Implications of Multinational Corporations in Cameroon's Underdevelopment, 1960-2015

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PREFACE

In the era of globalization, Africa as a whole, and Cameroon specifically, needs investments from multinational corporations (MNCs) to boost its competitive edge and promote necessary micro-level structural adjustments that lower investment risks. Economic theory suggests that MNCs can play a significant role in fostering economic growth in developing nations by creating beneficial externalities, often referred to as spill-over effects.These spill-over effects occur predominantly through the research and development (R&D) and innovation of MNCs, their outsourcing to local firms, their training of domestic human resources and the payment of significant wages by MNCs to retain good labourers. All these benefits can be important for Cameroon's economic development. However, the extent to which Cameroon benefits from the spill-over effects of MNCs remains to be empirically investigated.

It is against that backdrop that this book titled ***Implications of Multinational Corporations in Cameroon's Underdevelopment, 1960-2015*** presents results from an empirical survey of MNCs in Cameroon. Cameroon may be an interesting case to study the impacts of MNCs on development as it has a significant presence of raw materials and natural resources that are constantly being exploited by these MNCs. This book is driven by the realization that the impact of multinational corporations (MNCs) in Cameroon has not been extensively investigated. To enhance the comprehension of how MNCs contribute to economic development in Cameroon, the book will examine corporate social responsibility (CSR) initiatives, along with their complexities concerning the claimed contributions to the nation and continent's economic growth and development.

This book significantly enriches the existing literature exploring the impact of multinational corporations (MNCs) on Cameroon's development. A thorough investigation into the influence of MNCs over five decades suggests that their perceived role as catalysts for progress is not as substantial as commonly believed. The case study of BAT illustrates that certain MNCs may actually hinder Cameroon's advancement rather than foster it. Consequently, the study concludes that MNCs could enhance their positive contributions to development if the government implements effective policies to regulate their operations. Such measures would enable MNCs to fulfill their potential in promoting development not only in Cameroon but throughout Africa as a whole.

Completing this book allows me to express my deep appreciation for the intellectual and moral support I have received throughout its development. My sincerest thanks go to Professor Michael Ndobegang, whose unwavering encouragement has been instrumental not only for this project but also for my professional growth. His guidance has consistently motivated me in my career. Additionally, I am grateful to my colleagues and collaborators for their willingness to engage with the early drafts and provide insightful feedback, which has significantly enhanced the quality of the manuscript to its current form.

Several colleagues and friends have played a role in the project at various phases, offering insights and sharing valuable data. I greatly appreciated my conversations with Professor Mary Coleman, the former Dean of the College of Liberal Arts at Lesley University, who allowed me to incorporate aspects of the book into a course within the Department of Business. Professor Jennifer Yanco enhanced my selection as a visiting fellow of the West African Research Association and also gave me the opportunity, in collaboration with the management of Bunker Hill College to organize a café discussion on the activities of multinational corporations in Africa. The contributions made by the participants of this café discussion permitted me to diversify my thoughts about the activities and functioning of MNCs in Africa in particular and in the developing world at large.

During my participation in the IGLP Workshop organized by Harvard University in Doha, Qatar, I was fortunate to receive a wealth of resources related to multinational corporations (MNCs), foreign direct investment (FDI), development, and technology transfers from esteemed scholars. These resources have been instrumental in the development of chapters 2 and 3 of this book. I am deeply grateful for the enthusiastic support I've received from my colleagues in the Department of History at the Higher Teacher Training College (HTTC). Professor Lang Michael, the Department Chair, and Professor Mark Bolak Funteh, the Director of HTTC, have both provided invaluable encouragement and guidance throughout this project. Additionally, I appreciate the insights and advice offered by Professor Fidessou Sylvestre and Professor Animbom Paul during various stages of the writing process. A heartfelt thank you goes to Yenika Yvonne for her cheerful assistance with the typing, typesetting, and overall organization of the manuscript. Adam Rummens from Cambridge

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In closing, I would like to express my heartfelt gratitude to my wonderful wife, Angel. Her patience during my extended work hours and her unwavering care and support have been instrumental in bringing this project to fruition. This manuscript represents not only our collective efforts but also the challenges we have faced together, making its completion all the more meaningful.

