

Global Supply Chain Barriers of Foreign Subsidiaries: The Case of Foreign Expatriates in Cameroon

EMMANUEL DIVINE CHE FUBE · B I PARK

***DEPARTMENT OF LOGISTICS AND TRANSPORTATION,
CHONNAM NATIONAL UNIVERSITY***

Table of Content

- ▶ Introduction
- ▶ Problem statement (why do the research)
- ▶ Related studies
- ▶ Methodologies
- ▶ Potential Barriers
- ▶ Preliminary Conclusions

Introduction

- ▶ Economic crisis in the 1990s urge Cameroon to take some measures such as foreign direct investment.

- ▶ FDI makes the MNF more resilient during tough economic period Alfaro Chen (2010).

Cont'L

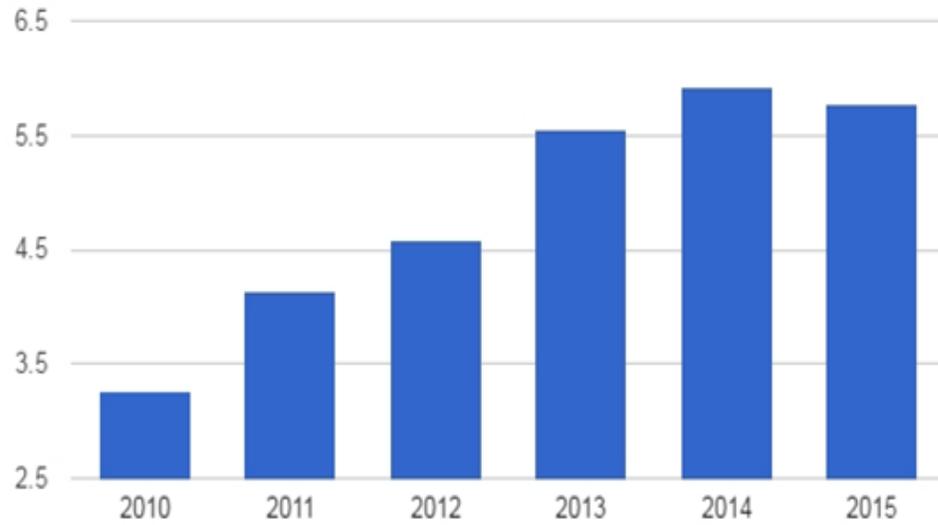
- ▶ From 2000 – 2014, Cameroon attracted \$5 billion (2750 billion FCFA) FDI
(**United Nations Conference on Trade and Development, UNCTAD**)
 - From 2010 - 2015, Cameroon attracted \$644million (FCFA 377 billion) from developed and developing countries like;

(National Technical Committee of the Payment Balance in Cameroon in 2015)

Country	Foreign Direct Investment(million USD)	Year(s)
France	203	2014-2015
U.S.A	105	2014-2015
China	3,159	2000-2014
S.Korea	220	2014-2018
India	83	2015
Nigeria	10	2014-2015

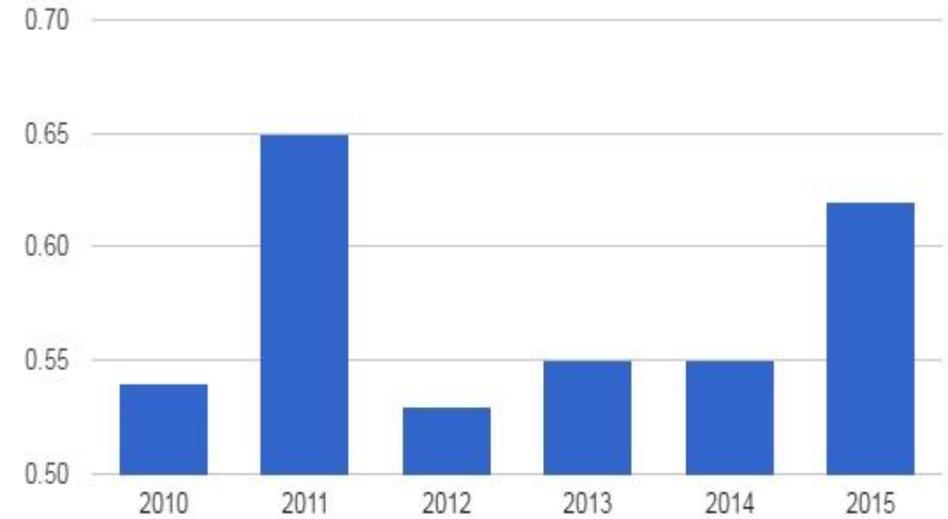
Source: UNCTAD and National Technical Committee of the Payment Balance in Cameroon in 2015

