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Subject: Commercial Issues Dominate DAS Akuettehs Cameroon Visit

1. (SBU) **Summary:** Commercial and trade issues dominated Deputy Assistant Secretary of State for African Affairs (DAS) Cynthia Akuetteh's four-day visit to Cameroon, May 22-25. In Yaounde, the DAS met with various Government of the Republic of Cameroon (GRC) officials, including President Paul Biya (Ref. A) and Prime Minister Philemon Yang. At the May 22 meeting with Yang, we discussed the ongoing dispute over Herakles Farms' palm oil plantation and the possible purchase of two Boeing Dreamliners. Meetings in Douala with the business community focused on U.S. investment and the need to improve the business climate. Representatives from Kosmos Energy, AES-Sonel, Societe General, Citibank, and Advans Group, in addition to members of the American Chamber of Commerce (AmCham), briefed the DAS on their operations in Douala. The visit received significant, positive play in local media, including on CRTV news and two articles, including one full front-page one, in the Cameroon Tribune. **End Summary.**

Prime Minister Discusses Herakles Farms and Boeing Dreamliners

2. (SBU) The controversy surrounding U.S. company Herakles Farms' efforts to establish a palm oil plantation in the Southwest Region continues (Ref B). Three weeks ago, Herakles Farms laid off 700 workers after the Minister of Forests and Wildlife issued a stop work order. Akuetteh urged the Prime Minister to make a decision and take action to resolve the dispute. She told Yang that the United States does not want to tell Cameroon what decision to make, but Cameroon should act quickly and avoid arbitration or protracted legal proceedings. She warned that a failure to act could cause uncertainty in the local business climate and have a chilling effect on future foreign investment.

3. (SBU) Yang expressed great support for Herakles' project, and labeled his own forestry minister's current decision as "unfair." He found it "unhealthy" that media in Germany have publicly spread the opinion that this project hurts the environment. He accepted our message on the project, and indicated that he would discuss it

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with President Biya. More broadly, Yang underscored the importance of agriculture to Cameroon's economic development in some detail. He noted that the future of Cameroon will not come from its dwindling oil and gas reserves, but rather from agriculture, and it is, therefore, of utmost importance to develop land that has been set aside for farming. Cameroon understands that it must increase its agricultural production to feed not only its citizens, but those of neighboring countries, such as Nigeria, which have population pressures. Herakles Farms is "in the right place at the right time," and the negative involvement of international environmental NGOs has infringed on Cameroon's sovereignty, Yang said. (Note: Following a series of meetings the week of May 27, Herakles and the GRC are reportedly reviewing the land allocations and redrawing boundaries. End Note.)

4. (SBU) Ambassador Jackson raised Camair-Co's possible purchase of two Boeing 787 Dreamliners, as Yang is also the Chairman of the national carrier. In 2012, Camair-Co made a refundable deposit of \$400,000 for the two aircraft with a 2019 delivery date. In light of RwandAir's recent cancellation of its aircraft order, Boeing now has two aircraft available with a 2015 delivery date, but Cameroon must act quickly to place an additional \$3.6 million non-refundable deposit if it wishes to secure this earlier delivery date.

(End Note.) Yang also expressed how impressed they had been by Boeing's past presentations, noting that Boeing gave a detailed comparison of its aircraft to its competition from Airbus, whereas the Airbus salesmen had lacked familiarity with competing aircraft. Yang indicated that Cameroon is not tied to any one country for trade and it will pursue the best options for its needs.

Douala Meetings Focus on U.S. Investments and Business Climate

5. (SBU) On 24 May, Akuetteh met with [redacted] to discuss ongoing petroleum exploration in Cameroon. [redacted] confirmed that Kosmos' on-shore exploration well near Mount Cameroon had failed to find commercial quantities of oil or gas (Refs C and D). Technically, he stated that the heat and pressure from inside the well became difficult to control at the site and Kosmos opted to shut it down. He noted this was always a problem in petroleum exploration, but even more so here due to the proximity of volcanic formations. When asked if this meant Kosmos was leaving Cameroon, [redacted] said it was too early to make that call. In fact, he noted the well had produced some usable oil and gas which he described as a "teaser." As Kosmos's current exploration license is not up for renewal until November 2013, Kosmos Cameroon is now sending a full range of soil, rock, petroleum, and gas samples for analysis before making any decisions about further exploration here.

