroon have very different economic environment given their historical background coupled with government policies on macroeconomic issues. This explains partly why South Africa unlike Cameroon has a very developed economy and sound Regulatory frameworks that have to forge ahead despite its positive GDP growth rate which surpasses that of Cameroon, a primary economy.

3.4 SYNTHESIS OF BOTH ECONOMIES IN THEIR SUB-REGIONS

Cameroon is to the Central African economic and Monetary Community in French (CEMAC)¹²² as South Africa is to the Southern African Development Community (SADC) . Both sub regions have the same economic development objectives but what may differ between them is their size, economic strength and regional cohesion achievements. Even though the projections of these bodies surfacely seem to be motivated at economic integration, they have various other objectives to fulfil in order to maintain the purpose for which the union was formed. One of such objective is to ensure that there is democracy, security, governance and human rights. A combination of these objective amongst others is cardinal to the continuity of any union or blocks of nations that may decide to minimise their policy space and sovereignty to come together to fortify themselves for international competition, globalisation and liberalisation in all its senses. The importance of sub-regional groupings underscores the needs of such groups but what also matter is how such interest are attained.

¹²² CEMAC, Communauté économique et monétaire de L'Afrique Centrale, translated reads, the central African economic and monetary union made up of Cameroon, Chad, Gabon, Equatorial Guinea, Congo and the Central African Republic. All these nations have a common fiscal and monetary policy with the same tariff system eventhough internal economic policies differ largely due to government priorities and policies with regards to sector to sector development or national needs.

South Africa is undoubtedly the lead goose economic power-house in the SADC region given its share of trade within the sub-region. Comparatively to other members, South Africa always enjoys favourable terms of trade within the sub region.¹²⁴ In terms of agriculture, SADC region depends much to this sector of the economy for subsistence, employment and income. Food security is guaranteed by this sector despite intermittent draughts. More so, to this region, Agricultural exports are a major foreign exchange earner. South Africa like other member countries of the region export a lot of Agricultural products to the EU and of late to other countries of Africa and the rest of world.¹²⁵

International trade development trends have shown that there is a close correlation between the level of development of a country's agricultural sector and the general economic development of that country and/or region. This is true of the South African agricultural trade development and that of the SADC region. This also explains why strong and large economies like the United States, Canada and the European Union were built from a strong subsidised agricultural sector.¹²⁶ Other countries till date, like France, Australia and Netherlands continue to rely on a strongly subsidised agricultural sector whose exports sometimes outmatched finished products manufactured in these countries. More so, food security is a basic prerequisite for nations that sometimes suffer from acts of God, like Snow, excessive down-pour, draught and locust invasion etc. The SADC – region even though a high producer of some Agricultural products, natural calamities in the recent past have caused them to be net importers of some of these products. South Africa has not been left out. One reason may be apt to explain away this decline phenomenon, namely, African countries are bound by World Trade Organisation (WTO) commitments to phase out their tariffs faster than developed countries phase out their subsidies to the sector. Developed countries of the WTO, not only subsidies agricultural sector but have non-tariffs barriers to agricultural products from developing countries. This has caused African farmers to abandon farming and agro-processing industries have been forced out of business. Trade term balance have declined considerably. South Africa and the SADC region is a big victim of these trade distorting practices master-minded through the WTO by developed countries.¹²⁷

¹²⁴ The SADC region is made up of; Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe, Namibia, South Africa, Mauritius, D.R. Congo and Seychelles.

¹²⁵ <www.tralac.org/scripts/content/phd?id=1902> [Access on 21/04/2005]

¹²⁶ Stephen, H. "Regional Trade Arrangements – SADC" <www.tralac.org/scripts/contentphp> [Access on 21/04/2005].

¹²⁷ Ibid.

The agricultural sector notwithstanding, South Africa has a buoyant manufacturing sector that exports a variety of manufactured products to Australia, the EU and the United States.¹²⁸ Some of these finished-manufactured products are in the automotive industries. Most major vehicle production plants in South Africa include; BMW, DaimlerChrysler, General Motors SA, Fiat, Ford, Nissan, Toyota and Volkswagen. Even though South Africa's Export share of these products may be negligible, at least its presence in the world market is felt. As this sector grows to prominence, through continental exports, South Africa and the SADC – region's trade terms shall always be balance, enjoying high and promising export of vehicles to other parts of Africa especially those countries where legislation against used vehicles is strict or even prohibited. This is a feather to the cap of a developing country, South Africa, that can rightly be referred to as the economic power house of the SADC –region, to localise it and of the whole Africa in terms of Automotive production and other manufactured exports.¹²⁹

The promotion of economic activity, diversification and good regulatory mechanisms are prerequisites to any developing economy and region. From South Africa's presence in all key sectors of the economy there is no gainsaying that government policy in macroeconomic stabilisation and diversification is not properly orientated. If the SADC Region is economically stronger than other regional integration groupings through out Africa today, it is thanks to the economic might of South Africa and presence in the region. Despite a galloping international economy, this region endowed with a good economy thrives on and is growing amidst general economic decline and untold poverty in other regions with same and even better and numerous endowment but bedevilled by ill-focussed policy prioritisation and mismanagement. Cameroon and the CEMAC stand to challenge South Africa and the SADC.

Cameroon is a leading member (accounting for about 50% of gross product) of the Communauté Economique et Monétaire des Etats d'Afrique Centrale designed to promote, harness economic growth and regional trade. Even though Cameroon used to enjoy this position, with oil and gas wells discovered in Chad and Equatorial Guinea, Cameroon has begun to lose grip of this coveted position within Communauté Economique et Monétaire des Etats d'Afrique Central.¹³⁰ Even though endowed with a wealth of natural resources, including rich agricultural potential, forestry resources, gas and oil, ample but undiversified labour force,

¹²⁸ NewsAfrica. November 30,2004,48.

¹²⁹ Ibid.

