

I. ECONOMIC ENVIRONMENT¹

(1) GENERAL SETTING

1. Gabon is an equatorial country situated on the west coast of Africa and has an area of 27 million hectares (about one half the size of France). The country is bounded in the north by Equatorial Guinea and Cameroon, and by the Congo in the east and south. Gabon has 800 kilometres of coast line and its exclusive economic zone covers an area of 213,000 km². The navigable river network is 3,300 kilometres long and the main artery is the Ogooué river.

2. Gabon's GNP was estimated at US\$4.6 billion in 1999. The country's principal natural resources are oil, tropical wood, fisheries and manganese. Oil accounts for 75 per cent of annual export earnings, 64 per cent of the national budget and almost 40 per cent of GDP (Table I.1). The industrial sector is largely underdeveloped and the agricultural sector is struggling to establish itself. Trends in national oil production and in world oil prices therefore have a decisive effect on the development of the economy.

3. In 1999, the population of Gabon was estimated at around 1.2 million. Three quarters of the population live in urban centres and the interior of the country is sparsely populated. The population is young and the birth rate is 2.4. Two thirds of the adult population are literate.

4. In 1999, per capita income was estimated at US\$3,915, or second amongst the countries of Africa (72nd worldwide). High though this income level may seem, income distribution is extremely unequal and social indicators show that the problem of poverty is similar to that of other less well-off African countries.

5. Although oil has been the primary source of Gabon's wealth since the 1960s, its future role in the economy seems less certain owing to the decline in national output since 1997 (Chapter IV(4)(i)).² While they are hoping to reverse this trend by discovering new oil fields, the Gabonese authorities are pondering the profile of the post-petroleum Gabonese economy as a matter of priority. Gabon has opted for a strategy of industrial development, more specifically wood processing, fisheries-related activities and the processing of mineral and energy resources, and hopes to develop its tourism potential. Gabon is also hoping to step up agricultural production in order to boost the country's capacity to satisfy its food needs, now largely met by imports.

¹ "Données générales sur le Gabon" [On-line]. Available at: <http://alderan.fr/presidence-gabon> [15 June 2000]. "Gabon: Informations générales" [On-line]. Available at: <http://www.gabon-net.com> [15 June 2000]. "Le Gabon" [On-line]. Available at: <http://www.schweitzer.org> [15 June 2000].

World Bank (2000a); UNAIDS/WHO (2000); CIA (2000); IMF (1999, 2000a); International Monetary Fund Press Release No. 00/57, "IMF Approves Stand-By Credit for Gabon" [On-line]. Available at: <http://www.imf.org> [15 February 2001]; Government of Gabon, "Letter of Intent and Memorandum of Economic and Financial Policies", 12 September 2000 [On-line]. Available at: <http://www.imf.org> [15 February 2001].

² Gabon became a member of the Organization of Petroleum Exporting Countries (OPEC) in 1975, but its membership has been suspended since 1995. Gabon has challenged the relationship between the level of its contributions to the OPEC budget and the country's voting rights (World Energy Council, 1998). For the 1993-1994 period, OPEC established a ceiling of 24.5 million barrels per day, with a quota of 247,000 barrels per day for Gabon (OPEC, 2000).

Table I.1
Gabon in figures, 1992-1999

	1992	1993	1994	1995	1996	1997	1998	1999
Per capita GDP (US\$)	5,488	5,176	4,032	4,655	5,215	4,759	3,908	3,915
Population (million)	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2
Demographic growth (percentage change)	3.1	3.0	2.9	2.9	2.8	2.7	4.4	16.8
Employment (million)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	..
Infant mortality rate per 1000	93.0	93.0	91.0	..	87.0	87.0	85.5	..
Life expectancy at birth (years)	..	53.7	54.1	54.5	55.0	52.7	53.0	..
Sectoral distribution of GDP (%)								
Non-oil sector	71.1	71.2	60.5	59.4	55.3	58.5	71.9	62.3
Primary sector ^a	37.2	36.4	50.4	49.3	52.9	49.9	36.4	46.2
Mining	2.3	1.6	2.1	2.1	1.9	1.7	2.4	2.0
Secondary sector	14.4	15.0	11.3	11.1	9.6	11.0	13.8	10.7
Industries	6.2	6.3	4.7	4.5	4.1	4.4	5.6	5.1
Electricity, gas and water	2.0	2.1	1.5	1.4	1.4	1.2	1.1	1.2
Construction and public works	3.9	4.2	3.6	3.7	3.4	4.9	6.0	3.5
Tertiary sector	44.3	44.2	34.7	34.9	31.4	32.2	40.9	37.0
Indirect taxes, less subsidies	4.2	4.3	3.6	4.7	6.1	6.9	8.9	6.1

.. Not available.

a Including agriculture, hunting, forestry, fishing, oil and mining.

Source: IMF (1999, 2000a); and the Gabonese authorities.

