The Role of Foreign Direct Investments on Export Performance in Cameroon

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1 Introduction

The priorities of African countries towards achieving economic growth include income growth, rising investments and exports, creating more and better employment opportunities and benefiting from technical progress. It is not surprising, therefore, that most developing countries are integrating into the rest of the world so as to gain access to the producer goods and services necessary to raise productivity, diversify production and eradicate poverty. One of most obvious channels through which this openness to the rest of the world is made possible are trade and foreign direct investments (FDI)[1].

Trade has the potential to benefit both consumers and producers through an efficient allocation of resources. Exports allow a country to expand its markets allowing firms and industries to exploit economies of scale and earn foreign currency. Exposure to foreign technology and competition in overseas market will improve the competitiveness of the export-oriented sector and enhance economic growth (Stern, 1997). On the other hand, FDI brings foreign technology and know-how, stimulate domestic employment, and promotes international trade for the host country[2] (ibid). Furthermore, FDI contributes to the spread of best practices in governance, accounting rules and legal traditions, and limits the ability of governments to pursue bad policies (Feldstein, 2000). As a consequence, most African countries are now promoting FDI by encouraging the activities of multinational enterprises (MNEs) and foreign investors in general.

Cameroon has a developing economy supported by vast natural resources - mostly agriculture and oil - but believed to be a high-risk area for investments. Until 1986 the country experienced an extraordinary annual growth rate and was one of the twenty safest countries in the world for foreign investments (Ndongko, 1986). The economic crisis of the late 1980s and the failure of the structural adjustment program (SAP) had negative effects on economic growth and affected all parts of the economy and society. The economic and financial situation of the country remains vulnerable with poverty affecting slightly more than 50 percent of the population[3]. Income growth is still fragile and access to basic social services limited. Over the past decade, however, the government, under the IMF-sponsored structural adjustment plan, has made encouraging economic progress, supported by privatization and economic

1 Hereafter, FDI is referred to as FDI inflows.

2 Host country refers to the country receiving FDI while source country refers to the country providing FDI.

3 Data can be found in Appendix B of the World Bank Report, 2000

liberalization, banking sector reforms, and the Chad-Cameroon pipeline project. These have helped to create an environment that is conducive to and is attracting huge amounts of FDI into the country. Despite these recent developments[4], Cameroon's factor market including infrastructure sector is less efficient compared with many developing countries with whom Cameroon competes in international market (EIU, 2002). Hence, it is possible to argue that even with the policy liberalization Cameroon may have failed to attract a significant amount of export-oriented FDI[5] and that export growth may have been brought about by factors other than FDI, namely the real depreciation of the francs CFA, improvements in price competitiveness (especially in agricultural exports) and provision of export subsidies among others. Within this background, one tends to question the grounds and specific ways in which FDI can contribute in stimulating export production in Cameroon. But before such an investigation can proceed, it is useful to understand the historical background to FDI inflows in Cameroon and whether export growth has been consistent with growth of FDI.

The purpose of this paper is to investigate the determinants of export performance in Cameroon to determine the extent to which it is explained by FDI. This study is justified because, as a developing market economy, Cameroon will continue to depend on foreign capital to finance its long-term investment projects for so many years. In addition, exports and FDI are capable of indicating the pace with which a country is integrating into the rest of the world to transform its economy and achieve economic development (Stern, 1997).

Section two of this paper examines openness and FDI flows in Cameroon in a historical and time series perspectives. A discussion on Cameroon's export performance is presented in section three. Emphasis is laid on fluctuations in export production, trade policies and the share of exports in GDP vis-à-vis other major trade oriented economic indicators. Analysis and conclusions are presented in section five.