¹³⁰ < www.strategis.ic.gc.ca/epic/internet.htm > [Access on 21/04/05]

flanked by large markets like Nigeria, Chad and the Central African Republic, the economy has not been growing accordingly, due to a number of hurdles artificially erected by administration. These hurdles have stunted not only Cameroon's economic growth but that of the whole sub-region that have identical economic policies seemed to have been worked out by certain developed countries that colonised these countries that make up CEMAC.¹³¹

Cameroon is a major commercial force in the sub-region and leads in commodity exports to the rest of the sub-region and beyond especially to the E-U, United States and France and of late a net importer from South Africa. Some of the primary products exported to these countries to wit; banana, cocoa, coffee, rubber, timber and other cereals. The swings in primary commodities prices strongly affected economic growth of the country and the whole CEMAC region and has engendered hardship to farmers, raised unemployment and a huge slash in income. Also, economic policy mismanagement and a poor business climate have restrained investment and hindered economic diversification. This has been further worsened by the fact that a majority of its entrepreneurs are local rather than expatriate, who are hindered from entering mainstream economic sectors that boost growth.¹³²



Despite economic salvation reform framework put in place to boost trade, through a 1998 repeal of the 1990 investment code to eliminate duties on imported manufactured goods produced within the CEMAC zone, economic growth has still not been realised. In addition to this however, poor transportation links and lack of economic diversity has constrained closer trade ties within the CEMAC region. Telecommunication infrastructure is deficient, skilled labour force very much lacking, education is still not tailored to attend to growing industrial demands, unemployment of general labour is rocket-high. All these factors et al, have contributed largely to the economic backwardness of the country's economy and that of the whole sub-region, sometime referred to as the poorest sub region in the world.¹³³ This can be explained away by a lack of policy priorities of the country that often resort to such policy guidance framework from France who stands for these countries in the G8 submit. It should also be noted that the CEMAC currency, the Francs CFA is pegged to the French Francs now the Euro. This goes to explain the fact that CEMAC member countries including Cameroon have no economic policy framework of their own. In as much as one cannot put the blame on

¹³¹ Mbang, G. "Effects in the foreign debt burden and saving ratios in the CEMAC <www.eldis.org/statis/Doc13803.htm> [Access on 21/04/2005]

¹³² Ibid. 130

¹³³ Ibid.

France, country policies are not tailored to avert corruption and mismanagement and ethnocentric favouritism rather than a merit-base administration that should work for the general good, They are to blame for their predicament not the former.¹³⁴ This state of administration is not only peculiar to Cameroon as the oldest dictators, that are in Africa are found within the CEMAC Region. It should also be noted that civil strife and political unrest are so common to the sub-region. All these factors seriously hinder economic growth and the inflow of foreign direct investment they are in need. This explains in other words why the sub-region is one of the poorest and least developed in the world today.. Their admission into the HIPC (Heavily indebted poor country), initiative is testimony to their poverty level.

Manufacturing has to some extent contributed to about 13.5 percent of GDP and show clear signals of expansion thanks to Cameroon's political stability in a turbulent sub-region that pays little or no regard to democratic values, security, human Rights and of all governance, lacking in the sub-region. Cameroon's light manufacturing sector assembled and exports imported components for local and regional consumption, surrounded by large and captive markets.¹³⁵ The presence of the port of Douala is supposed to have boost trade within the sub-region as this port handles freights for the entire Central African region. To buttress and put this port performing; serious work need to be done in the transport, communication and energy sectors of this region to ease the movement of goods and persons.

3.5 CONCLUSION

Despite remarkable growth witnessed within the South African economy and that of the SADC region entirely much still needs to be done to relief local communities from poverty and HIV/AIDS that has a serious effect to the region's economy. This same attention has to be paid to the CEMAC region that Cameroon pretends to lead but whose internal economy is not growing as at before 1985 when it was the gateway and lead economy in the sub-region. The hurdles that have been identified so far should be surmounted, chiefly among these hurdles is bureaucratic corruption, sent-seeking, poor governance and the very cardinal need to open their economies to the rest of the world. Foreign Direct Investment the only undisputable vehicle for economic growth should be allowed access into these countries that make up the CEMAC. To crown it all, between the SADC region and the CEMAC region the latter has a lot of

¹³⁴ Ibid. 131

¹³⁵ < www.ustrade.gov/counry/commercial/guide.htm > [Access on 21/04/2005]

macroeconomic reforms framework to put in place in order to stand on the same pedal with the former. Some of them already herein above discussed. The following chapter shall be looking at Regional integration schemes and their importance to member countries and how the Agreements that bring countries together work to achieve the objectives they set out to fulfil, amongst many of which are economic growth and general development.

CHAPTER FOUR

4.1 REGIONAL ECONOMIC INTERGRATION: SADC AND CEMAC WITHIN THE NEPAD FRAMEWORK.

Introduction: The African Union blueprint for development is enshrined in the NEPAD's development agenda, which stands out to reinstall good governance and stability on the African continent, torn apart over the last two decades by dictatorships, political instability and underdevelopment that has rendered the entire continent poor.¹³⁶ NEPAD within this renewed dispensation, outlines strong signals to Regional integration and corporation to be enforced by Africa's political leaders, holding one mother accountable to the ideals of democracy, good governance and regional security which are economic baits to developed countries, who are willing to support the continent's development programmes through increase oversea development assistance, capacity building, debt relief like HIPC (Heavily indebted poor country) initiative, increased private capital flows (Foreign Direct Investment) and enhanced investment in infrastructure, information technology, human resource development and unrestricted access to the global market as per the prescriptions of ¹³⁷ the World Trade Organisation and other intergovernmental organisation promoting trade and development. At the dawn of regional integration, tremendous strides have been made to minimise the influence of developed countries on Africa. This has led to a multitude of these RIAs's.¹³⁸ It is from this strand of reasoning that we shall look at the progress registered so far by two of these Regional integration bodies, to wit, SADC and CEMAC within the NEPAD development framework. Are these integration schemes development oriented? The following paragraph in examining their progress will answer the question. NEPAD's core objective is to ensure political and economic development for Africa, even though onerous, its development led programmes takes

¹³⁶ Delo Olloumu (2003) 14

¹³⁷ Ibid

¹³⁸ Corrine A, Packer and Donald Rukare (2002) 8

deliberate strategy of promoting Africa as a favourable destination for foreign direct investment through initiatives on good governance and fiscal responsibility.¹³⁹

This comes from the premise that international trade and investment are undisputable engines for growth as such ensure faster growth and development to Africa's poor. To attain this objective, Africa and African's must learn to recognise their shortcoming and thereon work upon them to improve towards development. To a great measure, international trade has been identified as a precursor to greater market access opportunities, more foreign exchange, more foreign direct investment, transfer of technology and the boosting of domestic productivity that stands fair competitors regionally and internationally.¹⁴⁰ Paying little regard to WTO-legality NEPAD is poised to change the economic and political face of Africa, fragmented by ill-conceived policies. Through its momentum, regional integration initiative are garnering force to stand its programme even-though with much still to be done at regional levels. Even though NEPAD cannot negotiate for individual countries, positive signals have begun to trickle regional groupings to confront the multilateral trading systems with gusto.¹⁴¹ From NEPAD's blueprint programme has slightly increased the flow of Foreign Direct Investment to regions that have clean-up internal mechanisms. Despite these positive strides brought to the fore, by NEPAD, regional groupings still need to be externally dependence free, improve on regional trade practice and fastly enter international trade super-highway.¹⁴²

