THE IMPACT OF THE FINANCIAL CRISIS ON THE CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

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Introduction

The Word in 2009 is being hit by and unprecedented crisis in complexity since the 1930s economic downturn. A few years ago though, in order to ensure that the twenty-first century becomes a century of development for all, world nations thought it wise, in the Monterrey Consensus, to mobilize and increase the effective use of financial resources, as well as achieving other necessary development conditions including economic reforms, good governance and the implication of stakeholders other than governments in designing and implementing development policies.

Trade factors are central to the effects that the ongoing crisis derived from the financial bubble in the USA, last November following a period of global economic boom, is having on a large number of developing countries. The extent of the problem is more severe in Africa than anywhere else. In fact, Africa has been in crisis for decades now, when judged from the prevailing level of poverty. Large financial institutions in the Western World have collapsed, while some of the world’s most robust economies are in recession.

The crisis show and increasing complexity today and can no more be viewed just as financial. The repercussion on the real economy is getting more and more obvious and it affects the developing World through a number of trade-related channels such as commodity prices, export-driven investment, infrastructure and debt sustainability, macroeconomic imbalances, exchange rate fluctuation, trade finance, and credit for export-oriented production.

Taking the recent G20 reaction to the crisis and the UN initiatives, the financial crisis should open way to a complete reexamination of the Trade – Finance linkages, if effective solutions have to be tried. There probably is a potential for an integrated approach to trade and finance in the designing of development policies. The related agenda must integrate trade concerns into the debate on the reform of the global financial architecture that the crisis has triggered and seems to facilitate.

This presentation centered on the case of the “Communauté Économique d’Afrique Centrale”, tries to show the technical mode of effect transmission of the crisis through trade in the context of globalization. It is also about questioning over how to continue Capacity Building in trade competitiveness for African economies, through a better connection of people at the grassroots to the Global Market.

After a review of some contextual factors and a short description of the CEMAC in the Global Economy, we make remark on the impact of the crisis in the region, before concluding with a few general recommendations for a sustainable solution.
General contextual factors and background material

- The WTO Doha Round failure
- The Outcome of the Doha FfD and MDGs Review Conference, including the 2009 Global submit on the financial crisis;
- The report of the Commonwealth Foundation and ADIN self organized seminar in Doha, Qatar on the theme “Government – Civil Society partnership and cooperation in Financing for Development FfD and the Millennium Development Goals (MDGs)” during the Civil Society Forum ahead of the Doha FfD Review Conference;
- Trade-Finance Linkages as a cross-cutting issue in the Doha FfD review;
- Challenges and opportunities created by the global financial crisis;
- The outcome of the Belem World Social Forum;
- The new US Administration under Barack OBAMA;
- The outcome of the G20 summit in London;
- The Yaoundé Civil Society Consultation ahead of the 24 April Commonwealth Finance Ministers’ Meeting in Washington DC;
- Commonwealth Finance Ministers’ Meeting in Washington DC, on the theme: “The financial crisis and trade: towards an integrated response”.

The CEMAC in the Global Economy

Historical Background of the CEMAC

CEMAC is a re-incarnation of one of the oldest regional trade agreements in Africa. In its prior life, it was known as the “Union Douaniere et Economique de l'Afrique Centrale (UDEAC)”. On June 23, 1959, immediately before gaining independence from France, Central African Republic, Chad, Congo and Gabon, the four members of the erstwhile Federation de l'Afrique Equatoriale Francaise signed a Convention creating an Equatorial African Customs Union, the Union Douaniere Equatoriale (UDE).

On December 8, 1964, the UDE and free standing Cameroon signed a treaty creating the Customs and Economic Union of Central Africa (UDEAC). It was not till 1983, that Equatorial Guinea became its sixth member. In the late 1960s, the UDEAC was plagued by dissension. Central African Republic (CAR) and Chad, the less industrialized members among them threatened to withdraw. Under pressure from France, CAR returned fully to the fold. Chad was to return much later.