2 Openness and FDI in Cameroon

2.1 Historical Background to FDI in Cameroon

Studies on the determinants of FDI and the extent of FDI into Cameroon are hard to find. However, it is possible to trace these from the historical point of view. Foreign involvement and the participation of transnational corporations (TNCs) in economic activity in Cameroon can be traced as far back as 1884 with the German annexation of Cameroon. During this period, European colonial masters saw developing countries as their source of raw materials and markets for their finished goods. This was manifested in Cameroon by the construction of transnational corporations by the Germans producing both food and

4 Cameroon was one of the lowest recipients of FDI among developing countries in recent years (EIU, 2002)

5 Efficient infrastructure facilities are vital in attracting efficiency-enhancing FDI in developing countries. Since there have been substantial liberalisation in these countries their ability to attract efficiency-enhancing FDI depends not only on the availability of cheap unskilled labour but also on the quality of infrastructure facilities which are essential for MNCs in developing integrated production system (World Investment Report 1998).

cash crops – cocoa, coffee, banana, plantain, latex – on huge industrial plantations and seizing full control of the state. With the defeat of the Germans during World War one, Cameroon was partitioned between Britain and France under the trusteeship rule of the League of Nations in 1922. However, the emphasis did not shift from production and exportation of agricultural raw materials and full foreign control over the domestic economy. Imports into Cameroon consisted mainly of manufactured goods for consumption and machinery for agricultural production[6].

The lessons from colonial rule were evident a few years after independence (1961), when the British and French territories united to form the present day Cameroon. In the early years following independence, FDI and TNCs in general was perceived as an evil that negatively influenced internal decision making, induced loss of control over domestic policies such as interest rates and balance of payment (BOP) adjustments, and imported obsolete technology. This resulted in a process of naturalization of all foreign concerns and maximum State control of the public and private sectors of the economy. Nevertheless, foreign investors still participated in a few private enterprises in the form of equity holdings and joint ventures (Awa, 1993). This type of equity participation accounted for a substantial part of FDI flows to the country up to the mid-1980s when the government allowed for the establishment of foreign affiliates in the country. Thus, the difference between pre and post colonial independence FDI is that, while the former involved the participation of European governments in economic activity in Africa, the latter involves foreign private MNEs and is the concern of this study. Added to the privatization and liberalization exercise started in 1992, the number of affiliates of multinational enterprises has increased reaching 58 in 2001, with inflows of FDI reaching 75 million dollars (UNCTAD, 2002). Foreign investment in Cameroon today is mostly in the form of direct investments with an insignificant amount of portfolio investments. According to UNCTAD (2000), FDI in Cameroon is still limited but increasing.

2.2 Foreign investment policy

The import-substitution era in Cameroon started in 1963 with the formation of the National Investment Company (SNI) and subsequent resolutions. According to the regulations, the state generally took a shareholding in larger ventures in the private sector, thereby forming joint ventures with the private sector. Thus, before 1980, the state was largely involved in both public and private sectors under its policy of balanced development and FDI was strictly limited to equity participation in joint ventures (L'encyclopedie du Cameroon, 1981).

The policy of state intervention in the private sector is being phased out as part of privatization and economic liberalization. A new investment code published in 1990 gives tax concessions to enterprises for decentralization, job creation (particularly in heavy and small and medium size enterprises) and processing locally sourced materials. A single body now gives authorization to new enterprises to set up and grants import licenses and residence and work permits, although Cameroon's bureaucracy continues to move very slowly. The 1991/92-budget law retracted the code's initial three-year tax holiday, which had included exemption on taxes on capital gains, building and commercial leases. In 1991, industrial free

6 For historical details, see L'encyclopedie De La Republic Unie Du Cameroon, vol. 3 (1983) and Awa (1993)

zone legislation was passed, although progress has been slow due to deteriorating political and economic climate. Any manufacturing or service industry authorized by the zone's administrative body, the Office National des Zone Franches Industrielles (ONZFI), can import the means of production, equipment and raw materials free of duty, licenses and customs control, provided more than 20 percent of the annual turnover of the enterprise crosses the zones boundaries into Cameroon customs territory. Zone users are exempted from exchange control regulations and can freely export the proceeds of their investment. After ten years in operation companies will be subject to corporation tax but other zone tax exemptions remain. Outside the industrial free zone, overseas firms and foreign employees are subject to local income tax requirements but income and profits can be freely remitted within the franc zone and elsewhere in accordance with the zone's regulations.