Kingsly Awang Ollong
Bamenda, Cameroon
31st July 2024

LIST OF ABBREVATIONS AND ACRONYMS

ACIR: Advisory Commisions on Intergovernmental Relations
AIDS: Acquired Immune Deficiency Syndrome
BAT: British American Tobacco
BATUKE: British American Tobacco United Kingdom and Export
BCCI: Bank of Credit and Commerce International
CCM: Corporate Communication Manager
CDC: Cameroon Development Corporation
CDWF: Colonial Development Welfare Fund
CEC: Colonial Economic Committee
CEMAC : *Commuaute Economic et Monetaire de l'Afrique Central*
CFAO : *Compagnie Francaise de l'Afrique Occidentale*
CFDT : *Compagnie Francaise de Fibres Textiles*
CMH: Commission on Macroeconomics and Health
CSR: Corporate Social Responsibility
DCs: Developing Countries
ECLA: Economic Commission for Latin America
EIU: Economic Intelligence Unit
EPZ: Export Processing Zones
ERC: Economic Recovery Credit
ESAF: Enhanced Structural Adjustment Facility
EU: European Union
FDI: Foreign Direct Investment
GATT: General Agreement on Tariffs and Trade
GCF: Guinness Community Fund
GCSA: Guinness Cameroon SA
GDP: Gross Domestic Product
GNP: Gross National Product
GT: General Trade
HRM: Human Resource Management
IFIs : International Financial Institutions
IFZ : Industrial Free Zones
IMF : International Monetary Fund
IRHO : *Institute de Recherche pour les Huiles et Oleagineaux*
LBC: *Les Bois Du Cameroun*
LDCs: Less Developed Countries
LONRHO: London and Rhodesia Company

LUTOMA : *Association pour la Lute Contre la Toxicomanie et Maladies Mentales*
M&A : Merger and Acquisition
MNCs : Multinational Corporations
MNC : Mouvement National des Consommateurs
NAFTA: North American Free Trade Association
NCFD: National Committee for the Fight Against Drug
NOIFZ: National Office
OCB: *Office Camerounaise des Bananes*
ODA: Official Development Assistance
OECFD: Organisationfor Economic Cooperation and Development
PZ: Paterson Zochonis
R&D: Research and Development
REMY : *Renconres Musicales de Yaoundé*
SAFA : *La Societies Agricole et Forestiere Africaines*
SAL: Structural Adjustment Loans
SAP: Structural Adjustment Programme
SCAO : *Societe Commerciale de l'Ouest Africain*
SEIFA : *Service d'Exploitation Industrielle de Tabacs et des Allumettes*
SGBC : *Societe General des Banque au Cameroun*
SIFIC : *La Societe d'Exploitation Forestiere et Industrielle du Cameroun*
SNI: *Societe National d'Investissement*
TI: Transparency International
TNC: Transnational Corporations
TRIMs: Trade Related Investment Measures
UFC: United Fruit Company
UN: United Nations
UNCTAD: United Nations Conference on Trade and Development
UNCTC: United Nations Commission on Transnational Corporations
UNDP: United Nations Development Programme
USA: United States ofAmerica
USAID: United States Agency for International Development
UTC: United Trading Company
VAT: Value Added Tax
WAPV: West African Plantations Company Victoria
WB: World Bank
WHO: World Health Organization
WTO: World Trade Organization

CHAPTER ONE

INTRODUCTION

Since the 1980s, a steady flow of literature has emerged discussing various facets of globalization, claiming that the integration of national economies has progressed to a level that fundamentally alters international economic relations. This transformation has significantly affected the political economy of nation-states. Prior to the 1960s, international trade and commerce patterns were heavily dictated by national borders and divisions. However, the surge in international trade volume, the heightened mobility of capital, and the rise of global private companies whose operations extend across countries and continents have created economic links that transcend territorial boundaries, often circumventing central governments (van de Walle, 1999). These global entities, known as multinational corporations (MNCs), are viewed as pivotal players and influential agents in reshaping both national and international economic landscapes.

