

## CHAPTER II

### THE ECONOMIC STRUCTURE OF THE COUNTRIES OF EQUATORIAL AFRICA AND OF CAMEROON



## 1. INTRODUCTION

Before the 1958 constitutional referendum, French Equatorial Africa was a federation with a certain degree of autonomy and was composed of the territories which, at present, constitute the following countries:

- (i) Gabon
- (ii) Congo-Brazzaville
- (iii) Chad
- (iv) Central African Republic.

These countries each voted a constitution, thus becoming autonomous republics within the French community and in 1960, on the basis of an agreement entered into with France, obtained their independence<sup>1</sup>.

The Federal Republic of Cameroon was, in turn, constituted on 1st October 1961. It consisted of a merger between the area of Southern Cameroon — at present called West Cameroon — and the Republic of Cameroon — now called East Cameroon — which became independent on 1st January 1960. Before being granted political autonomy, these territories were respectively placed under the control of Great Britain and France.

<sup>1</sup> In December 1969, the Popular Republic of Congo adopted a new constitution based on the principles of marxism-leninism. See "Annual Supplement 1970", *Quarterly Economic Review*, London, p. 1.

After independence, the five countries decided to remain in the French franc area and to carry on their monetary union, maintaining a joint Central Bank — *Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun* — and the monetary unit, the franc of the French African Community (CFA) issued by that Bank.

The principles which govern the operation of the monetary system were defined in the co-operation agreement entered into with France. This guaranteed the convertibility of the CFA franc into French francs at a fixed rate of exchange. However, to meet that commitment, France wanted to keep a strict control of the monetary policy of all member countries. However such a system was shown to be out of line with the commitments undertaken by France as member of the EEC with which the countries of the franc area are associated, as it damaged the interests of other European member countries.

In July 1967, new regulations were issued to make the provisions concerning the operation of the French franc area and the needs of the European Economic Community less conflicting.

These new provisions made the CFA franc freely convertible outside the French area. However, this convertibility was subject to prior approval by the French authorities, in the following cases:

- (1) direct investments by non-residents in the area;
- (2) direct investments by those residing outside that area;
- (3) issue and sale of fixed and variable income securities in the franc area;
- (4) debts outside the area;
- (5) imports and exports of gold.

Commercial transactions with foreign countries and non-resident labour were subject to some restrictions, while trade and

customs provisions remained in force. Therefore, the provisions under review accorded privileged treatment to France and also (although to a lesser extent) to the other countries of the Common Market.

Nevertheless, these alterations did not influence the connections between the currencies of the countries in the franc area and the French franc. This is proved by the behaviour of the above countries.

In fact, after the French events of May 1968, these countries imitated France by instituting the control of foreign trade. They acted in an identical manner in September 1968 when the control was re-introduced, and in November 1968 when it was abolished. They were also ready to follow — in August 1969 — the devaluation of the French franc.

The countries concerned also tried to promote — in a different manner — the integration of their economies. In 1959, the first four countries of French Equatorial Africa had in fact established the Equatorial Customs Union (*Union Douanière Equatoriale*). In 1961, the Republic of Cameroon, that is, East Cameroon, also joined this Union which, on 1st January 1966, was modified and extended to the whole Federal Republic of Cameroon.

The new customs and economic Union of Central Africa (*Union Douanière et Economique de l'Afrique Centrale* - UDEAC) aimed at harmonising the customs, fiscal and investment policies. The harmonising of policies as regards investments had to be promoted through regular consultations by means of a code of investment covering all the countries and by instituting a single tax (*taxe unique*) on locally made products, even when sold in other Union countries. The proceeds of the tax — applied to a

certain product — had to be divided among the member countries in proportion to the quantities consumed by each<sup>1</sup>.

On 31st December 1968, Chad left the UDEAC to establish, with Zaire, the Union of the States of Central Africa (*Union des Etats de l'Afrique Centrale* - UEAC) with a similar object to that of the UDEAC. However, the UEAC continues to exist almost only on paper.

The organisation of the UDEAC is based on three separate bodies:

- (1) the Council of Heads of State;
- (2) the Executive Committee;
- (3) the General Secretariat.

The Council of Heads of State meets twice a year, draws up general rules of the Union's policy and decides — in the last resort — on matters within the capacity of the Executive Committee.

The Executive Committee, within the powers granted to it by the Council of Heads of State, fixes the common customs duties and makes other decisions regarding the harmonisation of industrial projects, development plans and transport facilities. The Committee is composed of the Ministers of Finance and the Ministers for Economic Development of the member countries.

The delegation of each country can not be assisted by more than four experts.

The duties of the General Secretariat of the Union are performed by a Secretary, who is assisted by clerical staff. The Secretariat is situated in Bangui, the capital of the Central African Republic.

<sup>1</sup> On this topic, see International Monetary Fund, *Surveys on African Economies*, Washington, D.C., 1968, p. 3.

All imports by member States of the UDEAC are subject to a common tariff, as follows:

- (1) a customs duty for goods imported from countries not belonging to the Community and from those who are members of the original Organisation of African States and Malagasy for Economic Co-operation<sup>1</sup>;
- (2) an import duty;
- (3) a turnover tax.

The last two items apply to all imported goods, irrespective of their origin. The income resulting from the application of the customs tariff on imports is payable to the countries of destination of those imports. For this purpose, different accounts are held for each country.

The rates concerning the customs duty vary up to 30% of the CIF value of the merchandise<sup>2</sup>. Generally, minimum rates apply to goods which are considered as essential and which are not produced within the Union, such as capital goods, spare parts and pharmaceuticals. The highest rates apply to motor cars, radios, refrigerators, heaters, clocks and many textiles.

The rate of the import duty — which sometimes reaches as much as 26%<sup>3</sup> — generally applies to the CIF value of the imported goods.