The UDEAC Treaty underwent its first major revision in 1975. The 1975 Treaty did not increase the authority or powers of the Secretariat as the member countries were still consumed with the notion of sovereign integrity. Eventually, following the economic crises of 1980 to 1990, the six countries became convinced of the need for a more

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1 Drawn from Victor ESSIEN’s work
dynamic integration and signed a new Treaty on March 16, 1994 establishing the “Communauté Économique et Monétaire de l’Afrique Centrale (CEMAC)”

The Objectives of the CEMAC

The CEMAC Treaty states that its essential mission is to promote the harmonious development of the Member States within the framework of a true common market. To achieve this, it sets out the following objectives under the rubric of two of its institutions, namely, the Union Économique de l’Afrique Centrale (UEAC) and the Union Monétaire de l’Afrique Centrale (UMAC):

- set up a multilateral device of monitoring the economic and financial policies of the Member States;
- ensure a stable management of the common currency;
- make safe the environment of the economic activities and the businesses in general;
- To harmonize the regulation of the sectoral policies in the essential fields prescribed by the Treaty, namely, agriculture, fisheries, industry, trade, tourism, transport and telecommunications, energy and environment, research, teaching and vocational training;
- To create a common market based on freedom of movement of persons, goods, services and capital.

The Institutions of the CEMAC

The Treaty identifies the four community institutions as follows:

1- The Union Économique de l’Afrique Centrale (UEAC);
2- The Union Monétaire de l’Afrique Centrale (UMAC);
3- The Parliament Communautaire (P.C.);
4- The Cour de Justice Communautaire (C.J.C.)

The ruling Organs of the CEMAC

To carry out the objectives of CEMAC, the Treaty has also created the following principal organs:

(1) The Conference of Heads of States (COHS) which is described as the supreme body of the Community. The COHS determines the policy of CEMAC and
directs the actions of the decision-making bodies of the two constituent unions, UEAC and UMAC, by means of supplementary acts.

(2) The Council of Ministers (COM) of the UEAC is charged with the responsibility of directing the UEAC. It is made up primarily of the Ministers in charge of Finance and Economic Affairs of the Member States. Each national delegation should have no more than three members and shall have but one vote. When the issues under discussion do not relate to economic or financial policy, the COM shall bring together, ad-hoc, the relevant Ministers whose deliberations will be final only after adoption by the COM.

(3) The Ministerial Committee (MC) of the UMAC is charged with the responsibility of directing the UMAC. It is composed of two Ministers per Member State with the Minister of Finance as head of the delegation. Unlike the COM whose Presidency is determined and identical to the nationality of the member state presiding over the COHS, the Presidency of the MC is rotated annually among the member states in alphabetical order. The role of the MC is to examine the economic trends within the member states and to ensure coherence with the common monetary policy.

(4) The Executive Secretariat or Secretariat Executive (SE) is headed by an Executive Secretary who is the principal executive officer of the UEAC.

(5) Inter-State Committee or Comite Inter-Etats (CIE);

(6) The Banque des Etats de l'Afrique Centrale (BEAC);

(7) The Commission Bancaire de l'Afrique Centrale (COBAC) and

(8) The Institution de Financement du Developpement (IFD).

The COHS acts by means of Supplementary Acts to the Treaty. These are supposed to supplement the Treaty without modifying same. These Supplementary Acts are binding on the community institutions and organs as well as on the member states. The COM and the MC act by means of regulations, directives, decisions, recommendations or opinions.

The regulations and the basic regulations are of general application. The regulations are binding in all respects and directly on all member states. The basic regulations are binding directly only as to certain respects. The directives are binding orders addressed to Member States requiring them to accomplish a stated purpose while leaving them free to select the form, in which, and the means by which that purpose is to be achieved. The decisions are binding only upon the States or persons to whom they are addressed. The recommendations and opinions have no binding effect.
The regulations, the basic regulations, the directives and the decisions of the COM, the MC, the S.E. and the Governor of the BEAC have to be warranted by law. The supplementary acts, the regulations and basic regulations have to be published in the Official Bulletin of the Community. They come into effect on the date stipulated in the measure or in default, the twentieth day following their publication. The directives and decisions take effect on the date following the day of notification to their addressees.

Although CEMAC was established in 1994, it was not until June 1999 that it became fully operational and replaced UDEAC. Little wonder that the member states have not achieved much of their objectives under the CEMAC Treaty.

**Trade within the region amounts to 2% of total imports and 1% of total exports.** Ironically trade between CEMAC and Nigeria is higher than trade among CEMAC countries. Bilateral trade between the European Union and CEMAC is about 7 billion Euros per year. The common market is still far away and the economic integration is even further off. Pascal Lamy, the European Union's Commissioner for International trade, cautions that "CEMAC must start by developing a common market so as to ensure durable regional integration".

Both ECOWAS and CEMAC have strikingly similar objectives, an ever closer union within each sub-region. Ultimately, regional integration is the modality that Africa has to refine to meet the challenges of the inevitable onslaught of globalization. Hopefully the many parallel and competing groupings will give way to one larger political and economic union as envisaged under the Africa Union and the Africa Economic Community Treaties.