6. The national authorities are pursuing this approach by means of economic policy instruments. Macroeconomic stability calls for control of public finances by virtue of the common monetary and exchange rate policy of the countries members of the Central African Economic and Monetary Community (CAEMC), in the context of the monetary cooperation with France within the franc area. Such control is also necessary in order to assure continued servicing of the domestic and foreign public debt. Concerning the latter, Gabon concluded an agreement with the International Monetary Fund (IMF) on 24 October 2000 as a condition for an agreement with the Paris Club (almost 85 per cent of Gabon's bilateral public debt is to France). On 15 December 2000, the Paris Club allowed Gabon to restructure its public external debt to the tune of US\$532 million on total arrears estimated at US\$686 million.³

7. The agreement reached with the IMF is aimed at fiscal consolidation, one instrument of which is the continuation or even acceleration of the economic liberalization programme. That programme entails State withdrawal from the operational activities of government-owned companies through privatization where possible, so as to lessen the structural constraints on the economy. Lastly, the trade policy (in the broad sense) aims to integrate Gabon into the world economy with a view to harnessing the potential of the new post-petroleum economic situation. This process, which is detailed in Chapter II(2), is taking place at three levels:

³ The Paris Club treats debt on the basis of the three criteria of generosity, fairness and responsibility. Being a middle-income country with a per capita income relatively higher than that of other indebted African countries, Gabon does not benefit under the Heavily Indebted Poor Countries (HIPC) Initiative.

- Regionally, within the CAEMC, which has resumed the economic integration process started within the Central African Customs and Economic Union (CACEU) and within the franc area;
- bilaterally, with the European Community (EC) under the ACP-EU Partnership Agreement concluded in 2000, and with France; and
- multilaterally, within the WTO, as a developing country and in continuation of relations with the GATT 1947.

(2) RECENT ECONOMIC TRENDS

(i) Macroeconomic indicators

8. Gabon has been undergoing economic recession since 1999, notwithstanding a marked improvement in 2000 thanks to the unflagging efforts of the national authorities, which were aided by a favourable trend in the external economic environment. Accordingly, the 9.6 per cent contraction in real GNP in 1999 was followed by another 1.3 per cent slide in 2000 (Table I.2). This was due to the fall in national oil output, which is still the main driver of economic activity (Table I.1), and to falling national investment, despite an upturn in the wood sector. The fall-off in public investment is a consequence of efforts by the national authorities to regain control of public expenditure which saw major slippages in 1998 (electoral period). Inflationary pressures were held in check in 2000 and the consumer price index rose by about 1 per cent.⁴

9. Gabon has also benefited greatly from the recovery of world oil prices since the beginning of 1999.⁵ The oil price surge gave a strong boost to budget receipts from oil in 2000 (23.4 per cent) which more than offset a decline in non-oil revenue (-16 per cent). The Gabonese authorities have avoided wasting this windfall on new spending, opting for saving instead. The balance of payments also benefited from the oil price recovery and Gabon managed to post positive current account balances in 1999 and 2000.

(ii) Monetary and exchange rate policy

(a) Institutional arrangements

10. The CAEMC formally started up on 1 July 1999; the treaty has been ratified by Cameroon, Chad, Equatorial Guinea and Gabon, and the process is under way in the Congo and the Central African Republic. This Community is comprised of two unions: the Central African Economic Union (CAEU) and the Central African Monetary Union (Monetary Union or CAMU).⁶ The Bank of Central African States (BEAC) and the Central African Banking Commission (COBAC) are the two specialized institutions of the CAMU (Chapter IV(6)(iv)); the BEAC was created by a monetary cooperation agreement signed with France in 1972 and completed by the Operations Account

⁴ Bank of Central African States (BEAC) (2000).

⁵ The price of oil (average of export prices of Gabonese grades) first fell in 1993, recovering until 1996 before again plummeting between 1997 and early 1999 on the back of the Asian crisis. Since then, the world price of oil has staged a spectacular recovery: the average price (International Energy Agency) per barrel skyrocketed from US\$12.52 in 1998 to US\$17.26 in 1999, and continued to rise in 2000 to a peak of over US\$30 in November, ending the year below US\$25 per barrel.

⁶ The basic texts of the CAEMC, including that of the CAMU, are available on the Internet site of the Bank of France (<http://www.banque-france.fr/>).

Convention of 1973. Consequently, the CAMU member countries have common monetary and exchange rate policies. These countries have also adopted Article VIII of the Articles of the IMF.