<sup>1</sup> These countries were the following: Cameroon, Central African Republic, Chad, Congo, Dahomey, Gabon, Ivory Coast, Republic of Malagasy, Mauritania, Niger, Senegal and Upper Volta.

<sup>2</sup> Three times higher rates may be applied to imports from countries not applying the treatment of the most favoured nation to members of the Union.

<sup>3</sup> It should be pointed out, however, that the normal value of this rate is about 20 per cent.

On the other hand, the tax on turnover is calculated on the value of the imported goods, in addition to the fiscal tax according to the aforementioned rates. This is fixed on the basis of a uniform rate, which is equivalent to 10%, whereas the taxing of exports is still a prerogative of the individual countries. However, the agreement lays down that, in this matter, member countries will hold regular discussions on a bilateral or multilateral basis.

The distribution among the individual countries of the revenue collected is carried out quarterly<sup>1</sup>.

The circulation of goods within the area is free from any import duty, except in those cases where — in the first importing country — the percentage of the additional tax is lower than that prevailing in the country of destination of the imports.

Furthermore, when the Customs Union was instituted, a solidarity fund was also created for the purpose of compensating inland countries for the advantages coastal countries would derive from transit trade. This system was also approved by UDEAC and is fed every year with funds reversed — on a fixed basis — from the customs revenue<sup>2</sup>.

To harmonise fiscal and investment policies inside the Union each member country accepted:

- (1) not to modify unilaterally the criteria of determination of the items subject to payment of tax on industrial and commercial profit, tax on dividends and turnover tax;

<sup>1</sup> That is, the revenue resulting from the application of customs duties and turnover tax.

<sup>2</sup> For instance, in 1968 it was determined that:

- Cameroon and Congo would contribute 500 million CFA francs each;
- Central African Republic and Chad 300 million CFA francs each;
- Gabon 250 million. 65% of the total available was assigned to Chad and the balance of 35% to the Central African Republic.

- (2) not to change the percentage of these taxes or that on salaries, wages or other income without prior consultation with the other member countries. Finally, it should be noted that the single tax system, introduced at the time of UDE, was maintained under the UDEAC.

The single tax, applying to manufacturers whose market includes at least two Union countries, is a production tax which is calculated on the value of the products at the time they leave the factory.

This single tax constitutes all the indirect taxation levied on either of the factors of production or on the products themselves. The rates of these taxes — which are rather lower than those applying to imported goods — favour local industry.

During a transition period ending on 1st January 1972, the percentage of the tax under appraisal might vary from company to company and had to be fixed by mutual agreement between the authorities of the country where the goods were produced and those of the countries in which they were sold. The proceeds of the tax were collected by the country where the company was situated and were received by the Treasury of the State in which the product was consumed. Therefore, producers and wholesalers had to declare the destination of the goods sold to the customs offices collecting the tax. Finally, the five member countries — in order to promote investments and facilitate the inflow of private foreign capital — adopted on 4th December 1965 a convention which specified the provisions to be included in the relative national investment codes. These codes detailed the fiscal reliefs and all other facilities which the national and foreign companies investing in certain spheres of production may enjoy.

The convention lays down four methods of preferential treatment. The companies will be allowed to choose any of them

according to the amount of the proposed investment, and of the contribution made by them to the process of capital accumulation and to the development of the country.

The preferential treatments of the first and second type are directly granted by the national governments, whereas those of the third and fourth type are granted by the Executive Committee of the UDEAC by proposal of the governments concerned.

The first method is applied to the companies whose production covers the territory of a single member country. The main privileges it envisages are as follows:

- (1) exemption from or reduction of the percentage (under 5%) of the import duties on the raw materials and capital goods necessary to the beneficiary companies for a period of up to ten years;
- (2) exemption from or reduction of the turnover tax for a period of up to ten years;
- (3) exemption, for a period of five years, from the tax on profits of the company.

The second method is only granted in respect of investments of a substantial amount, which may be considered of capital importance to the development of the individual country. With such treatment the companies are assured that for a period of twenty-five years the relative percentage of the levies may not be increased. Moreover, they may be fully or partly granted fiscal privileges in accordance with the first system of preferential treatment.

The third method is applied to those companies whose activity concerns at least two countries of the Union. Those companies are taxable only on the basis of the single tax system. In addition, they may be granted privileges similar to those foreseen by the first type of preferential treatment.

Finally, the fourth method — although similar to the third — extends the nature of the privileges which, at the discretion of the Executive Committee of the Customs Union, may be granted to encourage the investments considered essential to the economic development of the Union.

Protection against foreign competition, priority in the allocation of foreign exchange, and in the financing granted by the credit institutions and in government contracts, may be extended to the beneficiary companies.

Further progress in harmonising the investments will largely depend on the elimination of infrastructural deficiencies and on territorial balance.

In spite of the scarcity of statistical data, it seems possible to state that economic progress in the various countries of Equatorial Africa was remarkably erratic during the period under consideration. This was also due to the different influence of agriculture on the national economy whose development has been generally slow.

In fact, the countries in which farming produce constitutes the main part of the gross national product, as, for instance, Chad and the Central African Republic, economic expansion was almost negligible. The data available show that the gross national product in real terms developed at a rate no higher than the growth of the population<sup>1</sup>.

On the other hand, in the areas where a quick exploitation of mining resources and a sharp increase in the sales of timber as in Gabon, or a considerable expansion in the industrial sector,

<sup>1</sup> See "Former French Equatorial Africa", *Quarterly Economic Review*, p. 5 and *Surveys of African Economies*, *op. cit.*, p. 4.

as in Cameroon, was noted, the annual rate of development of the gross national product at current prices was satisfactory<sup>1</sup>.

Since the object of this essay is mainly to examine the banking system of Gabon, it is considered useful, for a better understanding of the part played in it by the Central Bank, to appraise systematically the main features of the economic systems of the countries concerned.

