

Trade Policy Review Body
26 and 28 June 2001

TRADE POLICY REVIEW

GABON

Minutes of Meeting

Addendum

Chairperson: H.E. Mr. Pekka Huhtaniemi (Finland)

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ANNEX I
PRELIMINARY WRITTEN QUESTIONS

CANADA

Secretariat Report (WT/TPR/S/86)

I. ECONOMIC ENVIRONMENT

(3) Main Structural Developments

(iii) Privatization and Competition (paragraphs 35 and 37)

Paragraph 35 refers to the privatization of state-owned enterprises in Gabon. Canada is a strong advocate of privatization and we applaud Gabon's efforts in this regard. With privatization, there are inevitably some income and consumption distribution effects on the population. Has the Government of Gabon considered ways to mitigate these distribution effects? If yes, please explain.

According to paragraph 37, a competition policy has been drawn up, but has not yet entered into force. Is there a timeline for the appointment of the Competition Commission so that the legislation can be decided upon?

Report by the Government (WT/TPR/G/86)

II. TRADE POLICIES AND PRACTICES

(1) General Trade Policy Objectives (paragraph 24)

According to paragraph 24, increased action is needed in the areas of technical cooperation, capacity building and market access. Will these needs be reflected in Gabon's development plans (i.e., PRSP, at consultative group meetings, etc.)? How does the Government of Gabon plan to address these capacity constraints?

(2) Legal Framework of Trade Policy (paragraph 35)

Paragraph 35 states that a draft anti-corruption law has been submitted to Parliament. When does the Government of Gabon envisage such a law being fully implemented and what enforcement mechanisms are foreseen?

HONG KONG, CHINA

Secretariat Report (WT/TPR/S/86)

III. TRADE POLICY - ANALYSIS BY MEASURE

(1) Measures Directly Affecting Imports

(iii) Customs Levies (page 41, paragraph 32)

It is noted that, although Gabon applies the common external tariff (CET) of the Central African Economic and Monetary Community (CAEMC), there are certain differences between the

Gabonese tariffs and the CET lines. Does Gabon have any plans to align such differences to enhance the consistency of its tariff regime with that of the CAEMC?

(ii) Customs Procedures (page 38, paragraphs 18 and 19)

It is mentioned that, due to practical difficulties, Gabon may deny importers' requests to reverse the order of application of Articles 5 and 6 of the Agreement on Implementation of Article VII of the GATT 1994. Does Gabon have any transparency measures in place for exercising this power, such as providing information on the conditions for adhering to and reversing the order of application, and providing written explanations of denial of requests?

INDIA

Secretariat Report (WT/TPR/S/86)

Summary Observations

(1) Overview

The first section of the Summary Observations in the Secretariat Report, under the heading "Overview", refers to the need for diversification of the Gabonese economy, bearing in mind the fact that production of the main resource, namely oil, has been declining since 1997 and seems set to continue its downward trend unless new oil fields are discovered. It also notes that the country has a high level of external debt and has been struggling with debt service for a long time. Further, the dwindling oil reserves are reportedly threatening to worsen unemployment and poverty and complicate debt management. The Secretariat report recommends that this situation be remedied only through the strengthening of the private sector, by allowing it to replace the State as the basis of the economy.

We would request from the delegation of Gabon details on the steps being taken to diversify the economy and address the macro-economic problems.

(3) Trade Policy

In Section 3 of the Summary Observations, the Secretariat notes that with the operation of the Common External Tariff (CET) of the Central African Customs and Economic Union (CACEU), which is now part of the Central African Economic and Monetary Community (CAEMC) arrangements, and a temporary surcharge, currently at 20 per cent on some 25 tariff lines, Gabon's effective levels of customs duties are above the ceilings contained in its WTO Tariff Schedule for some 40 per cent of the tariff lines. This has been attributed by the Secretariat to lack of internal co-ordination. Further, it has been noted that the Gabonese authorities became aware of this problem while preparing for this TPR and intend to remedy the situation.

In paragraphs 70-73 of its report, the Government of Gabon has admitted the existence of this anomaly and explained its problem in this regard. It has been reported that Gabon intends to re-negotiate tariff concessions with France, its main trading partner, by offering tariff cuts on agricultural products in exchange for higher tariff bindings on non-agricultural products. This would enable Gabon to remove the temporary surcharge without any difficulty.

We would request that the delegation of Gabon provide information on the steps being taken to address this problem. We would also be interested to know the current situation as regards Article XXVIII negotiations with France and the other trading partners involved in these negotiations, and the likely time-frame for their conclusion.

Paragraph 23 of the Summary Observations notes that enterprises in some favoured sectors could import their equipment and materials free of duties and charges. Furthermore, duties and charges are also waived on some essential goods. The Secretariat has observed that, as a result of these exemptions and reductions of duties, there is likely to be a significant loss of revenue. Such a loss of revenue will seriously affect State revenues in the post-oil situation, since it will constitute a significant percentage of the total revenues of the State.

We would request that the delegation of Gabon make known its views on these observations.

(5) Sectoral Policies

(i) Agriculture

Paragraphs 28-30 of the Summary Observations refer to the steps being taken by the Gabonese authorities to transfer State activities to private operators in the agricultural sector and to stimulate food production so as to reduce the volume of food imports.

We would ask the delegation of Gabon to elaborate on the steps being taken to reduce dependency on imported food articles.

JAPAN

Secretariat Report (WT/TPR/S/86)

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(2) Trade and Investment Policy

(ii) Instruments (page 24, paragraph 46)

According to the Report, Gabon ratified the revised Bangui Agreement in August 2000. Is the revised Bangui Agreement to take effect without there being any need for domestic legislative action? If not, has Gabon completed taking the necessary steps in order to do so? Please explain the present situation.

III. TRADE POLICY – ANALYSIS BY MEASURE

(1) Measures directly affecting imports

(iii) Customs Levies (page 42, paragraph 37)

The Report states that the rates applied by Gabon in 2000 on some 40 per cent of the Gabonese tariff lines exceed those bound in Schedule XLVII and that since the Gabonese authorities are aware of this problem, they intend to remedy it. Please explain in detail how the Gabonese authorities are resolving this issue.

The Report also states that the importation of five products the lines of which were bound is prohibited, which is contrary to the principle of setting a ceiling on the level of duties applied by the bound levels. Japan requests that Gabon lifts its prohibition. If Gabon is considering a plan, could it please explain it.

IV. TRADE POLICIES BY SECTOR

(1) Agriculture

(ii) Agricultural Policy (page 71, Box IV.1 and page 72, paragraph 11)

According to the Report, the State-owned edible oil, household soap, sugar, coffee and cocoa companies retain a monopoly over the sale of imported and domestic products. The Report also states that the palm oil, rubber, coffee and cocoa industries have monopolies over exports. Please explain the functions of these State-owned companies or industries in concrete terms as well as their consistency with Article XVII of the GATT, which provides for State trading enterprises.

(iii) New Directions in Agricultural Policy (page 72, paragraphs 12 to 16)

Japan understands the difficulties faced by Gabon's agricultural sector and appreciates the efforts made to boost the country's capacity to be self-sufficient in food. The Report states that the Government intends to increase its assistance to the agricultural sector through horizontal measures rather than traditional targeted subsidies. Please specify the measures applied as "horizontal measures".

(3) Forests

(ii) Forest Policy (page 77, paragraph 42)

According to the Report, the Law 1/82 stipulates that logging permits for areas larger than 15,000 hectares (industrial permits) are only granted on the condition that a local wood-processing industry that uses at least 75 per cent of the logs is established. Is this measure consistent with Article III of the GATT, which prescribes national treatment?

According to the Report, the Cabinet decided in 1996 to introduce a more aggressive wood-processing policy the objective of which is to increase exports of locally produced wood rather than logs. Please provide an explanation in concrete terms of the content of this policy.

Japan would like to learn if there is, in particular, any domestic provision setting out quotas for logs destined for domestic use and quotas for logs destined for export.

EUROPEAN UNION

Report by the Government (WT/TPR/G/86)

III. GABON AND THE MULTILATERAL TRADING SYSTEM

(1) Implementation of Agreements and Problems Encountered

We note that Gabon sees the need for more active co-operation with multilateral trade and development organizations. We understand that countries like Gabon increasingly wish to take advantage of the opportunities offered by the multilateral trading system and, in particular, that technical assistance is viewed as a critical need for ensuring compliance with WTO obligations and for assisting a country in achieving better integration into the global economy. The Secretariat report also indicates that Gabon has certain difficulties in understanding the multilateral system and the potential benefits for the country. With a view to filling these gaps, it would be useful to know if Gabon has undertaken efforts to specify its technical assistance needs in the areas of WTO activities?

(2) Gabon and Future Negotiations

The EU appreciates Gabon's firm commitment to the multilateral trading system. We would like to encourage Gabon to continue its engagement in the African region with a view to launching a new WTO round of trade negotiations.

Secretariat Report (WT/TPR/S/86)

Summary Observations

(3) Trade Policy

(i) Multilateral Policy (paragraphs 11, 12 and 20)

We note Gabon's commitment to supporting the WTO as well as its active participation within the African Group of Trade Ministers. We are also encouraged by the fact that Gabon intends to participate more fully in the international trading system. Does Gabon agree that there is a strong link between the need for economic reform and gains from greater participation in the multilateral trading system?

The Report states that, although Gabon has bound its tariffs at the relatively low level of 15 per cent for most non-agricultural goods, in practice around 40 per cent of tariff lines have applied rates of above 15 per cent. This in part seems to be a product of Gabon's membership of the CACEU (the combination of the CACEU's CET and import surcharges) and opposition by domestic producers to market liberalisation. This is clearly in contradiction with Gabon's multilateral obligations. The report further indicates that Gabon is aware of this problem and intends to remedy it. Could Gabon report what concrete steps have been taken so far or will be taken in the near future and by when to eliminate the difference between applied and bound levels?