In today's globalized world, Multinational Corporations (MNCs) undeniably serve as powerful players within free markets. Their economic might often overshadows the available resources in many developing nations, a status largely attributed to their remarkable capacity to generate wealth. However, opinions diverge regarding their role in economic distribution, contributions to democracy, and overall promotion of development. This debate is particularly pronounced in developing countries, where some view MNCs as catalysts for progress, while others see them as instruments of neo-colonial exploitation. Rather than taking a rigid stance for or against these viewpoints, it is more constructive to explore recent literature on the subject. By examining the specific contexts that encourage or hinder a beneficial relationship between Foreign Direct Investment (FDI) and the socioeconomic development of host countries, this study aims to clarify the impact of these economic giants on the development of Cameroon.

A multinational corporation, also known as a multinational enterprise (Balaam and Veseth, 2001) or a transnational corporation, and often referred to as MNC (Gilpin, 2001), is defined as a business entity that possesses or manages income-generating assets across multiple nations (Fieldhouse, 2000). A clearer understanding of a transnational corporation can be derived by associating it with the type of trade it conducts. In essence, an MNC has a global footprint through its involvement in Foreign Direct Investment (FDI). Unlike standard trade practices, FDI involves the actual expansion of operations and the investment of equity into various countries. Activities such as constructing factories, establishing marketing offices, setting up export warehouses, acquiring controlling interests in distribution agencies, or purchasing parts of a competitor's market are all forms of FDI (UNCTAD, 1992). According to UNCTAD, Foreign Direct Investment can potentially create jobs, increase productivity, facilitate the transfer of skills and technology, boost exports, and contribute to the long-term economic growth of developing countries worldwide (UNCTAD, 2002).

Contemporary governments prioritize achieving public policy objectives such as economic efficiency, growth, and enhanced living standards. In well-developed market economies, the forces of globalization in trade and advancements in technology are vital catalysts for economic expansion, contributing to job creation and an overall increase in income levels. From a macroeconomic standpoint, multinational corporations (MNCs) significantly impact economic growth by expanding the available pool of investment capital on a global scale. In the year 2000, global foreign direct investment (FDI) reached a record high of $1.4 trillion (Spero and Hart, 2013), with the United Nations Conference on Trade and Development (UNCTAD) estimating that over 64,000 MNCs and their foreign branches, holding an FDI stock of $7 trillion, accounted for two-thirds of international goods and services trade and generated 53 million jobs (UNCTAD, 1992). Spero and Hart (2013) have indicated that numerous empirical studies have shown a positive correlation between the rise in FDI flows and the economic growth rates in these countries.

Multinational corporations (MNCs) pursue investments abroad due to their unique advantages that they aim to maximize, as well as the potential benefits tied to international operations. Such benefits often stem from the circumvention of import restrictions and the utilization of more cost-effective labor available overseas. Venables (1996) suggests that MNCs opt for foreign production instead of domestic manufacturing when three criteria are satisfied. First, the firm needs to possess a distinct advantage that justifies competing in a foreign market that may be unfamiliar, particularly against local companies that have an established presence. This advantage could stem from factors like superior technology, marketing expertise, scale, or advantageous access to essential resources—all of which must be under the MNC's ownership.

Second, MNCs often prefer to capitalize on these advantages internally rather than attempting to sell or license their technology or marketing expertise. Doing so could undermine the competitive edge they have cultivated, as pricing such assets is challenging. To recover their research and development (R&D) investments effectively, firms must maintain control over the production processes of the final products or services. Lastly, producing goods abroad has to be more lucrative than simply exporting them. Factors influencing the decision to expand operations overseas include resource accessibility, transportation expenses, and tariff barriers (Venables, 1996).

In the aftermath of the Soviet Union's dissolution and the end of the socialist economic paradigm, a capitalist and neoliberal viewpoint regarding the global economy emerged as the prevailing ideology. This mainstream perspective promoted by the neoliberal model of development posits that with active involvement, less developed countries (LDCs) would ultimately achieve economic growth comparable to that of highly developed countries (HDCs).

Neoliberal theory posits that less developed countries (LDCs) often find themselves hindered by four fundamental gaps that contribute to their economic stagnation: the resource gap, the foreign exchange gap, the skills and technology gap, and the budgetary gap (Venables, 1996). Proponents of neoliberalism argue that addressing these gaps is essential for LDCs to stimulate economic growth and progress, thereby enabling them to break free from a cycle of poverty. Many neoclassical theorists suggest that foreign direct investment (FDI) offers a viable solution. Multinational corporations (MNCs), as a form of FDI, come equipped with a bundle of financial, managerial, and technological capabilities that can effectively bridge the gaps faced by LDCs. Consequently, neoliberal advocates contend that LDC governments should foster an environment conducive to MNC investment by implementing suitable economic policies. These policies typically encompass measures such as deregulation, privatization, currency convertibility, and fiscal prudence. Nonetheless, it is crucial to recognize that the effects of MNC activities on LDCs remain a subject of ongoing debate and contention.