Cameroon Economic growth



Source: TheGlobalEconomy.com, The World Bank

Cameroon Foreign Direct Investment, billion dollars



Source: TheGlobalEconomy.com, The World Bank

Foreign Direct investment in Cameroon(Billion USD)					
2010	2011	2012	2013	2014	2015
0.54	0.65	0.53	0.55	0.55	0.62

Source : TheGlobalEconomy.com The World Bank

Cont'l

- 2000 - 2004, U.S.A invested \$4.4 billion in the construction of the Chad-Cameroon pipeline which runs over 1,000 kilometers



Source;

<https://www.google.co.kr/search?q=the+economic+growth+map+of+cameroon&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwjYlrPyrIXUAhUDo5QKHbzWd1wQsAQIM>

▶ Creation of Industrials Free Zone (IFZ).

▶ **Some numbers of foreign firms** are withdrawing from Cameroon

Company	Products	Country of origin
Perfumerie Gandeur	Rice	Lebanon
Texaco	Petrol	U.S.A

- ▶ This is because of a series of global supply chain barriers such;
 - lack of information
 - bureaucratic red tape
 - Tariff policy
 - Tax policy

- ▶ However, due to the above mention reasons, there is the need to carryout adequate study for more foreign countries to successfully invest and do business in Cameroon.

Research Objectives

- ▶ To examine the impact of supply chain barriers on foreign companies trading in Cameroon
- ▶ To examine whether supply chain barriers have a significant impact on foreign firm's withdrawal decision
- ▶ To assess the extent of impact of specific variables which makeup supply chain barriers on that decision

Related studies

- ▶ Park and Min(2013) conducted a survey of logistics barriers encountered by Korean manufacturers in Dalian, China. They identified numerous Logistics barriers and classified them in terms of their severity. Limited access to logistics information, Inadequate electronic data interchange (EDI) systems, The availability of qualified suppliers, Fluctuating volume and price of raw materials ,Unreliable quality and delivery of local suppliers (quality and delivery).
- ▶ Shin et al. (2006), Kim and Kim (2009) and , Lee (2008) identify some logistics barriers considered to be of importance such as lack of logistics infrastructure, capital, and legal services in China, lack of standards and small size of the local logistics firms to the list of severe supply chain barriers.
- ▶ Carter et al. (1997) conducted a survey of logistics barriers encountered by U.S. firms in China. They identified different logistics barriers and then classified them into six different categories: purchasing, transportation, order processing, warehousing, inventory control, and logistics services (import/export).

Related studies

- ▶ Gorane and kant (2015) conducted a survey of logistics barriers encountered by firms in India. They identified different logistics barriers: Lack of top management commitment and support, Resistance to change, Lack of motivation and employee involvement, Mistrust among employee and SC partners, Lack of education and training to employee and supplier, Poor ICT infrastructure, Lack of financial resources Unwillingness to implement. Affecting company's performance.
- ▶ However, such review for studies relating to Cameroon is absent.

Geography of Cameroon



<http://www.worldatlas.com/webimage/countrys/africa/cm.htm>

Cont'L

- ▶ Republic of Cameroon is located between Central and West Africa on the Gulf of Guinea.