## 2. NOTES ON THE ECONOMIC SYSTEM OF CAMEROON

The agricultural sector contributes considerably to the formation of the gross national product and to the foreign exchange earnings of the country. In this regard, however, it should

<sup>1</sup> On this subject, it will be useful to refer to the sources previously quoted and to IMF, *International Financial Statistics*, August 1971, p. 122-123 and 130-131. In particular, it should be stressed that between 1964 and 1970 the gross national product of Gabon increased by 11.4% yearly and by 9.6% in the 1968-1970 sub-period. The increase recorded in the latter corresponds, in absolute terms, to a raise in the value of the economic quantity concerned from 75.1 to 91.1 billion. Of the latter, 71 billion consisted of the added value of the companies, 8 billion of import duties and taxes, 8.6 of salaries and social security expenses, 1.7 of interest, commission and insurance premiums received by financial institutions, 1.1 of rents and 0.7 of wages paid to the staff. In 1968, however, the distribution was as follows: 60 billion of added value of the company, 5.8 of taxes, 6.6 of salaries. In that year, 49.7% of the added value, equivalent to 20,313 million CFA francs, was absorbed by the labour factor, or to be more precise, 32.3% as wages and 16.4% as profit of individual employers. Still in the same year, the remuneration of the capital factor was equivalent to 21,498 millions and to 35.2% of the added value, whereas that of the public operator — at the net value of the revenue from customs duties on imports — was equivalent to 16.2%. Therefore, in the period from 1968 to 1970 family incomes raised — in absolute values — from 28,802 to 40,135 millions and — in relative values — by 39%. This fact is undoubtedly due to the sharp increase in salaries during the last four years of about 59.1%. Finally, it should be noted — at the end of these short comments — that 60.1% of the family incomes are received by African families. See *Deuxième Plan de Développement du Gabon*, p. 13-129—13-130.

be emphasised that, in relative values, the contribution of the sector under review decreased from 73.63% in 1965 to 69.71% in 1969.

Production was highly diversified both with regards to the goods exported and those consumed locally. Moreover, the different composition of the items consumed by the rural population and by the urban population should be taken into account.

In fact, while the rural population predominantly consumes local products, those living in the cities prefer by far foreign foods and drinks <sup>1</sup>.

The modern section of farming produces goods intended for export, whereas the traditional one — which covers a much larger area — supplies goods for the home market. Recently, the Government has tried to favour an increase in the productivity of this sector, endeavouring to promote in different ways the establishment of agricultural co-operatives.

Exports are concentrated in the first half-year and consist of cacao, coffee, cotton, bananas and rubber. As regards cacao and coffee, the Government adopted a policy of guaranteed prices.

In West Cameroon, that policy is administered by the Marketing Office and in East Cameroon by stabilization funds. At the commencement of every production season, the Government, by presidential decree and according to the proposal of the above authorities, fixes the guaranteed prices by taking into account the stocks available, production forecasts, world price trends and financial resources available to both funds and to the Marketing Office. The greatest difference between them is represented by the fact that the Marketing Office takes the burden of marketing the products,

<sup>1</sup> It should be pointed out that the consumption of these items resulted in imports of significance. In fact, in relative values, between 1968 and 1969, they fluctuated between 35.78% and 35.52 per cent.

whereas the stabilization funds operating in East Cameroon are restricted to receiving or granting contributions, according to whether the average prices obtained by the exporters are higher or lower than those guaranteed.

As regards cotton, a French company, *Compagnie Française pour le Développement des Textiles*, holds the monopoly of exports in the east, whereas in the west, a similar position is held by the Cameroon Development Corporation, a state company which handles most of the produce.

Bananas are sold directly by producer co-operatives, whereas rubber is marketed by two main producer companies, namely *Société Agricole et Forestale Africaine*, in East Cameroon, and the Cameroon Development Corporation, in West Cameroon.

Therefore, it can be noted that marketing of the export, except bananas, is substantially effected by European companies in the east and by state companies in the west.

However, the marketing of farming produce for national consumption is effected by private companies.

The flow of the offer is irregular and prices are subject to considerable seasonal variations.

Forestry plays a comparatively negligible part towards the gross national product and customs revenue. In fact, foreign exchange earned from this source has of late amounted to about 7.03 per cent.

Small density of the forests and high freight costs are the factors which have mostly hindered the exploitation of the above resources, which may still be considered as partly intact.

However, the immense investments made by the Government in roads and railways permit to forecast future significant developments.

The mining sector has little importance. However, in the northern areas bauxite and iron deposits have been recently discovered, the valuation of which depends on the extension of the Trans-Cameroon railways.

To the contrary, the industrial sector plays a considerable part. The main industrial activity is connected with the processing and production of aluminium. The plants are concentrated near Duala and handle the bauxite imported from Guinea. Customs revenue obtained with the export of the above products remained essentially steady in absolute values and decreased in relative values. In fact, it declined from 15.88% in 1966 to 9.42% in 1969. However, in 1970/1971 there was an increase of about 15% in the production of the *Alucam* plants. That increase was due to the launching of the *Mbakan* dam, which supplied the power they previously lacked.

Moreover, there are many companies engaged in the processing of farming produce, such as SOSUCAM, which produces sugar partly from locally grown cane and partly from cane imported from Congo-Brazzaville — and produces consumer goods, such as shoes, garments, detergents, beer, soft drinks and cigarettes.

The power produced is insufficient to cover the needs of the country and is mostly under the control of foreign operators.

The transport network, notwithstanding the remarkable improvement in quality and quantity of the last ten years, is still insufficient. The only navigable river is the Benué, which connects the northern part of the country with Nigeria in some months of the year. The railway line between Belabo and Nkongsamba <sup>1</sup>

<sup>1</sup> Financing of \$ 43 million has been obtained from different sources to connect Belabo with Ngooundere. Work should be completed in 1974. The line concerned, the Trans-Cameroon, should connect Cameroon with Chad and the Central African Republic. On this subject, see "Former French Equatorial Africa", *Quarterly Economic Review*, No. 2, 1971, p. 7.

is particularly important. Among the ports, Duala is the most important. However, it is insufficient to cope with the requirements of the country, so it is necessary to build a new port and modernise the existing one<sup>1</sup>.