In a global perspective, Regional Economic integrations Agreement amongst developing countries or between developed and developing countries, can contribute to the participation of developing countries in the global economy and reinforce the multilateral trading systems, provided they are out-ward-oriented and have lower external trade barriers, depend less on foreign aid or assistance and update their infrastructure to accommodate new forms of development corridors.¹⁴³ South-South integration can enhance efficiency, increase competition between regional member countries in development to foreign direct investment (FDI) and provide greater bargaining power. Regional integration, before NEPAD were often regarded by many as face-lift groupings of political dictators but with the birth of NEPAD some four years

¹³⁹ Mosoti (2004) 3

¹⁴⁰ The Doha Round and African Development : Turning words into Deeds, U.N. Economic Commission for Africa, *ECA position papers, 2004*

¹⁴¹ Mosoti (2004) 6

¹⁴² Ibid

¹⁴³ www.Europe.eu.int/comm/development/body/Region/doc. (Access on 15/04/2005)

back, they have become veritable economic integrations groupings amongst other things.¹⁴⁴ The too many ethnic conflicts that have stultified economic and political development of Africa have been reduced through some good political programmes put in place by these groupings and/or in implementation of NEPAD's prescriptions that are a sub-set of the New African Union's pledge to change Africa and put it in the path of development.

The power of Regional integration is enhanced when cooperation goes beyond border measures and is extended to deeper integration, including the convergence of domestic policies such as trade, investment and sound competition policies, regulatory convergence or common standards, as is the case in SADC region and of late in the CEMAC region.¹⁴⁵ As corollaries to development a good infrastructure network should be put in place, regional telecommunication, energy and good transport network should be put in place. It is this shortcoming that still bugs the CEMAC than the SADC region. At this plane too, sound policies and institutions like macroeconomic stabilisation, social protection and conflict resolutions mechanisms could otherwise overhaul regional economic integration initiative, which if put in place and constantly supervised will bring development.



Regional integration whether North-South or South-South can be mutually reinforce if there's fairness, equality and predictability. Even though, these cooperation Agreements sometimes are diametrical to MFN, a core principle of the WTO, they are spurs to greater economic and political development. Better access to a developed market can be an incentive for developing countries to overcome resistance to open their own markets to each other, while making them more attractive for investment flows which strengthens competitiveness.¹⁴⁶ Examples in Africa include, South Africa, Nigeria and Tunisia now exporting across borders to other developing countries even though of different regional economic groupings.

There are many advantages of regional integration often measured from their market access; productivity and international competitiveness. These advantages are drawn from other regional groupings of the world like NAFTA (North American Free Trade Area), EU (European Union), CUSFTA (Canada-U.S. Free Trade Area), et al.¹⁴⁷ One good face of regional integration grouping is that it reduces the firm grip sovereign members have on

¹⁴⁴ Ibid

¹⁴⁵ Ibid

¹⁴⁶ Mbaku, (1995) 86

¹⁴⁷ Ibid

“policy space”, that keep most of them undeveloped. All said, regional economic integration in Africa are very different from those found in Europe, America and Asia. African regional economic integration have this peculiarity, because their economies are under-industrialised; based on Agriculture in which intra-regional trade plays a negligible part. To succeed regionally, strong economies should take along with them those weak states that cannot get kick-off stage. Along these lines, NEPAD should be the lead goose that should spur, regional investment and continental development, through trade and investment supported by sustainable human development,¹⁴⁸ which all regions of Africa crave for in this millennium.

The priority given to infrastructure should be tailored to achieve national and regional integration with a view to phase out the inequalities¹⁴⁹ found in market access, access to service and intra-regional trade practice, these and others, if improved upon, would galvanise Regional integration effort currently gaining steam in Africa.

Currently, Africa has 14 Regional Economic communities (RECs) which are distinguished by their conception extent and objective, Amongst this lot, seven of them dominate the integration scene; to wit;

- 1) Common market for Eastern and Southern Africa (COMESA)
- 2) ECONOMIC COMMUNITY OF central African states, in French abbreviated CEMAC (ECCAS)
- 3) Economic Community of western African states (ECOWAS)
- 4) Southern African Development Community (SADC)
- 5) Arab Maghreb Union (AMU)
- 6) West African Economic and Monetary Union (WAEMO)
- 7) Central African Economic and Monetary Union (CAEMU)
- 8) Eastern African Community (EAC)

One peculiarity to note about these economic communities is that they have a common economic aim despite divergence in other areas like in politics and security. Even though, these communities tend to be many, some countries belong to one or more of these groupings, eg COMESA and SADC and ECCAS and WAEMO. Despite their proliferation, the common

¹⁴⁸ Conchiglia (2003)20

¹⁴⁹ Ibid

thread through their Agreement is economic, political, social and security maintenance.¹⁵⁰ Regional, integration in Africa, although still nascent shows strong signs of real growth and development as seen within SADC region.¹⁵¹

Whether SADC or other sub-regional communities in Africa, the goal is one, namely development. In this reflection and complexion, NEPAD and the various choices of African countries is to sit back; rethink and take responsibility for its economic policy and to develop a collective vision of development. NEPAD before regional communities is the possible forum to redress the entire continent.¹⁵² Regional communities are like a sit back position that enables members countries to properly, reframe their policies and orientate them towards meaningful development. The Asian example is one to emulate by Africa for it to stand on the same pedestal with developed nations in daily competitive global market. These proposals are geared towards development as South Africa vice president Jacob Zuma said;¹⁵³

“...emphasised the urgent need for strengthening Africa’s international negotiating capacity to enable it to take part in shaping the world economy within the World Trade Organisation (WTO) and other international institutions adding that, together, we have to defend our Agricultural interest, harmonise our views at Regional and continental level, and assert them on the international scene....”

In this guise concrete actions need to be taken to conceive successful joint project covering human development, infrastructure, the production of goods and the provision of services.¹⁵⁴ Whatever initiatives are put in place for Africa by Africans should be tailored to reflect geopolitical configurations of members countries. These initiatives whether national regional or international, should effectively ensure growth, development and sustainable human development. This very last fact can be said to be responsible for the increase poverty and illness that has bedevilled countries of the South since independence. Coupled, with this point, good governance should be allowed to triumph over all sectors of the economy whether public or private. With these mechanisms, Africa is in the path of development.