In 2001 an investment charter was passed by parliament and includes incentives to attract foreign investment capital. In this charter, the state promises to ensure the exercise of justice and to guarantee the safety of persons and property through sensitization, the termination of all forms of bureaucracy and harassment, the fight against corrupt behavior, the expedition of hearing of court cases, and ban all forms of discrimination. To effect these changes, the state equally promises to develop basic information, economic and social infrastructure, secure markets through appropriate regulations and correct market imbalances through transparent economic policies and systems. It pledges to ensure the freedom to undertake economic activity irrespective of nationality, equality before the law and freedom to repatriate capital investments, profits and savings, in full compliance with international regulations. Plans to set up structures to implement these promises are already underway. Apart from liberalization in foreign investment policy there have also been substantial reforms in trade, banks and payment regimes.[7]

2.3 Magnitude of FDI

Cameroon was one of the lowest recipients of FDI among developing countries until the early 1980s despite being a net recipient of FDI in 1980. As evident in Table 3.1 below, inward FDI stocks reached 330 million dollars or 4.9 percent of GDP as against an outward stock of 23 million dollars or 0.3 percent of GDP. A possible reason for this low level of FDI is state involvement in owning the largest share in big business concerns thereby limiting foreign shareholdings of equity. Lengthy approval process and restrictions of foreign participation in many areas – such as utility industries – also appear to have discouraged foreign investment. Although the absolute value of inward FDI stocks rose sharply in the 1990s in comparison with earlier periods its share of GDP has not made any remarkable progress (see Table 2.1). It was only after 1995 that Cameroon experienced a significant inflow of FDI, which has been on an increase to date. While a comprehensive yearly statistics on FDI inflows and FDI stocks is hard to fine, Table 2.1 summarizes the magnitude of FDI in Cameroon for selected years.

Although Cameroon is not yet anywhere near most African countries and second to Gabon in the franc zone in attracting FDI, it has done remarkably well in recent years compared with its own past

7 See The Canadian Trade Commissioner Service , (2003) Investment Charter of the Republic of Cameroon, 2002 for details on reforms. My focus is primarily on reforms in foreign investment front.

performance. For example, as illustrated in Table 2.1, FDI inflows reached 35 million dollars in 1996 just from over 7 million dollars during 1995. The share of FDI in both gross fixed capital formation and GDP reached over 2 percent from less than 0.8 percent before 1985. This increase in FDI inflows appears to be due to the opening up of the Cameroon economy since 1992. However, the investment climate in Cameroon is far less than satisfactory as reflected by differences in the proportion of net FDI flows in gross domestic investment – 8.2, 1.0, 1.6, 2.7, 19.2, and 4.6 percent in 1980, 1985, 1990, 1995, 2000, and 2001 respectively. Cameroon's inward FDI performance index increased from -0.3 to 0.1 from 1988-90 and 1998-2000, while inward FDI potential also increased from 0.164 to 0.181[8] revealing that some progress is being made in this sector. Despite Cameroon's promising economic potential in Sub-Saharan Africa, foreign investors considered the country to be a high-risk zone for investments when political and economic conditions deteriorated from the mid-1980s to the mid-1990s. Since the devaluation of the CFA franc in 1994, net FDI has been modest, driven almost exclusively by occasional privatization and oil sector investment (EIU, 2002).

