

POTENTIAL FOREIGN DIRECT INVESTMENT MARKET IN GABON

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Abstract: The article is devoted to the study and presentation of the potential of foreign direct investment in Gabon. Foreign direct investment (FDI) is an international capital movement created to create, develop or support a foreign subsidiary, as well as to exercise control over the management of a foreign enterprise. Foreign direct investment (FDI) is the driving element of multinationalization of companies, the creation of subsidiaries abroad or other financial relations. Reducing investment costs (exploitation of expensive natural resources, even impossible for transportation, using cheaper labor, optimizing taxation) and conquering new markets that are difficult to cover only through exports, are the main reasons for foreign direct investment. Foreign direct investment has risen sharply since the mid-1980s (more than

10.6%) and is one of the main factors contributing to the globalization of the economy. Thus, Gabon remains a potential foreign direct investment market due to the wealth and diversity of its economy. This diversity of the Gabonese economy groups all sectors of economic activity, such as transport, services, tourism, construction, telecommunications, oil and gas, and others. Today, we can say that in Gabon all the conditions for a vision of business and a favorable investment climate are created.

Keywords: investments, foreign direct investment, investment financing, investment climate, investment management, investment policy.

1. Introduction

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The current global economic situation on a global scale is characterized by a dynamic growth of trade (10.6% per year), an increase in household consumption, which, in part, offset the negative effects of the financial crisis over the past ten years. At the same time, there is a slowdown in foreign direct investment in the world.

The market is becoming limited, investment projects are becoming less and less profitable, which leads to the limitation of foreign direct investment (FDI) in the world.

In these conflicting conditions, Gabon (a developing country in Central Africa) has significant economic opportunities. By rating, Breton woods Gabon is a middle-income country, and is also a member of the World Trade Organization (WTO). Gabon is open to economic and commercial exchanges with all countries of the world. The country is characterized by a rental economy based on the exploitation of raw materials, especially oil and wood. After a period of prosperity from 1945 to 1975, (the “glorious thirty years”), since gaining independence in 1960, Gabon raised the limits of domestic economic rent and began to diversify its economy.

The need to implement a policy of economic diversification was reinforced by the devaluation of the CFA Franc (monetary unit of the French possessions of West and Equatorial Africa) in 1994 to increase competitiveness. This diversification should be accompanied by significant investments in services, agriculture, transport and industry. Therefore, Gabon needs funding. The country has many opportunities for the development and diversification of its economy: the extraction of raw materials (oil, rubber, manganese, etc.), forests (timber and timber), the development of natural landscapes favorable for tourism, and the developing craft.

2. Methods, Results And Discussion

Why Gabon? The country is crossed by the equator, has accessibility from the sea, land and air. The population of 1.8 million people, of which 54.6% are under 25 years old, an area of 267.7 thousand km². 50 ethnic groups live in Gabon, more than 30 nationalities live and work together, the urbanization rate is 86%, and literacy is 83%. With access to a regional market with more than 145 million consumers

(ECCAS), Gabon is a real business in Central Africa. A stable democratic country with a genuine culture of the world, a liberal economic system, Gabon pursues a policy of attracting foreign direct investment. Gabon set itself the goal: "the horizon of a developing country until 2025". This target has two axes:

1. The first strategic axis - sustainable development, aims to develop key factors of Gabon's competitiveness through four aspects: sustainable development, management, human capital and infrastructure.

2. The second strategic axis is diversification as a growth factor. The implementation of this program will become a reality only if Gabon succeeds in turning a commodity-based monetary economy (hydrocarbons, wood, mines) into a value-added economy. [one]

Economic trends. The economic situation in Gabon in 2015 and 2016 was difficult, but was supported by numerous reforms that helped to strengthen public order due to the positive dynamics in such sectors of the Gabonese economy as agriculture, education and professional skills, small business, and infrastructure

development. Positive developments in the country's development led to the development of the Gabon Economy Recovery Plan (PRE) in 2017. This plan contains 8 priority sectors and 13 basic development projects that have been budgeted in order to strengthen recovery and foster growth. The inclusion of these projects in the country's budget for 2017 provides a reliable guarantee for the development of potential business relations between various investors and Gabon.

At the end of 2017, various messages received from international donors (AFDB, IMF, World Bank, AFD) inspired hope that allows us to consider the ambitions of the Gabonese state in its three-year economic recovery plan. Alex Segura-Ubierno, deputy head of the Africa Department's Department at the IMF, said at a press conference in Libreville in November 2017: "Some clear forecasts should allow us to diversify the economy" [5].