¹⁵⁰ Ibid

¹⁵¹ ‘Regional Trade Arrangements SADC’ www.tralac.org/scripts/content.php [Access on 15/04/2005]

¹⁵² ‘Regional integration now more than ever on the agenda’. African Development Forum’

www.Europa.eu.com/comm/development/body/publication [Access on 04/05/2005]

¹⁵³ Ibid

4.2 SADC REGIONAL ECONOMIC COMMUNITY

Although Regional integration Agreement are necessary tools for economic development like the SADC and others, they must follow the principles of the WTO. One of this principles is the non-discrimination principle that applies to trade policy, both the GATT and the GATs make explicit allowance for preferential trade possibility, both GATT and GATs impose conditions that must be met for an agreement to be permissible and provide for multilateral scrutiny of Regional Integrations Agreement (RIAs) between WTO members.¹⁵⁵ From this global perspective regional economic integration take precedence to their functions and implementation of its programme. The Southern African Development Community (SADC) is one of such communities that can be described as a functional regional initiative in Africa like NAFTA (North American Free Trade Area).

The path to free trade in Southern African Development community is taking too long to open up faster as member countries continue to protect their industries. Even though the SADC protocol provides for free trade, member countries are still reticent to stimulate trade for fear of destroying their industrial and economic base.¹⁵⁶ As positive moves to ensure a broad base, regional trade interaction within the SADC, its trade protocol seeks to establish a free trade zone by 2008,¹⁵⁷ and in 2012 in some special products, such as wine, flour, and fruit juice. From these projections of a future regional economic integration initiative, it is clear that SADC region is in the path of development. Within the region, where South Africa is the leading economy, concessionary asymmetries are applied, in order to attract other member countries to gain access into its markets, enjoy free exchange of goods and services intra-regionally.¹⁵⁸

The SADC region has had to work closely with the EU within the framework to provide support to cross border initiative. Since 2000, this initiative has facilitated regional trade, investment and general economic development in the region and in other regional groupings like COMESA, ECA (Economic Commission for Africa) et al.¹⁵⁹ Even if external donor support is awarded regional integration initiatives like that offered to SADC by the EU, there

¹⁵⁴ Ibid

¹⁵⁵ Bernard. M, Michel, 'The political economy of the world Trading System,'(2003) 347

¹⁵⁶ Reuters '' Regional Trade Arrangement –SADC'' <www.tralac.org/scripts/content.php> [Access on 15/03/2005]

¹⁵⁷ Ibid

¹⁵⁸ Zunckel,H. 'The road to the FTA was far from smooth' www.tralac.org/scripts/content.php[Access on 15/03/2005]

¹⁵⁹ www.europa.eu.int/comm/developement/body/region/doc [Access on 15/03/2005]

should be the desired to implement the innovation support, especially in capacity building at national as well as regional level. To capacity-building could be attached specific and sensitive areas to trade and transport, where both National and Regional interest seek to protect in order to develop. Agriculture is one of those sectors, clothing and textile, specific products whose entry should be regulated to enable global competitiveness and to protect infant domestic industries in the area.¹⁶⁰ It is from this stream of consciousness that one could aptly say the SADC region is in the path of investment promotion in implementation of its protocol.

To say the least, other African regional economic integration unlike the SADC have a Herculean task to meet up with WTO principles of non-discrimination, MFN and the very basis of their regional integration protocol. An example that comes to mind here is the CEMAC Region that still has much to do to get to the point of the SADC region. South Africa's trade expansion in the region is indicative of the Regional strength of the SADC and the country unlike Cameroon and the CEMAC region where policy implementation is still illusive. As said earlier in the previous chapter, other regions and strong member countries should drive towards development other less privileged countries and regions like Cameroon and CEMAC.¹⁶¹



In spite of tremendous efforts put to consolidate Regional Economic integration similar to the EU, most African countries are unable to finance their subsistence and growth, political space in regional meetings hampers collective action to realise growth. One other very serious lacuna to these economic regional grouping is over adherence to former coloniser's dictates and wrong policy framework borrowed from the North but which cannot actually fit properly designed implementation framework in the South.¹⁶² The SADC despite its efforts to sit up to the style of the EU, much is still to be done to get to this stage as some countries like Zimbabwe, Tanzania, Democratic Republic of Congo still harbour FDI unfriendly structures like, political intervention, civil strife, insecurity and poor infrastructure just to cite these few.¹⁶³

It is from the realisation of the ominous circumstances that African governmental experts and economic law intellectuals tend to focus on the inevitable pursuit of a regional integration agenda for Africa's growth and survival , this is undoubtedly NEPAD, through which other sub-regional groupings take precedence. Inspiration in the lines of NEPAD would blossom, if

¹⁶⁰ Ibid

¹⁶¹ Ibid

¹⁶² Dejo. O, (2003) 20

¹⁶³ Mbaku (1995) 81

regional integration schemes actually mean economic salvation, which is the only door through which they can get to greater trade liberalization and globalisation fashioned to benefit all members of the multilateral trading system.¹⁶⁴ Whether the SADC or the CEMAC regional Economic integration scheme, what matters when it comes to the attraction of FDI, growth and development is only, the following component principles; good governance, political stability, strong institutions and a general reduction of “policy space” rhetoric, which can be said to spur the immutable and effective regional cooperation like that of the EU and NAFTA.¹⁶⁵ Like in the SADC region same as in the CEMAC, what could enable them stand is for them to adopt and create a favourable international as well as domestic economic environment, reform domestic economic policies and to build a lasting confidence that will revitalise economic activity. This is true especially in local private and informal sectors entrepreneurs and business minds could give an important stimulus to regional integration through their demands for better market opportunities across the region.

A recent example is South Africa’s trade improvement statistic with Cameroon, Tunisia and Cameroon, South Africa and the rest of the SADC and all other countries of Africa.¹⁶⁶



This trend of economic expansion buttress the need for strong self sustaining country as well as regional economic integration within or from which the African continent will enter the global arena as producing partners not merely as consumers as has been in the past. A very illustrative example, is the economic growth currently realise in Asia that is threatening the whole global economy in certain sector and products.¹⁶⁷ This may not be the only factor that accounts for slow economic integration in Africa.