Trade exchanges with UDEAC countries tend to increase. During the period 1965-1969 the relative importance of imports and exports in the above countries varied from 1.24% to 5.11% and from 2.78% to 4.74 per cent.

As regards import and export channels, a considerable dependence on France is still to be noted.

### 3. STRUCTURE OF THE ECONOMIC SYSTEM OF THE CENTRAL AFRICAN REPUBLIC

In this country, farming accounts for most of the gross national product and is also the main source of foreign exchange. 45% of the latter has indeed been derived from the above sector of late. Cotton and coffee are the main crops exported and represent the most important source of income.

Cotton is grown in almost all parts of the territory by small local companies. On 1st November 1964, the Central African Cotton Growers Association was granted a monopoly for the purchasing, processing, transport and sale of cotton, transactions which were previously carried out under the system of monopoly by three private companies: *COTONAF*, *COMOUNA* and *COTONBANGUI* which were granted a 54% share in the capital of the said association. 40% of the balance was subscribed by the government of the Central African Republic and 6% by: *Compagnie Française pour le Développement des Textiles, Bureau*

<sup>1</sup> See "Former French Equatorial Africa", *op. cit.*, No. 3, 1970, p. 6 and "Annual Supplement", *Quarterly Economic Review*, 1970, p. 12.

*pour le Développement des Textiles* and *Bureau pour le Développement de la Production Agricole*. The Association is bound to buy all the cotton offered to it at prices which are fixed by the Government at the commencement of every season. 80% of any profits must be distributed to an independent body, styled Cotton Stabilization Fund and 20% allocated to the improvement and development of cotton growing. Any loss is sustained by the said Fund. That body is managed by a Board composed of a Government representative and representatives of the growers and of the Association, which has the function of carrying out the Government policy within its own sphere. Should its financial resources be insufficient, then the Government must intervene.

Coffee is grown in the western areas of the river Bangui. It is predominantly grown in plantations owned by large trading companies which export directly, and by small local mills which sell their crop to farming co-operatives, which, in turn, resell it to export companies. Every year the Central African Republic is allocated, in accordance with the decisions of the International Coffee Board, in which it participates through OAMCAF, a certain volume of exports, subject to some modifications, according to the movement of prices on the world market<sup>1</sup>.

The local purchase price is fixed every week by a committee composed of the director of the stabilization fund and representatives of the coffee growers and exporters. Every year a maximum and a minimum purchase price is fixed. Whenever the weekly current prices are either higher or lower than the fixed prices, the stabilization fund must intervene to bring the prices received by the growers within the agreed limits.

<sup>1</sup> On this point, see BCEAEC, *Rapport d'activité pour l'exercice 1966/1967*, p. 70.

The statutes of the fund do not contemplate the granting of Government subsidies and its revenue is derived from the collection of a special tax on coffee exports. Its functions, in addition to price control, include the improvement of productivity by means of:

- (i) diffusion of the best growing methods;
- (ii) use of fertilizers and insecticides;
- (iii) selection of plants.

However, at the end of September 1970, the President of the Republic, in view of the decrease in production of some items, announced the dissolution of the former marketing bodies and their replacement by a national office for marketing farming produce.

The new department should deal with the export, storage, harvesting, transport and processing of farm produce and fix the prices to be paid to the growers<sup>1</sup>.

Since 1967 forestry has shown a remarkable development in productivity. In fact in only three years production increased from 60,000 cubic metres to 300,000 cubic metres<sup>2</sup>.

As a result of substantial investments effected in this sector<sup>3</sup>, further progress should be made in the future. However, this will depend, at least partly, on a considerable improvement in

<sup>1</sup> See "Former French Equatorial Africa, Cameroon, Malagasy Republic", *Quarterly Economic Review*, No. 4, 1970, p. 5.

<sup>2</sup> See "Former French Equatorial Africa", *op. cit.*, No. 3, 1970, p. 8.

<sup>3</sup> In 1970, an agreement was entered into between Slovenijales of Ljubljana and the Central African Republic for the establishment of a company whose activity during the next 30 years should consist in systematically exploiting 400,000 hectares of forest. The initial capital will be \$ 2 million contributed by the two parties in equal shares. See "Former French Equatorial Africa", *op. cit.*, No. 2, 1970, p. 7.

the transport network. The importance of this sector for the economic development of the country is also confirmed by the policy adopted by the Government *vis-à-vis* the foreign companies. In fact, while a rather progressive policy was followed as regards other foreign operators, new exploitable areas were allocated to timber trade companies on condition that they should reinvest part of the profits in establishing new saw mills or in building new roads<sup>1</sup>.

Mining, particularly diamond mining, constitutes the main source of revenue of the country, accounting for almost half of foreign exchange earnings.

Up to 1968, 85% of the diamonds were extracted by individual prospectors. A large part of the production of the mining companies was contributed by Diamond Distributors, Inc., a US company which controls *Centromines*, *N'Zacko* and *SAM*. At the beginning the purchase and export of diamonds was entrusted to private trading companies. In 1966, the Government established a diamond national body which in turn entrusted Diamond Distributors, Inc. with the creation of a consortium in co-operation with the other companies entitled to export directly the diamonds, in view to marketing the production of the individual prospectors. Diamond Distributors, Inc., and their associates, in return for the licence obtained, had to pay the Government 40% of their trading profits.