(ii) Regional Policy (paragraphs 21 and 23)

The EU supports flexible deadlines for Gabon's implementation of the CACEU policy initiatives, particularly in the light of its recent fiscal difficulties, severe transportation costs and limited infrastructure. Does Gabon share our view that, in order to see the benefits, the regional initiatives need to be implemented as soon as possible? We are encouraged by recent integration efforts by Gabon and other members of the CAEMC to harmonise tariffs and business laws to promote private sector development.

The EU notes that Gabon awards exemptions of duties and charges to "favoured sectors", whereby enterprises in these sectors benefit from much higher levels of effective protection than indicated in the tariff schedule. We believe that policies aimed at favouring particular sectors by the use of trade protection in this way are not an economically effective strategy. Could Gabon please indicate whether it intends to maintain tariff exemptions to favoured sectors or whether it is considering introducing a more economically effective strategy?

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(3) Trade Policy Framework Agreements

(iii) The ACP-EU Partnership Agreement (paragraph 92)

The reference made in the report to the EBA initiative does not seem correct. We would like to suggest the following wording: "The EU EBA initiative ("Everything But Arms") has already extended duty and quota free access to all products originating in the LDCs except arms and

ammunition. For three products, fresh bananas, rice and sugar, full liberalisation will be completed in 2009.”

III. TRADE POLICY – ANALYSIS BY MEASURE

(1) Measures Directly Affecting Imports

(iii) Customs Levies (paragraphs 33 and 34)

Could Gabon please indicate when it intends to definitively eliminate the temporary surcharge which CACEU member countries levy on a list of goods imported from all origins?

(vi) Emergency Measures (paragraph 59)

The report indicates that Gabon’s implementation of anti-dumping and countervailing legislation does not conform to all the conditions laid down in the WTO Agreements on Anti-Dumping and Subsidies. How does Gabon ensure that all substantial and procedural requirements would be met in anti-dumping and countervailing investigations?

(3) Internal Measures

(iv) Protection of Intellectual Property Rights (paragraphs 94 and 112)

Could Gabon please indicate whether the period of protection for industrial designs and models is five years, as suggested in the second part of Table III.5? What measures are being taken to amend this period to 10 years, as required by the TRIPS Agreement and by when?

The report states that the defence of copyright is still hampered by the “still timid role of the Customs and economic police and the fact that the ANPAC, created to defend and exploit such rights, is still not in operation”. The EU is pleased that Gabon acknowledges this difficulty and encourages it to step up its efforts to overcome these problems. What plans does Gabon have to strengthen the implementation powers and role of the Customs and economic police and operationalise the role of the ANPAC?

IV. TRADE POLICIES BY SECTOR

(1) Agriculture

(ii) Agricultural Policy (paragraph 10)

We note that there is currently a total ban on imports of sugar into Gabon until 2004, which presumably is in place to allow time for the development of the privatization of Gabon’s sugar production. The latest ISO yearbook figures show that she imported almost 7,000 tonnes in 1999, all from the EU, presumably because her consumption need is greater than her production levels (16,000 v 20,000 in 1999). Could Gabon confirm that it does not intend to extend the ban?

The report states that Gabon imposes 18 per cent VAT on imports of poultry and other products. Are there any plans for its elimination?

(iii) New Directions in Agricultural Policy (paragraphs 12 to 16)

The report indicates that Gabon’s experience of government intervention in the agricultural sector appears to have yielded few successes and imposed a heavy burden on consumers. What progress has been made so far regarding the Government’s new policy which is based on heightening

competitiveness and developing the private sector? What concrete plans does Gabon have to reduce government intervention in the agricultural sector?

(6) Services

With regard to services, does Gabon agree with the report that considering stronger commitments under the GATS and its fourth and fifth protocols would contribute to stimulating investment in services?

UNITED STATES OF AMERICA

SECRETARIAT REPORT (WT/TPR/S/86)

Summary Observations

(1) Overview (paragraphs 3 and 4)

The Government of Gabon has started the privatization of state owned companies. In line for privatization in the near future are ports, air transport and telecommunications. What is the process the Government will use to privatise state owned companies in these sectors?

The Secretariat's report notes that Gabon is committed to mounting a well-targeted operation to root out corruption more effectively. While Gabon has laws and regulations to combat corruption and seek greater transparency, they are not effectively enforced. What is the Government planning to do in this area? How will Gabon's newest draft law against corruption make doing business any more transparent? Do the resources exist to enforce it?

(3) Trade Policy

(i) Multilateral Policy (paragraph 11)

The Secretariat's report notes that Gabon bound customs duties on all tariff lines, with ceilings of 15 percent and 60 percent for agricultural produce. The average of bound tariffs is 22.2 per cent while the average MFN tariff applied by Gabon is 18.3 percent for 2001. It is, however, noteworthy that the applied tariffs are above the bound levels for some 40 percent of tariff lines. How does Gabon plan to address this?

I. ECONOMIC ENVIRONMENT

(2) Recent Economic Trends

(iii) Fiscal Policy (paragraph 23)

What types of transfer form part of Gabon's Government expenditures? Later in the report, it is noted that Gabon does not seem to have any export subsidies. In the above-mentioned paragraph, it is stated that part of the Government's expenditures is on subsidies. What types of subsidies are offered? To whom are they offered? Are they offered to any specific enterprises or sectors? Please provide more details on the subsidies that are part of Government expenditures.

(3) Main Structural Developments**(ii) Investment** (paragraphs 31 to 34)

The Secretariat's report indicates that a new Investment Charter has been implemented and a new Investment Promotion Agency created. How have these new instruments changed the investment climate in Gabon? The report also states that there has been a simplification of the administrative formalities of incorporation. Please briefly describe the forms a corporate entity may have and how this simplification has affected them.

The reports state that Gabon has undertaken a thorough revision of the sectoral codes on mining and forestry. What progress has been made with these revisions? Please describe any steps that have been taken.

Gabon inaugurated a new tourism development policy. Please describe the main points of Order No. 2/2000/PR, in particular what incentives exist for new enterprises in the sector.

Can you please indicate whether any of the incentives provided to new enterprises are offered based on the expected ability of the enterprise to export its product? In addition, please provide an example of the type of specific agreement that may be reached between a particular enterprise and the Government to provide that enterprise with special incentives. With what enterprises have these agreements been reached in the past? Are these specific agreements between a particular enterprise and the Government reached on the enterprise's ability to export its product?

(iii) Privatization and Competition (paragraph 37)

The report notes that competition policy was the subject of a new law in 1998 that has not yet entered into force. What is the status of the implementing legislation and the competition commission? Also what role does Gabon see the competition commission playing, especially in regard to anti-trust and merger issues? Who would make the determination of anti-competitive practices, the commission or the judicial system?

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES**(1) General Constitutional and Legal Framework****(vi) Management of Public Affairs** (paragraph 24)

The Secretariat's report indicates that corruption and administrative inefficiencies are major impediments to trade in Gabon. The report further states that Gabon is aware of these problems and committed to minimizing them. What steps have the inter-ministerial commission on administrative reform taken and what is its current status? It is also noted that there are no legal measures to combat corruption, although there has been a commitment to prepare provisions for a draft law. Please describe the draft law and its current status, especially regarding enforcement mechanisms.

(2) Trade and Investment Policy**(iii) Central Government Organs with Responsibilities for Policies Related to the WTO** (paragraphs 53, 55 and 57)

The US commends Gabon for setting up a National Supervisory Committee, which is chaired by the Ministry of Trade and has members from many other Gabonese ministries, including participants from the private sector as well as the academic community, to monitor the WTO Agreements. We would appreciate information on what the Committee has been focusing on.

It is noted that anti-dumping and countervailing duties and safeguard measures are the responsibility of the National Competition Commission. Is this Commission the same one as that formed in 1998 under Law 14/98 that has yet to be appointed and for which the secondary legislation has yet to be decided? If so, under whose authority do anti-dumping and countervailing duties and safeguard measures currently fall?

Can you please provide additional details on the support programs that are offered by the Ministry of Agriculture, Livestock and Rural Development? Are these support programs provided to all agricultural products?

(3) Trade Policy Framework Agreements

(i) The WTO (paragraph 78)

The Secretariat's report notes that only a small number of documents from Gabon have been made available to the WTO. The report also notes that some members have experienced problems when requesting information from Gabon. What steps are being taken to increase the amount of documents available? What measures are being used to prevent these problems from occurring again?

III. TRADE POLICY - ANALYSIS BY MEASURE

(1) Measures Directly Affecting Imports

(ii) Customs Procedures (paragraphs 5, 8 and 14)

The Secretariat's report notes that the Gabonese authorities have encountered considerable delays in customs clearance procedures. The time between the arrival of goods and registering of the manifest varies from zero to six days while the time between registering of the manifest and declaration ranges from zero to 33 days. What is the Government doing to improve this?

The Secretariat's report notes that Gabon hopes to increase the use of computers in the central customs office. Please explain what the Sindara system is. Is it an intranet? Also please explain, in greater detail, how the charge is based.

Gabon lists a certificate of origin as one of the documents that must accompany a customs declaration. Is this requirement applicable only to imports entering under preferential tariff treatment, or to entry of all goods? Is certification of the origin of the goods on the invoice by the exporter sufficient for entry purposes? If not, what origin certification, if any, is necessary for exports from the United States, which has no mechanism to officially certify origin?

The Secretariat report notes that Gabon implemented the provisions of the Customs Valuation Agreement on January 1, 2000. How has the system worked?