Border countries with Cameroon	Border distance(km)
Nigeria (W)	1,690
Lake Chad (N) & Chad (NW)	1,094
Central Africa Republic (E)	797
Congo Republic (SE)	528
Equatorial Guinea (S)	189
Atlantic Ocean (SW)	402



<http://www.worldatlas.com/webimage/countrys/africa/cm.htm>

Cont'L

Economy type	Lower-middle-income economy
Cameroon GDP (billion USD) 2016	30.87
Population(million)	25.344
Surface Area	475.440 sq.km
Official Language	French and English
Other languages Spoken	200 African dialects
National Currency	CFA Franc BEAC (XAF)

- ▶ Located to the heart of Central Africa, Cameroon has an economic potential of attracting FDI and to do business.

<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html>

Cameroon Surface Area by Regions

Region	name	<u>French</u> name	<u>Capital</u>	Population (2005 census)	Population (2013 est.)	Area (km ²)	Population density(/km ²)
1.	<u>Adamawa</u>	<i>Adamaoua</i>	<u>Ngaoundéré</u>	884,289	1,131,978	63,701	8
2.	<u>Centre</u>	<i>Centre</i>	<u>Yaoundé</u>	3,098,044	3,919,828	68,953	24
3.	<u>East</u>	<i>Est</i>	<u>Bertoua</u>	771,755	824,204	109,002	5
4.	<u>Far North</u>	<i>Extrême-Nord</i>	<u>Maroua</u>	3,111,792	3,803,138	34,263	54
5.	<u>Littoral</u>	<i>Littoral</i>	<u>Douala</u>	2,510,263	3,174,437	20,248	67
6.	<u>North</u>	<i>Nord</i>	<u>Garoua</u>	1,687,959	2,311,179	66,090	13
7.	<u>Northwest</u>	<i>Nord-Ouest</i>	<u>Bamenda</u>	1,728,953	1,900,547	17,300	69
8.	<u>South</u>	<i>Sud</i>	<u>Ebolowa</u>	634,555	761,099	47,191	8
9.	<u>Southwest</u>	<i>Sud-Ouest</i>	<u>Buea</u>	1,316,079	1,481,433	25,410	34
10.	<u>West</u>	<i>Ouest</i>	<u>Bafoussam</u>	1,720,047	1,865,394	13,892	

Methodologies

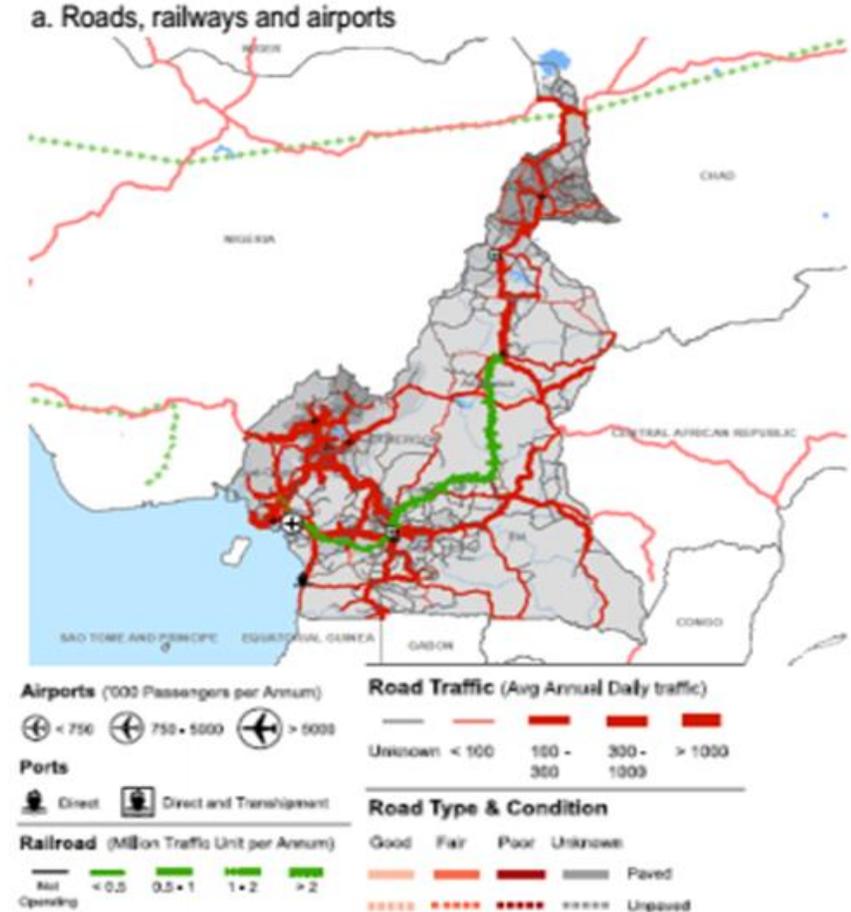
- ▶ Main data will be collected via questionnaire survey and secondary data sources (*websites and annual reports*) targeting foreign companies in the Douala region, economic capital of Cameroon.
- ▶ The data collected will be analysed on general statistical aspects by the SPSS 23