In 1969, because of the disagreement between the Government and the foreign diamond mining companies on the terms for the renewal of the licence for trading in diamonds, the latter were no longer allowed to operate on the territory of the

<sup>1</sup> See "Former French Equatorial Africa", *op. cit.*, No. 4, 1970, p. 6.

Republic<sup>1</sup>. However, the sharp reduction in exports persuaded the political authorities to reconsider their decision and to grant the foreign companies licence to operate again.

In 1972, the mining of uranium deposits in Bakouma, which are expected to produce 500 tons per annum of concentrate, should start. However, the exploitation of the mining potential of the country is subject to the improvement in the transport network.

The industrial sector is not much developed and is almost exclusively restricted to processing primary products. There are also companies engaged in cotton weaving, shoe-making, manufacture of detergents and bottling of beer and soft drinks. Their activity, however, is made difficult by the shortage of roads and cheap power. The transport sector is very deficient. The country has no railway lines and the most important river, the Oubangui, is navigable only south of Bangui.

The most important route for the transport of goods is the transequatorial route, leading from Bangui to Brazzaville by river and from Brazzaville to Pointe-Noire by railway.

An alternative route could be the one connecting Bangui with the railway line Yaoundé-Duala. However, the latter route is not competitive compared with the former.

The volume of trade with the African countries not belonging to the UDEAC is quite negligible. Unfortunately, no data are available on the volume of trade with UDEAC countries. Only for 1969, when Chad left the Union, are the said data available. In that year, the imports from Chad were completely negligible and did not reach 0.50% of the total, whereas the exports — a

<sup>1</sup> See "Former French Equatorial Africa", *op. cit.*, No. 2, 1971, p. 9 and No. 4, 1970, p. 7.

little less than 4% — represent more than 60.39% of the exports to African countries.

Between 1967 and 1969, the imports from the franc area decreased from 62.07% to 57.89%, whereas exports increased from 42.88% to 54.99 per cent.

The amount of trade with countries not belonging to a monetary area improved tremendously, amounting in 1969 to 30.75 per cent.

Imports from the sterling area also increased in relative values from 3.46% to 6.14%, whereas imports from the dollar area remained practically unchanged decreasing slightly from 5.29% to 5.21%. Exports to the dollar area however showed a sharp downturn. In fact, they declined from 30.04% to 8.85%. On the other hand, exports to the sterling area increased from 3.55% to 5.44 per cent.

It may be stressed therefore that, as regards import and export channels, there is a strong dependence on France.

#### 4. STRUCTURE OF THE ECONOMIC SYSTEM OF CHAD

Chad is probably the country with the least diversified economic system and with the largest subsistence sector.

Cotton is by far the main source of foreign exchange, itself accountable for 80%. The purchase, processing, transport and the export of cotton was entrusted by the Government to the *Société Cotonnière Franco-Tchadienne* (COTON.FRAN). On this point, the criteria to be adopted for the calculation and distribution of profits and losses between the company and the Cotton Stabilization Fund have been specified. According to these criteria, COTON.

<sup>1</sup> This drastic reduction is very likely to have been caused by the withdrawal of the licence granted to Diamond Distributors, Inc.

FRAN must buy all the cotton offered to them at prices fixed by the Government at the beginning of each season. However, for the calculation of the purchase price, it was agreed to adopt a price which is equivalent to 17% of the average FOB price of seedless cotton, net of taxes and export duties. When the price is higher than that agreed, the Fund repays the difference to the company and vice versa. When the Fund is unable to meet its commitments, the Government is bound to intervene<sup>1</sup>.

The export of gum arabic decreased, in relative values, from 1.67% in 1967 to 1% in 1969. Purchase and export operations are the monopoly of the *Société Nationale de Commercialisation du Tchad* (SONACOT).

Cattle rearing and fishing play an important part in the national economy and account for 12.63% of the value of exports. In particular, the export of meat is of considerable importance accounting for 8.52% of the above sources. In spite of the fact that the country has available some thirty slaughter-houses, the most important of which are those of Fort-Archambault and Forche (Fort-Lamy), the increase in production and export is essentially due to the activity of the latter. Recently, the output of these plants has become clearly inadequate and it is essential to modernise and expand them. The main importing countries are Congo-Kinshasa, Congo-Brazzaville and Gabon. These countries absorb 95% of the exports from Chad<sup>2</sup>.

<sup>1</sup> In April 1971, an agreement was entered into between COTON.FRAN and the Government. Under this agreement, a new company was established, namely COTON.TCHAD, to which the processing and trading of cotton will be entrusted under a monopoly system. The capital of the latter is subdivided as follows: 45% is contributed by the Government, 30% by COTON.FRAN and 17% by CFDT (*Compagnie Française pour le Développement des Textiles*).

<sup>2</sup> See BCEAEC, *Bulletin Mensuel*, December 1970, p. 758.

The latter country has no mining resources. It should, however, be pointed out that its territory has not yet been intensively prospected.

The industrial sector is scarcely developed and environmental conditions are not favourable to its rapid expansion. At present, some 20 cotton mills, about 30 slaughter-houses, a sugar mill, a company for the production of textiles, a brewery, a cigarette factory and other small plants are operating.

Production of power is scarce and expensive. Transport is also inadequate and costly. These are regarded as the main obstacles for the development of the country. Rain paralyses internal transport for six months of the year and communications with the rest of the world are made difficult and very expensive because of the great distance from the sea. In the north transport is on camelback. Rivers are partly navigable and only for a few months of the year. There are no railways<sup>1</sup>. For commercial transport, the most economic route is that provided by the Benué river, but this is only used from Garoua, in Cameroon, for a few months of the year.

The other routes are:

- (i) the Nigerian route, leading from Fort-Lamy to Maiduguri, in Nigeria, and from Maiduguri to Port Harcourt by railway. It is likely that in the future Chad will resort to it more intensively, particularly for imports;
- (ii) the transequatorial route leading from Fort-Archambault to Pointe-Noire, via Bangui. Transport by these routes is excessively expensive and also very slow.