Table I.2
Economic indicators, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
	(%)								
Real economy									
Change in real GDP	-3.1	4.0	3.7	5.0	3.6	5.7	3.5	-9.6	-1.3
Change in consumer prices (average)	-10.8	0.6	36.1	9.6	3.1	2.3	2.6	-0.3	..
Terms of trade	-3.9	-1.7	-6.4	-2.7	21.2	-3.6	-29.0	38.9	..
	(%)								
Public finances									
Gross national savings/real GDP	21.1	22.8	50.7	47.2	62.6	59.1	30.7	48.6	..
Gross fixed capital formation	22.1	22.6	30.8	33.6	33.6	46.5	49.5	22.9	..
Primary budget balance/GDP ^a	1.8	1.8	10.1	23.1	21.8	13.2	-8.9	13.4	..
Change in broad money	-11.2	-1.7	37.4	9.6	17.8	11.3	-1.8	-2.7	..
Interest rate ^b	..	..	7.8	8.6	7.8	7.8	7.0	7.6	7.0
Total external public debt/GDP ^c	53.2	54.1	83.2	77.9	71.9	70.7	84.5	81.3	..
Actual public external debt service payments before debt relief ^d	25.7	25.4	22.0	28.5	19.4	18.3	31.3	23.1	..
Actual payments on external public debt service after debt relief ^d	24.8	25.4	9.4	15.5	9.7	11.2	29.8	22.0	..
	(Millions of US dollars)								
External economy									
Exports, f.o.b.	2,259.2	2,326.2	2,365.3	2,642.9	3,189.5	3,067.6	1,906.7	2,521.8	3,051.8
Imports, f.o.b.	-886.3	-845.1	-776.7	-898.2	-969.4	-970.3	-1,102.9	-842.6	-1,018.6
Current accounts (including grants)	..	..	335.7	156.9	598.5	148.5	-839.1	87.7	296.7
Direct investments and portfolios, net	..	..	-99.5	-19.4	-73.2	4.3	159.0	-7.5	..
Capital account	..	..	-505.2	-358.2	-533.9	-376.7	-84.0	-430.4	-416.0
Current account/GDP (including grants) (%) ^e	-4.0	-1.1	8.0	3.2	10.5	2.8	-18.7	1.9	6.1
Growth in export volume (%)	2.9	13.3	8.4	4.2	2.0	8.6	-10.4	-5.1	..
Growth in import volume (%)	0.5	3.0	-8.3	4.9	10.6	9.0	16.2	-23.8	..
Nominal effective exchange rate (CFA francs per US dollar)	264.7	283.2	555.2	499.2	511.6	583.7	590.0	615.5	711.5
Real effective exchange rate (% change) ^f	..	..	..	..	..	-1.4	-4.3	-7.3	..

.. Not available.

a Excluding grants.

b Discount rate of the Bank of Central African States (BEAC) (end of period). The data for 2000 are those to the end of June 2000.

c Including IMF purchases.

d Debt service as a percentage of non-factor goods and services exports.

e Including transfers.

f (+) = appreciation.

Source: IMF (1999, 2000a), and Gabonese authorities.

11. Monetary cooperation between the member countries of the CAMU and France dates back to the colonial period (Box I.1). The CFA franc (used for financial cooperation in Central Africa) is the

currency unit of the CAMU. This currency was pegged to the French franc at a fixed parity until 1 January 1999, when the euro was introduced by the countries participating in the European Monetary Union, including France. The CFA franc is now pegged to the euro at a fixed parity: 1,000 CFA francs = 1.52449017 euro.⁷ (At the time of the 50 per cent devaluation of the CFA franc in 1994, the fixed rate moved to 1,000 CFA francs = 10 French francs). The transition to the euro has caused no substantial changes in franc area arrangements.

Box I.1: The principles of monetary cooperation within the franc area

The CAMU Treaty, which is part of the CAEMC, embodies the elements of monetary cooperation that have existed since the period of French colonization of Central Africa. The CFA franc (currency of the French colonies in Africa) was created in 1945, followed by the establishment in 1959, with the advent of independence, of the Central Bank of the States of Equatorial Africa and Cameroon (BCEAC) to manage the issue of the CFA franc (currency used for financial cooperation in Central Africa). There was a reshuffling of responsibilities within this part of the franc area with the new monetary cooperation agreement signed with France in 1972 and completed by the Operations Account Convention of 1973, which led to the transformation of the BCEAC into the Bank of Central African States (BEAC).

The principles of monetary cooperation within the franc area were set forth in the monetary cooperation convention between the States members of the currency area of the BEAC and the French Republic, dated 23 November 1972. The founding principles are the following:

- The convertibility of the currencies issued by the various issuing institutions in the franc area is guaranteed without limitations by the French Treasury;
- the currencies of the area are mutually convertible, at fixed parities, regardless of the amount;
- in principle, transfers are unrestricted within the area, whether they are current transactions or capital movements; and
- in return for the unlimited convertibility guaranteed by France, the African central banks are required to deposit at least 65 per cent of their foreign exchange reserves (excepting amounts necessary to meet their current cash needs and those pertaining to their transactions with the International Monetary Fund) with the French Treasury, on the operations account opened in the name of each one. Since 1975, these assets have benefited from an exchange guarantee *vis-à-vis* IMF special drawing rights.

With the introduction of the euro on 1 January 1999, the monetary cooperation agreements between France and the countries of the franc area were not amended as a result of Council Decision 98/683/EC of 23 November 1998 concerning exchange-rate matters relating to the CFA franc and the Comorian franc.

Source: Coopération et francophonie (1998a, 1998b); Government of France, Ministry of the Economy, Finance and Industry (1999); and Bank of France (2000).

12. The BEAC is responsible for issuing the CFA franc and ensuring its stability. The BEAC's tasks are set out in its articles as the following:

- To determine the monetary policy applicable to the countries of the Monetary Union;
- to conduct foreign exchange transactions;
- to hold and manage the foreign exchange reserves of member countries; and

⁷ This same parity applies to the CFA franc (franc of the African Financial Community), which is the currency of the countries members of the West African Economic and Monetary Union (WAEMU). This parity seems to be in line with the economic fundamentals of the franc area (Hadjimichael and Galy, 1997).