Gabon is a member country of the Central African Economic and Monetary Community (CEMAC), serving more than 45 million consumers in the Congo, Equatorial Guinea, Cameroon, Chad, the Central African

Republic and Sao Tome. In an effort to strengthen the legal security of business, the country is a member of the Organization for the Harmonization of Business Law in Africa (OHADA) and has signed many international agreements, in particular with the WTO and the World Bank. At the national level, Gabon has an Investment Charter and industry codes that provide many tax and customs benefits for investors [2]. Institutional conditions have been created in the country that are in line with the best international practices, allowing

for the effective coordination of investor support. Fiscal policies are applied to encourage exports and investment in priority sectors.

Tax and customs regulations for investments in Gabon. Value added tax is 18%. Other taxes may apply (e.g. 10% or 5%) depending on the nature of the product. Table (1) provides a comparative study of taxation of companies. Based on this comparison, Gabon takes the longest time to complete paperwork.

Table 1: International comparison of corporate taxation

Indicators	Country (region)			
	Gabon	Sub-Saharan Africa	USA	Germany
Amount of tax payments (year)	26,0	38,8	10,6	9,0
Time required for paperwork in hours	488,0	304,2	175,0	218,0
Total Taxes in % of profit	45,2	47,0	44,0	48,9

Source: Doing Business 2018- World Economic Forum 2017 [2]

Most FDI entering the country is for the oil sector. Total Gabon, Shell and Perenco are both the largest producers of petroleum products and major investors. Mining and forestry also attract FDI. The dominant investment in Gabon is France. Hundreds of French

companies have established subsidiaries in various sectors: oil and other mineral extraction, timber, the agri-food sector, construction, financial services, water and electricity concessions. An international comparison of investment protection is shown in the Table 2.

Table 2: International comparison of investment protection (in percent)

Index	Gabon	Sub-Africa saharan	USA	Germany
Transaction transparency index *	7,0	5,0	7,0	5,0
Manager's liability index **	1,0	4,0	9,0	5,0
Shareholder equity index ***	5,0	5,0	4,0	8,0
Investor protection index****	3,8	4,3	6,5	6,0

Source: Doing Business 2018- World Economic Forum 2017 [2]

Note: * The higher the index, the higher the openness of transactions.

** The higher the index, the more managers are personally responsible.

*** The higher the index, the more opportunities shareholders have to protect their rights. **** The higher the index, the more investor protection is important.

Table 2 shows that the transaction transparency index in Gabon

is 7.0% versus 5.0% in Germany. The shareholder cash ratio is stronger in Germany (8.0%) than in Gabon (5.0%) and the United States (4.0%). Consequently, investor protection is significantly higher in the United States (6.5%) and Germany (6.0%). The development of foreign direct investment in Gabon is shown in the Table 3.

Table 3: Foreign direct investment in Gabon for 2015 to 2017 (Millions of US dollars)

Indicators	Years		
	2015	2016	2017
Inflow of foreign direct investment *	990	241	1498
Volume of foreign direct investment**	6750,3	7991,3	9489,3
Number of investment in new projects ***	1,0	1,0	0,0

Inflow of foreign direct investment in % of VNOK ****	12,5	13,4	n/d
Volume of foreign direct investment in % of GDP	47,2	52,3	n/d

Source: UNCTAD (United Nations Conference on Trade and Development) [8]

Note: * UNCTAD Performance Index is based on the ratio of a country's share in total global FDI inflows and its share in global GDP. ** UNCTAD Potential Index Inside FDI based on 12 economic and structural variables, such as GDP, foreign trade, FDI, infrastructure, energy use, R&D, education, country risk. *** The number of investments in new projects corresponds to domestic subsidiaries. **** Gross fixed capital formation (GFCF). [3]

Gabon amounted to \$ 9.4 billion (70.6% of GDP), which is a constant increase since 2012.

The process of starting a business consists of 7 stages and lasts about 50 days. This duration is linked to an accurate institutional and regulatory framework to guarantee partners and investors in Gabon a reliable and secure contract. It guarantees the reliability of the state, and also studies the sources of financing. These procedures are shown in the Table 4.

In 2017, according to UNCTAD, foreign direct investment in

Table 4: Business creation procedures

Procedures	Country (region)	
	Gabon	Sub- Saharan Africa
Procedures (number)	7,0	7,80
Time (days)	50,0	27,0

Source:

BNP <https://www.tradesolutions.bnpparibas.com/fr/implanter/gabon/investissements> [10].