Trade exchange with Equatorial Africa is consistent. Imports from that area represent about 18.30% of the whole imports,

<sup>1</sup> The building of a railway line between Fort-Archambault and Belabo is planned.

whereas exports, although considerably reduced, continue to account for 6.75% of the total. Even the amount of inter-African trade is of considerable relative importance, being equivalent to about 34.52% for imports and 15.09% for exports.

As usual, the most intensive trade is with the countries of the franc area. Imports, although decreasing in relative value, remain at a considerable level. In fact, during the period 1967-1969 they showed a decrease from 64.07% to 56.32%. Exports increased substantially, from 64.39% to 89.76%. Trade with the dollar area generated almost exclusively imports, which decreased from 7.78% to 6.53% of the total value. Imports from the sterling area increased from 6.68% in 1967 to 16.56% in 1969, whereas those from countries outside any monetary area decreased from 21.47% to 20.58%. Exports to these two areas showed a considerable reduction, decreasing from 11.70% to 4.75% and from 23.85% to 5.44 per cent respectively.

##### 5. STRUCTURE OF THE ECONOMIC SYSTEM OF CONGO-BRAZZA-VILLE

The economy is sufficiently diversified. Except for palm, sugar cane and tobacco, which are grown in modern plantations by *Société Industrielle et Agricole du Niari* (SIAN), *Société Sucrière du Niari* (SO.SU.NIARI) and *Service Français d'Exploitation Industrielle de Tabacs et Allumettes* (SEITA), farming is carried out on small family holdings. However, in 1970, the two French companies, SO.SU.NIARI and SIAN were nationalised. The most important export item is sugar. In this connection, it should be noted that a significant part of the exports — those directed to UDEAC countries — is not statistically recorded. Taking this into account, it should be pointed out that the relative

importance of the exports of farming produce declined sharply from 17.84% in 1967 to 12.51% in 1969. Sugar contributed respectively by 12.56% and 8.10%. The other exports were coffee, cacao, palm oil and tobacco.

Two public institutions handle the trade of these products, namely the National Office for Agricultural Marketing and the Rural Production Supporting Fund.

The Marketing Office holds the monopoly of the export of some products and is entrusted with the purchase of the products offered and with the development of farming. The Supporting Fund has in turn the function of price control.

Forestry represents the main source of foreign exchange, although considerable areas, with a high potential value remain still untouched for lack of transport<sup>1</sup>.

Much of the production is handled by large European companies. Foreign currency obtained from the export of the products concerned increased from 42.28% in 1967 to 63.22% in 1969. It should be noted that whilst in 1967 33.88% of the above exports was made up of processed timber, in 1969 this source represented only 21.48 per cent.

Up to 1969, mining was almost exclusively represented by diamonds. However exports of this product decreased sharply in a matter of just 3 years, dropping from 33.63% to 14.77% of the total national exports. The starting of the extraction of the Hollé potassium deposits was a remarkable event. The extraction of these deposits is carried out by Congo Potash Company, whose capital is owned 15% by the Government and 85% by Alsace

<sup>1</sup> The Ouessou fluvial port on the Sengha river in the north was opened in 1970. As a result of this improvement in communications, the annual export of timber from the Sengha area is expected to increase by 130,000 tons. See "Former French Equatorial Africa", *op. cit.*, No. 9, 1970, p. 13.

Potash Mines. The potential annual production is estimated at about 800,000 tons<sup>1</sup>.

The production of electric power is obviously insufficient to cover national requirements.

The industrial sector is fairly developed. At present, 90 industrial plants are operating in Congo, most of them around Pointe-Noire and Brazzaville. The total turnover of these companies is estimated to be over 18 thousand million CFA francs. This constitutes an increase of about 20-25% as compared with 1967. This development is ascribed to a further increase in internal demand and to new selling opportunities to other UDEAC member countries.

Congo holds a fundamentally important position in the system of transequatorial transport, connecting Chad and the Central African Republic with the Atlantic Ocean.

The railway system consists of the Brazzaville-Dolisie-Pointe-Noire and M'Binda-Dolisie branches. The latter is of basic importance for the export of manganese from Gabon as being connected to the cable railway Moanda-M'Binda allows transport of the said ore to the coast. However the adequacy of railway transport has been shown to be insufficient. It is believed that the two-year programme of development which has been drawn up may improve the transport capacity of Congolese railways by 40 per cent.

The system of fluvial communications becomes particularly important. Rivers constitute the major lines of commercial traffic with the north and the Central African Republic.

The most important ports are those of Brazzaville and Pointe-Noire.

<sup>1</sup> It should be noted that two iron ore deposits were also discovered in the north of Brazzaville. See "Former French Equatorial Africa", *op. cit.*, "Annual Supplement", 1970, p. 10.

The roadway network is hardly developed and this creates difficulties for the economic development of the country.

Trade with the other African countries<sup>1</sup> has become increasingly important. Imports are mostly from countries belonging to the franc area. During the period 1967-1969 they have been reduced from 58.74% to 55.49%. Imports from other areas are negligible, excepting those not belonging to any monetary area which showed a variation from 33.31% to 26.66 per cent.

Exports are on the contrary mainly directed to countries not belonging to any monetary area, the franc and the sterling areas. In fact, the first varied from 61.37% in 1967 to 63.41% in 1969, the second from 15.79% to 21.83%, and the last from 20.64% to 12.53 per cent.

## 6. STRUCTURE OF THE ECONOMIC SYSTEM OF GABON

Gabon has a comparatively developed system, with two predominant sectors: forestry and mining. Farming holds a very modest position. In this sector the labour is mainly supplied by women. Man hunts, cuts wood and builds the home; woman tills the land, sows and cultivates, harvests and carries the crops. Only in those areas where perennial plants have been grown for a long time do men carry out important farming work and derive monetary income from it<sup>2</sup>.