Table 2.1 FDI statistics for selected years (US$m and percentages)

		1980	1985	1985-95 (Av.)	1990	1995	1998	1999	2000	2001
FDI flows	Inward	- -	- -	23	- -	7	50	40	31	75
	Outward	- -	- -	17	- -	- -	1	3	4	3
As % of GFCF	Inward	- -	- -	1.0	- -	- -	3.1	2.3	2.1	- -
	Outward	- -	- -	0.8	- -	- -	0.1	0.2	0.2	- -
FDI stocks	Inward	330	1125	- -	1044	1062	- -	- -	1263	1338
	Outward	23	53	- -	150	227	- -	- -	255	257
As a % of GDP	Inward	4.9	13.8	- -	9.4	13.3	- -	- -	14.2	- -
	Outward	0.3	0.6	- -	1.3	2.9	- -	- -	2.9	- -
Net FDI flows (% of GDI)*		8.2	1.0	- -	1.6	2.7	3.1	0.4	19.2	4.6

-- No data available Source: UNCTAD, *World Investment Report,* 2002 * Calculated based on data from *World Bank* (various issues)

Due to a lack of data on sector-wise breakdown of FDI, an attempt is made to explain this based on secondary data sources that identify sectors where foreign affiliates are located. One of such sources is EIU (2002), which reports that FDI is driven by privatization and oil sector investment. This is evident by the fact that privatized companies in most cases have been bought by parent multinational enterprises abroad – France, the United States, Spain and Italy in decreasing order of interest. In 2001 the number of foreign affiliates in Cameroon stood at 58 (UNCTAD, 2002), while the number of privatized companies stood at 44 in 1998 (World Bank, 2000). Privatized companies comprise agricultural production and processing (24), finance (4), manufacturing (2), services (12), trade (1) and others (5). To the extent that foreign companies have actually bought these companies, it could be stated that FDI is mostly

8 Inward FDI performance index is the ratio of a country's share in global FDI flows to its share in global GDP, while Inward FDI Potential Index is an unweighted average of the sources of eight normalised economic and social variables. For details, see Chapter 2 in UNCTAD (2002), World investment Report.

concentrated in the agricultural and service sectors with very limited participation in the manufacturing sector.

In Cameroon, enterprise ownership and control through privatization involves the transfer of a majority ownership of at least 47 percent. Following the 1992 liberalization and privatization programs, there has been a sharp rise in foreign investment in tertiary sector that encompasses critical elements of the modern economy namely telecommunications, power generation, consulting services, hotel and tourism. As evident on the sector-wise breakdown of privatization above, the share of tertiary sector in total FDI inflows has risen, notably in infrastructure and power generation with the privatization of the National Electricity Corporation (SONEL) – the country's main supply of energy - and a large part of the telecommunication industry. This is a welcome development because this area had for long been reserved for public sector enterprises which were inefficient in managing these services, making Cameroon's trade and industrial sector least competitive at the international level.

3 Cameroon's export performance

Cameroon's export performance has two notable developments. Firstly, Cameroon benefits from its diversified export base although it is highly dependent on primary products. Secondly, as stated earlier, exports have grown rapidly since 1995. These can be attributed to several factors. Firstly, the devaluation of the CFA franc in 1994 made exports more competitive. With maintenance of devaluation, growth in exports continued. Secondly, market liberalization as well as liberalization in investment policy after 1992 attracted domestic and foreign private investment and helped reduce the bias against exports. Export growth was slow in the mid-1980s and mid-1990s due partly to economic crisis and bad government practices that were unfavorable to export production. Table 3.1 presents the structure of exports and export intensity in Cameroon.

The share of oil, which dominated exports in the 1980s, declined from 7655.5 in 1985-90 to 5,014 metric tons 1996-7, as earnings of coffee and cocoa were boosted by strong world prices. Cameroon's exports are dominated by non-manufactured goods, which account for over 28 percent of GDP (Table 3.1). Six major items – forest product (logs and wood), petroleum and other oil products, cocoa, coffee, cotton, and oil palm - dominates primary exports. Because Cameroon is a typical agricultural country, it is important to mention that climatic factors also contribute significantly

Table 3.1 Sector-wise breakdown of exports (metric tons unless stated otherwise)