- to promote the proper functioning of the payments system of the Monetary Union.⁸

13. The BEAC sets its monetary policy with a view to maintaining the currency's minimum external reserve ratio at a satisfactory level and sustaining the economic activity of the countries of the CAMU without inflationary pressures. The BEAC supervises the monetary policy of each member country by establishing monetary and credit targets on an annual basis. They take account of the general financing needs of the economy of each member country and the appropriate means of meeting those needs, as established by each National Credit Committee. In consequence, ceilings are set for advances to the national treasuries, which are subject to an interest rate set by the BEAC (7.3 per cent); a penalty rate is applied if the ceiling is overshot (10.5 per cent).

14. The maintenance of a common monetary policy by the countries members of the Monetary Union calls for financial discipline on the part of each country, which maintains its own decentralized economic policy.⁹ Title III of the CAEU provides for multilateral surveillance in order to ensure consistency between the national budgetary policies and the common monetary policy, this being a prerequisite for the viability of the monetary union.¹⁰ This multilateral surveillance is based on compliance with four criteria by each member country:

- External minimum reserve ratio (ratio of the Central Bank's gross external assets in relation to its deposit liabilities) higher than 20 per cent;
- positive primary budget balance;
- negative or nil variation in the stock of domestic or foreign arrears; and
- percentage growth of the wage bill not greater than the percentage change in budget receipts.

15. In the event of failure to abide by these criteria, the CAEMC Council of Ministers may decide on measures against the country in question, by a qualified majority. In the first place, the aim of such measures would be the rapid preparation of an economic adjustment programme that would be supported by member countries and donors and creditors. If the programme is not drawn up, or if it is, but does not conform to the Council's criteria, or if the programme that is approved by the Council of Ministers is not complied with, a member country could face sanctions. These could take the form of the publication of a communiqué in that regard and/or withdrawal of support. Such measures have not yet been used by the Council of Ministers.

16. The situation of the countries as of mid-1999 with regard to the stated criteria suggests some difficulty in observing them all simultaneously (Table I.3). For example, Gabon posted a positive primary budget balance in 1999 and 2000, but witnessed large slippages in finances in 1998. Indeed, when the IMF examined the situation of the CAEMC in February 2000, it concluded that "the fiscal slippage occurring in that country [Gabon] at the time had largely been made possible by the high ceiling on central bank advances that could be freely drawn down by member countries and by the

⁸ Article 1 of the Articles of the Bank of Central African States.

⁹ Government of France, Ministry of the Economy, Finance and Industry (1999a).

¹⁰ This type of multilateral surveillance mechanism formed part of the preparations for introducing the euro amongst the countries participating in the European Monetary Union (WTO, 2001, Box I:1). It was also adopted in 1999 by the countries members of the West African Economic and Monetary Union (WAEMU).

accumulation of domestic arrears", and recommended the strengthening of multilateral surveillance in order to bolster fiscal discipline.¹¹

Table I.3
Situation of CAEMC States regarding convergence criteria, 30 April 1999

Indicators	Rules	Cameroon	Central Africa	Congo	Gabon	Equatorial Guinea	Chad
Reserve ratio (%)	20% minimum	Non-compliance	Compliance	Non-compliance	Non-compliance	Non-compliance	Compliance
Primary budget balance (in billions)	Positive or nil	Compliance	Compliance	Compliance	Compliance	Non-compliance	Non-compliance
Change in domestic arrears (in billions)	Negative or nil	Non-compliance	Non-compliance	Non-compliance	Non-compliance	Non-compliance	Non-compliance
Change in external arrears (in billions)	Negative or nil	Non-compliance	Non-compliance	Non-compliance	Non-compliance	Non-compliance	Non-compliance
Change (%) in the public sector wage bill (A)	Below or equal to B	Non-compliance	Compliance	Non-compliance	Non-compliance	Non-compliance	Non-compliance
Change (%) in budget receipts (B)	Above or equal to A	Non-compliance	Compliance	Non-compliance	Non-compliance	Non-compliance	Non-compliance

Source: "1999 Report of the Governor of the BEAC to the first Conference of CAEMC Heads of State, June 1999"
[On line] available at: <http://www.izf.net> [1 March 2001].

17. During an initial transitional phase, multilateral surveillance was carried out on a non-binding basis by the Convergence Council (organ of the CAEMC Council of Ministers), which met periodically. The transition to the definitive multilateral surveillance structure as of 2001 was decided by the First Conference of CAEMC Heads of State, held at Malabo in 1999, in order to make it more efficient. The practical arrangements are established in Directive No. 01/00/UEAC-064-CM-04. The implementation of the new system is still a priority for 2001.¹²

(b) Foreign exchange regulations

18. Euro-denominated foreign exchange transactions between the BEAC and commercial banks in Gabon take place at the fixed rate, as do all foreign exchange transactions carried out by economic operators. Besides, the buying and selling rates for other currencies are set on the basis of the euro exchange rate on the foreign exchange market. All foreign exchange transactions in Gabon must go through intermediaries approved by the Ministry of Finance.

19. For economic operators in Gabon, the Investment Charter (Law 15/98) prescribes that access to foreign currencies and the freedom to make capital transfers are governed by the rules of the franc area. The main modalities are:

- Total freedom to transfer funds to cover operations related to current transactions upon submission of supporting documents;
- obligation to repatriate receipts from exports to non-CAEMC countries and to convert them to CFA francs;

¹¹ Government of France, Ministry of Finance (2000).