The Gabonese economy offers a potential investment market with diverse and affluent sectors. Taking into account new ways of world growth, such as a clean or green economy, biodiversity, environmental protection, new products, green products have spawned. Today, one of the advantages of African countries, especially in the Congo Basin, is the exploitation and marketing of products derived from forest conservation. The Gabonese forest covers 80% of the country and covers 22 million hectares. The forest sector is the second largest employer after civil service in Gabon. In 2006, it accounted for 9.1% of exports. The high potential of the Gabonese forest may provide certain economic benefits in the future. Gabon, with its forest, is eligible for a carbon prototype fund managed by the World Bank to finance projects in the green economy. Developing countries are offered a compensation mechanism in exchange for reducing their carbon dioxide emissions from forest loss. The Gabon initiative, adopted in 2002 to create 13 national parks (10.06% of the country's territory), is a factor that will make investment in biodiversity profitable.

Tourism sector. For decades, developing countries have diversified their economies through the development of tourism. An example is Morocco, Tunisia, Egypt. The creation of tourist routes in protected areas would allow the use of the discovery of landscapes and reliefs of remote areas (Bateke plateau, waterfalls, etc.). Data show that the number of tourists visiting Gabon has been increasing since 2000, despite seasonal trends in this sector. By 2030, this number will be estimated at 450 thousand people, which will be 1.5 times more than in 2003. Despite the increase in the number of tourists, revenues from this sector tend to decrease. Therefore, the tourism sector needs investments to have a significant impact on Gabon's GDP.

Given the average cost of 545.15 thousand dollars per tourist, by 2030, Gabon can count on resources of about 245.25 million dollars [11].

Building. In the 1970s, Gabon began gigantic construction work for the railway and preparatory work for the OAU summit. Fifty years after independence, the development of the construction and public works sectors remains an indispensable lever of the

economic boom in a country where the only type of minerals - oil reserves - cannot yet provide double-digit growth rates. Since 2006, the Gabon authorities have decided to invest heavily in infrastructure, including roads, artwork and stadium construction, in order to prepare the African Cup of Nations in 2012. The period 2006–2030 It has prospects to become good for the construction sector, since it will occupy 40–45% of the government's annual investment budget. This may have the ripple effect of attracting FDI in this sector. [9]

Fisheries and agriculture. As part of the African Development Bank (AfDB) fisheries and aquaculture support project, it has become available to the Gabon fisheries and aquaculture sector, CFAF 13 billion equipment to upgrade the sector. The deadlines for the implementation of the PSPA project are set at the end of 2011. The implementation of this project should allow the fishing and aquaculture sector to contribute 4% of GDP, compared to 1.5% at present. In the long run, PSPA should benefit 21,500 operators in this sector, 56% of which are women, and should have a real impact on the position

of 55,800 people. The project covers all 9 provinces of the country.

The mining and oil sectors. Gabon is the second largest manganese producer with 25% of global demand. There are many places that are still not used, including Okondzha in Upper Ogue or Njola in Middle Ogue. France remains the main partner for the exploitation of manganese. Gabon has a mineral that is among the best in the world in quality. The discovery of a new field, whose reserves are estimated at 60 million tons in the south-east of the country, where the French subsidiary ERILET COMILOG planned to produce 3.3 million tons in 2010 against 2.2 million tons in 2009.

As for oil production, it has a new future. The launch of a tender for 42 blocks (110,000 m²) of deep-sea and ultra-deep oil exploration revived Gabon's oil prospects after a steady decline in production over the past two decades by 5% per year. The government of Gabon has developed a marketing plan to convince oil operators in Paris, Houston, Singapore, Canada and London. Already, Total, Shell, Perenco, Addax Petroleum, Maurel & Prom, the Chinese company Sinopec and the

American group Chevron Corporation are interested in purchasing lots. Interest from these and other international oil groups shows growing opportunities, although exploration and operation remain very high [10]

3. Summary And Conclusions

According to the report of the UN Conference on Trade and Development (UNCTAD), the increase in FDI flows to Gabon is explained by the country's new openness policy: active reforms, tax cuts in a number of sectors, new opportunities for diversification in the domestic market. In 2013, several new countries appeared in the ten leading importers of Gabon: Turkey, South Africa and Spain. Now they occupy 7th, 8th and 10th places, respectively, while Great Britain, Russia and Japan have lost their positions. Since 2014, FDI has grown (+ 100% between 2009 and 2014) and reached 5 billion Swiss francs. However, a reduction in investment in African countries in 2015 did not spare Gabon, and investment fell by 62%. The downward trend in commodity prices, which began in 2016, reinforced this process. This was especially noticeable in sub-Saharan

Africa. However, growth was observed in Gabon - mainly due to FDI from China and Morocco.

The country's government should emphasize its comparative advantages, in particular, human capital, a favorable geographical location, incentive rules, easy access to raw materials, undiversified exports and growing purchasing power depending on the level of GDP per capita, estimated at 5500 US dollars in 2030. Gabon also provides real opportunities in several sectors, such as the environment, tourism, mining and oil, construction, fisheries and aquaculture, and wood processing.

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