In terms of the advantages for least developed countries (LDCs), trade liberalization has not fulfilled the expectations of economic growth, job creation, increased wages, and improved welfare that proponents of free trade and financial movement often claim. These benefits have been distributed unevenly both between and within nations. Research by social scientists such as van de Walle (2001), Balaam and Veseth (2001), and Spero and Hart (2013) indicates that the effects of globalization, foreign direct investment (FDI), and trade liberalization have been experienced differently by developed and developing nations. The disparities in power between affluent and less developed countries are evident not only in the capacity of wealthier nations to shape international trade dynamics but also in their leverage to establish the conditions surrounding the transfer of technology, foreign aid, and private investment to LDCs.It is argued that governments of developing countries are not strong enough to regulate the easy flow of capital across national borders and were thus unable to wield enough influence over their nation's development as they bid for MNCs investment, often at great social cost to the country. Resnick and van de Walle (2013) reiterate this arguing that;

> Integrating the less developed nations into the world economy often takes away their governments's discretionary decision-making powers. The logic of globalization forces individual governments to accommodate market forces in the name of national competitiveness, even if it means erosion of wages and labour standards (Resnick & van de Walle, 2013).

In this manner, global trade encroaches on the sovereignty of national governments to pursue socially valued objectives such as development and equity. Developing countries, especially those in Africa are skeptical about the sincerity of western assistance. Resnick and van de Walle (2013) are of the opinion that all the talk about economic globalization is nothing more than a euphemism for neo colonialism, a system under which the poverty of the people of underdeveloped nations will increase, while the rich nations continue to prosper through privileged access to assets, unequal trade practices and liberal investment policies that are most likely to push smaller, local firms into insolvency. According to Fieldhouse (2000), free trade means that any two countries can trade to their mutual benefit, provided that each focuses on those products in which it has a comparative advantage. The question that is central to the study of MNCs in developing countries, especially Africa, is whether the same applies to them as in the case of developed countries. The main reason for LDCs to question this is because they experience FDI as a one directional process; they do very little investing and are mostly recipients of foreign investment. Since they are underdeveloped countries, they mostly do not have access to the technology capital or expertise to help them overcome these obstacles.

Thus, despite the fact that the share of developing countries in world trade has risen from approximately 24% in 1990 to 32% in 2000, increased trade did not necessarily bring more broad base growth to LDCs. The growth in developing country export is extremely concentrated; East Asia produces over 75% of developing world manufactured exports and a greater proportion of high technology items while South Asia and sub-Saharan Africa saw their trade share grow just by 2%, according to Oxfam (2002). In most developing countries higher exports have not translated into faster GDP growth. Especially in the poorest countries, most of which are in Africa and still depend heavily on exports of non oil primary commodities, official development assistance (ODA) and to an extent diaspora remittances there has been little progress in economic growth and development (Oxfam, 2002; Moyo, 2009).

Fieldhouse (2002) further argues that:

> LDCs governments may not have the sophistication (or perhaps the patriotism and concern for public welfare) which is expected of western governments and which might enable them to judge whether the costs of providing conditions attractive to MNCs will outweigh the direct economic benefits their countries might obtain, and above all, the indirect effects may be very different because the host country may not be able to respond to the stimulus of foreign enterprise in the way expected in developing countries (Fieldhouse, 2002).

He ultimately asserts that while the principle of comparative advantage may be valid in a purely economic context, there are other factors, particularly non-economic ones specific to less developed countries (LDCs), that could outweigh the immediate advantages offered by multinational corporations (MNCs). However, as van de Walle (2001) notes, it is increasingly challenging to make broad generalizations about the economies of LDCs, which have become more diverse in terms of performance and future potential compared to earlier times. It appears that the more substantial, affluent, and interconnected markets of LDCs are progressing towards sustainable growth and development.