¹² Report of the Governor of the BEAC submitted to the Conference of CAEMC Heads of State, 14 December 2000 at N'Djamena. See also Government of France, Ministry of Finance, press release of 21 September 2000, "Meeting of ministers of finance of the franc area" [On line]. Available at: <http://www.finances.gouv.fr> [26 February 2001].

- in principle, capital inflows from all countries are unrestricted; and
- capital outflows not connected with current transactions are subject to restrictions (justificatory declaration, and issue of authorization of transfer by the Ministry of Finance) and a transfer commission (0.25 per cent)¹³, except for those taking place amongst member countries of the franc area.

Gabon allows foreign investors to repatriate capital invested and the resulting profits, as well as savings accumulated by their expatriate staff from their salaries (Chapter III(3)(iii)).

(iii) Fiscal policy

20. Since 1998, the Gabonese authorities have been pursuing the objective of fiscal consolidation. After recording a primary budget deficit of 8.9 per cent of GDP in 1998, which had disrupted the cohesiveness of the CAEMC in that regard (see above), Gabon has since corrected the situation. 1999 saw a primary budget balance of 13.4 per cent of GDP and the 2000 figure is estimated at 7.3 per cent. The Gabonese authorities have saved the increased budget receipts from higher world oil prices.

21. The Government's budget receipts vary considerably with trends in national oil output and its world market price (Chart I.1). For example, the variation between the 1995 level and the higher level of 1997 was 45 per cent, while the reverse occurred between 1997 and 1999. Thanks to the world oil price surge in 2000, budget receipts from oil skyrocketed by 90 per cent, despite a contraction in national output. In the medium term, given the expected decline in national output as well as the stabilization or even reduction of the price of oil, the Gabonese authorities cannot count on the continuation of this windfall from oil.

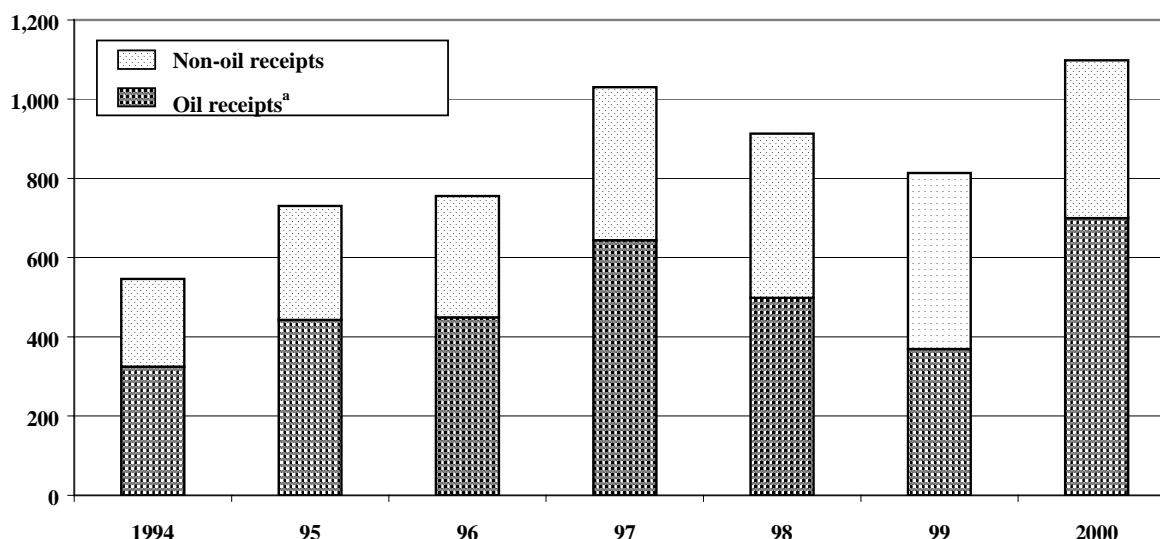
22. Non-oil revenue remains much more stable and is showing an uptrend, even though there was a slight decline in 2000. In that year, such revenue was comprised of customs duties and taxes on international trade (52 per cent, almost all of which was collected on imports), company taxes (21 per cent) and VAT and excise duties on domestic goods (20 per cent). Consequently, preserving non-oil revenue calls for vigilance at customs, as well as control of the duty-free regime, which accounts for a roughly one-quarter reduction in customs receipts (Chapter III(1)(iii)(f)). Under the programme agreed with the IMF, the Gabonese authorities are now bolstering their customs administration capacity and fiscal services in that connection.

23. Government expenditure is made up of more or less fixed elements, such as civil servants' salaries, expenditure on goods and services, interest payments on domestic and foreign public debt, and discretionary elements such as public investment, transfers and subsidies (arising at the initiative of the President of the Republic). Following the 30 per cent increase in expenditure in 1998, the authorities have drastically curtailed spending in all categories (excepting interest payments), with a 39 per cent reduction in 1999, followed by another reduction of about 7 per cent in 2000. The authorities have also carried out audits of public finances. In the medium term, the Gabonese authorities hope to gain better control of public spending and to focus it more on poverty-reduction programmes such as education, health and infrastructure.

¹³ IMF (2000b), p. 345.