The economic fortunes of African nations and regions are vastly diverse and uneven while others are endowed with enormous natural resources, others are enmeshed in severe natural emergencies and disasters or acts of God.¹⁶⁸ No matter how swift and friendly the wind of liberalization and globalisation can be, African countries and / or regional economic integration

¹⁶⁴ Ibid 162

¹⁶⁵ Mbaku (1995) 81

¹⁶⁶ Ministry of commerce, Cammeroon Department of trade and investment infrastructure. South Africa’s trade is fast increasing with Cameroon. Major investments are moving into Cameroon from South Africa. Eg MTN mobile telephone, mining sector and gradually services

¹⁶⁷ Dejo (2003) 24

¹⁶⁸ Yao (2002) 39

have a long way to go to get to developed standards. This is partly explained away by the fact that, many economic disparities exist in the economic environment of Africa. To illustrate this problem how can South Africa, enter, enjoy and trade with Democratic Republic of Congo given the state of affairs there, after the demise of Mobutu Seseko? Same as Cameroon will find it economically wasteful to invest in the Central African Republic, taken a look at the countries economic and political environment over-loaded with conflicts. These and other deterrent factors stand along the path of proper integration initiatives. Though, not insurmountable, policy-makers across Africa should seek for ways and means to crack down these bulwarks and properly get into fruitful regional economic integration worthy of the name. A solution to African's economic salvation initiative is Africa and not the international community that may only come in from time to time to bail it out of difficulties.¹⁶⁹

Africa must take care of its domestic problems before it can face the outside world for assistance. This can be done through country, regional and continental institutional reforms to provide its citizens with laws and infrastructure that enhance indigenous entrepreneurship and maximise the creation of wealth. Strong regional integration schemes may only see the light of day, if these mechanisms, friendly to investment and lead to growth are put in place intra-regionally.¹⁷⁰ The strength of the EU and NAFTA make it a must for Africa to strengthen its economic integration base without which Africa remains behind in the global trading race. The SADC region is making commendable efforts to stand and challenge this imperative.

The SADC region that can aptly be said to be a good example of regional economic integration, is doing fairly well to implement all its protocols, taking special note or making special provision to fragile economies within the fold to sit up and contribute to regional growth. Among other initiatives, this is a dependable way to take out the region of poverty and HIV/AIDS that is taking a toll on the population. More so, negotiation for Free Trade Agreement currently going on even though slow, is a positive indication that the SADC region through South Africa's leading role is in the path of economic growth and development.¹⁷¹ That said, South Africa, since the creation of SACU in 1910 tells of Southern Africa's desire to create a free trade area that shall continue to thrive despite the hurdles that seem to hold back its growth and development strides. The formation of regional integration initiative like the

¹⁶⁹ Boas (2001) 29

¹⁷⁰ Mbaku, (2004) 25

¹⁷¹ Ibid

SADC and the SACU, take their blessings from GATT. Art XXIV which stipulates for compatibility with WTO rules. It also allows for free trade agreements and customs unions like SACU, that has a common external tariff that applies to goods entering the region.¹⁷² This provision must be Most-Favoured-Nation (MFN) treatment compliant. This explains the specifics of each regional integration agreement each varying in depth and length but with a common economic goal; that of economic growth and the reduction in trade barriers between members and consequently indirect discrimination against trade with other countries non-members.¹⁷³ Regional integration agreements take many forms depending on their degree of integration and how committed member countries are to the scheme. At best, most regional integration agreements cover, non trade barriers, others liberalised service trade and investment, some deal with issues of economic regulations and political cooperation.¹⁷⁴ What is common to RIAs is that, member countries remove trade barriers among themselves but each country maintains its internal tariff structure against non members. It is this, clause that circumvent, the core principle of the WTO, that of non discrimination in trade.¹⁷⁵

Whatever the case, the SADC economic community even though with some pitfalls has iotas of development and economic growth. This has accounted positively to higher Foreign Direct Investment flows to the region than the CEMAC still grappling for sustenance

4.3 CEMAC REGIONAL ECONOMIC COMMUNITY

The NEPAD initiative is a bold step taken to foster economic Recovery in the whole of Africa. Within this framework, the CEMAC economic community draws inspiration to salvage its economic recovery strides.¹⁷⁶ After many years of intensive colonial activities in the central African region, member countries decided in 1959 to form a common development block. These countries were; Chad, Central African Republic, Gabon and Congo, and later joined by Cameroon in 1964, to form the Central African Economic and custom Union better known by its French acronym as UDEAC (Union Douanière et Economique de l'Afrique Centrale). Equitorial Guinea joined the fold in 1984. Due to economic and development imperatives as

¹⁷² Gerhard, E. "New SACU agreement" www.tralac.org/scripts/doc.php [Access on 20/11/2004]

¹⁷³ Hoekman, M, Kostecki, M. "The polical economy of the world trading system *Benefiting from regional integration Development, trade, and the WTO, A Han d book*, 347

¹⁷⁴ Ibid

¹⁷⁵ Ibid

¹⁷⁶ Ntangsi, M, "The NEPAD initiative : A basis for fostering Economic Recovery in the CEMAC Zone" <www.codesria.org/links/conferences/central/ntangsi/pdf [Access on 25/04/2005]

per the NEPAD inspiration, the old economic Union changed into CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale) in 1994.¹⁷⁷ This is the present structure that stands for the sub-region in terms of economic, political and social integration

Despite renewed vigour at economic liberalism and development at national as well as regional level, little has been achieved in that wise. It is very interesting to note after four decades of development planning and strategising at national levels by independent states and efforts at the regional levels within the paradigm of diverse economic groupings, the Central African sub region charts the course of one of the poorest in the world. While economic activities and general development initiatives are glowing in other regional economic communities like earlier seen in the SADC et al, the CEMAC is retrogressing economically.¹⁷⁸

It will be too accurate to say this sub region is only retrogressing economically, its political and social fabric leaves much to be desired, given generalised poverty both in urban and rural areas. The region has witnessed a number of civil unrests, social as well as cultural imbroglios that have stunt economic and development take –off as other regions across Africa. In the wake of trade liberalisation and globalisation coupled with strives to good governance, the CEMAC is still bugged down to undemocratic rules, traditional economic policy reform framework and high corruption and bureaucratic rent-seeking. Given this uncertain economic and political environment the CEMAC has attracted less Foreign Direct Investment in comparative terms to the SADC and other sub regional groupings. Perhaps the only giant investment initiative, after four decades to have been realised in the sub region is the Chad-Cameroon pipeline project undertaken by the World Bank¹⁷⁹. The pipe line project at Doba, Chad runs its oil through pipes and empties its content at the shores of kribi, destined mainly to the US markets. Even though this project is mainly Chad's, Cameroon and the CEMAC region enjoy fall-outs from this giant investment that has improved upon the lives of those villages through which the oil pipes passes. Other economic activities have also through this project revamped the economic plight of most poor, especially in Chad and Cameroon.¹⁸⁰