(iii) Customs Levies (paragraphs 32, 34, 36, 37, 45 and 50)

The United States commends Gabon for allowing duty-free entry of pharmaceutical products and medical equipment. We think such steps help to improve access to health care and would be interested in knowing what products and equipment are covered and whether this includes reimported pharmaceuticals?

Gabon notes that it has not yet eliminated the temporary surcharge on fats and oils because local producers want to maintain the protection. How long has the temporary surcharge been in effect? When might Gabon eliminate this surcharge?

The report notes that Gabon bound all its tariff lines on non-agricultural products during the Uruguay Round negotiations.

The United States agrees with the Secretariat that Gabon has not profited from its agricultural policy in the past. The past policies have only made food more expensive for Gabon's citizens, who depend on food imports. When will Gabon remove the temporary surcharges on the agricultural products in Table III.1? Does Gabon intend to lower its tariffs on foodstuffs, which are on average higher than its overall tariffs?

The Secretariat report notes that the rates applied by Gabon on some 40 percent of the Gabonese tariff lines exceed those bound in Schedule XLVII. What is the Gabonese intending to do to remedy this? Has Gabon notified WTO members of this situation?

The Secretariat's report notes that the standard rate of VAT was set at 18 percent for all taxable transactions, but certain transactions including the manufacture and sale of mineral water, chicken and cement are subject to a lower rate of ten percent in the domestic market. It would appear that the principle of national treatment is compromised to provide protection to local industry. Is the Government planning to correct this?

The Secretariat notes that, because of the relatively high tax level, there is a strong incentive for tax avoidance and fraud at the frontier for certain products. This is because imported products are subject to customs duties (including the temporary surcharge where applicable), to which is added an excise duty, where applicable, and VAT. Sometimes these duties add up to more than 100 percent. Is the Government of Gabon planning to reduce the incentive for tax avoidance and fraud by lowering these rates?

(vi) Emergency Measures (paragraphs 58 and 59)

It is noted in the Report that the "CACEU Executive Committee determines the methods of application and the countervailing and anti-dumping duties." How does this compare to the authority that has been granted to the Competition Commission? Does the CACEU Executive Committee determine these methods only for goods produced and traded in the CACEU? Or does this authority extend beyond that to goods produced in third countries and exported to Gabon?

The Secretariat report notes that Gabon has passed an anti-dumping decree which covers products subsidized in their country of origin, but that the essential elements of the WTO Agreements on this subject are missing. Will the implementing regulations include such elements?

(3) Internal Measures

(iii) Investment Regime (paragraph 86)

The Secretariat report notes that the Executive submitted to Parliament in July 2000 a draft law containing major changes to the Labour Code to remove provisions which act as a brake on recruitment. What is the status of the changes to the Labour Code?

(iv) Protection of Intellectual Property Rights (paragraph 112)

The Secretariat's report notes that the Gabonese authorities explain that the defence of copyright rights is hampered by the "still timid role of the Customs and economic police" and the fact that the Agence Nationale de Promotion Artistique and Culturelle (ANPAC) is still not in operation. When will the ANPAC become operational?

(vi) Government Procurement (paragraph 134)

The Secretariat report notes that a new Procurement Code is under consideration by the Gabonese authorities. What is the status of the new code?

IV. TRADE POLICIES BY SECTOR

(1) Agriculture

Is the Gabonese Government taking steps to increase the production of non-traditional agricultural export crops?

(iii) New Directions in Agricultural Policy (paragraph 16)

Please provide further information on the types of horizontal measures through which the Government will be increasing its assistance to the agricultural sector.

(3) Forests

(ii) Forest Policy (paragraph 42)

Did the Gabonese Government enact specific legislation as part of its efforts to promote its wood-processing policy for wood processed for export? If so, what is the legislation and what are its terms? How does the legislation promote the wood-processing industry?

(5) Industry

(i) Overview

We would appreciate more information on Gabon's industries. What is the status of the textiles and clothing industry?

(ii) Sectoral Policy (paragraph 70)

Are the tax incentives offered to new investors available to all enterprises in all industries?

(6) Services

(i) Transport (paragraph 85)

The Secretariat's report notes that air transport is provided by Air Gabon (70 percent of arrivals and departures from Libreville), a state-owned company currently being privatised.

What is the status of the privatization of Air Gabon?

(ii) Telecommunications (paragraph 88)

The Secretariat's report notes that the low telephone density is primarily the consequence of the poor conditions of the country's telephone system, which is operated by Gabon Telecom and which is slated for privatization in 2001. What is the current status of the privatization of Gabon Telecom?

(iii) Tourism (paragraph 102)

We welcome Gabon's efforts to develop its tourism sector. Are foreign firms eligible for the incentives provided under Ordinance 2/2000/PR? Does the new investment regime apply to foreign firms? When does Gabon plan to replace its current discretionary approval process with WTO-consistent policies based on objective criteria? Do travel agency providers and tour operators require Gabonese citizenship for approval?

REPUBLIC OF KOREA

Secretariat Report (WT/TPR/S/86)

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(2) Trade and Investment Policy

(i) Overview

It is our understanding that Gabon intends to stimulate investment. According to paragraph 30 of page 21 of the Secretariat report, Article 2 of Gabon's new investment charter aims to "encourage growth and diversification of the economy through harmonious development of the private sector and investment".

While we find this intention commendable, it appears that certain measures currently in place are adversely affecting foreign investment in Gabon. High tax levels resulting from a combination of VAT, customs duties and excise duties are hampering foreign businessmen's operations in Gabon and Korean businessmen have been complaining about these high levels to the Korean Government. We would appreciate it if the Gabonese authorities could address this problem with a view to facilitating foreign investment in Gabon.

Korea and Gabon initiated negotiations on an investment guarantee agreement several years ago. In May 1998, the Korean Government made several suggestions as to the form of this agreement. We would be grateful if the Gabonese Government could share with us its views on these suggestions.

ANNEX II

RESPONSES PROVIDED BY THE DELEGATION OF GABON

I. ECONOMIC ENVIRONMENT

1. Gabon's economic environment is dominated by the state of its economy and dependent upon the State budget which, in turn, itself relies heavily on petroleum resources; at the same time, purchasing power is unevenly distributed across society and needs have become increasingly pressing. This is the background to the Government's endeavour to place public finances on a sounder footing, diversify the economy by opening it up further to the private sector, and raise living standards.

2. Firmly persuaded of the benefits of free trade and trade liberalization, the Government is going to great lengths to comply with the rules of the WTO Agreements and breath new life into regional integration.

3. The questions corresponding to this section, in particular those by Canada, the United States, the European Union, Mauritius and the discussant, centre on the following points: (i) fiscal policy and better governance; (ii) the privatization programme; (iii) diversification of the economy; (iv) competition policy; (v) the investment regime; and (vi) multilateral and regional cooperation.

(1) Fiscal policy and better governance

4. Measures to strengthen public finances concern improving collection operations, not increasing the tax burden, and exercising greater control over public expenditure whilst still according considerable importance to expenditure on health and education in a bid to reduce poverty. No solution has yet been found for the debt problem.

5. A draft anti-corruption law is currently under discussion with a view to encouraging transparency in business matters. It should be pointed out that this draft merely complements the penal provisions cracking down on corruption in Gabon's Criminal Code. What is innovative about it is the ease with which cases can be referred to the courts, owing to the institutionalization of a national committee which can, either on its own initiative or on the strength of a denunciation, hold inquiries on corruption-related charges. Some of the public prosecutor's powers were transferred to this commission which is also a prosecuting agency for safeguarding ethical standards in public life. These instruments were drawn up in conjunction with the IMF and World Bank.

6. Other measures include a reform of the civil service, given that passive administration is not conducive to achieving the ambitious objectives which we have set ourselves. We plan to fight against absenteeism and for the efficient use of human capacities (one way of improving capacity-building), rightsizing, a redefinition of missions and organization charts and the decentralization of services.

(2) Privatization programme

7. In Gabon, privatization is governed by Law 1/96 of 13 February 1996 which establishes the rules for privatising public sector enterprises.

8. Since 1996, the annual Finance Law lists the enterprises to be privatised. The following two privatization management bodies are provided for by law:

- the Interministerial Privatization Commission, which is the decision-making body responsible for defining the practical terms and conditions and implementation procedures of privatization; and
- the Privatization Committee, which is the technical body responsible for assisting the Interministerial Commission in preparing technical files on privatization.

9. Privatization operations provided for by law include the transfer of shares or other certificates of ownership, swaps of shares or other securities, mergers and spin-offs and debt securitization.

10. These operations also take the form of management mandates or agreements, concessions or leases, in particular with regard to management, and dissolution or liquidation.

11. Privatization procedures involve the following steps: (i) determination by the Government of which enterprises are to be privatised; (ii) definition of the privatization strategy by the Interministerial Commission along the above lines; (iii) international tendering to find a buyer; tenders are open to enterprises from countries all over the world and notices are placed in the international press; and (iv) examination of the tenders and award of the contract at a public hearing to which bidders are generally invited in the name of transparency. Gabon's privatization programme enjoys the support of the World Bank.

12. Enterprises which have already been privatised have all undergone a restructuring phase during which the social aspects of privatization have been taken care of either by the enterprise, when feasible, or by the State, in the event of obvious difficulties.

13. Privatization has had no adverse social repercussions to date.

14. Below are a few remarks on enterprises which have already been privatised:

- Société d'Énergie et d'Eau du Gabon (SEEG): before privatization, this company had itself conducted a far-reaching internal reform of its own structure and operations. In this particular instance, the social problems were able to be resolved during this internal restructuring phase by way of voluntary separation. The privatization of this company was a positive experience, given that not only did the existing workforce keep their jobs, but new employees could also be recruited as the company had invested heavily in renewing its physical plant assets.
- Société Sucrière du Haut-Ogooué (SOSUHO): the privatization plan presented by "SUCAF", which purchased SOSUHO (whose financial position was disastrous), took accompanying social measures into consideration from the outset. The Government had asked the buyer to redeploy personnel internally to avoid social unrest, in return for which it granted SUCAF temporary protection.
- Office des Chemins de Fer Transgabonais (OCTRA): this company was practically integrated. During its negotiations with the Government, the buyer, "Transgabonais", opted out of certain activities which, until then, had been provided by OCTRA and which were henceforth taken over by service providers. Part of the staff who lost their jobs during the restructuring but possessed the required qualifications have since been hired by these service providers; the rest continue to work for the company or took early retirement. All other social problems are being taken care of by the Government.