Chart I.1
Trend in fiscal receipts, 1994-2000

Millions of CFA francs



^a For 1999, includes CFAF 94.9 billion in tax arrears on the domestic public debt.

Source: IMF (2000a).

24. The Government finances its budget deficits by foreign and domestic borrowing, as it can hardly issue currency for that purpose owing to the common CAMU monetary policy. It has borrowed abroad to finance projects by turning to official donors and creditors and international private capital markets as well as to bilateral donors and multilateral institutions. Domestically, it has resorted to banks and has accumulated payment arrears.

25. The Gabonese authorities have furnished data concerning public debt to 31 December 1999 showing an overall public debt of CFAF 2,079 billion, and a domestic debt of CFAF 362 billion: compared with a GDP of CFAF 2,895 billion in 1999, Gabon's overall debt level is 72 per cent. The public external debt is largely bilateral in nature, with France being the country's leading creditor. Foreign public debt service accounted for about one quarter of budget outlays in 1999 and absorbed about one quarter of the country's export receipts (before the agreement with the Club of Paris in December 2000).

(3) MAIN STRUCTURAL DEVELOPMENTS

(i) Trade liberalization¹⁴

26. Gabon initiated the process of trade liberalization in 1989 by removing minimum trade margins on imports. This process has continued within the Central African Customs and Economic Union (CACEU), part of the CAEU arrangements, which is one of the two branches of the CAEMC (Chapter II(2)(ii)). In 1993, the CACEU started a fiscal and customs reform leading, *inter alia*, to the removal of quantitative restrictions in member countries as of 1994 and convergence of taxes on

¹⁴ This topic is dealt with in detail in Chapters II and III.

goods. The reform also instituted a Common External Tariff (CET) and as of 1998 eliminated customs duties on products originating in CACEU member countries.

27. Gabon plays an active role in the CAEMC project, which has renewed the process of economic integration amongst its members in order to complete their monetary cooperation (see above), in parallel with the WAEMU, within the franc area.¹⁵ It should be noted that this monetary cooperation ensures the free circulation of financial capital within the franc area. In addition to the free circulation of community goods and capital, the other major stages of this economic integration process were:

- The creation of the Central African Banking Commission (COBAC) within the CAMU) in 1993 in order to secure a uniform banking system within the Community and avoid any repetition of the banking crisis that took place in the 1980s;
- the creation in 1992 of the Inter-African Conference on Insurance Markets (CIMA) by the members of the franc area in order to harmonize the insurance regime; and
- the creation in 1993 of the Organization for the Harmonization of Business Law in Africa (OHADA) by the members of the franc area in order to create a modern and uniform legal framework.

28. Many projects are now under way to intensify the economic integration. One project of major importance is the development of an integrated regional transportation infrastructure. The physical constraints (the equatorial forest setting, the soft terrain, the abundance of rainfall) often make it difficult and costly to build and maintain asphalted roadways. The present level of intra-regional trade makes it difficult for such investments to become profitable. Nevertheless, it is a recognized fact that this network is needed to facilitate trade within the common market and reduce the high cost of land transportation. Another project is the free movement of persons within the CAEMC.

29. At the multilateral level, Gabon assumed significant WTO commitments during the Uruguay Round. All the tariff lines were bound in the Schedule XLVII annexed to the GATT 1994; the level of these bindings do not match Gabon's CET commitments within the CEMEC, though most of the rates applied are below the bound levels. In 1998, Gabon notified the WTO of the implementation of the amended provisions of the CACEU Customs Code for customs valuation purposes.

30. Gabon is a member of the African Intellectual Property Organization (AOPI), created under the Bangui Agreement (1977), instituting a uniform regime for the protection of industrial property. In 1999, Gabon ratified the revised (1998) Bangui Agreement in order to implement the WTO TRIPS Agreement. Nevertheless, the Bangui Agreement is awaiting ratification by two thirds of the member States, and this is expected to be completed in the course of 2001.

(ii) Investment

31. In 1998 Gabon adopted a new Investment Charter (Law 15/98) designed to introduce a transparent and uniform regime in this field applicable to both national and foreign investors. The Charter covers investments in all sectors, excepting those connected with the exploitation and processing of natural resources (where much of the foreign investment is made) and to tourism, which are governed by specific codes. The simplification of the administrative formalities for the incorporation of enterprises in Gabon, promised under the Charter in the form of single window at the Investment Promotion Agency, was introduced in 2001.

¹⁵ CAEMC (1999).

32. Apart from developing industrial activity and the services sector, Gabon hopes to increase the value added to the raw materials extracted from its soil, its waters and its forests, on the basis of sustainable management. To that end, the Gabonese authorities have undertaken a thorough revision of the sectoral codes on mining (non-oil) and forestry; the first draft law was enacted in 1999 and the second was tabled in Parliament in 1997, where it is still being discussed. The forestry policy also aims to ensure greater compliance with established standards for processing.

33. Gabon officially inaugurated a new tourism development policy in 1997, which was supplemented and reinforced in 2000 by means of Order No. 2/2000/PR laying down the regime governing investment in tourism. It introduces incentives for enterprises willing to set up in this sector.