- ▶ Exploratory Factor Analysis will be used to analyze the data
- ▶ Additionally, we will do the Partial Least Squares Structural Equation Modeling (PLS-SEM) by the SmartPLS.

State-of-the-Art of Transport Modes in Cameroon

<http://dlca.logcluster.org/display/public/DLCA>

	Length (km)	Pavement ratio(%)	Handling Capacity/Volume
Rail	976	N/A	N/A
Road	77, 589	52	N/A
Airport	1	N/A	N/A
Seaport	N/A	N/A	7 million tons



- Main trade products at each region
How to transport the products

Region	Trade products	Mode of transport	Means of transportation
Far North	Cattle Rearing, Garlic Onion and Groundnut	Land(Rail and Road)	Trucks and Train
North	Cattle Rearing, Garlic Cotton, Onion and Groundnut	Land(Rail and Road)	Trucks and Train
Adamaoua	Cattle Rearing, Garlic Onion and Groundnut	Land(Rail and Road)	Trucks and Train
Central	Cocoa, Timber,	land	Trucks and Train
Littoral	Hydro-power	water	Pipe line and ships
East	Gold, Bauxite, Iron- ore	Land	Trucks
South	Timber, Aluminum, Cobalt, Nickel	Land	Trucks
West	Irish potatoes, vegetables, tomatoes	Land	Trucks
Northwest	Tea, coffee, Maize	Land	Trucks
Southwest	Banana, Palm Oil, Rubber, Cocoa and crude petroleum	water	Trucks

Potential Barriers

▶ Climatic and environmental Barriers

- climate variability – malarial due to high temperature (global warming)
- The natural environmental condition of the Douala sea port.

▶ Administrative regulations

- restriction to free trade -- embargo, importation quotas
- Lengthy bureaucracy procedures
- Bureaucratic Red Tape -- governance issues (corruption 79%) deterrents to increased investment. **Doing business index** rank 164 of 181

<http://siteresources.worldbank.org/CAMEROONEXTN/Resources/AICD-Cameroon>

Potential Barriers

► Transport barriers

- limited coordinated intermodal transport. The poor condition of Cameroon's road network and delays in the port of Douala.

► Roads

- Cameroon total road network is 72 kilometers per 1,000 km², higher than the average for Africa's resource-rich countries at 59 kilometers per 1000 km².
- Cameroon's road density is still behind the level of the middle-income countries,
- **Road Transporters**

<http://dlca.logcluster.org/display/public/DLCA/2.3+Cameroon+Road+Network>



- road network, both paved and unpaved, are poorly maintained and ineffective.
- rain barriers –causes traffic on unpaved roads leading to many hourly stoppage resulting to increase lead time.