<sup>1</sup> No records are kept of trade between Cameroon, Gabon and the Central African Republic. According to information available, however, the relative importance of inter-African trade should be higher.

<sup>2</sup> It should be noted that more than 90% of the added value in the farming sector — equivalent to 8,175 million CFA francs in 1968 — is generally self-consumed. See *Deuxième Plan Quinquennal 1971-1975 du Gabon*, *op. cit.*, p. 13-128.

The main exported farm products are cacao and coffee<sup>1</sup>. The amount of these exports is, however, negligible, as it is only slightly over 1.50% of the total value. The trade in these products — excluding the area of Woles-N'Tem, where 95% of the production of cacao originates and where it is in private hands —<sup>2</sup> is carried out by the National Office for Agricultural Trade (ONCA)<sup>3</sup>.

Price support is exercised by the Department of Economic Affairs of the Ministry for Agriculture, which acts through the Fund for Stabilization of purchase prices of all farming products other than cacao for which acts the Fund for the Stabilization of cacao prices. The National Office for Agricultural Trade also

<sup>1</sup> The production of cacao, which for many years was kept at about 1,400 tons, reached about 5,300 tons in 1970/1971. However the actual figure is higher since about 1,000 tons is smuggled into Equatorial Guinea. The growers' income showed a sudden increase, from 420 millions in 1969/1970 to 500 millions in 1970/1971. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-136.

<sup>2</sup> In the above area, cacao is marketed by two commercial companies (SHO and CCHA) which have available a network of intermediaries exporting through the ports of Douala and Kribi in Cameroon. It should also be noted that in the area concerned, the task of developing the production of these items was entrusted in 1967 to BPDA. This was financed by the Stabilization Fund and up to 1971 by FAC. The activity of that company was intended to re-open to traffic, in the four-year period 1969-1972, 750 kilometres of roadways for the transport of cacao and the carrying out of phytosanitary treatment. In the same territory coffee is not traded officially but is smuggled into Guinea where it benefits from considerable overpricing. It should be emphasised that the technique of fixing a single purchase price for all cacao growers — ignoring the quality of the product — entailed a deterioration of standards. To remedy this situation, in 1971 the export of cacao containing more than 11% defective beans and more than 16% non-fermented beans was forbidden. See République Gabonaise, *Plan de Développement*, *op. cit.*, p. 226, and *Deuxième Plan Quinquennal 1971-1975*, *op. cit.*, p. 13-137.

<sup>3</sup> Coffee trade, after the decree of 19th January 1971, is no longer the monopoly of ONCA. However the latter owns small coffee mills at Bououé, Makakou, Lastourville, Franceville, Okandja and Mbigou. See *Deuxième Plan Quinquennal 1971-1975*, *op. cit.*, p. 13-137.

ensures the marketing of all other products, whenever there is shortage of participation in the private sector<sup>1</sup>. Trade in foodstuffs is completely unsatisfactory and is, at least to a large extent, attributable to the changes in the tastes of consumers. Those changes caused a steady increase in the demand for foodstuffs of the European type.

The sectors of fishing and cattle rearing are scarcely developed. There are no big fisheries despite the richness of sea and lake waters<sup>2</sup>. Only recently an agreement was signed with a Japanese company, Hawokami, for ascertaining and exploiting such resources<sup>3</sup>.

Even fishing in rivers, lakes and ponds has so far given no satisfactory results, despite the Government's technical and financial assistance. Cattle rearing was started in 1960. SO.GEL. owns, in the district of Tchibanga, the only industrial farm with 3,500 animals in an area of 70,000 hectares. In addition, the *Société*

<sup>1</sup> In addition to coffee and cacao, rice and palm oil plantations should be mentioned. The production of rice is quite insufficient to cover the requirements of the Gabonese population. For instance in 1970 2,500 tons were imported. The palm oil plantations cover only 1,200 hectares out of 10,000 planned in 1960. These were cultivated by PALMEVEA and SO.GA.BOL. The limited dimensions of these plantations make their management uneconomical. Recently PALMEVEA entered into an agreement with Unilever to continue its activity for four years. See *Deuxième Plan Quinquennal 1971-1975*, *op. cit.*, p. 13-137.

<sup>2</sup> See *Gabon 1960-1970: Dix ans d'expansion économique*, Chamber of Commerce, Agriculture and Mining of Gabon, p. 47.

<sup>3</sup> In addition, there are various plans for the development in this sector. Particularly important among them is that of *Société Navale Caennaise* (SNC), which provides for investments of 200 millions for the building of refrigerating plants to preserve fish. These plants will be managed by a Gabonese company, whose capital (70 million CFA francs) will be contributed as follows:

70% by SNC

15% by maritime co-operative groups

15% by Gabonese operators.

See *Deuxième Plan*, *op. cit.*, p. 13-158—13-159.

*Meunière et Avicole du Gabon* owns a poultry farm in Moanda. Production in these sectors does not meet the requirements of rural consumers and still less does it cover those of the commercial demand.

Although the forestry sector has decreased in importance over the last few years, it continues, however, to be one of the pillars of the economic development of the country. Foreign currencies earned from this source, though increasing in absolute value, decreased in relative value. In fact, in the period 1965-1969 it declined from 43.37% to 36.63% of the value of exports. Forestry has predominantly moved to the inner and southern parts of the country (the so-called "second area"). In fact in the first area, only 300,000 hectares are still allowed to be exploited. Some of the licences granted — for an area of 100,000 hectares — were issued to Gabonese companies engaged in timber processing.

This transfer, which entailed a sharp reduction in the number of medium-sized companies, has altered the structure of timber companies, favouring a higher concentration. Production by Gabonese companies has recently increased from 25% to 29.82%. This satisfactory result is due to the development of family-owned companies, promoted by the concession of new licences and by the Government's technical and financial assistance.