¹⁷⁷ Ibid

¹⁷⁸ <www.worldbank.org> [access on 20/02/2005]

¹⁷⁹ Mosoti, V, ' The new partnership for Africa's development: Institutional and legal challenges of investment promotion (2004) vol.5.1, *San Diego international law journal* 18

¹⁸⁰ Mosoti (2004), <[www. Worldbank.org/afr/ccproj/project/bonus.pdf](http://www.Worldbank.org/afr/ccproj/project/bonus.pdf)>[Access on 15/10/2004]

Whether national or regional economic investments, what is germane to note is the willingness of national governments, first: and secondly regional economic policies that can determine what mode of investment to accept or deny entry into either the country in question or the region as a whole.¹⁸¹

Quoting Mosoti Victor ,¹⁸²

‘it is necessary for African countries to remember however that even as they welcome foreign investors under the NEPAD framework, they still retain certain fundamental rights and, that above all, the admission of foreign investment should be predicated on a demonstrable positive economic impacts...’

Whether or not this applies to economic policy framework may be a hallmark to certain countries or regions to stigmatise certain ventures as not economically developing in their territories. This may be added “policy space” that most of these countries advocate for, when it comes to certain investments. Sector by sector investment road map is little known to the CEMAC, unlike the SADC. This account for its economic backwardness and high level of poverty and HIV /AIDS sweeping the active age group of the region. Given this *modus operandi*, the CEMAC cannot realise meaningful population oriented economic reforms. High-handedness is the bench mark of policy makers.¹⁸³

Various governments are virtually unable to manage in a coordinative way developmental problems in the sub region. This has led to crises at the social, political and economic levels. Socially, poverty seemingly has come to stay; economically, macroeconomic and microeconomic variables are falling daily; politically, a multiplication of coup d’etats, civil wars, and permanent insecurity as well as political dictatorship and tribalism.¹⁸⁴ Between 1980s and 1990s the region adopted the World Bank Structural Adjustment Programme (SAP) that failed woefully to change the economic plight of the region. As early as 2003, the region again has been admitted into the HIPC (Heavily Indebted Poor Country) initiative and the PRSP (Poverty Reduction Strategy Paper) which are hard to meet success as most of the countries within the region especially Cameroon cannot meet ‘completion point’ which is the final phase

¹⁸¹ Sornarajah, M. ‘ The international law of foreign investment’ (1994) 83, Fatouros, A. ‘Towards an international agreement on foreign direct investment’ (1995) 181, 193

¹⁸² Ibid 180

¹⁸³ www.europa.eu.int/comm/development/body/region/doc.htm [access on 15/04/2005]

¹⁸⁴ Ntangsi, M. ‘The NEPAD initiative : a basis for fostering economic recovery in the CE MAC zone’ www.codesria.org/links/conferences/central/ntangsi.pdf [access on 25/04/2005]

to cancel all its external crushing debt burden.¹⁸⁵ To get to this point major macroeconomic stabilisation initiative must be taken, clean-up mechanisms put in place and strict budgetary control measures introduced. These and many other internal reform measures, most countries that make up the CEMAC are hardly willing to put in place. Basic sectors like, education, health and transport infrastructure are still not up to ¹⁸⁶expectation. Given this state of the sub-region economic development and sustainable human development would be hard to achieve, when Foreign investors are skeptical to invest in the sub-region. Also, Foreign Direct Investment that helps out fragile economies take-off need to flow into the region only when major reform framework are put in place. With globalisation and liberalisation of the World economy, the central African region has no other alternative but to reorientate, strategise and put in place macro-economic stabilisation plans to be able to participate in the global economy in a gainful way.¹⁸⁷ The new partnership for Africa's Development (NEPAD) that came into being in 2001 as a Pan African Initiative, offers an opportunity to foster economic recovery in Africa as a whole and specifically in the central African sub-region.¹⁸⁸ For the CEMAC economic integration initiative to stand firm for economic development and the promotion of intra-regional as well as global trade, it needs serious economic, social and political reforms.



While serious reforms need to be taken to bail out CEMAC member country economies from general decline, the size of foreign debt and debt services payment in the region is further compounded by poverty and general structural weakness of primary economies of this region. As CEMAC countries produce and export primary products, they have not been able to diversify their export base to take care of the changing world economic conditions and stiff competition from developed countries who import these products on determined prices that fail to sustain production.¹⁸⁹ This tendency has seriously impacted negatively economic growth in the sub region, given that low productivity and fluctuating prices of primary products in the World markets have plummeted. This has caused heavy debt burden on CEMAC countries that has engendered slow or stunt economic growth and development.¹⁹⁰ It should be noted also that debt overhauling is a reality in the central African sub-region. This also means that a satisfactory recovery of investment both domestic and foreign and out put growth in the region

¹⁸⁵ www.worldbank.org [access on 25/04/2005]

¹⁸⁶ Ibid 184

¹⁸⁷ Mbaku (2005) 22

¹⁸⁸ www.nepad.org/documents/region.pdf [Access on 10/10/2004]

¹⁸⁹ Mbanga, G. 'Effect of the foreign debt burden on saving ratios in the CEMAC zone'

www.eldis.org/static/Doc13803.htm [Access on 24/04/2005]

¹⁹⁰ Ibid

will remain a far dream as long as the debt burden that requires the transfer of enormous, resources abroad that impairs savings remains in place.¹⁹¹

Huge external and internal debt burdens have been identified as the cause of development problems of the regions, with its attendant effects a vicious circle of low performance and disinvestment marginalisation have become phenomenal in the CEMAC region where economic variables have been deleterious and have contributed to five countries of the six in the region being admitted into the HIPC initiative.

Putting the CEMAC and the SADC regions side by side the former has a long road to go in order to be qualified a real regional economic integration community like the SADC already trying to fashion out a Free Trade Area.