15. With regard to enterprises awaiting privatization, the United States asked about the current status of privatization of Air Gabon (air transport) and the OPT (telecommunications):

- the national carrier Air Gabon. Until air space was liberalised, air transport was provided by the national carrier Air Gabon. The privatization process has already begun and is in compliance with the above procedure. The strategy adopted by the Interministerial Privatization Commission includes a phase, now under way, for the financial, economic and social restructuring of the carrier. To this end, Gabon has signed a financial management partnership agreement with the company Lufthansa. A agreement has also been signed with Boeing for the purchase of four new aircraft within the framework of Air Gabon's fleet renewal.
- the Post and Telecommunications Corporation (OPT). In the telecommunications sector, Gabon has launched a modernization and recovery project for the telephone network to increase teledensity. Telecommunications in Gabon are managed by a State enterprise which is currently being privatized. The strategy adopted by the Interministerial Privatization Commission following the opening of the mobile telephony sector involves the separation of OPT's activities with a view to creating two new and separate entities: Gabon Poste and Gabon Télécom. A related law has just been adopted. The second phase relates to the privatization of Gabon Télécom.

16. The process currently under way complies with the rules of procedure set forth in Law 1/96 and highlighted above.

(3) Diversification of the economy

17. Diversification of the economy requires Gabon to (i) set up a strategy to create substitution activities for petroleum operations; (ii) allow the oil sector to revitalise itself, because diversification does not imply neglecting this sector; (iii) set up an institutional support framework for the private sector; and (iv) the countryside: the surrounding region and town and country planning. The various elements of this programme are based on an industry-by-industry approach.

(i) Oil industry

18. Assuming new discoveries were made and production capacities maintained at 15 million tonnes/year, the oil industry would be able to withstand development in the following activities: (i) stepping up cracking operations and manufacturing by-products of oil, grease and bitumen; and (ii) developing the primary products of organic chemistry: polypropylene (plastics and rubber in general), polystyrene (thermoplastic materials) and polyurethane (plastics for paint, varnish and foam).

19. Feasibility studies would be required to develop this particular industry, considering the difficulty in obtaining a worthwhile return on account of the weakness of the local and even sub-regional markets, the distance of markets with strong customer potential (transport costs being a major factor in these activities) and the considerable investment at stake in this type of industrialization. Prospecting would also have to be stepped up.

(ii) Mining industry

20. Development of the extractive industry focuses on the following six elements:

(a) Valorization of manganese

21. The construction in 2000 of a manganese sintering plant with a capacity of 600,000 tonnes of sinter/year means that setting up a ferromanganese production plant can now be contemplated. This plant would process part of the manganese on the premises. Such a project would require an

investment of CFAF 50 to 60 billion and the construction of a hydroelectric power plant to feed the furnaces.

(b) Valorization of talc

22. Were it to prove profitable, exploitation of the Nyanga province talc deposit, with reserves estimated at almost 75 million tonnes and a talc content of 60 to 90 per cent, would enable the following activities to be developed after grinding and subsequent processing: talc for the cosmetics industry and domestic use (cat litter), for pharmaceutical use (abdominal dressing) and talc in bulk (paper, plastic, etc.).

23. The extent to which talc can be valorised depends greatly upon its colour.

(c) Valorization of phosphates and potash

24. A fertilizer industry could be developed on the basis of these two types of ore; the Mabounié deposit boasts 150 million tonnes of niobiferous phosphate ore containing 24 per cent phosphate and the Mayoumba region ore body is estimated to hold several hundred million tonnes of potash.

(d) Valorization of barytes

25. The barytes deposit located near Mayoumba on the slopes of Mount Dourékiki, with reserves of 800 million tonnes and a 40 per cent barytes content, could be exploited as an input for paint and drilling muds for test boring for oil.

26. Central Africa could prove a potential market for this activity. There is also great demand from the USA for such products, (which already purchases supplies on the African market).

(e) Valorization of clay

27. Numerous clay deposits linked to sinter production plants could become inputs for a housing development programme to tackle the housing shortage (a waiting list of 20,000 housing applications exists).

28. Kaolin can be used to make tiles, ceramics and porcelain and the more malleable bentonite for drilling muds. The production of terracotta articles for export could also be considered.

(f) Valorization of niobium

29. The industrial phase includes a 30 tonne/day washing and processing plant, a refinery with a capacity of 110,000 tonnes/year to convert pyrochlore into ferroniobium and a wood-fired power station for electricity production.

30. Quarrying has been subcontracted to a construction industry company with a total workforce of 250.

31. The fact that the finished product is an aggregate which becomes directly incorporated with special alloys makes further industrialization difficult.

(iii) Timber industry

32. On the initiative of the Gabonese Government and thanks to the determination of economic operators, a far-reaching industrialization programme is now under way in this sector. As a result, the domestic processing rate, which was estimated at seven per cent in 1996, has now reached 15 per cent

and the target for the next five years is 50 per cent. This industrialization developed from rotary cutting intended mainly for plywood and nowadays used in veneer manufacturing.

33. Industrial sawmills, slicing mills and secondary processing activities are starting to spring up.

(a) Industrial structure for the various activities

34. If 30 to 35 per cent industrial processing is to be exceeded and timber harvesting is to maintain or even exceed current production levels, the number of species exploited must of necessity increase. This is in line with national policy and Gabon's theoretical wood potential means that it is feasible. But under what conditions will timber operators be able to exploit species which are not being exploited at present? Can lower quality or secondary species, which are unprofitable as undressed timber and even less so when their higher transport costs are taken into consideration, be exploited for processing and marketing as industrial products?

35. An answer to this question would require market research on which kinds of processing are compatible with the new species. If there is a market for them at all, the industrial project will, over time, have to produce sufficient return to justify the investment. In a great many cases, keeping input costs to a minimum will mean that the plant has to be set up near to the raw material production site with all the ensuing difficulties. Gabon's industrial landscape, as far as the timber industry is concerned, will see an estimated 6 to 7 plywood mills, 10 to 12 veneering mills, 15 to 20 industrial sawmills, 3 to 4 slicing mills and 6 to 7 secondary processing units springing up by 2004/2005; in other words, a grand total of 40 to 50 industrial processing units.

(b) Accompanying measures

36. Timber industry development requires the following support from the Gabonese state: (i) support for technological advancement and equipment modernisation (tax breaks); (ii) creation of an environment conducive to research and transfer of results between firms; (iii) training to raise the skill levels of the human resources required to meet the specific needs of industrialization; (iv) implementation of a transport plan adapted to industry requirements; and (v) support for forestry developers of a critical size which prevents their sites from being industrialised.

(iv) Food-processing industry

37. With estimated annual meat requirements totalling more than 20,000 tonnes, supply standing at 3,000 tonnes and average annual imports (in CFAF million) of 13 billion for meat and 16 billion for poultry, the meat and food-processing industry offers good development prospects for private projects in the fields of farming and production of poultry and its by-products, and breeding and production of pigs, pork and its by-products.

38. Other market niches can be developed for chocolate and cereal-based products, etc.

(v) Other industries

(a) Construction materials

39. With a housing waiting list of 20,000, demand for corporate real estate and clay and timber reserves, a housing industry could be established on the basis of a "construction plan" which would enable the composite materials used to manufacture housing modules to be made with the aim of providing subsidized housing for the whole of Africa. To this end, it would be advisable to establish manufacturing processes, develop manufacturing units, grant tax benefits for constructing this type of housing and favour access to credit while keeping its cost down (interest subsidy).

(b) Services

40. Appreciable comparative advantages and regional opportunities should lead to the development of a services industry.

Inherent advantage	Potential
Geographical position on the equator	Space telecommunications services
Regional integration	Petroleum services Health services
Creation of the regional stock exchange	Banking services Communications services Printing and publishing
Construction of the South Africa-Europe telephone cable	Telecommunications services for neighbouring countries

41. In the light of these elements, it would be in Gabon's interest to try to become the services leader of the sub-region in the third millennium.

(c) Tourism

42. Gabon's tourist attractions, which are still poorly exploited, offer good prospects for development.

(vi) Conclusions

43. It can therefore be said that stabilising the economic environment to support diversification of the economy is dependent upon a number of different factors and measures.

(a) Action plan

44. Action to be taken includes creating a network of small and medium-sized enterprises and industries; making the existing Agency for the Promotion of Private Investment (APIP) operational; adopting a true industrial development strategy on the basis of interministerial cooperation; encouraging locally-held financial capital formation; and ensuring the judicial system is supervised and that its rulings respect rules on transparency and fairness.

(b) Factors which could help to achieve these objectives

Environmental factors

45. The following internal factors should be mentioned:

- Gabon enjoys widely acknowledged political stability, which makes it a key negotiating partner at regional level;
- its geographic position straddling the equator with access to the sea enables diversification of space telecommunications and trade platforms;
- a well-educated population and a pool of university-educated young people;
- primary resources which guarantee considerable budget revenue for several years to come and enable natural resources to be mobilised for an economic development policy; and

- domestic demand is not satisfied by local production and there are consequently prospects for developing import substitution industries.

