Cameroon Trade Brief

Trade Policy

Cameroon's trade policy is primarily based on the Common External Tariff (CET) of the Economic and Monetary Community of Central Africa (CEMAC), which the country adopted in 1993. The CEMAC CET rates are generally higher than those of other countries in the Sub-Saharan Africa (SSA) region as reflected in Cameroon's MFN Tariff Trade Restrictiveness Index (TTRI)[1] of 14.7 percent, which is higher than both the SSA and lower-middle-income country averages (11.6 percent and 8.6 percent, respectively). One of the few African countries approaching food security, Cameroon provides higher tariff protection to its agricultural sector at 17.1 percent versus 14.2 percent for its non-agricultural sector. Based on the TTRI, it ranks 117th out of 125 countries (where 1st is least restrictive). The country's average MFN applied tariff has remained relatively stable over time and is currently 17.8 percent. In line with the CEMAC's policy, the maximum MFN tariff imposed on imports (excluding alcohol and tobacco) is 30 percent. The country's trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), is 57.9 percent. Regarding its commitment to liberalizing services trade, Cameroon ranks 135th (out of 148) on the GATS Commitments Index.

To address the food and fuel crises in 2008, the government reduced import taxes on commodities such as rice and wheat flour and suspended customs duties on fuel. The government also banned the re-exportation of subsidized commodities. To boost economic growth amid the financial crisis, the country, which is an oil exporter, has reduced and, in some cases, removed import taxes on equipment required for oil exploration.

External Environment

As judged by the country's Market Access TTRI[2] (including preferences) of 2.0 percent, the trade barriers it faces are similar to that of an average lower-middle-income country (2.3 percent) but it faces a relatively more favorable trading environment than an average SSA country (3.9 percent). The weighted overall rest of the world tariff (including preferences) faced by the country is 1.7 percent, driven in large part by the low tariff of 0.9 percent on its non-agricultural exports, primarily oil. Its agricultural exports face a much higher tariff of 5.7 percent. The country's currency, the CFA franc, which is pegged to the euro, appreciated by 3.8 percent in 2008 in real, trade-weighted terms, reducing the competitiveness of the country's exports.

As negotiations between the Central Africa group, to which Cameroon belongs, and the EU towards a full Economic Partnership Agreement (EPA) could not be completed prior to the December 2007 deadline, Cameroon signed a bilateral "interim" agreement with the EU in January 2009. The "interim" EPA gives Cameroon duty-free and quota-free access to the EU market in exchange for an asymmetric and gradual opening of its own economy to EU imports. The country continues to negotiate a comprehensive regional EPA with the EU as part of the Central Africa group.

Behind the Border Constraints

Cameroon remained in the bottom 10 percent of international business environments in 2009, being ranked 171st out of 183 countries in the Ease of Doing Business index. It fared better on the Logistics Performance Index (LPI), which reflects the extent of trade facilitation, scoring 2.49, on a scale of 1 to 5, compared to the SSA and lower-middle-income averages of 2.35 percent and 2.47 percent, respectively. It ranked 84th (out of 150) in the world and 9th (out of 39) in the SSA region (with South Africa leading the regional group). Among the LPI subcategories, it performed best in ensuring the timeliness of

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Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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shipments in reaching their destinations while its weakest performance was in the quality of transport and IT infrastructure for logistics.

Trade Outcomes

After falling 3 percent in 2007, real trade (in constant 2000 U.S. dollars) increased by 34.1 percent in 2008, although it is projected to decline again by 0.2 percent in 2009. Exports experienced a turnaround, going from a contraction of 12.1 percent in 2007 to growth of 24.6 percent in 2008. Import growth also accelerated sharply from 6.2 percent in 2007 to 42.1 percent in 2008. Both exports and imports are, however, expected to have dismal performance in 2009, with exports projected to fall by 2 percent and imports projected to grow by only 1.2 percent in 2009.

In nominal terms, World Bank estimates suggest that trade grew at 21.9 percent in 2008, above the growth rate of 14.3 percent in 2007. Export growth, in particular, experienced a sharp acceleration from 9.5 percent in 2007 to an estimated 24.4 percent in 2008. Import growth underwent a more modest increase to an estimated 19.6 percent in 2008 from 18.9 percent in 2007. Boosted in part by increased production of cocoa, the country's main agricultural export, as planters responded to higher prices, goods exports registered an estimated growth rate of 26.1 percent in 2008, up from 12.9 percent in 2007. Services exports also recovered in 2008, growing at an estimated 14.4 percent after a 9.7 percent decline in 2007. The robust performance of exports may, however, not be sustained in 2009, as goods exports are projected to drop significantly by 30.1 percent, owing in part to an expected fall in oil prices, while services exports are expected to register a lower growth rate of 7.9 percent. FDI inflows in 2007 were 2.1 percent of GDP, with most of it going to the oil and mining industries. To mitigate the deteriorating external outlook, the government agreed with the IMF on a US$144 million disbursement under the exogenous shock facility (ESF) that will help support the balance of payments.

Notes

1. TTRI calculates the equivalent uniform tariff that would keep domestic welfare constant. It is weighted by import shares and import demand elasticity.
2. MA TTRI calculates the equivalent uniform tariff of trading partners that would keep their level of imports constant. It is weighted by import values and import demand elasticities of trading partners.

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