	1980-85 (Annual average)	1985-90 (Annual average)	1990-95 (Average annual)	1995-6	1996-7	1997-8	1998-9	1999-00
Forest products	534	630.5	932.5					
Petroleum and other oil products	5113.5	7655.5	6412.7	5278	5014	5532	6200	5503
Cocoa	96.3	115.3	98.8	120	142	107	122	121
Coffee	93.3	121.3	91.2	63	74	82	53	69
Cotton	24.2	23.8	44.5	54	66	51	61	65
Oil-Palm products	14.5	24.2	21.7	8	41	23	98	99
Manufactured goods (US$ m)	96	277	268	259	302	291	423	399
Total exports	2285.5	2344.5	2166.7	2048	2306	2306	2241	2728

(US$ m)								
Merchandise exports (US$m)	1841	1970	1791	1605	1816	1800	1682	2125
Manufactured goods exports (% of GDP)	1.2	4.1	4.2	3.3	3.3	3.2	4.9	4.3
Non-manufactured goods exports (% of GDP)	28	18.4	17.8	19.6	22.1	23.2	19.8	26.2

Note: Financial year end June 30th. Source: Calculated based on data from *World Bank,* (various issues)

to output variations for cocoa, coffee, cotton and forest products. Growth in primary exports has been associated with a corresponding growth in merchandise exports, which stood at 2,165 million U.S. dollars in 2000 up from 1605 million dollars in 1995-96. On the other hand, manufactured goods export in Cameroon is at its infancy accounting for less than 5 % of GDP. Insufficient capital, inadequate skilled labor, poor and limited infrastructure, and above all administrative malpractice are the factors that impede modernization and growth in the industrial manufacturing sector. Thus, the manufacturing sector is mostly concerned with food processing, brewery, textile and leather, wood, rubber, metal and mechanical engineering, chemical, and electrical industries on a light and intermediate scales. Heavy industries are absent.

3.1 Direction and composition of trade

Cameroon's most important trade partner, as shown in Table 3.2 and 3.3 below, is the European Union. The EU absorbs over two-thirds of the country's exports and provides about half of its imports. Thanks to her position as a colonial master, France traditionally enjoys a significant trade surplus. Others include Italy, Spain, France, and the Netherlands on the export side. On the import side, Nigeria, Germany, and the United States add to the list. Spain and Italy are important markets for Cameroon's oil, while the Netherlands makes big purchases of cocoa for its confectionery industry.

Table 3.2 Main Trading Partners (US$m; fob)

	1997	1998	1999	2000	2001
Exports to:					
Italy	500	417	339	637	513
Spain	330	231	202	140	288
France	237	297	286	280	251
Netherlands	64	32	44	125	174
Total	**1,858**	**1,671**	**1,601**	**2,314**	**2,366**
Imports from:					
France	332	408	350	527	608
Nigeria	97	126	168	210	252
Italy	38	42	34	39	57
U.S.A.	56	67	52	68	83
Germany	39	37	39	45	46
Total	1,360	1,495	1,318	1,595	2,112

Source: IMF, *International Trade Statistics*, 2001

A relatively equal imports and exports figures for France (see Table 3.2 and 3.3) together with several foreign affiliates with French parents, it is obvious that France is most active in stimulating export performance in Cameroon. This is contrary to the United States which also has many foreign affiliates in Cameroon, is a major importer to Cameroon but an insignificant amount of export flow to the country from Cameroon. A similar conclusion can be made of Italy and Spain. This suggests that U. S. firms in Cameroon mainly service the domestic market and do not directly contribute to export production. The Netherlands is also a major recipient of exports from Cameroon but with no foreign affiliate in the country.

Nigeria remains a main supplier of petroleum products to Cameroon. The national oil refinery (SONEL), imports heavy crude oil for blending and refining for re-export to Nigeria. However, the true extent of cross border trade between the two countries is likely to be much higher than official figures suggest. Cameroon's sales, mainly manufactured goods, to the Central African Economic and Monetary Union (CEMAC), remain small despite tariff reductions. This can be explained by price differentials between developed countries and the CFA franc zone.