Sector-related factors

46. The following internal factors should be mentioned:

- primary resources which are under-exploited locally offer opportunities for industrialization;
- import substitution development opportunities exist for consumer goods;
- the establishment of a regional stock exchange is a potential source of service activities;
- the laying of the South Africa-Europe telephone cable and resulting diversification of activities open up the way for the creation of a services industry; and
- natural assets, in the form of flora and fauna, pave the way for the development of tourism.

(4) Competition policy

47. Gabon is well aware that trade liberalization should lead it to examine competition rules, especially given that its economy has such a small market and is dominated by foreign monopolies.

48. Law 14/98 therefore establishes the following new regulations:

- powers of inquiry and out-of-court settlement are devolved concurrently upon sworn officials of the Office of Price Administration and Competition Commission;
- safeguard measures come within Government competence, subject to the opinion of the Competition Commission;
- breaches of the law will result in out-of-court settlements and/or legal proceedings;
- methods for determining anti-dumping and countervailing duties are not provided for by law; and
- the Competition Commission is presided over by the Minister of the Economy, but its members have yet to be designated.

49. The Competition Commission, although provided for by law, has not yet come into being for the following basic reason: Gabon is seeking opinions from every available quarter, including the World Bank and WTO, so that the text can receive a seal of approval before being adopted and, above all, to ensure that it is in conformity with international practice.

50. Moreover, this law cannot be implemented until the Commission is operational (Article 60). It should, however, be noted that the following instruments are in force at present:

- the CACEU Customs Code establishing anti-dumping and countervailing duties;
- CACEU Regulation No. 1/99 UDEAC-CM-639 regulating anti-competitive practices in Community decisions (regional competition board); and

- Annex VIII of the revised Bangui Agreement on protection and against unfair competition.

(5) Investment regime

51. Gabon seeks to promote and attract investment by negotiating investment promotion and protection agreements and through the implementation of the Investment Charter.

(i) Investment Promotion and Protection Agreement

52. The Investment Promotion and Protection Agreement (i) defines the legal investment framework; (ii) guarantees protection of investments and free transfer of investment and investment income; and (iii) establishes dispute settlement rules.

53. Gabon has signed about ten such agreements to date and intends to extend this co-operation with other partners and, in particular, to continue negotiations with the Republic of Korea.

(ii) Investment Charter

54. The Investment Charter, which is more comprehensive than the previous investment codes which were restricted to granting tax and customs benefits, aims to improve enterprises' institutional and statutory environment and establishes appropriate conditions for stimulating and attracting private investment.

55. It standardises enterprise competition conditions and, in particular, subjects them to real performance requirements so that they are in a better position to meet the challenges presented by the globalization of trade and the economy.

56. Moreover, the Charter aims to guarantee safety of capital, make investment conditions more flexible, expedite and simplify the administrative formalities for setting up and reforming enterprises, and reduce the duration and cost of these formalities.

57. Gabon has still not set up a structure to track foreign direct investments (FDI).

(6) WTO, implementation of the Agreements, notifications, participation in current negotiations and preparation for the Doha Ministerial Conference, technical assistance

58. Gabon was a founding member of the WTO and firmly believes in the multilateral trading system. Like many developing countries, it has come up against huge problems in implementing the Agreements.

59. Until recently, little data on Gabon (for example, notifications) were available to the WTO Secretariat.

60. The technical assistance provided by the WTO has meant that a certain number of notifications could be produced. Gabon is committed to continuing efforts in this regard for the rest of the implementation process.

61. Gabon has received technical assistance from the WTO for organising and enabling its officials to attend seminars on the Marrakesh Agreements, sanitary and phytosanitary measures, trade and the environment, tariff negotiations, notifications, new WTO issues, meetings of African ministers, the Ministry of Trade reference centre, customs valuation and the support seminar on agricultural negotiations.

62. Gabon has come up against two types of difficulties: (i) understanding the agreements, which leads to a failure to comply with obligations and to implement domestic legislation in keeping with the Marrakesh Agreements; and (ii) a lack of technical means.

63. Technical assistance requirements relate to the following :

- trade regulation;
- regional integration and commerce: Gabon wished, within the framework of regional integration, to set up an economic convergence programme like that of the European Union. Gabon would also like a comprehensive study to be carried out on the budgetary implications of trade liberalization in the form of tariff reductions by countries of the sub-region. Such a study would shed light for government decision-making;
- the Code of Commerce: a new Code of Commerce is being drawn up. Gabon wishes to draw on the expertise of the WTO when implementing its provisions;
- the trade information system: the creation of the Investment Promotion Agency and existence of several national suppliers of information on the economy, trade, economic operators and business regulations. Networking is needed to ensure better access and rationalisation;
- management training and development: Gabon wishes to conduct a study on the training and development requirements in technical fields of members of the Agreement Monitoring Committee and staff of the Ministry of Trade. Such a study would help with the development of a training programme;
- the Trade Facilitation Committee: Gabon has a Trade Facilitation Committee and requires assistance to revive its activities. This Committee is a forum which brings together economic operators, banks, stevedores, freight forwarders, employer groups and tax and Customs authorities;
- intra-sub-regional trade: assistance is required from the WTO to set up a computerized information system on business opportunities within the framework of the establishment of country registers of economic operators, information on market access conditions and business opportunities; and
- the Doha Ministerial Conference: Gabon is actively preparing for the Ministerial Conference to be held in Doha (Qatar) from 9 to 13 November 2001. Our permanent representative in Geneva is also involved with the work of the Group of African States.

64. Gabon shares the concerns of the African Group with regard to agreement implementation, technical assistance and consideration of the development requirements of developing countries in multilateral agreements.

(7) Bilateral and regional cooperation

(i) Regional agreements, in particular of the CAEMC and ECCAS

65. The creation of the Central African Economic and Monetary Community (CAEMC) displays the determination of member States to revive the economic integration process in the sub-region. It lives up to the expectations of both the states and their peoples who are concerned over the

inadequacies of the strategy and methods implemented up until then and anxious to see a great leap forward in terms of quality through genuine economic and monetary integration with a view to the harmonious and common development of member states in an integrated economic area.

66. However, the community, with around 30 million consumers, still constitutes a small market. Gabon also has an interest in being a member of larger groupings such as the Economic Community of Central African States (ECCAS), African Economic Community and ACP group of countries. It can even act as a driving force and catalyst within these organizations.

67. With particular regard to co-operation within the CAEMC, Gabon envisages reducing and, in the end, removing differences between its own legislation and that of the CAEMC, especially with regard to the CET. The treaty establishing the CAEMC has been ratified by all member states.

(ii) ACP-EU Partnership Agreement

68. As mentioned above, it is in Gabon's interest to belong to larger organizations such as the ECCAS, African Economic Community and ACP group of countries.

69. With regard to the EBA ("Everything But Arms") clause, we have taken note of the European Union's proposal for a reformulation for inclusion in the Secretariat Report.

70. With a view to establishing a regional economic agreement within the framework of the Cotonou Agreement, the CAEMC Council of Ministers has decided to entrust negotiations to the CAEMC and ECCAS secretariats.

71. Consultation meetings got under way in Yaoundé and, according to the schedule, should continue in August 2001.

72. We are, however, concerned by the introduction of the principle of reciprocity, given that it runs the risk, in terms of competitiveness, of pushing up the prices of our products.

73. The favours and advantages granted to certain sectors, and which constitute trade protection, are only transitional measures and are scheduled to be phased out. All sectors should come under the ordinary taxation system, in accordance with the spirit of the tax and customs reform.

II. TRADE POLICY MEASURES

(1) Customs duties: applied and bound rates, temporary surcharge

74. As far as tariffs are concerned, ever since the tax and customs reform Gabon has applied the Common External Tariff (CET), pursuant to CACEU Act 7/93 establishing the procedure for applying the CET and generalized preferential tariff (GPT). The CET consists of the customs duty and, as the case may be, a temporary surcharge; goods are divided into four categories, each with a customs duty rate:

- category 1: staples (5 per cent);
- category 2: raw materials and capital goods (10 per cent);
- category 3: intermediate and miscellaneous goods (20 per cent); and
- category 4: wage goods (30 per cent).

75. The temporary surcharge established by the above-mentioned act was to have been eliminated by 30 June 2000 at the very latest.

76. At the close of the Uruguay Round, Gabon bound all of its tariff lines for both agricultural products (60 per cent) and non-agricultural products (15 per cent). Although the country has no difficulty whatsoever in respecting its bound rate commitment for agricultural products, especially those in categories 1 and 2, it is experiencing serious difficulties in doing so for non-agricultural products, since this commitment is at variance with CAEMC rates of duty.

77. In the light of this situation, Gabon envisages: (i) renegotiating its tariff concessions under Article 28 of the GATT 1994; and (ii) holding fresh negotiations with its CAEMC partners on the Common External Tariff (TEC) with a view to simplifying it and bringing about a further rate cut. This is a difficult step to take since it comes up against the fear - voiced time and time again by the other States - of a decline in the customs revenue which constitutes their main source of budget funding.

78. The temporary surcharge was introduced at the time of the tax and customs reform to protect certain products of Gabon's emerging industry. It was to have been eliminated by the end of June 2000. The business community has been bringing pressure to bear ever since then for it to be maintained.

79. Gabon is aware that maintaining the temporary surcharge and, as a general rule, high export taxes and import duties is not sufficient to create a dynamic, innovative and competitive domestic industry in the long term. It is in this context that I undertake to propose eliminating the temporary surcharge to the government.

(2) VAT and excise tax: national treatment

80. Gabon's main domestic consumption taxes are VAT and excise tax. They affect both imported and locally manufactured products. This is the case of mineral water, chicken, sugar, cement and soap.