34. The tax regime generally applicable to enterprises includes incentives for new enterprises, though they are revised from year to year. The profit tax baseline was reduced from 40 per cent to 35 per cent in 1998, and the authorities are aware of the need to maintain a competitive fiscal system. Other fiscal regimes exist under the sectoral investment codes (oil industry, mining, forestry and tourism) or under agreements concluded between specific enterprises and the State. These may give entitlement to duty-free treatment or to rebates on taxes and charges or to tax waivers or reductions that are not available to all enterprises. Consequently, the tax regime lacks uniformity and transparency.

(iii) Privatization and competition

35. The sectors of the Gabonese economy open to investment have been expanded owing to the wide-ranging programme of privatization of the public corporate sector started in 1996. The mining industry is not included, however. The outcome of this programme has been the privatization of several State-run enterprises, including in particular those in the areas of water and electricity (SEEG) (in 1997), sugar (1997), the national wood processing company (1998), the national company for the importation and distribution of foodstuffs and sundry products (1998), Transgabonais (1999) and Ciments du Gabon (2000).

36. The authorities nonetheless acknowledge that the privatization process did lose momentum in 1999. Considering the long list of state enterprises yet to be privatized, a determined effort has yet to be made to complete the withdrawal of the State from economic activity. The Government has therefore made this a priority under the programme agreed with the IMF, and for 2001, the priority privatizations are Gabon Télécom, Air Gabon, AGROGABON and HEVEGAB.

37. Competition policy was the subject of a new law in Gabon in 1998 (Law 14/98). It has not yet entered into force, however, as the Competition Commission has still to be appointed and the secondary legislation decided upon.

(iv) Labour market

38. Given the importance of mining to the Gabonese economy, the low yields from subsistence farming and the negligible role of the manufacturing sector, the Gabonese economy is hard put to balance the population's demand for middle- and higher-income jobs with the supply on the labour market, which has resulted in relatively high levels of unemployment and a large informal sector.

39. The Gabonese authorities are aware that the Labour Code (Law 3/94), which must be observed by all employers, contains provisions that discourage the hiring of Gabonese workers. The reform of this Code is therefore part of the structural reforms being contemplated by the Government under the programme agreed with the IMF in order to stimulate job creation and raise the standard of

living of the poorest population groups. In July 2000, the Government tabled a draft law in Parliament containing significant amendments to the Labour Code. That bill is still under discussion.

(4) TRADE TRENDS

(i) Trade composition

40. Gabon's trade structure is dominated, on the export side, by oil (around 75 per cent), wood (16 per cent) and manganese (6 per cent), the leading market destination being the United States (Tables I.4 and I.5) which absorbs one half of the country's exports. China has gained much ground in the "other markets" category owing to its strong demand for tropical wood. Almost all wood exports are in the form of logs, with the result that wood processing is still negligible.

41. On the import side, Gabon receives some two thirds of these from the European Union, and France is its primary supplier (Table I.6). Given the structure of the economy – a mining sector making intensive use of machines and tools, a high level of government investment, a largely underdeveloped industrial sector and an agricultural sector that is incapable of satisfying most of the needs of the urban population – imports are concentrated mostly in the categories of industrial equipment, foodstuffs, and other consumer goods (Table I.7).

Table I.4
Exports by destination, 1994-2000
(Percentage)

	1994	1995	1996	1997	1998	1999 ^a
Total exports (f.o.b.)	100.0	100.0	100.0	100.0	100.0	100.0
European Union	28.1	21.7	11.5	11.4	20.2	18.1
France	15.9	11.5	7.6	7.4	11.8	11.9
Germany	0.9	1.2	0.1	0.2	1.0	0.8
Italy	1.1	1.4	0.4	0.7	1.4	1.0
United Kingdom	0.2	0.4	0.2	0.3	0.3	0.2
Others	10.0	7.2	3.1	2.8	5.7	4.1
Other countries of Europe	0.6	1.2	0.8	1.1	0.9	0.8
United States	49.0	58.6	64.1	62.5	50.3	50.6
Japan	8.1	4.2	2.1	3.0	1.7	1.4
Africa	4.2	3.5	2.3	1.8	2.6	2.4
Others	10.0	10.8	19.2	20.2	24.3	26.7

^a Estimates.

Source: IMF (1999, 2000a).

42. A feature of Gabon's trade that emerges from the review is the small proportion of its exports destined to CAEMC member countries and, more generally, to trading partners in Africa: the latter accounts for 2.4 per cent of exports. The reason for this is the predominance of oil and wood in national production, as well as the problems of the agro-industrial sector and the low output of finished goods, which are the type of goods mainly required by neighbouring countries. On the import side, the share of trading partners in Africa is much greater and stands at almost 20 per cent. Gabon imports foodstuffs from Cameroon, Morocco, South Africa, and mineral oils from Côte d'Ivoire.

Table I.5
Exports by product group, 1994-2000
(Billions of CFA francs and percentage)

	1994	1995	1996	1997	1998	1999	2000
Total exports (billions of CFA francs)	1,324.0	1,319.2	1,631.6	1,790.5	1,124.8	1,550.6	2,265.3
	(% of total exports)						
Oil and derivatives	76.9	78.1	80.7	79.3	74.1	75.1	81.9
Manganese	5.1	5.5	4.9	4.7	7.6	5.4	3.8
Uranium	1.2	1.1	0.8	0.7	1.5	0.5	0.0
Wood	14.8	13.8	12.0	12.5	12.3	16.0	12.4
Others	2.1	1.5	1.6	2.4	4.6	2.9	1.9

Source: IMF (1999, 2000a); and Gabonese authorities.