4.4 ASYMMETRY OF BOTH REGIONAL ECONOMIC INTEGRATION

Between the SADC and the CEMAC they are points of similarities as well as dissimilarities with regards to their aims, structure and economic participation and development. While both are regional economic communities working towards greater economic integration and growth, their priorities, commitment and road-maps differ largely. This can be explain away, by the fact that most governments of member countries may have different focus to regional reform implementation and internal policy approaches. Whatever the case and method of approach to economic development, the SADC region, stands out a giant economic integration community even though younger than the CEMAC economic community that was formed in 1959.¹⁹²

Though both economic integration work towards the promotion of trade, investment, open market access, cross-border investment regime and intra-regional growth and development, individual tariff structures and tax system sometimes remain disparaged given government commitment and need to raise revenue through taxes to meet up some developmental projects. This is true of the SADC region and partly so in the CEMAC region where intra-industry exchange is low if not absent, due to its fragile economic base, based solely on the export of primary products, whose prices have fallen sharply in the world market.¹⁹³

¹⁹¹ Ibid

¹⁹² www.sadc.int [Access on 8/82004]

¹⁹³ Ibid 191

In as much as regional integration agreement hinge on economic growth, political clean-up, emphasis is also put on the implementation of common policy harmonization and coordination, capacity-building, protocol development and rigorous investment promotion and development finance. In the CEMAC as well as SADC, these objectives are common but their implementation differ.

The development impact of regional economic integration community membership depends most importantly on the countries that are involved, the type of agreement and its substantive coverage. What determines their strength and subsistence is whether they are large industrial countries.¹⁹⁴ Another factor in the extent to which preferential elimination of barriers to trade in goods is respected¹⁹⁵. These facts of economic regional integration are identical to the aims of regional groupings but, its their applicability as well as enforcement that matters. This can be said to be the asymmetry between the SADC and CEMAC regional integration schemes.¹⁹⁶ Two types of regional groupings, schemes exist, depending on whether as between them, there is Trade Creation and Trade Diversion and generally Transfer but not negative Transfer exist between them or varies from one to the other.¹⁹⁷



The only factor that may be diametrical to the core objective may be the fact that most often than not they tend to be inconsistent with the most-favoured-nation rule, the fundamental principle of the World Trade Organisation. Whatever the case, regional trade arrangement are instruments of foreign policy and nation building. The World Trade Organisation does not prohibit regional arrangements but imposes a discipline destined to minimise opportunistic and predatory trade practices inconsistent with general rules of the multilateral trade system, fashioned by the World Trade Organization.¹⁹⁸ This very condition aims to impose upon member countries the requirement of upholding integration as their principal goal. Whatever the case between two different regional groupings, like the SADC and the CEMAC, it is only at the level of economic strength and participation in the global economy that makes a difference. As such, levels of development are bound to be different. Given this background, it may be an over statement to say that the SADC unlike the CEMAC is sophisticatedly developed, given general economic development growth rate in Africa, and the amount of inward flow of foreign

¹⁹⁴ Hoekman B, 'Benefiting from Regional /integration' Development, trade and the WTO, A Hand book, 548

¹⁹⁵ Ibid

¹⁹⁶ Ibid

¹⁹⁷ Ibid

¹⁹⁸ Ibid

direct investment to the region. There is concurrence to the fact that African regional integration communities would effectively respond to fluctuation in prices and the demand for their commodities, if their trading blocks improve on market access, lower their tariffs and get into the industrialisation phase of development.¹⁹⁹ With enhanced economic integration, African countries stand to gain a lot from collective action, especially at the global level, since collective action significantly improved their bargaining ability and allow them to extract more benefits from international trade and investment negotiations. This, perhaps could explain why the SADC more than the CEMAC region is developing astronomically, even though global economic strength from time to time fluctuate and stunt a steady world economic growth.²⁰⁰

From the view point of regional economic growth, emphasis should be laid on economic and human development in an integration bid rather than solely on economic growth. The reduction of inequalities and inequities in income distribution, improve on human capital and innovation and generally harmonised economic development plans in order to reduce or eliminate poverty from the region entirely. This example, can be found in new SACU Agreement in Part 8 that list common policy matters as is the case in the CEMAC region with the OHADA Treaty that seeks to harmonise business law in the whole sub region.²⁰¹



4.5 CONCLUSION

Given the analysis of regional economic integration of the Southern African development community (SADC) and the Communauté Economique Et Douanière De L'Afrique Centrale, it is trite to say regional integration remains a fall-back position for African developing countries or countries of the South to garner strength to be able to enter the multilateral trading system with a collective bargaining spirit rather than as individual lobby entities. Regionalism after all other economic growth paradigms must have been explored and perhaps exhausted, remains the only solution to general economic development and growth to Africans.

It is this collective regional cohesion that will enable African economies to stand on the same bidding pedestal with advanced blocks like the EU and NAFTA and of late the emerging economic block of Asia. Within the multilateral trading system, developing countries will now

¹⁹⁹ Mbaku M. ' Emerging global trade blocks and the future of African participation in the world economy' (1995), *Journal of economic integration* 163.

²⁰⁰ Ibid

²⁰¹ www.ohada.com/documents/pub/htm [Access on 10/01/2005]

be able to negotiate on trade issues that have been identified as stumbling blocks to fair trade and economic development. From the strength of this integration schemes, regional economic integration schemes of Africa stand to benefit in the long run, than the available stringed trade gifts through special preference system offered them by developed countries of the North. In spite of the time developing countries would take to be developed, what should pre-occupy them for now should be a consolidation and harmonisation and / or coordination of their regional economic policy mechanism, that imperatively must be economic, social and political growth oriented.

Given that the global economy is tilting towards regionalism, Africa's optimism for increase participation in global trade also should rest on its ability to form effective and sustaining regional unions, which should give them space to benefit from international trade and investment. No matter, the position of development of one regional economic integration initiative from the other, the hallmark for all of them is to follow the New Partnership for Africa's Development (NEPAD)'s prescription, one among which is create conducive condition through demonstrated political stability, sound economic and financial management and the establishment of legal systems that have clear rules and effective enforcement contracts. It is from this stream of consciousness, that the much solicited inward flow of foreign as well as domestic investment will improve on economic growth strides and general human development, void of poverty and disease. With the enhancement of regionalism whether as large as SADC or as small as the CEMAC, the bench mark for all should be economic political and social cohesion.

CHAPTER FIVE

5.1 RECOMMENDATION

From the above analysis, it is widely accepted that the government has a very great role to play in the attraction of Foreign Direct Investment. The ultimate and preoccupying question that should be asked, is, how should governments put in place mechanisms favourable or friendly to Foreign Direct Investments?

It is imperative for African governments to revisit those problems that discourage the inward flow of both foreign and domestic investment at a time weak economies are struggling to enter the global economy. To get into the global economy, African developing economies should

clean-up, put in place solid macroeconomic stabilisation policies, reduce government intervention in markets, democratise their sovereign base and uphold transparency and accountability in the affairs of the private and public sectors.