81. VAT originally stood at a rate of 18 per cent, but was reduced to 10 per cent by the Budget Law of 2000.

82. It is true that the high levels of combined taxes put Gabonese consumers at a disadvantage, and the Government is therefore attempting to target a tax cut. However, it is unable to put its wish into practice given its urgent need of resources to service the foreign debt. It should be recalled that debt servicing has scaled unsustainable levels which are a threat to Gabon's development prospects and require urgent assistance from the international community.

(3) Customs procedures and valuation, rules of origin

83. Goods clearance times are still far too long. This is a result of:

- long-drawn-out, laborious and redundant customs procedures. One solution to this problem has been the computerization of customs clearance procedures which has resulted in considerable time-saving. Moreover, Gabon's customs will very shortly be adopting the UNCTAD computerized system. A charge is made for the use of the customs computer system, as established under Article 8.1(a) of the GATT 1994. A second solution is setting up more flexible customs clearance procedures in keeping with the provisions of the Kyoto Convention within the framework of a customs/enterprise partnership; and

- the proliferation and inefficiency of parties involved in the customs clearance procedure (consignees, stevedores, clearing agents, banks, etc.). Recent efforts have cut clearance times from 33 days to a maximum of 24, but they are still excessively long. The Government is therefore contemplating reviving the National Facilitation Committee to promote awareness of all the issues at stake in trade facilitation, as an element which affects the competitiveness of the economy, so that real progress can be made in this field.

(i) Certificate of origin

84. The certificate of origin is one of the documents that must accompany a goods customs declaration. It serves to prove the origin of the goods so that tariff preferences can be applied, but may also be required for the application of consumer protection, safeguard or international security measures. The lack of such origin certification may therefore constitute grounds for a customs declaration being rejected. The certificate of origin, when required by Gabon, may not therefore be considered a barrier to free trade. All countries should make provisions with regard to the above to justify the national origin of imported goods.

(ii) Customs valuation

85. The CAEMC adopted customs valuation regulations by Act 2/98. These regulations are the transposition of the Agreement on Implementation of Article VII of the GATT 1994 on customs valuation. Gabon notified the WTO of all of its customs valuation regulations which were to come into force on 1 January 2000.

86. The fact that our CAEMC partners are behind schedule in their agreement-implementation preparations prevents us from implementing the said Act effectively. The CAEMC would have preferred the Act to have been implemented by all of its members simultaneously to avoid having two different customs valuation regulations in force within the area.

87. Gabon does not plan to reject systematically the reversal of the sequential order of application of Articles 5 and 6 of the Agreement on Implementation of Article VII of the GATT 1994, but it reserves the right, pursuant to Article 3 of Annex III to the Agreement, to provide that the reversal shall apply only when the customs authorities agree to the request to reverse the order of application of the Articles.

88. The transparency of decisions is guaranteed by the appeals procedures revised by CACEU Act 3/98 and, if need be, before the courts.

(iii) Rules of origin

89. Gabon is a member of the Central African Economic and Monetary Community (CAEMC). Community rules of origin are defined in CACEU Act 7/93.

(iv) Anti-dumping and countervailing duties and safeguard measures

90. In addition to the domestic legislation currently being drawn up on anti-dumping measures, countervailing duties and safeguard measures, the CAEMC Customs Code also lays down provisions on these issues. They are implemented at the request of one or all of the States concerned, through the CAEMC Council of Ministers.

(4) Sanitary and phytosanitary measures and technical standards

91. Gabon applies two types of SPS standards: international and national.

92. It imports the bulk of the population's food requirements. This should not, however, prevent it from adopting or applying the necessary measures related to healthcare, human and animal life or plant protection.

93. Law 7/77 of 12 December 1977 establishes a phytosanitary police in the Gabonese Republic. All of its implementing regulations, as well as Order 50/78 and Law 10/65, have been implemented in the country in such a way as to avoid constituting either arbitrary or unjustifiable discrimination between members where similar conditions exist or a disguised restriction on international trade.

94. All foodstuffs, pesticides and agro-inputs require an import licence issued by the competent national authority which, more often than not, is an official of the Inspectorate-General of Agriculture.

95. As far as international standards are concerned, Gabon is a member of the FAO Codex Alimentarius Commission, the International Office of Epizootics (OIE) and the International Plant Protection Convention (IPPC) and applies their standards. These three organizations have national focal points.

96. National standards comprise legislative and regulatory provisions, such as the following:

- Law 7/77 of 15 December 1977 establishing a phytosanitary police in the Gabonese Republic. This is a standing body competent throughout the country. Its activities cover plants, plant products and/or parts and seeds, soil, potting soil, compost and all packing used in their transport. It is responsible for (i) conducting quarantine inspections of materials for import and export; (ii) authorising the admission, import or export of all or part of the plant material; and (iii) performing or having performed the quarantining, disinfection, rejection or destruction of the above-mentioned material and products.
- Order 50/78 on quality control of products and foodstuffs. This Order lists the public authorities responsible for establishing infringements relating to quality standards for products and foodstuffs for import, export or local consumption. The fisheries measures adopted include an Order establishing sanitary inspection procedures for fishing products and production and processing methods for fish, molluscs and crustaceans.

97. It should be noted that Gabon is often forced to take ad hoc measures to suspend certain products or foodstuffs in order to protect consumer health. This occurred notably in the case of products such as chickens and meat from the European Union following outbreaks of Bovine Spongiform Encephalopathy (BSE) and foot-and-mouth disease and the dioxins contamination.

98. It is, however, obvious that all this legislation can only be effective if the means or appropriate equipment, such as laboratories, are available. Gabon has a shortfall in this area. It therefore requests the assistance of industrialised countries in setting up a multi-disciplinary laboratory able to support its consumer protection measures. Assistance from industrialised countries is also required within the framework of human and institutional capacity-building.

99. As far as technical standards are concerned, Gabon still does not have a national standards institute. My Ministry, which has a Bureau of Standards, has just presented a bill to the Government establishing the national legal standardization system. This bill, which has already been approved by the Government, has been sent to Parliament and should lead to the creation of a National Standards Association.

(5) Protection of intellectual property and the revised Bangui Agreement

100. With a view to bringing its legislation into line with the TRIPS Agreement, Gabon played an active role in the revision of the Bangui Agreement of 2 March 1977 on the creation of the African Intellectual Property Organization (AIPO).

101. This Agreement has been ratified and the instrument of ratification required for its entry into force has been presented to the Director-General of the WTO. The WTO Secretariat has also received a copy of this instrument.

102. Gabon's endeavours to ensure greater protection of works of authorship have also been reflected in the signing of two Minister for Industry Orders. One of these, Order 00139/MCDI/CAB, establishes a control unit responsible for establishing and suppressing infringements of intellectual property rights; the other, Order 00086/MCDI/CAB, regulates such activities.

103. In addition to the measures taken by the Gabonese Government, three other elements should be mentioned:

- the reopening of the National Agency for Artistic and Cultural Protection (ANPAC) by decision of the Council of Ministers of 10 May 2001;
- the creation of an Interministerial Commission, responsible for presenting a bill to the Government designed to enable the customs service and court administration to ensure an improvement in the efficacy with which Part III of the TRIPS Agreement on "enforcement of intellectual property rights" is implemented. Our Civil and Criminal Codes and the OHADA Uniform Acts are inadequate in this respect; and
- the impending review of Law 1/87 on protection of copyright and neighbouring rights in the Gabonese Republic.

(6) Government enterprise support measures (subsidies, incentives)

104. Government enterprise support measures comprise subsidies and incentives.

(i) Subsidies

105. Gabon does not grant direct production subsidies. As is common practice in other countries, it grants social subsidies or subsidies that come within the framework of restructuring state-owned enterprises with a view to their privatization. This is notably the case of the subsidy granted to the national carrier Air Gabon.

106. Broadly speaking, go Forwards social subsidies school transportation, health, in particular AIDS prevention and control, study grants and training periods, religious denominations, political parties, research institutions, etc.

(ii) Incentives

107. In the face of the downward trend in oil production, the Gabonese Government has set itself the objective of diversifying the economy. This mainly involves setting up structures to promote and support private investment (Agency for the Promotion of Private Investment or APIP), improve and strengthen infrastructures, and set up investment incentive structures (sectoral codes) in the tourism, forestry, agricultural and fisheries sectors.

108. This campaign also takes the form of tax incentives. The tax benefits offered to new investors apply to all enterprises, irrespective of nationality and sector, and in particular relate to the following:

- tourism: tax and administrative incentives provided for by law are available to both national and foreign enterprises;
- forestry: the Government has taken the following measures: (i) adoption of the new Forestry Code; (ii) full exemption from export duties on processed goods; and (iii) special VAT provisions, in particular regarding credit repayment and tax suspension.

III. SECTORAL POLICIES

(1) Agriculture: development policy and reforms of State enterprises

109. Gabon's agricultural sector is still underdeveloped. The authorities, fully aware of the setbacks suffered by previous policies, have embarked upon a programme to redirect State intervention in this sector by drawing up a framework law which is currently being studied by the Government.

110. The measures envisaged include (i) organising a specific framework for agricultural activities which is favourable to private investment; (ii) strengthening support services, agricultural extension and increased access to agricultural credit; and (iii) supporting domestic production.

111. The following State action is already well under way:

- divestiture of State-owned agro-industrial companies by means of their privatization. To date, SOSUHO has been taken over by SUCAF and AGROGABON will have to come under private management in the very near future, for which a partnership has been concluded with Malaysia; and
- a mixed food cropping development project was established in 1992 to set up young farmers around the major centres of consumption; the one hundred farms created now sell 15 tonnes of foodstuffs and market garden produce per month on the local market.

112. Finally, the Government is backing a feasibility study funded by the TDA (US Trade and Development Agency) for a private project to produce and market poultry meat on the regional market.

113. With regard to the questions on monopolies, the only import ban is on sugar and this measure will be lifted on 31 December 2003 with no possibility of a renewal.

