## SUMMARY

1. Of the six countries of the Central African Economic and Monetary Community (CEMAC), five are Members of the WTO and are covered by this report prepared for their second joint trade policy review, namely Cameroon, the Republic of the Congo, Gabon, the Central African Republic (CAR) and Chad. The sixth country, Equatorial Guinea, submitted its request for accession to the WTO in 2007 and the process is still ongoing. The six CEMAC countries form a market of 65 million people spread over an area of 3 million km$^2$, with vast natural resources. They do not all have the same level of economic development, but they do face several of the same challenges, including low levels of human development, food insecurity and a heavy reliance on commodities.

2. The regional economy has a very low degree of diversification and depends heavily on natural resources, including oil and timber. Oil activities attract the majority of private investment, including foreign investment, in the region, with the exception of the Central African Republic. Oil accounted for around a quarter of CEMAC's gross domestic product (GDP), some two thirds of total exports and 42% of budgetary revenues in 2019, figures which were down compared to 2012. Most of the oil production occurs in Congo (40.4%), Gabon (21.5%) and Equatorial Guinea (16.7%). With the exception of Chad, timber remains the most important export of the other countries. A lack of investment means that other natural resources are underexploited.

3. The sharp drops in oil revenues, caused by falling prices and production over the last decade, have weakened the regional economy and contributed to lower foreign-exchange reserves. The consequences of the COVID-19 health crisis and the war in Ukraine have also played a role in slowing CEMAC economic activity and fuelling inflation. However, CEMAC's trade balance has remained in surplus, oil exports continue to be substantial, and exports of timber and gold, particularly to Asia, have increased significantly. As for intra-CEMAC trade, it remains low (3.5% in 2019) due, in part, to the structure of exports, the countries' weak industrial fabric, underdeveloped transport and communication infrastructure, non-tariff barriers, and the States' failure to implement certain Community provisions.

4. The services sector accounts for close to 50% of the GDP of CEMAC, followed by the mining and energy sector (nearly 20%), the agricultural sector (around 12%) and the manufacturing sector (11%). Despite its small contribution to GDP, the agricultural sector is still significant as it employs between 29% and 69% of the labour force. Structural weaknesses persist and explain, not only the lack of sectoral integration within the economy, particularly for processing local raw materials, but also, at the regional and global levels, why the region basically only exports commodities. These weaknesses stem largely from the unfavourable business climate, and inadequate institutional framework, infrastructure, public services, financial markets and regional integration.

5. The CEMAC countries continue to submit very few notifications to the WTO of their trade policies and practices. They have never been involved in a WTO dispute, either as a complainant or as a respondent. Non-payment of contributions is a factor limiting the effective participation of some of these countries in the activities of the WTO.

6. The six CEMAC countries also belong to the Economic Community of Central African States (ECCAS), the integration process of which has stalled since it was founded in 1983. All the CEMAC countries have signed and ratified the Agreement Establishing the African Continental Free Trade Area (AfCFTA). They have also all signed the Economic Partnership Agreement (EPA) with the European Union, although to date only Cameroon has ratified it.

7. In an effort to attract more private investment, including foreign investment, the CEMAC Investment Charter seeks to create a business-friendly environment by implementing competition regulations, protecting intellectual property and developing support services. It provides for a reduction in registration fees linked to company formation, capital increases, mergers, or transfers of stocks and shares. Pursuant to the Charter, the CEMAC States undertake to grant foreign investment the same treatment as domestic investment, and to adapt domestic law and judicial policy to CEMAC's rules and provisions.

8. The common external tariff (CET) of CEMAC countries comprises 6,064 10-digit lines and five bands (0%, 5%, 10%, 20% and 30%), with an average rate of 18.3%. This relatively high average inhibits competition and, therefore, does nothing to encourage efforts to improve

competitiveness or to allocate resources efficiently. All in all, the CET, with its mixed escalation and high rates, together with economies' structural weaknesses, is not conducive to the vertical diversification of products or the integration of the countries and the region into global value chains. Moreover, the CET is subject to numerous exceptions which the countries grant unilaterally, further complicating the tariff's real structure.

9. The CEMAC countries have individually made tariff-binding commitments within the multilateral trading system which the CET does not always respect. In addition, the CET rates applied on some products are higher than the commitments undertaken by Congo, Gabon and the Central African Republic. Since the last review and as part of a renegotiation under Article XXVIII of the GATT, Gabon has significantly reduced the number of rates applied that are higher than its commitments.

10. Agriculture (as defined in ISIC, Rev. 2) remains the most protected sector (23.6%), followed by manufacturing (17.9%), and mining and quarrying (11.2%). The products with the highest levels of tariff protection include apparel (30%), coffee and tea (28.5%), beverages and tobacco (27.5%), and fruit, vegetables and plants (26.7%). Overall, the CET displays mixed escalation: negative for unprocessed to semi-finished products, and positive for semi-finished to finished products.

11. Within CEMAC, each country is free to choose its standard VAT rate from within a range of 15% to 19%. A zero rate is applicable to exports, their accessories and international transport. The VAT directive establishes a list of goods and services eligible for exemption. This includes, in particular, local products, imports of duty-free goods (in accordance with the provisions of the Customs Code), certain goods and services regarded as basic necessities, and some pharmaceutical products and medical equipment. The directive prohibits any relief or exemption measure not on this list, including in the form of incentives to start up a business or to invest. However, CEMAC member countries may levy a lower VAT rate (between 5% and 10%) on certain products.