Argument of the Book

In today's increasingly interconnected global economy, multinational corporations (MNCs) play a crucial role in fostering the interdependence of national economies. Prior to the 1980s, MNCs faced limitations imposed by the regulations of host countries. However, a shift in the economic landscape allowed these corporations greater liberty to operate as developing nations began to open their markets, reduce regulations, and invite MNCs to capitalize on the potential advantages their financial resources and technological know-how offered. Although foreign direct investment (FDI) has historically been concentrated in developed nations, its impact—both positive and negative—on developing nations is significant. From 1980 to 2000, the aggregate wealth of the developing world nearly quadrupled, and total trade volumes expanded more than fivefold, while FDI in these countries surged over 18 times. Through direct private investments, developing nations have increasingly integrated into the global production network.

This remarkable phenomenon did not occur uniformly across all developing nations. Over the past two decades, while foreign direct investment (FDI) inflows to the Middle East and North Africa remained stagnant, those in East Asia surged by a staggering 40 times. Even more striking was the increase in FDI to Eastern and Central Europe, which attracted 42 times more investment in 2000 compared to the period just after the Berlin Wall fell. Consequently, the geographic distribution of FDI flows shifted significantly during this time. By the late 1990s, countries in the Middle East and North Africa—previously prominent destinations for global private capital—were receiving less FDI than their counterparts in Sub-Saharan Africa, while East Asia's influence has grown substantially since the late 1980s.

The overall perspective shifts once the sizes of regions are considered. When looking at achievements on a per capita basis, Latin American and Caribbean countries significantly outperformed all others, while South Asian nations, despite some improvements, continue to lag considerably. These fundamental observations highlight that multinational corporations (MNCs) are the primary drivers of globalization, establishing a tighter global production network more than any other economic force. Additionally, these corporations are deemed crucial for gaining access to vital financial resources, as they bring added benefits such as technology transfers and job creation. Consequently, they serve as catalysts for development and are essential for the growth of developing nations within the new global economic landscape. Conversely, another perspective argues that rather than supporting these countries, MNCs utilize foreign direct investment (FDI) as a tool for capital accumulation that centers around powerful economies, enabling significant economic and political influence to restructure the world economy. To address this issue, we will explore the following research questions: Are multinational corporations catalysts or obstacles to Africa's development? What influence have MNCs had on the economic progress of Cameroon? How have their activities impacted local communities in Cameroon? Furthermore, what measures can states implement to benefit from MNCs while mitigating their adverse effects in the context of economic globalization?

This book aims to shed light on key questions regarding the impact of multinational corporations (MNCs) in Africa through a comprehensive examination of existing evidence. Central to this discussion is the significance of MNCs in the economic development of the African continent.

The primary objective of this work is to explore the influence of MNCs on the economy of Cameroon, as well as to analyze their contributions to the nation's overall development. This research seeks to enhance the scientific understanding of how the activities and presence of multinational corporations affect Cameroon's economic progress. In this context, foreign direct investment serves as an indicator of the extent of MNC engagement, while economic growth acts as a benchmark for measuring development.

Owing to Cameroon's open economic policies and its wealth of natural resources, the country has attracted numerous multinational enterprises, which have played various roles in fostering socio-economic growth.

The specific goals are outlined as follows: to examine the historical development of multinational corporations (MNCs); to define the functions of MNCs with emphasis on both developed and developing nations; to investigate the factors influencing foreign direct investment in Cameroon; to explore the contributions of MNCs to our economic development; to assess the effects of such investments in Cameroon, using the case study of BAT Cameroon; to review the corporate responsibility initiatives established by these corporations; and to analyze the national policies regarding these investments.

Through our previous research involving a multinational corporation in Cameroon, we recognized a pressing need to deepen our understanding of how multinational corporations contribute to the socio-economic development in the country. This discovery renders our current research particularly compelling, and we anticipate that our findings will provide valuable insights into the overall historical role of multinational corporations, with a specific focus on our case study, British American Tobacco. We also contend that this research will enrich the existing knowledge surrounding multinationals in developing nations, and its outcomes will be beneficial for policymakers, the corporation in focus, non-governmental organizations, and local communities.