(2) Forests: draft Forestry Code, sustainable development and industrialization

114. The new Forestry Code has been adopted by the National Assembly. This draft establishes sustainable management methods for the forestry sector with a view to increasing its contribution to the country's economic, social, cultural and scientific development. Sustainable management of this sector involves rational exploitation of forestry, wildlife and fisheries resources.

115. Sustainable management means management which maintains biodiversity, productivity, natural regeneration, vitality and the ability to perform the relevant economic, ecological and social functions on an ongoing basis without harming other ecosystems. Development consists of valorising and conserving forest ecosystems with a view to their rational and sustainable exploitation.

116. All of these operations, as well as forestry and wildlife inventories, should be carried out in accordance with the national technical standards defined by the Water and Forest Administration.

117. All State forests, whether licensed or not, must have a forest working plan based on objectives such as those defined above.

118. The draft Forestry Code proposes three types of industrial logging permits:

- the permit of mutual agreement (permis de gré à gré or PGG), which is reserved for Gabonese nationals, is a 50-foot timber permit for rural forest estates;
- the associated forestry permit (permis forestier associé or PFA) is an unbroken surface permit for an area not exceeding 150,000 hectares when subject to a forestry concession under sustainable development (CFAD) or 50,000 hectares when it is being developed by the permit holder; and
- the forestry concession under sustainable development (CFAD) is a surface permit for an area of between 50,000 and 200,000 hectares. The minimum term is equal to the length of the felling cycle established in the forest-working plan and it is renewable according to the statutory conditions established.

119. Industrialization of this sector aims in particular to (i) promote the rational use of wood products; (ii) fund sustainable forest management; (iii) create added value and employment; (iv) develop the wood industries; and (iv) boost the gross domestic product (GDP).

120. The industrial sector covers the following:

- primary processing, which involves sawing, rotary cutting, slicing and drying;
- secondary processing, which includes activities such as the production of panels and manufacture of simple standard products, such as mouldings, planed sections and parquet; and
- tertiary processing, which includes activities giving rise in particular to finished and composite products, joinery work and cabinet-making.

(3) Fisheries

121. Gabon lies on the Atlantic coast of central Africa and has a coastline 800 kilometres long. Its exclusive economic zone (EEZ) covers 213,000 km² and the continental shelf extends for 35,000 km².

122. The country's fisheries resources are plentiful and varied and total fish stocks are estimated at 372,000 tonnes. These resources are harvested by three types of fisheries: (i) an industrial fishery, (ii) a traditional fishery, and (iii) a deep-sea fishery.

123. Industrial fishing is mainly carried out by vessels flying foreign flags and the fleet is composed of trawlers, shrimp vessels and line-fishing vessels. Traditional fishing is maritime when carried out in the coastal fringe up to three nautical miles out and inland when carried out in rivers, lakes and lagoons. Deep-sea fishing is almost entirely carried out by foreign vessels under fishing agreements.

124. Statutory instruments governing the use of fish resources have been established within the framework of the fisheries policy:

- Under Law 1/82, the Ministry of Fisheries is responsible for fisheries resource management and offering fisheries products for sale on the domestic market. It regulates fishing techniques, equipment, seasons and grounds with a view to conserving and protecting the resource.
- Decree 62, which regulates fisheries in Gabon, is an implementation order for Law 1/82, which regulates fisheries management by fishing grounds and defines fishing conditions in each zone.
- Decision 675, which establishes a biological recovery period for the shrimp fishery, has been implemented in the face of the growing depletion of shrimp stocks over the last few years. It involves a two-month ban on all shrimp fishing activities to allow for re-stocking.

125. Within the framework of the exploitation of certain fisheries resources (tuna), Gabon has signed an agreement with the European Union authorising tuna seiners and surface longliners to fish in Gabonese waters. An agreement was signed in 2000 with the Federation of Japan Tuna Fisheries Cooperatives granting 30 Japanese longliners access to Gabonese waters; this agreement also provides for the funding of a certain number of fishery development measures by the Japanese Government.

126. Within the framework of these fishing agreements, Gabon has only had to grant harvest rights to raw material resources, which are currently inaccessible to national vessels.

127. Gabon's products comply with the standards of its major markets, such as the European Union, with regard to the sanitary quality of its fishing products.

128. A sanitary quality and inspection service has been created within the Directorate-General of Fisheries and Aquaculture and is responsible for implementing regulations on the sanitary quality of products intended for human consumption.

129. A quality assurance policy has been established, based on the HACCP principle, which applies to products exported to European Union countries in accordance with the standards required by their markets. Gabon is on List II of countries authorised to export to the European Union.

130. Gabon's new fisheries policy favours access to its fishing grounds being granted to companies with an investment plan in the country. Gabon has to further develop its local fishing industry by reducing harvest rights granted to foreign vessels. These companies export their products from Gabon to the countries of their choice, which will strengthen national operations.

(4) Mineral resources: new legislation and incentives

131. Gabon can lay claim to a long mining and petroleum tradition (petroleum activities began in the 1920s).

132. Most of the resources required for the country's economic and social development and promotion of the well-being of its inhabitants come from the development of its mineral and petroleum resources.

133. Hydrocarbons alone account for 77 per cent of total exports and 45 per cent of gross domestic product (GDP). The State obtains 60 per cent of the financial resources of its budget and almost 60 per cent of its ordinary budget revenue from exploitation of these resources. The mining industry contributes up to 2.5 to 3.5 per cent of GDP.

134. Following the adoption of the structural adjustment programme, the Gabonese Republic has embarked upon a reform policy based on encouragement of private initiative, which it considers to be the driving force behind its economic development. The framework of far-reaching structural reforms includes a review of the part of the Mining Code dealing with mines. A petroleum act is being drawn up by the Ministry of Mines, Energy, Oil and Hydraulic Resources.

135. The national economy's excessive dependence on hydrocarbon exports has prompted the Government to seek to diversify the economy. To this end, it has already taken a number of measures, notably defining the new role of the State, no longer as an actor, but rather as a regulator and promoter.

136. The Government intends to attract new investment to consolidate the mining and hydrocarbons sectors in order to reinforce its economic diversification policy.

137. The Government has also embarked upon a revision of the Investment Code, customs regulations, General Tax Code and Mining Code in an endeavour to make the business environment more attractive to foreign investment.

138. The Government, by revising these laws, aims to ensure that they are better adapted to current trends in international economic conditions and economic globalization. The State intends to improve the institutional framework and to adopt clear, transparent, simple and modern laws and regulations in order to facilitate economic activity and ensure that it is regulated in a fair and non-discretionary manner.

139. The new Investment Charter (July 1998) therefore reaffirms the State's commitment to its strategy of economic and social development, based on the growth of the private sector. The Charter also confirms the State's intention to promote certain economic sectors, including the exploitation and processing of natural resources.

(i) Mining

140. The Gabonese Government's mining policy aims to boost the economic performance of the mining sector by diversifying both the operators and the ore exploited.

141. Moreover, with a view to harmoniously developing the country's economy and consolidating its integration into the global economy, the Gabonese Government has decided pursue its liberalization and take suitable measures for opening it further to foreign investors. The expected consequences of this policy are notably an increase in and extension of the productive base, an improvement in the balance of trade and an increase in tax revenues.

142. With a view to achieving its new strategy, the Government has adopted a two-fold plan of action involving reviewing the legal framework and strengthening institutions promoting the sector.

143. The new Mining Code is rooted in the following principles:

- sub-surface resources belong to the State;
- the State will not become involved in prospecting for or exploiting mineral resources. These activities are the domain of private companies;
- the mining industry is open to free enterprise;
- all mining activity on any part of national territory requires a mining title issued by the competent authorities;

- such titles are granted on the basis of clear, simple and transparent formalities;
- the State guarantees the possession of mining titles for a given period of time;
- technical and financial conditions all being equal, licences shall be awarded on the principle of "first come, first served";
- the holder of a mining title may be deprived of his rights should he fail to respect the obligations established by the Mining Code;
- holders of mining titles are required to submit and respect an environmental protection and management plan;
- mining title transactions are unrestricted, but should be notified to the Mines Inspectorate. Such titles are transferable and tradeable;
- prospecting licences confer an exclusive right to mineral ore which could form the subject of requests for concessions and, in the event of a deposit being discovered, they legally entitle the holder to exclusive mining titles subject to legal obligations;
- prospecting is subject to the payment of surface rights and accomplishment of a basic work programme;
- reprocessing of tailings and ore processing are considered as mining activities and come under the Mining Code. These activities require either a mining licence or a concession;
- small-scale mining and traditional gold panning are defined and governed by an appropriate legal framework; and
- disputes between the State and the investor are referred to one or several arbitrators chosen by common accord if the problem is of a purely technical nature and to ordinary courts of law or a tribunal in all other instances.

(a) Taxation and customs regime

144. The underlying aim of the new mining taxation system is to boost budget revenue from mining development by proposing a series of incentive-based mechanisms liable to favour mining investment and in keeping with the best international practices. Mining taxation comes under ordinary law and covers the specific characteristics of the mining sector.

145. A clear and unambiguous administrative customs procedure has also been set up to enable goods and equipment intended for the mining sector to be removed expeditiously from customs.

(b) Strengthening State institutions

146. State intervention in the mining sector is mainly designed to promote investment. Restructuring sector institutions is centred on redefining their missions and refocusing their activities with the aim of integrating them into the new mining strategy. The European Development Fund (EDF) provides part of the funding for such institution-building.

147. The State undertook to make available to these institutions well-trained human resources and the wherewithal to enable them to fully embrace the missions entrusted to them.

148. The “one-stop shop” administrative centre, staffed by high-ranking experts from the Mines Inspectorate, Financial Administration and Customs Authorities and complemented by a team of lawyers, is at the disposal of investors.