6. (SBU) On the topic of the business climate in Cameroon, [redacted] was equally candid. He said that oil companies are rarely "squeezed" during the exploration phase; so it was no surprise that the GRC had been very cooperative with Kosmos in issuing timely permits and licenses for this initial site. He mentioned that contacts at other companies warned him that he could expect increasing government pressure for revenue if Kosmos found significant quantities of petroleum reserves. [redacted] shrugged this warning off, noting that even northern European countries did the same thing in the North Sea. He called it "standard government practice" and did not attribute it to any Cameroonian malevolence. He was more critical of the GRC about corruption itself, calling it pervasive at every level of society. He described it as more subtle than in other African countries — there is no direct arm-twisting; instead, corruption manifests itself through legal hurdles, bureaucratic red tape, or inflated fees for services that sometimes made it difficult to detect. He strongly emphasized that Kosmos had zero tolerance for employees engaging in any corrupt practices and believed his company's code of conduct far exceeded U.S. and UK legal requirements. It was harder at the grassroots, he said, noting they had to invest a lot of training time for local employees. Concluding the discussion, [redacted] opined that despite these business climate issues Kosmos still planned to pursue operations in Cameroon if commercial quantities of oil and gas were found.

7. (SBU) At AES-Sonel headquarters, the DAS met with CEO Jean David Bile, who expressed optimism that the new Kribi gas-fired power plant (KPDC) would temporarily ease electrical outages and brown-outs. He explained that the Kribi plant is an interim solution because the growth in demand still far outpaces production. Acknowledging criticism of AES-Sonel for not investing more rapidly in new electricity generation, Bile noted that AES-Sonel was not hired for its electricity production capabilities; rather, its primary responsibility was the effective transmission and distribution of an already existing power grid. Despite that, he pointed out that AES-

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Sonel has offered a variety of technical solutions to close the consumption-production gap. He expressed some frustration with the GRC and its lack of expertise to adequately evaluate these proposals. He suggested if the USG wanted to help Cameroon, training energy specialists should be a top priority. (Note: On May 28, Cameroonian newspapers gave wide coverage to a *Jeune Afrique* magazine blog stating that AES was planning to sell its majority shares in Sonel and quit Cameroon. Bile gave no indication whatsoever that this was in the offing. End Note.)

8. (U) Separately, Akuetteh met with members of the AmCham Board of Directors and select members in a wide-ranging discussion that included counterfeit consumer products and documents, the new investment code, diminishing attractiveness for investors in the Central African Free Trade Zone, and the underutilization of the Afrucan Growth and Opportunity Act (AGOA). Attendees also cited missed opportunities in the tourism industry here because of underdeveloped infrastructure and corruption. In particular, they expressed hope that one day Douala International Airport will undergo an appealing facelift similar to other airports on the continent. (Note: Contracts have been awarded to renovate the terminal, passageways, and lounges. End Note.)

9. (SBU) Finally, Akuetteh met with managers at three leading financial institutions in Douala representing the full spectrum of banking operations: Societe General (SGBC), Citibank, and Advans Group microfinance. Among these bankers, there was concern about the stagnating Cameroonian economy, particularly given its potential for growth as one of the most stable countries in the region. While citing corruption as a major factor, they also pointed to the weakness of the middle class and to increasing financial risk related to small and medium enterprise (SME) lending in Cameroon. All three characterized SMEs as their riskiest clients for which they made the least profit. They said the profitability from their large customers and even that from their small individual consumer loans actually paid the bills for their SME loans. On the other hand, the representative from Advans Group explained that this was not a Cameroonian anomaly — this was a standard financial model for most banks worldwide. What made Cameroon different, he added, was the relative impunity accorded to individuals and companies that defaulted on their loans. He described it as a culture where “beating the financial system” was met with some level of admiration and very little disgrace. He compared it to his most recent experiences in Kosovo, where he said bankruptcy was considered a shameful condition to be avoided at all costs. [redacted] agreed that corruption and the quest for the “quick buck” had sapped much of the energy out of the economy, particular at the middle-class level. Despite all these perils, all three concluded that Cameroon was still worth the risk and — citing Ghana as an example — it could explode in growth if the government took strong and even-handed efforts against corruption.

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Cultural Preservation and Anti-Piracy Training

10. (SBU) DAS Akuetteh’s last day in Cameroon was spent at the Man O’ War Rapid Intervention Battalion (BIR) Base, seeing our SEALs’ extremely successful anti-piracy training, and at the neighboring Bimbia slave port, which is being stabilized and restored through the Ambassadors Cultural Preservation Fund.

Comment

11. (SBU) DAS Akuetteh’s meetings, and the subjects discussed with the Cameroonian Government and private businesses, highlight the importance of U.S. investment in Cameroon. One message resonated throughout: Cameroon has vast potential as a market for foreign investment, but the GRC must work to improve the local business climate before U.S. companies will feel more comfortable doing business here. The visit received significant, positive media coverage, including a full-front-page picture of the meeting with President Biya in the Cameroon Tribune, Cameroon’s official newspaper. End Comment.

12. (U) DAS Akuetteh did not have an opportunity to clear this message.

Signature:

JACKSON

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