12. A directive adopted in 2019 sets out a list of products on which excise duty may be levied. Each country is free to draw up its national list based on the directive list. However, the national list must necessarily include tobacco, alcoholic beverages and passenger vehicles.

13. Within CEMAC, with the exception of the free trade zone requirements, there are no provisions on export support and promotion. The CEMAC Customs Code grants member States the right to establish industrial or commercial free zones outside the customs regime. Goods admitted to commercial free zones shall be allowed to undergo operations necessary for their preservation, to improve their packaging or marketability, or to prepare them for transport. On the other hand, the processing operations applicable to goods in industrial free zones are covered by national legislation.

14. The CEMAC Investment Charter provides for the establishment of a standardization, metrology and certification system in each country, as well as at the Community level. At the national level, the countries are at different stages of setting up and putting into operation the national body responsible for quality or standards. Sanitary and phytosanitary (SPS) regulations are not yet harmonized within CEMAC. However, there is a CEMAC regulation on pesticide approval. The CEMAC countries lack the resources to implement their SPS provisions effectively.

15. The CEMAC countries are members of the African Intellectual Property Organization (OAPI), which provides them with the legal framework for the protection of intellectual property rights on patents, utility models, trademarks and service marks, industrial designs, trade names, geographical indications, copyright and related rights, as well as protection against unfair competition. Within CEMAC, most of the patent and trademark applications were made by residents of Cameroon.

16. Apart from a few service sectors, sectoral policies have not been harmonized within CEMAC. Thus, agricultural policies continue to be set nationally and their trade components are mainly governed by the CET, with the notable exception of sugar, imports of which are highly regulated. The sector does not have the same economic importance in all the CEMAC countries and, in general, receives very limited support. Agricultural value added as a percentage of GDP varies significantly from one country to another, from 17% in Cameroon to 50% in Chad. Agriculture employs a substantial proportion of the population in most CEMAC countries, ranging from 29% in Gabon to 69% in Chad. However, the sector accounts for only around 14% of export earnings, due to the relatively greater weight of oil exports.

17. Livestock farming remains a key sector and is one of the pillars underpinning CEMAC's efforts to accelerate economic growth and achieve the objectives set in its Regional Economic Programme (PER). The region has around 44.7 million head of cattle, 46 million head of sheep, 56 million goats, 3.5 million pigs, and 75 million head of poultry. Between 35% and 40% of the population in the north of the region (Chad, Cameroon and the Central African Republic) are involved in livestock farming activities.

18. With the exception of the Central African Republic, all the CEMAC countries are oil exporters. In 2021, subregional production (excluding Equatorial Guinea) was estimated at 35.4 million tonnes of crude. The oil industry is generally open to foreign investment. The oil sector no longer has the same weight in the economies of the region. Meanwhile, the CEMAC economic policy aims to exploit the region's energy potential and to interconnect the electricity networks in order to create a regional electricity market by 2025. Access to electricity remains limited in the CEMAC region, with rates ranging from 11% of the population in Chad to 92% in Gabon, and electricity prices are generally high.

19. The region's manufacturing sector remains underdeveloped. The industrial fabric is located mainly in Cameroon. The tariff structure and the relatively high rates are not conducive to promoting the growth of the manufacturing sector as they push up the costs of imported components/inputs and, consequently, hinder the sector's integration into global value chains. Moreover, the industries' high nominal tariff protection does not encourage them to become more competitive.

20. CEMAC is developing a horizontal approach to the liberalization of services. A directive adopted in 2021 calls on member States to simplify procedures and regulations governing service activities. In order to facilitate trade in goods and the movement of people between the countries, a CEMAC transport policy for 2035 was approved in 2017. Among the obstacles to the development of regional transport (particularly road transport) identified are the issues of infrastructure and tracasseries (petty harassments), including extortion, along the transport corridors which increase the costs of regional trade. In 2019, the countries finally abandoned the plan they had launched in 2001 for a Community airline. The telecommunications sector is largely liberalized within CEMAC. Conversely, the tourism sector is struggling to grow despite all the region's advantages in this area.

21. Forming primarily a monetary union with an issuing institution, the Bank of Central African States (BEAC), and a common currency, the franc of the Financial Community of Africa (FCA) which is pegged at par with the euro, the CEMAC countries have a common banking regulation stemming from Convention establishing the Central African Banking Commission (COBAC), which oversees compliance with the regulation. All financial activities within CEMAC are controlled by the BEAC. Since the last joint TPR, the number of banks has increased and the banking sector has grown a little faster than the real economy. However, the overall financial situation of the sector has deteriorated. The share of outstanding debts in total credits has increased, their cover rate has fallen and a significant proportion of banks are not yet fully compliant with their prudential requirements, as the transposition of the latest Basel Committee standards has not been completed.

22. With regard to the insurance services sector, its regulations emanate from the Inter African Conference on Insurance Markets (CIMA) at the continental level and the Regional Commission for Insurance Supervision at the CEMAC level. The insurance services sector remains embryonic with very low penetration rates.