► Ports

- Port 1000 hectares and handle 95% of goods entering Cameroon.
- annual capacity estimated 7million Tons.
- storage capacity 11 million Tons in 2014.
- operates 80% capacity but still hampered.



www.logistiqueconseil.org/Articles/Transport-maritime/Terminaux-portuaires.htm

▶ **Railway Barriers**

- Cameroon's total rail route in 2014 is 976.0 km down from 976.5 km from 2013, recording a serve change of 0.05%. <https://knoema.com/atlas/cameroon/GDP>
- CAMRAIL activities are affected by obsolete rolling stock and deteriorated infrastructure.

▶ **Business environment Barriers**

- Regulatory environment-Barriers arising due to poorly functioning government as a result of internal social and political conflicts.

Potential Barriers

▶ **Physical security**

- High crime rates and frequent thefts along the supply chain drive up operating costs .

▶ **Telecom Barriers**

❖ **Inadequate information and communication technologies (ICT)**

- Unreliable communications and technology infrastructure add uncertainty to a company's supply chain

❖ **Limited quality of transport services**

- transport infrastructure are barriers related to transport services, which include a dearth of companies picking up or delivering goods to a country
- lack of a capable local logistics industry

Possible solutions

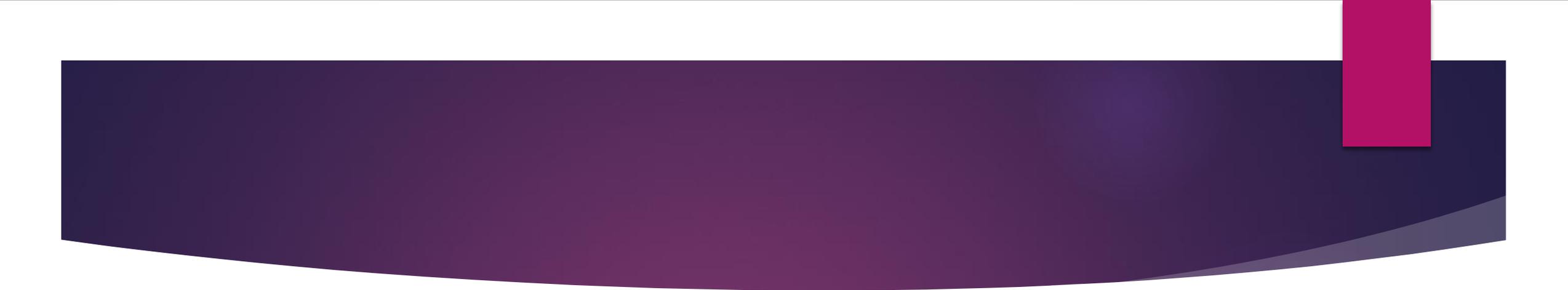
- ▶ Establish a bilateral collaboration- both parties benefit continuous replenishment
- ▶ Ability to Minimize hidden transport and logistics costs of supplier non-compliance.
- ▶ Integrate data with partner and internal groups to collaborate via same platform.
- ▶ it is necessary to improve on the conditions of local logistics

Cont'L

- ▶ Building of new and well equip ports, seaports and airports
- ▶ Creation of an enforceable anti corruption term to combat corruption
 - CONAC – National Anti-Corruption Commission
- ▶ Opening of specialized training centers
- ▶ Governments need to remove the sets of barriers relevant to their industries
- ▶ Create a national mechanism to set policy priorities for improving supply chain efficiency

Preliminary Conclusions

- ▶ Reducing supply chain barriers to trade could increase GDP and trade
 - by improving key supply chain barriers administrative red tapes and transport and communications infrastructure
- ▶ The results from this study will be useful for future research and FDI of Cameroon.



Thank you for Listening

감사합니다!!!!