Table I.6
Imports by origin, 1994-2000
(Percentage)

	1994	1995	1996	1997	1998	1999 ^a
Imports (c.i.f.)	100.0	100.0	100.0	100.0	100.0	100.0
European Union	67.7	66.5	68.0	61.9	64.0	67.1
France	42.7	44.6	42.8	37.3	41.1	50.2
Germany	3.8	2.5	4.6	3.3	3.4	2.0
Italy	3.4	2.8	3.5	3.2	4.1	3.7
United Kingdom	6.0	4.8	4.8	4.1	3.5	2.4
Others	11.9	11.7	12.4	14.0	11.9	8.8
Other countries of Europe	0.1	0.2	0.5	0.3	0.3	0.3
United States	5.8	6.5	10.4	7.7	6.2	4.5
Japan	4.8	4.9	6.0	3.7	3.4	1.9
Africa	14.3	13.2	6.7	17.6	18.1	19.6
Others	7.2	8.5	8.3	8.7	8.0	6.6

a Estimates.

Source: IMF (1999, 2000a).

(ii) Trade trends

43. The surge in oil prices in 1999 and 2000 gave a strong boost to oil income in 2000, and more than offset the contraction in the volume exported since 1997. Exports of all products increased by one third in 1999 and by 20 per cent in 2000 (in United States dollars). In contrast, 1999 imports plummeted and the 2000 increase was much lower than that of exports. Gabon therefore managed to record a positive current account balance in 1999 and 2000.

(5) OUTLOOK

44. The Gabonese economy is still in transition in 2001. The authorities intend to continue their efforts to control public spending and to increase non-oil receipts through more efficient collection methods so as to ensure surpluses on a sustained basis. This would enable Gabon to cope, for the time being at any rate, with the servicing of the public external debt. In this connection, the authorities

envisage mounting problems over the 2002-2005 period owing to dwindling oil revenue and contracting national oil output.

Table I.7
Imports by product group, 1995-2000
(Billions of CFA francs and percentage)

	1995	1996	1997	1998	1999	2000
Total imports (billions of CFA francs)						
Balance-of-payments statistics ^a	448.4	495.9	566.3	650.7	518.1	552.0
Customs statistics	394.7	459.4	578.1	715.3	554.5	..
	(% of total imports) ^b					
Foodstuffs (excluding beverages)	18.8	17.4	16.0	13.9	17.3	..
Beverages	2.0	1.9	1.9	1.8	2.1	..
Base metals and articles of these metals	6.0	5.4	6.3	4.7	5.0	..
Industrial equipment	19.2	21.6	20.0	18.0	17.2	..
Electrical machines and apparatus	6.3	7.4	6.4	5.5	5.8	..
Transportation equipment	9.8	9.8	11.5	10.9	7.4	..
Consumer goods (excluding foodstuffs and beverages)	17.6	17.0	15.5	15.2	13.7	..
Intermediate goods imported by public tender	4.0	3.1	3.4	3.4	2.7	..
Others	16.5	16.3	18.9	26.6	28.6	..
Memorandum items:						
Duty-free imports	13.0	13.4	13.8	11.3	14.8	..

.. Not available.

a Including transfers.

b These data cover taxable imports.

Source: IMF (1999, 2000a); and Gabonese authorities.

45. The medium-term economic outlook will continue to be strongly influenced by trends in national oil production and its world market prices. Domestic production will be dependent on new investments in the sector, for new oil fields will need to be brought on stream in order to offset falling production from fields already under exploitation. There have been no major new finds for some time, but investments made by the economic operators hold out some hope in that regard. Nevertheless, the authorities are not counting on the start of exploitation of new fields before 2004-2005. It should also be noted that the outlook of operators concerning world oil price trends over the medium and long terms will play a decisive role, considering the problems encountered in oil prospecting and development in Gabon. For the moment, the outlook would not seem to favour very costly prospecting, as the oil price levels reached in recent years could well be the exception rather than the rule for the future.¹⁶

46. In the circumstances, the authorities are giving priority to the encouragement of non-oil activity. Making headway with the privatization programme is a priority and will be a magnet for direct foreign investment, which will also bring new technologies and work methods, thereby enhancing the productivity of newly privatized enterprises and the employment of Gabonese workers.

¹⁶ The IMF anticipates an average price of US\$23 in 2001 (as compared with US\$26.5 in 2000), and US\$20.7 over the 2000-2005 period. The scenario for 2000-2020 established by the International Energy Agency is one of price stability up to 2010, followed by a gradual increase until 2020 (IEA, 2000).

The authorities are also hoping to stimulate private investment by providing a more hospitable business climate – thanks mainly to the new regulatory frameworks for investment, better governance and the amendment of the Labour Code – in anticipation of a potential market enlarged by the regional integration process. The bolstering of agricultural production capacity is also being envisaged. In the medium term, these efforts must be combined with an economy that is more diversified and profitable for economic operators. The authorities are hoping to achieve the target of 2.5 per cent real annual growth in non-oil activities.