Moreover, this study has allowed us to uncover some of the troubling smuggling practices associated with British American Tobacco in Cameroon, in addition to addressing the ongoing debates regarding the health implications of the company's operations. This aspect is crucial since many Cameroonians have been led to believe that multinational corporations are essential and beneficial for the country’s economic progress. Shedding light on some of these covert activities can provide evidence that the impact of multinational corporations may not be as beneficial as often perceived.

The research underlying this book was carried out through a blend of historical and scientific methodologies, coupled with the application of economic theories to historical contexts. The research framework offers a structured approach, shifting between overarching theoretical insights and more detailed empirical data concerning the socioeconomic relationships between Cameroon and multinational corporations (MNCs), with each aspect informing the interpretation of the other. This study adopts a deductive and evolutionary perspective, beginning with a conceptual analysis of the characteristics and roles of MNCs in developing nations and applying these insights to the context of Cameroon, specifically through the case study of British American Tobacco. This case study will enable us to conduct thorough analyses of the overall influence of MNCs on Cameroon’s development, assessing whether this impact has been beneficial or detrimental.

To achieve these outcomes, various information sources were utilized for the first time, primarily through direct investigation. In contrast, secondary data refers to information that is already available and was collected by third parties for purposes other than this study. This secondary data can be categorized into two types: internal and external. Internal secondary data is found within the organization, while external secondary data comes from outside sources. There are no limitations on data gathering, and relevant research information can be sourced from numerous avenues. This research relies on primary data that includes archival materials collected from companies, as well as interviews conducted with corporate employees in Cameroon. Regarding secondary data, both internal and external sources were referenced, with data gathered from various government offices in Yaoundé and several companies in both Douala and Yaoundé.

The theoretical framework outlined in this book is grounded exclusively in literary and scientific resources. We collected pertinent national literature from various libraries, including those at the University of Yaoundé 1, the American Cultural Centre, the French Cultural Centre, the British Council, the Catholic University of Central Africa, and the University of Yaoundé 2, Soa. For international references, we gathered information from the library and computer systems of the State University of New York, which provided access to materials from other American institutions as well. Additionally, we consulted resources from the United Nations Centre for Transnational Corporations, the City Library in New York, and the Lesley University library.

The empirical data presented in this book, which includes annual reports and financial and operational details of several multinational corporations (MNCs), was sourced with the assistance of the University of San Francisco. Complementing these resources, we conducted oral interviews at BAT, a fast-moving consumer goods company, chosen as a case study to explore the role of MNCs in economic marginalization. The internet also served as a valuable repository of information on MNCs. To analyze the theoretical and empirical data utilized in this study, we will employ both chronological and thematic methodologies to present the historical context effectively.

Conceptual Frame

In this section, we will explore four key concepts: multinational corporations, foreign direct investment, economic growth and development, and corporate social responsibility.

Multinational Corporations and Foreign Direct Investment

A multinational corporation (MNC) consists of a parent company and its international subsidiaries. The parent company is characterized as an organization that holds assets in other nations beyond its country of origin, typically by having at least a 10 percent stake in the common shares or voting power of another business. A foreign affiliate may take the form of a subsidiary, an associated company, or a branch office. The (initial and all subsequent) investment between the parent enterprise and its affiliates is referred to as foreign direct investment (FDI), and entail a long-term relationship where the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy (UNCTAD, 2005a). MNCs investments below the 10 percent threshold in contrast entail a temporary investment with less control and influence and are referred to as portfolio investments such as stock market investment (UNCTAD, 2002). While there are UN statistical indicators for both foreign direct investment (FDI) and portfolio investments, the latter is less relevant for analysis. This is because examining portfolio investments tends to focus more on the impacts of the international financial system and global capital movements, rather than the direct effects of foreign corporate presence.

Flows of FDI as measured by UN indicators comprise capital provided by foreign direct investors to an FDI enterprise or capital received from an FDI enterprise by foreign direct investors, and have three components: equity capital (purchase of shares), reinvested earnings and intra-company loans. FDI is also frequently distinguished by its mode of entry. That is by Greenfield investments (which is the creation of a subsidiary from scratch by one or more foreign investors), extension of capacity (which is an increase in the capital established foreign direct investment enterprises) and cross-border mergers and acquisitions (M&A) which is the combination of two or more legal business entities. No distinction is, however, made between these types of FDI in the work that follows. On the other hand, the following distinguishes inward FDI from outward FDI, flows of FDI from stocks of FDI and primary sector FDI from secondary and tertiary sector FDI.

