

Sub-Saharan Report

These reports are by Mr. Ryota Kikkawa, an expatriate employee working in Johannesburg with a view across the region.

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I am Ryota Kikkawa and I will be writing the Sub-Saharan (Africa) Report from this point on (having exchanged places with Mr. Tsunemine in the Sub-Saharan Africa Desk). It is the first time for me to be involved with the sub-Saharan Africa region and its people, so I hope I can at least give you a view from a fresh perspective. The country to be introduced this time is Gabon, or the Gabonese Republic. Gabon is a central African country found directly under or on the equator, with the yellow stripe in the middle of their flag signifying the equator (note 1) (illustration 1) (table 1).



Mr. Ryota Kikkawa
Johannesburg Branch
Marubeni Corporation

In order for the Marubeni Research Institute to acquire first hand information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

Illustration 1: The Gabonese Republic's (Gabon) flag



Table 1: Country Information

Basic Data (2016)	
Population	1.8 million
Land Area	268 thousand km ²
Nominal GDP	\$14 billion
Per Capital GDP	\$19,000
Official Language	French
Religions	Christianity, indigenous, Islam
Currency	CFA franc
Median Age	18.6 years
Major Ethnicities	Fang, Puru, Myene, Teke, Kota
Japanese Residents	73

Sources: IMF, W, CIA, Japan's Foreign Ministry, other

Note: Per capita GDP is on a PPP basis taking consumer prices into account

Gabon's climate is hot and humid. It has a long rainy season running from September to May with the average temperature exceeding 30°C. Its capital is Libreville, a harbor city located on the Gulf of Guinea facing the Atlantic Ocean. Gabon has a population of around 1.8 million, however, due to infectious and other diseases life expectancy is short and as such has a very young population with the majority being under the age of 20. French is the official language of Gabon, while the main staple food is cassava which is said to have been brought to the country by the Portuguese. Meat from various animals is often mixed and boiled with tomatoes and peanuts, etc. In particular, "nyembwe", a Gabonese dish in which meat is boiled in palm oil, is quite famous (picture 1). Recently, maggi cubes used as seasoning in consomme soups is all the fashion.

The Portuguese were the first Europeans to arrive in Gabon in the 15th century and it is said the name Gabon originated from the Portuguese word "Gabao", meaning "cloak". A French explorer arrived in Gabon toward the latter part of the 19th century with Gabon eventually being incorporated into French Equatorial Africa in 1910. In 1960, which is known as the "Year of Africa", Gabon went on to win its independence from France (note 2). Following the death of Gabon's first president,

Leon M'ba (1967), Vice-President Omar Bongo (Ondimba) assumed the presidency and with overwhelming support would go on to serve as president until his death in 2009.



Picture 1: A Gabon specialty, “nyembwe”



Picture 2: 2017 Africa Cup of Nations held in Gabon's Stade de l'Amitie stadium

In the confusion following Omar Bongo's death a highly contested presidential election was held in 2009 in which Omar Bongo's son, Ali Bongo (Ondimba), was declared the winner. However, his approval ratings greatly declined over his 7-year term leading to a turbulent election in 2016 (described below).

In the 2016 election campaign the opposition candidate Jean Ping, who is the product of a Chinese father and Gabonese mother and is highly influential among Chinese immigrants, put up a strong fight against the incumbent Ali Bongo. Although Mr. Bongo was declared the winner, the opposition did not trust the election outcome claiming voting abnormalities and fraud which led to massive protests resulting in some deaths (note 3). The United Nations and EU had appealed for election transparency, however, the Constitutional Court, whose head judge is from the same clan as Mr. Bongo and has strong ties to Mr. Bongo and his family, upheld the disputed re-election of Ali Bongo. The great majority of Gabon's citizens are Christians, while Mr. Bongo is a minority Muslim and he and his father have been in power and have controlled the government over the long-term. As a form of conciliation and appeasement though, Mr. Bongo has been appointing people from Gabon's various ethnic groups to positions in the government including prime minister. Thus, the unrest following the election was relatively short-term and conditions in the country are now stable, however, one must watch the new administration to see if it seeks to remove and eliminate opposition forces in the formation of its cabinet and government

The Gabon economy boasts a comparatively high GDP on the back of ample natural resources. Gabon's per capita income of \$19,000 is about 5 times higher than the average for sub-Saharan countries (\$3,800). In addition to abundant timber (wood) and manganese resources, large reserves of crude oil were discovered off Gabon's coast in the Gulf of Guinea in the 1970s and oil production (also onshore) has continued to be a driver of Gabon's growth ever since. Gabon is the 5th largest oil producer in Africa with an output of 240 thousand barrels per day with its oil sector accounting for 45% of Gabon's GDP and 80% of the country's exports on average over the past 5 years.

However, Gabon's growth rate has been slowing in the wake of stagnant oil prices. Furthermore, the harsh environment engulfing Gabon's oil industry is being furthered by declining oil production. In February of this year the leading French oil company Total announced a partial divestiture of its oil assets in Gabon and in March the UK-Dutch oil major Royal Dutch

Shell sold its oil field interests in Gabon to the U.S. investment firm Carlyle Group. In addition to the declining production of Gabon's onshore oil fields, investment in the development of new offshore fields is languishing against the backdrop of lower oil prices.