Successful investment are those that respect the law and in turn, the rule of law should not be a respecter of persons or institution in its enforceability. In this bid, governments are expected to put in place a sound regulatory framework that helps investment. Human and physical infrastructure, such as education, good health policy, transport networks and a functioning telecommunication infrastructure should be available to help economic growth and development.

Governments of African countries should in turn minimise the high political meddling in business. To succeed in this case, nepotism, favouritism and ethnocentric phobia should not be allowed in the run of both public and private management of mainstream administrative and private sectors of the state.

A very crucial problem that is facing developing countries is corruption, rent-seeking and red-tape measures. To lure foreign direct investment, these earth-works especially, should be completely eliminated. This can only be eliminated if the judiciary is active and not influenced by the executive, good and proportionate sanctions should be meted out to swindlers or embezzlers of public funds. These sanctions must be seen to be applied and not merely window-dressed by political predators.

One of the most important imperatives, to developing countries is that they need effective governments, with strong and independent judiciaries, democratic accountability,, openness, transparency and freedom from corruption, arbitrariness and poor policies that stifle the evolution and effectiveness of the public sector and the growth of the private. To achieve this, they need to understand the mistakes of the past and create a new horizon of hope to design policies that are likely to be effective, efficient and seen to help in the future.

Tax policies of developing countries are still poor and as such need to be redressed, harmonised and uniformised to enable tax payers to pay joyfully and not seek for ways to evade them or corrupt collections. For governments to function properly, it needs taxes and these taxes should not be very high and discriminatory. Tax information should be circulated freely and not concealed to those who pay.

The pace of Liberalisation and Globalisation eventhough, slow should be hastened, so that economic growth and development should be rapid and evolutionary to change the misery of the many poor who live at subsistence. In this guise, developed countries should assist developing countries realise the benefits of globalisation by giving them a lee-way into the global economy, whose pace until then is teleguided by advanced economies.

Multinational corporations should be encouraged to invest in developing countries, this could be done through some concessions but not those that over-power the institutional fabric of the country in question. The importance of multinational corporations as vehicles of foreign direct investment cannot be over-emphasised but the little governments should do to keep their activity under control is to set clear regulatory frameworks, within which they must abide to and are seen to uphold these rules.

Country's bid to attract foreign direct investment may sometimes not yield desired results as such recourse should be had from regional economic integration schemes that may help out, in the implementation of strong regulatory mechanisms that encourage growth and development. In doing this, government should from time to time improve on its human capital, through capacity-building, refresher courses and inter-professional courses to keep them abreast with changing economic trends.

When regional Agreements are respected through implementation and coordination, there is bound to be economic progress and development. From the general analysis herein above given, it goes without saying that individual country growth or regional development initiatives can only be effective and efficient if the group of countries that make it up work hard for its strength , growth and development.

Whether regional or individual, what should change the economic high-tide of these countries is the desire to embrace change and see that change does come economically, socially and politically by sound regulatory structures. Cameroon unlike South Africa has much to do to attract considerable foreign direct investment into its economy.

5.2 CONCLUSION

In this work, emphasis has been laid on the need for governments to be efficient, effective and transparent and accountable in order to attract the much needed foreign direct investment.

Government's role is a condition *Sine qua non* for the attraction of FDI seen from the policy framework and regulatory role it plays on public and private sectors of the economy. The need to stamp out corruption, rent-seeking, opportunism, red-tape measures, over political interference, principles of good governance, rule of law and transparent and accountable framework are seen to be cardinal conditions for an environment that is friendly to foreign and domestic investment. Investment in turn has much to play in any economy as it reduces misery, unemployment, ensures economic growth and development. Sustainable human development can only be achieved if macroeconomic policy is promotional, devoid of hurdles and well directed towards sectors of the economy that guarantee development.

In as much as individual countries strive for foreign investment, collegiate regional actions is without much a very important tool to member countries to lobby for economy recovery in their sub-regions. Regional Integration Agreement even though not the only way or forum to lobby through good regional economic policies for economic growth and development, for now, are good vehicles for African developing countries to step up their growth rates in the global economy. For these groups to realise this, they need to be pragmatic in the implementation of their protocols of Agreement. Although some economists, academics and jurists argue that RIAs reduce the power of the World Trade Organisation, this is not true given the plight and status of African developing countries at this instance. Whatever the case, the ultimate lesson to be learnt from this work should be that governments should work hard to attract foreign Direct Investment, what will better their plight and role in the multilateral trading system.

BIBLIOGRAPHY

BOOKS

Boris, M. Nanette, P. David S. Sebastien, T. (2002) Business law in Africa. Ohada Harmonization Process, Evershed and Kogan Page Ltd

Gregory, F. and Brad, R. (2002) Democratic Governance and International law Cambridge University press.

Sornarajah, M. (1995) The International law on Foreign Direct Investment Cambridge University press.

Stiglitz, E. J. (2004) The Roaring Nineties: A new History of the World most prosperous decade 1^{ed} Norton and Company Inc.

Stiglitz, E. J. (2003) Globalisation and its Discontent 1^{ed} Norton and company Inc.

Trebilcock, M. and Howse, R. (1995) The Regulation of International Trade 2nd ed. Routledge

JOURNALS:

John, M. M. "Improving African participation in the global economy: the role of economic freedom" (1998) vol. 10, NO. 2, Business and the contemporary world 297-338

Mosoti, V. "The new partnership for Africa's development: institutional and legal challenges of investment promotion" (2003) vol. 5 No. 1, San Diego International Law Journal

Mosoti, V. "Non discrimination and its dimension in a possible WTO framework agreement on investment: reflection in the scope and policy space for the development of poor economies" (2003) Journal of world Investment and Trade 1012

Samuel, K. B. "International law and foreign investment: A reappraisal" (1998) Vol. 37 part 3. 589-628 International comparative law quarterly

1

ARTICLES

Asiedu, E. "Foreign Direct Investment to Africa: The role of Government policy, Governance and political instability"

Jacque, M. "Foreign Direct Investment in Africa, policy research working paper.

Samson, M. "Foreign Investment in SADC," University of Cape town development policy research unit, working paper 0.02/67



Tendon, Y. "The role of Foreign Direct Investment in Africa's human development

WEBSITES

www.fias.net/fias.resources.htm

www.uno.edu./conference2003-3papers

www.icstd.org/dloque/2000-05-10/FDI.pdf

www.web.africa.ufl.edu/as4/v6i3a4

www.unctad.org

www.wto.org

www.worldbank.org

www.commerce.uct.ac.za

www.wider.unu.edu/conference/papers

www.rorg/dok/arkv/yfdi/1.htm

www.ohada.com

www.europa.eu.int

www.oecd.org