More explicitly, this book looks at inward FDI (which is investments made by foreign MNCs in Cameroon) as opposed to outward FDI (which is investments made by domestic MNCs in other economies). It also looks at both flows (annual fluctuations of FDI in Cameroon) and stocks (total amount of FDI accumulated in the host country) or more precisely at the foreign investment rate (the annual rate of change in stocks) and foreign capital penetration (the stock to GDP ratio). Finally, it distinguishes between primary sector FDI (investments made in, E.g agriculture, fisheries and resource extraction), and secondary and tertiary sector FDIsuch as investments made in manufacturing and services (UNCTAD, 2002).

Economic Development

Development is frequently associated with economic progress or, more narrowly, with increases in GDP per capita. While development unfolds over an extended time frame, economic growth reflects a rise in Gross National Product (GNP), which can occur through the discovery of new resources, advancements in technology, or a combination of both. According to Friedman, growth entails the expansion of a system in various dimensions without altering its foundational structure, whereas development signifies an innovative process that transforms social systems structurally (Friedman, 2005). Economic growth, therefore, refers to a sustained quantitative increase in a country's per capita output or income, characterized by growth in its labor force, consumption capital, and trade volume. In contrast, economic demands involve goods, incentives, and institutions, and this limited viewpoint often overlooks important aspects of human development. Merely focusing on economic development or growth does not inherently address wealth distribution or the human costs associated with it. A more holistic approach, encompassing an economic dimension, is effectively championed by Sen (1999).

In this context, it is essential to recognize that development is inextricably linked to economic growth, and that without economic growth, development cannot be sustained. Sen's perspective adds a layer of interdependence to Lipset’s thesis on economic development and democracy, which posits that economic growth must precede the achievement of human rights and democracy (Lipset, 1959). Thus, this thesis argues that development (and underdevelopment) should be viewed as a complex interaction between economic progress and broadly defined human rights, rather than simply economic development alone.

In this discussion, economic development is primarily considered in terms of GDP per capita or its growth. The emphasis on human rights, from this viewpoint, is twofold: it involves protection against physical harm and the recognition of political and civil rights. While human rights and democracy are often viewed as interconnected in the UN framework, Donnelly (1998) points out key distinctions; democracy focuses on determining who governs, whereas human rights pertain to the governance methods. Furthermore, the connection between these concepts is generally perceived to be weaker in developing nations. In these regions, the prevailing narrative of democracy is more closely tied to economic growth and the interests of global capital and finance, as well as the dynamics of globalization, rather than a genuine respect for human rights and security. Therefore, the common belief that democracy automatically ensures human rights is, at the very least, debatable in the context of developing countries (Evans, 2001).

The Relationship between Growth, Development and Trade

The interconnected relationship between trade expansion, economic growth, and human development is crucial for grasping the evolving dynamics between states, markets, and the influence of multinational corporations. Expanding global trade can enhance market access, boost productivity, and facilitate the adoption of new technologies, all of which contribute to economic advancement. However, as highlighted in a UN report on development, trade expansion does not automatically result in immediate economic growth or ensure long-term economic and human development (UNDP, 2003). A nation can experience economic growth without achieving meaningful economic development; in this context, economic growth simply indicates a rise in average wealth, without guaranteeing that its advantages are shared among the entire population.

The 2003 UNDP report broadens the definition of economic development by incorporating the idea of human development. Economic development is characterized by a significant portion of the population experiencing ongoing enhancements in their living standards, while sustainable human development ensures that the essential freedoms, choices, and rights for the current generation are improved without compromising those of future generations (UNDP, 2003). Thus, while economic growth can facilitate development, it doesn't inherently lead to human development. In this context, economic growth serves as a means to achieve development rather than being an ultimate goal by itself. Economic growth can foster human development in two primary ways. First, growth that creates jobs increases household incomes, which can be allocated towards better nutrition, education for children, or skills development—each of which enhances human capabilities. From this viewpoint, economic growth and human development support each other; while economic growth and rising incomes provide the essential resources to meet human needs, development centers on the well-being of individuals and ensuring equitable access to state benefits for everyone (UNDP, 2003).