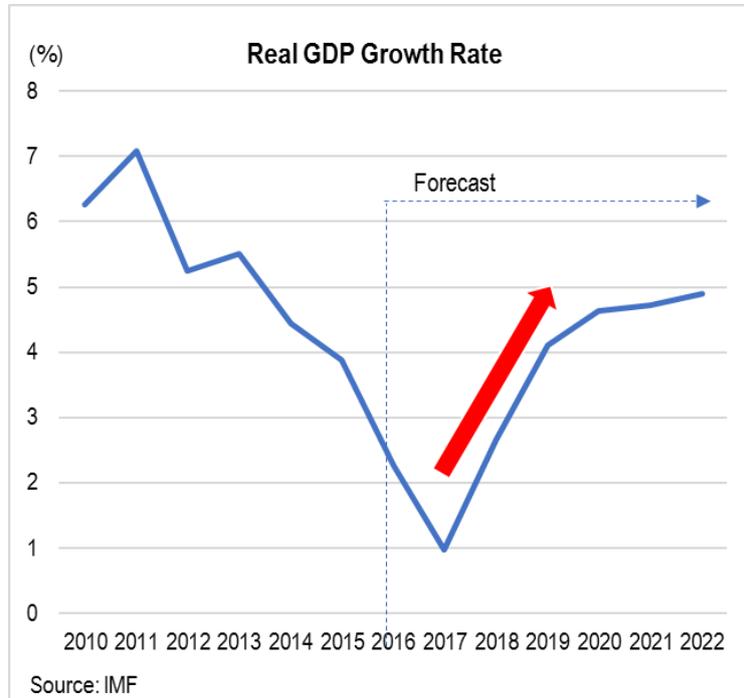
There is also concern over the country's worsening fiscal condition. Due to falling oil prices Gabon suffered its first fiscal deficit since 1998 in 2015 and it is estimated to have deteriorated further in 2016 to around 2.7% of GDP. Gabon has a very high urbanization ratio for an African country, however its lack of and delay in developing rural infrastructure is particularly noticeable. With such problems as income disparity and a shortage of social capital growing, there is significant worry over the adverse long-term social effects fiscal belt-tightening (cutbacks) will have on Gabon as a whole (picture 3).



Picture 3: The streets of Gabon do not have the appearance of wealth

Still, though the Gabon economy has fallen off in recent years it is expected to reach near 5% growth in the mid-term (graph 1). As background to this, the private sector and government are looking to cooperate and focus on non-oil sectors, with expectations that manganese and wood processing, as well as the agricultural, forestry and fishery and service industries will be the driving force of the Gabonese economy going forward.

Graph 1: Real GDP Growth Rate



For example, in 2015 new manganese production commenced in Moanda and Masuku in southeast Gabon with production expected to further increase. Comilog (a subsidiary of the French natural resource major Eramet), which mines manganese in the same region in Gabon, sold its other businesses in Gabon to concentrate on manganese production in the country.

Also, Singapore’s leading agri-business company, Olam, has partnered with the Gabon government to establish a special economic zone to promote the development of palm and rubber plantations (note 4). In addition, with 85% of the country covered by forest, the government of Gabon is promoting a “Green Gabon” policy (sustainable “green” economic development). In addition to the sustainable management of forests, the government wants to promote the use of such forest-related products as bio-mass, among others, and procure funds through carbon credit trading along with other “green” actions. All in all, Gabon is actively trying to attract investment in the environmental field.

Other than these, the Mauritius based company Tropical Holdings has entered Gabon’s fishing sector in partnership with the Gabonese government and further similar types of cooperation and development are hoped for in the fields of mining, agriculture, forestry and fisheries. Blessed with an assortment of natural resources including forests, and sitting on the ocean with an abundance of marine resources, Gabon has a great deal of potential in other areas than the oil producing sector. This is one country I would pay attention to while watching the direction the new government administration takes.

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- Note 1:** *The equator doesn’t pass through Equatorial Guinea, rather it passes through the north part of Gabon.*
 - Note 2:** *1960 was called the Year of Africa because 17 African countries, led by former French colonies, gained their independence that year.*
 - Note 3:** *In looking at voting by province in the 2016 election, Mr. Bongo’s home province of Haut Ogooue was the last province to report, one day late, declaring 100% eligible voter participation (the average eligible voter participation rate was 60% in all other provinces) with Mr. Bongo receiving well more than 90% of the votes (Mr. Bongo won the election by only 1.6%).*
 - Note 4:** *Due to an ongoing dispute with a U.S. and a Gabonese environmental protection-related NGO, Olam may have to refrain from any forest clearing for at least one year.*
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	Marubeni Research Institute	Telephone: 3282-7687 E-mail: ryan-p@marubeni.com
Address	2-7-1 Nihonbashi, Chuo-ku, Tokyo 103-6060, Nihombashi Tower 24 th Floor	
WEB	http://www.marubeni.co.jp/research/index.html	

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