Table 3.3 Direction and Composition of exports, 2000 (US $m)

Exports fob	**Italy**	**France**	**Spain**	**Netherlands**	**Total**
Fruit & nuts	0.0	36.8	0.0	0.0	48.8
Coffee, tea, spices	38.2	12.2	6.4	2.9	94.6
Cocoa	0.2	18.1	2.3	73.2	104.7
Mineral fuels	383.4	36.3	70.7	30.6	992.4
Wood manufactures	94.2	40.1	54.2	23.9	332.4
Cotton and manufactures*	6.1	2.1	0.9	0.1	71.9
Metals & manufactures	6.7	84.3	0.1	0.0	105.5
Total	**530.7**	**239.8**	**140.6**	**134.2**	**1832.6**

* Including scrap. Global Trade Information Services, *Global Trade Atlas* in EIU, (2002)

3.2 Selected Economic Indicators

Cameroon averaged about 7 percent growth during the first 25 years of independence. Its population is relatively well educated, with an adult literacy rate of over 60 percent. The country has an active indigenous entrepreneurial class. The development of the oil sector and progress in the agricultural sector led to rapid economic growth between 1975 and 1985, as illustrated by a 15.6 and 7.6 percent growth in GDP in 1980 and 1985 respectively (see Table 3.4 below). Unfortunately, this came to an abrupt halt in the mid-eighties, following the decline in world market prices for petroleum, coffee and cocoa, the country's major exports. Other contributing factors were the collapse in the terms of trade, unproductive public spending, mounting external debts and a sharp depreciation of the CFA franc. Table 3.4 below presents selected economic indicators in Cameroon that can directly be affected by FDI flows.

Export earnings were cut by almost one-third, and by 1990 the economy began to experience a negative growth rate until 1995. It is important to note that the values for GDP growth deviate from those that may be calculated based on the GDP values presented in Table 3.4. While no clear explanation was found on the data sources as to this deviation, one can attribute it to the numerous and diverse sources used by the World Bank in compiling its statistics. As evident from Table 3.4, exports and imports have followed a similar trend while total external debts have been on a continuous increase since 1980. From 1994, given the reforms undertaken by the government, the economy began to grow again averaging 5 percent in 2001 and with increases in the share of GDP accounted for by exports and imports.

Net FDI flows, as a percentage of GDP is relatively insignificant for Cameroon, ranging between 0.1 percent in 1994 and 3.9 percent in 1995. This supports the statement made earlier that although FDI has increased, it is still limited. Table 3.5 suggests that FDI has not made a significant contribution to GDP in Cameroon. Nevertheless, it has been stated in section 3.2.3 that FDI flows have contributed in promoting export production. And since the share of GDP accounted for by exports has increased, it is possible to state that FDI has made an indirect contribution to GDP in Cameroon. On the other hand, the percentage of GDP accounted for by gross domestic investment (GDI) in Cameroon since 1980 has been relatively stable. Apart from a 24 percent growth in 1985, thanks to developments, which followed establishment of the oil sector in 1982, GDI share of GDP has fluctuated within a relatively narrow range of 14.3 in 1992 and 18.8 percent in 1998. However, the percentage share of GDI in GDP since 1995 has been on an increase compared to previous periods. This suggests that, the investment share of GDP has increased given increases in FDI flows experienced in recent years.

Table 3.4 Selected economic indicators (% of GDP unless otherwise stated)