149. The service responsible for managing the mining cadastre has been strengthened.

150. The Ministry of Mines is setting up a documentation centre responsible for creating a computerized database.

151. The State has created a mining promotion unit within the Mines Inspectorate responsible for taking stock of geological knowledge.

152. The geological mapping programme undertaken by the Gabonese Government is still in progress and has taken great strides forward thanks to funding from the European Development Fund (EDF). The mining inventory goes hand in hand with this programme and helps to foster a more detailed and in-depth knowledge of the country's mineral potential.

153. The State also plans to set up a unit within the Mines Inspectorate responsible for implementing environmental standards.

154. Mining companies are encouraged to rally together in the legal form of a Chamber of Mines.

(ii) Petroleum

155. Gabon's petroleum exploration and exploitation policy strictly respects its political stance based on the three underlying principles that the Government has always striven to observe: (i) a policy of openness and diversification has been the ongoing concern of the Gabonese authorities for many years now; (ii) the other principle which has always guided State action is the impartiality shown, all conditions being equal, towards oil companies which wish to set up in Gabon; (iii) finally, it should be emphasized that Gabon's overriding concern, like any other country, is protection of the public interest.

156. The ageing of some oil fields, the faster-than-expected depletion of the Rabi field and above all the lack of new finds likely to offset the falloff in production of the Rabi field are causing a decline in oil production, and thus in State revenue.

157. State activities endeavouring to check this fall in production include the following:

- encouragement of prospecting: Gabon supports exploration activities by attracting the interest of new partners which are likely, in conjunction with existing operators, to get exploration of new oil fields off the ground again in order to keep reserves of mineable ore at an acceptable level;
- organization of international tendering: in an attempt to prevent Gabon's mining sector from suffering an irrevocable decline, the Government has already organized nine international prospecting tenders for the free blocks of Gabon's sedimentary basin which saw the participation of several oil companies. This policy will be pursued;
- increase in the surface area of the oil fields with the opening of a new offshore exploration area (at a depth of more than 2,000 metres);
- promotion abroad of Gabon's sedimentary basin: the Ministry of Mining, Energy and Oil has launched an ambitious campaign to promote the country's sedimentary basin.

This involves sending representatives to all oil events and major oil centres worldwide. This government-backed policy has borne fruit with many contracts being signed as a result;

- encouraging oil companies to use all available techniques and technology: the prospecting strategy adopted by Gabon for the petroleum sector encourages the use of all available techniques and technology likely to help to discover new hydrocarbon deposits and cut operating costs;
- development of marginal oilfields: Gabon also favours the development of what are known as marginal oilfields with attractive tax conditions being offered to interested companies. Gabon's political authorities are particularly anxious to develop these fields since they could represent a major source of national revenue;
- action targeted at oilfields on stream: besides efforts to renew reserves by means of the usual exploration work, action targeted at oilfields on stream (improvement in the rate of recovery by gas lift or water flooding, drilling additional development shafts, restoration of old shafts, etc.) and at marginal deposits is underway and beginning to bear fruit;
- increased investment in oil prospecting: the oil companies forecast oil investments (for exploration and development) of almost US\$420 million in 2001 and plan to drill more than 20 exploration and appraisal wells, including two offshore ones (at over 2,500 metres and setting a world record);
- the development of natural gas fields: the Gabonese Government also encourages the development of gas discoveries. It is currently implementing an appropriate piece of legislation to reduce, even stop, the associated natural gas which companies do not require for their petroleum operations being sent to flare stacks;
- re-injection of gas in the deposits: the Government encourages re-injection of gas into the deposits and has asked companies which do not wish to use such gas to replace and conserve it until such time as it can be marketed;
- diversification of partners: the two key characteristics of petroleum operations are that they are highly technology-intensive and require a vast amount of capital. Moreover, they involve a very high risk factor. Consequently, the State is not in a position to take on petroleum operations alone. For these reasons and following the example of many other producing countries, Gabon is forced to call on specialised companies. The first few years of independence were characterised by the predominance of a single company. This situation has now changed quite considerably in the sense that there has been a diversification of the country's partners and this development, at the request of the State, has become more pronounced. This relentless move towards diversification has led the State to sign almost a hundred exploration and production-sharing agreements with a number of large companies with a proven international reputation, independent companies and small, virtually unknown companies. These companies are based all over the world: Africa, America, Australia, Belgium, Britain, Canada, Chinese, the Netherlands, France, Germany, Italy, Japan, Scandinavia, Spain, the former Yugoslavia, to mention but a few; and
- the establishment of an attractive legal and tax framework: with a view to implementing this policy (making our country attractive to investors), Gabon has

endeavoured to set up a legal and tax framework characterised by the great flexibility of the terms of the contract proposed by the Ministry of Mines, Energy, Oil and Hydraulic Resources, a flexibility which it is willing to extend if need be, whilst remaining open to discussion with parties interested in prospecting for hydrocarbons in Gabon.

(a) Legal and tax framework

158. Until such time as the Petroleum Code (or petroleum act), which is currently being drafted, is promulgated, petroleum operations continue to be conducted in Gabon within the framework of the Mining Code instituted by Law 15/62 of 2 June 1962 and Decree 981/PR of 16 October 1970. These instruments contain only mining provisions and administrative rules of procedure and basically define the following:

- companies' rights and obligations *vis-à-vis* the government;
- prospecting licences, laws establishing the conditions according to which the State grants the right to prospect for hydrocarbons for a given period and the conditions in which this right may be exercised; and
- mining licences and concessions, laws establishing the conditions according to which the State grants the right to exploit any deposits discovered for a given period and the conditions in which this right may be exercised.

(b) Establishment agreement

159. In addition to the above-mentioned statutory instruments, establishment agreements are signed by the State and the companies concerned. These specify the rights and obligations of the latter and lay down the tax rules applicable to oil mining.

160. Taxation includes the following:

- the proportional mining royalty, calculated at a rate of 20 per cent on production, the tax assessment basis and collection methods of which are defined by other instruments; and
- tax on profits. The rules for determining taxable profit are similar to those of the ordinary tax law, namely all products (sales), less charges, amortization and losses.

161. Under this regime, the State grants the concessionaire use of the soil and subsoil for 75 to 90 years for the purpose of prospecting for, exploiting and marketing hydrocarbons. In return, the State receives the above-mentioned mining royalty and tax.

(c) Exploration and production-sharing agreements (CEPP)

162. The exploration and production-sharing agreement, established by Law 14/82 of 24 January 1983, has come to replace the establishment agreement. Not only does it reduce the term of mining titles (the production life of a field ranges from 20 to 40 years), but it also aims to establish and give concrete expression to the principle of the State's right of ownership to the natural hydrocarbon resources in the soil and subsoil on national territory and in marine areas which are sovereign or within its economic zone. Partner companies are merely service providers. The first exploration and production-sharing agreement was signed in 1977.

163. The term of this type of contract is formally set at 20 years, after which new negotiations must be entered into with the State. Decrees based on the report of the Ministers of Finance, Hydrocarbons and Planning can set mining royalty and tax rates different from those of the agreement for certain mining titles and royalties, taking into consideration the conditions peculiar to each. The mining royalty ranges from 5 to 20 per cent.

164. The above rates are only applicable to hydrocarbons extracted within the framework of new licences granted after the date of entry into force of Law 14/82 of 24 January 1983.

165. Different rates may also be set, in the same way as those provided for in the above paragraph, to take changes in taxation which could be applied by the main hydrocarbon producing countries into consideration.

166. Unlike the concession arrangement, each licence coming under an exploration and production-sharing agreement is a legal entity in itself.

167. The underlying principles of exploration and production-sharing agreements are as follows:

- the State owns all hydrocarbon resources and is the sole holder of mining titles;
- in order to develop these resources, the State calls on specialised enterprises with sufficient capital and technical and commercial competence which then operate in precise areas within the framework of a contract the economics terms and key clauses of which are freely negotiated; and
- enterprises act in the capacity of service providers for and on behalf of the State. They fund all exploration and production operations and thus act as financial backers.

168. In return, the companies receive by direct levy: (i) a share in cost oil production (50 to 80 per cent), representative of the recovery of the sums they advanced to finance the petroleum costs; and (ii) a share in profit oil production, (according to production rate and volume), representative of the sums advanced and risks taken. Such levies are free of all duties, fees and taxes since these are considered to be levied directly by the State in kind and included in its production share (share of profit oil).

169. In addition to its role as a tax authority, the State is involved in mining operations as a partner and, as such, as the contractor within the framework of a partnership agreement from the moment a discovery begins to be exploited. The percentage of this share is negotiable. In return, it enjoys all of the rights and is subject to all of the obligations arising from the contract, with the following conditions:

- the State is not involved in exploration work; it reimburses its share of all petroleum costs, with the exception of exploration costs, prior to production and pays its share of cash calls subsequent to production; and
- operator cash calls are paid and reimbursed either in cash or in kind, by giving the other partners 70 per cent of the production share corresponding to it (production share in cost oil and profit oil).

(5) Services: tourism, structural reforms, expanded commitments under the GATS

170. In order to strengthen its economic diversification policy, the Government intends to attract new investment to consolidate existing profitable sectors (fisheries, timber, mining) and develop new and potentially profitable sectors, such as tourism.

171. This is the reason underlying the promulgation of Order 002/2000/PR which offers incentives to enterprises setting up in this sector.

172. Gabon has made financial services commitments (bank and insurance) within the framework of the Uruguay Round negotiations.

173. The country did not, however, take part in the telecommunications negotiations and has therefore not made any related commitments. The Government considers the commitments it made in 1993 to be significant and has been liberalizing the telecommunications sector since August 1999 by way of three mobile telephony licences granted to three private operators.

174. Gabon could make further commitments in future services negotiations.