*The CEMAC Economic features in the context of Globalization*

**Agriculture and forestry**

Agriculture in CEMAC region is mostly Export oriented with the following major commodities:

- Coffee
- Cocoa
- Cotton
- Banana
- Rubber (Latex)
- Tea
- Oil palm
- Timber
**Mining and Extraction**

Mining and extraction along side agriculture and forestry exploitation contribute to the CEMAC economy almost totally through exports with:

- Oil
- Bauxite
- Gold and diamond
- Uranium

The sector is in a state of potential expansion thanks to a number of new projects in Cameroon in particular with:

- Iron
- Cobalt

**Export Structure**

**Destination**

The CEMAC exports towards Europe, Asia and the USA but the European Union is the major trade partner. Sales are in most of the cases in Dollar

**Operators**

Exports operators in the CEMAC if not Multinational Corporation (MNC) are national structures with very close ties with foreign dominating partner companies.

**General remarks on the impact of the crisis**

1- The financial crisis may be severe, and the deriving economic crisis may be feared by analysts in the West to be protracted, but it should be noted that the crisis is nothing new to Africa. The continent is suffering and has been suffering more than anyone describes today, from a severe state of crisis which poverty is.

2- The existing International Economic Order is such that Africa in general and the CEMAC in particular mainly offers commodities and raw material to the World market, with less influence on the prices.

3- Demand for African in general and CEMAC exports in particular has dropped as a result of the crisis and large stocks of products like cotton, coffee or Cocoa are going to lack buyers. In the case of Cameroon for example:
a. the SODECOTON, the National Cotton Development Corporation, recently expressed concern over a potential loss of revenue amounting to about one million US dollars due to the financial crisis that hit some of its customers.

b. HEVECAM which count for about half of the national production with some 30 000 metric tons, in the rubber sector has suffered a lost of 15% jobs early this year, due to loss of market and the difficulties faced by their foreign partners.

c. The timber sector has suffered great lost of activities with subsequent loss of jobs amounting between 20% and 30% and direct impact in terms of reduction of transportation activities. More than half of the processing capacity is now underused, implying a great lost in added value possibilities plus decrease of state revenue.

d. Oil revenues are in decrease trend due to the drop of global prices as a result of the crisis, while investment in exploration will most likely drop because of less Foreign Direct Investment (FDI).

4- In all sectors where most of the capital inputs are imported, these will cost more and in some cases be scarce. As a result, production might drop followed by revenue.

5- Africa has been witnessing great difficulties in completing regional integration. Although some progress were made in West Africa with the ECOWAS, very insufficient results have yet been achieved and the Central African Sub region is lagging behind while the SADC dynamism is lowered by a wide range of political and security issues.

6- In the process of WTO negotiation rounds which are far from getting to any viable solution for Africa, former African, Caribbean and Pacific Countries (ACP) were engaged in Economic Partnership Agreement (EPA) with the European Unions. The terms of these EPA now appear to be void with the current global situation.

7- Africa witnesses a severe lack of trade infrastructure in line with a wider secular insufficiency of economic infrastructure that governments don’t seem to be capable or may be surprisingly willing to seriously tackle as a development priority.

8- African countries in general don’t seem to have real Trade Policies in their development strategy and there is no common continental of sub regional approach of this, with clear commitments and practical achievements, where such policies should be in close connection with the real possibilities and comparative...
advantages of different countries, with emphasis on intra African trade, in order to yield continental benefit.

9- The African competitiveness that the current crisis is putting in jeopardy has never really been promoted, generally because of an inadequate Supply Structure. African countries, in fact, have productions that don’t match their domestic needs but are rather Export oriented, with an ironic situation of Africa appearing as a net importer of food, whereas the continent has the best agricultural potential in the World.

Conclusion and Recommendation

The financial crisis and it consequences, far from the negative aspects that could be listed and stressed, probably gives Africa an opportunity that its leaders should urgently take, to really rethink and implement an effective continental development approach. Measures to be taken then would include:

- working on a common trade policy;
- taking policy space in their relationship with International Financial Institutions (IFIs), in order to propose packages that serve the interest of their people with regard to their needs rather than just try to satisfy IFIs;
- developing economic and trade infrastructure well adapted to real sub regional and regional economic integration in Africa;
- insure trade capacity building at grassroots level, through the promotion of quality production combined with entrepreneurship
- considering agriculture as a priority sector and adjust the supply structure in all countries, with emphasis on intra African trade;
- developing a productive frame in the agricultural sector based on agricultural Small and Medium Size Enterprises (SME), supported by the utilization of modern technology.

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