	GDP (US$m)*	GDP growth (%)*	Exports	Imports	Net FDI flows	Gross domestic investment (GDI)	Net FDI flows (% of GDI)	Total external debts (US$m)*
1980	7499	15.6	24.1	27.2	1.4	18.1	8.2	2513
1985	8148	7.6	34.3	23.3	0.3	24.9	1.0	2940
1990	12393	-1.2	19.0	17.2	0.3	16.5	1.6	4743
1991	12434	-3.8	20.0	14.6	1.2	16.7	7.1	6901
1992	11396	-3.1	20.6	18.3	1.8	14.3	12.6	7426
1993	11891	-3.2	17.1	16.0	1.1	16.5	6.8	7463
1994	7854	-2.5	22.1	19.5	0.1	15.3	0.6	8333
1995	7965	3.3	25.7	20.7	3.9	14.5	2.7	9444
1996	9109	5.0	22.5	20.5	1.0	15.4	6.6	9640
1997	9115	5.1	25.3	22.4	1.1	16.5	6.8	9368
1998	8703	5.0	27.1	25.0	0.6	18.8	3.1	9930
1999	9186	4.4	25.5	24.7	0.2	18.7	0.4	8142
2000	8879	4.8	30.7	26.8	3.2	16.4	19.2	7708
2001	9323	5.0	26.4	22.6	0.8	17.4	4.6	9241

Source: * Figures appear as presented in World Bank, (various issues) Others are calculated based on data from World Bank, (various issues) World Bank, *Global development Finance*, 2002

Growth in net FDI flows as a percentage of GDI, as evident in Table 3.5, has not been consistent over the past two decades. Trends in net FDI flows as a percentage of GDI has undergone cyclical movements throughout the period reaching a maximum of 19.2 percent in 2000 and minimum of 0.4 percent in 1999. One explanation for this trend is that periods of foreign investments have been accompanied by varying degrees of foreign disinvestments leading to variations in the size of net FDI flows. For instance, political instability resulting from the October 1992 presidential elections saw many investors repatriating their investments. This is a possible explanation for a fall in percentage of GDI accounted for by net FDI flows between 1993 and 1995, while global economic crisis in the mid-1980s could account for the trend observed between 1985 and 1990. On the other hand, the development of the oil sector and favorable agricultural production explain the high positive trend of 8.2 percent growth in 1980. Net FDI flows, as a percentage of GDI has been relatively favorable for Cameroon after 1995 thanks to the economic reform measures of the government and the increasing competitiveness of the domestic economy as illustrated by growth in exports and imports.

4 Conclusions

The performance of FDI in Cameroon is still at its infancy with MNE activities gaining grounds after 1992. Dramatic inflows started to show up after this date with the launching of privatization of utility industries, market liberalization and liberalization of investment policy, and banking sector reforms. Despite the increase in FDI stock in recent years, growth in net FDI flows is still limited and FDI is yet to make any significant contribution to Cameroon's GDP and GDI. The share of FDI has risen in agricultural processing, power generation, a large part of the telecommunication industry and the oil sector. Considering the importance of these sectors in stimulating trade and promote growth, the possibility of FDI making remarkable contribution to Cameroon's exports in the near future exists. Cameroon's experience with FDI presents some interesting insights. A large participation of foreign affiliates in agricultural production and processing as well as the service sectors suggests that FDI flows is mostly in the form of defensive investments by foreign companies. It is also observed that the amount of FDI flows and FDI stocks have varied with the political and economic stability in the country – increasing in stable periods and decreasing in unstable periods. Finally with different types of production activities owned by MNEs taking place in the country, FDI can be thought to be largely in the form of vertical foreign investments. Although no econometrics analysis has been performed in this paper, the discussion indicates positive impacts of FDI on exports supporting the predictions of economic theory. This is evident, for example, in the concentration of FDI in the oil sector, agricultural processing and service sectors, which are vital in stimulating trade and industrial manufacturing and account for largest shares of exports.

A deteriorating political and economic conditions and slow enforcement of the country's well-defined and promising laws are the main factors that make Cameroon a high risk zone for investments. These suggests that, success in attracting and benefiting from FDI depends on the government's ability to address physical infrastructure constraints, eliminate corruption and mismanagement, and restore the credibility of the judicial system. Even with these, government must intensify measures aimed at convincing foreign investors to invest in Cameroon. This is important because, with mounting external debts, low levels of GDI and poverty in the country, long-term investment projects requiring huge capital outlays can only be undertaken by MNEs to stimulate trade and facilitate economic growth.

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