The third component in the interconnected framework is trade. There is strong evidence that trade serves as a significant catalyst for economic development. According to the UNDP Report (2003), *Making trade work for all people,* international trade represented more than half of the GDP in twenty-two out of thirty-nine of the least developed countries where data was accessible. The report further emphasizes that no nation has achieved successful development while avoiding international trade and long-term capital investments. Additionally, few nations have sustained economic growth over time without an increase in the proportion of foreign trade relative to their national output. Ideally, international trade can enhance market expansion, foster better competition, and facilitate knowledge dissemination, ultimately generating opportunities for growth and human advancement. However, simply liberalizing trade does not ensure human development. The expansion of trade does not automatically lead to immediate economic growth or sustained economic or human development (UNDP, 2003). Instead, internal and external institutional frameworks and social conditions play a crucial role in determining the extent to which a nation or its population can benefit from trade.

The fulfillment of development needs is influenced by the nature and extent of government involvement. This includes the ways in which the state formulates development policies and allocates resources to ensure that benefits are distributed across all segments of society within its territory. Consequently, economic growth plays a role in shaping human development strategies and the utilization of government funding. According to Samuelson and Nordhaus (1998), there are three pivotal roles that government plays in a market economy that facilitate overall development. These are: (1) enhancing efficiency by encouraging competition and providing essential public services; (2) utilizing tax revenues to redistribute wealth, thereby reducing income inequality and combating poverty; and (3) promoting macroeconomic stability and growth by addressing unemployment and inflation through fiscal measures and monetary policy. Gelb (1991) highlights the example of the newly industrialized countries (NICs) in Southeast Asia, where the government consistently took a strategic and coordinating approach, channeling investments towards specific areas to achieve significant transformation in manufacturing and maintain international competitiveness.

These points raise important questions about the role of multinational corporations within the current framework. Over recent years, UNCTAD (2005) has conducted extensive research into the connection between trade and development; however, there is a surprising scarcity of cutting-edge academic literature addressing the relationship between multinational corporations (MNCs) and foreign direct investment (FDI) in this context. Nonetheless, it is generally recognized that MNCs are key drivers of global trade, playing a significant role in facilitating trade growth and industrial development. Economic historians have posited that FDI and MNCs can serve as instruments for economic advancement and trade enlargement. By channeling capital into the market through FDI, MNCs can generate employment, boost incomes, incite competition, introduce new technologies, enhance overall productivity, and promote international trade, thereby fostering comprehensive economic progress. However, since the primary objective of businesses is profit maximization, the advantages generated are typically confined to the company's management, employees, and stakeholders, rather than benefitting society at large.

In numerous developing nations, a significant portion of the population does not engage in the formal economy or markets. Without effective systems to share the benefits of trade and industry, marginalized and low-income individuals are unlikely to gain from economic growth. Therefore, it can be argued that the regulatory policies of host countries are essential for attracting and maintaining multinational corporation (MNC) investment in trade and industry, which is crucial for further economic development. Furthermore, these policies should ensure that the advantages of foreign direct investment (FDI) aid human development. Gelb (2007) warns that while international trade holds great promise for alleviating poverty, this potential often goes unfulfilled due to trade regulations, policies, and practices that disproportionately favor the affluent. Additionally, it can be inferred that the focus of MNC activities in host countries, particularly in developing regions, tends to be largely on generating profits rather than fostering social progress. While trade and industrial markets are not inherently detrimental to the poor, they frequently produce unfavorable outcomes for vulnerable populations in the absence of sufficient governmental policy and legal intervention.

The influence of multinational corporations (MNCs) on trade and development is highly inconsistent and often leads to negative outcomes. In many cases, MNC operations contribute to the persistence of dual economic structures and worsen income disparities. They favor the well-compensated workforce in modern sectors while neglecting the broader population, resulting in an increasing wage gap. Resources are frequently redirected from essential agricultural production to the creation of advanced and sometimes unsuitable products, primarily driven by the desires of local elites and affluent minorities. MNCs also foster overly luxurious consumption habits through aggressive marketing and their dominant market position, utilizing inappropriate production technologies that rely heavily on capital investments. Consequently, local resources are often channeled towards projects that do not benefit society. This situation exacerbates the wealth divide and creates significant imbalances in economic prospects between urban and rural areas (Spero and Hart, 2013). Some critics argue that foreign investments in developing nations lead to