The timber trade is conducted as a quasi-monopoly by the Office for the Forests of Equatorial Africa<sup>1</sup>. This is a semi-monopoly because six big European companies<sup>2</sup> have been allowed to export directly to Europe the timber produced by them to cover the needs of their own factories.

<sup>1</sup> The Office for forests deals with the trading in okoumé produced in Congo-Brazzaville.

<sup>2</sup> These companies have made investments for amounts well over one billion CFA francs.

In this context it is worth mentioning the efforts made by the Government through the *Société Technique de la Forêt d'Okoumé* (STFO) to restore the reserves of okoumé in a radius of 120 km around Libreville. Supported by many Government subsidies and foreign aid (FAC and EDF), STFO pursues a programme of re-afforestation and prospection of the second forestry area, to be served by the Owendo-Booué-Belinga railway which offers favourable prospects for the future.

However, it has not been possible to disguise the fact that the Forestry Office will be called upon to solve important problems such as:

- (i) how to compensate the ever-increasing importance of the large companies which, among other things, challenge the monopoly of the Forestry Office;
- (ii) how to face the deterioration in the quality of timber produced by small companies.

The situation seems to be less favourable in the sector of the processing companies. In fact, the latter may export only a quantity varying between 40% and 60% of the production. This compels them, in order to reach minimum positive results, to make a difficult search for outlets on the domestic market.

In mining, the decade 1960-1970 showed a rapid development as can be easily seen by examining the production statistics<sup>1</sup>. Foreign currency reserves from this source have increased substantially in absolute value from 51.76% in 1965 to 59.17% in 1969 after having reached a peak of 64.32% in 1967.

<sup>1</sup> For instance, petroleum production increased from 800,000 tons in 1960 to 5,027,000 tons in 1969, manganese production from 230,000 tons in 1962 to 1,393,000 in 1969 and uranium concentrate production from 969 in 1961 to 1,270 in 1969. See *Gabon 1960-1970, op. cit.*, p. 25, 27, 29.

By far the most important resources are: oil, manganese and uranium.

The first deposit of oil of commercial importance was discovered by the French company Elf-Sfape. New deposits were later discovered on land and on the oceanic ledge of which the most important are those of *Gamba*, *Anguille* and *Marine*. The exploitation of these deposits is carried out by the Elf-Sfape — Shell-Gabon group. However, drilling rights have also been granted to Gulf Oil Company of Gabon, Chevron Oil of Gabon and Texaco Oil Company of Gabon. Production prospects are undoubtedly good<sup>1</sup>. It should also be noted that a new refinery was started in Port-Gentil in 1967, under the management of the *Société Equatoriale de Raffinage* (SER), which at present is operating at full output of its plants<sup>2</sup>. The importance of oil has increased substantially since 1966. In fact, in 1966 it accounted for 27.66% of foreign exchange earnings for this sector, whereas in 1969 it accounted for 57.51%. Moreover, the production of methane should be taken into account; this was equivalent to 22 million cubic metres in 1969, and is used partly by the *Société d'Energie Electrique du Gabon* (SEEG) to supply the power station of Port-Gentil, and partly by the *Société Equatoriale de Raffinage*.

<sup>1</sup> In this connection, it should be remembered that in March 1971 Elf-Sfape announced the imminent commercial exploitation of a new deposit on the continental ledge, the yearly production of which is estimated at about 500,000 tons of crude oil. Shell-Gabon has also announced the discovery of another deposit on the continental ledge. On this point see "Former French Equatorial Africa", *op. cit.*, No. 2, 1971, p. 16.

<sup>2</sup> SER's production reached 875,000 tons in 1970, compared with 765,000 in 1969 and 707,000 in 1968. The second development plan envisaged the enlargement of the Port-Gentil refinery. This enlargement should double its output and will involve, according to estimates, an expenditure of 1,500 million CFA francs. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-157.

The commercial exploitation of the Momba manganese mines was started in 1962 by the *Compagnie Minière de l'Ogooué* (CO.MI.LOG.) whose capital is divided as follows:

49% US Steel Corporation

22% BRGN

15% *Compagnie de Mokta*

14% *Société Auxiliaire du Manganèse de Franceville*<sup>1</sup>.

The manganese ore, after being processed at the Moanda plants, is carried by overhead cable railway for almost 76 km to M-Binda and from there by railway to Pointe-Noire<sup>2</sup>.

This product, unlike oil, has lost its importance in the mining sector. In fact, its contribution as a source of foreign currencies decreased from 55.33% in 1965 to 34.04% in 1969.

As regards uranium, it should be noted that it has so far been extracted from a single mine in Mounano<sup>3</sup> by the *Compagnie des Mines d'Uranium de Franceville* (CMUF). The capital of the company is divided as follows:

25% *Compagnie de Mokta*

25% *Société Minière Péchiney-Mokta*

20% *Commissariat à l'Energie Atomique*

10% *Cofimer*

5% *Compagnie des Mines de Huaron*

5% *Ugine-Kuhlman*.

<sup>1</sup> The capital of the latter company is shared equally between: *Compagnie de Mokta*, *Compagnie Minière de l'Oubangui* and *Banque de Paris et des Pays-Bas*.

<sup>2</sup> The setting-up of a firm for the production of batteries is also planned. This would use manganese dioxide from CO.MI.LOG. and its plant would be equipped for an initial output of 7 million 1.5 V units. Such an output could be increased to 21 million units with the introduction of parallel production lines. Financial requirements were estimated at about 162 million CFA francs. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-158.

<sup>3</sup> Other three mines have been recently discovered. See *Gabon 1960-1970*, *op. cit.*, p. 29, and "Former French Equatorial Africa", *op. cit.*, No. 2, 1971, p. 16.

The ore is processed on the spot in ultra-modern plants. The importance of this product has been decreasing because of the lack of foreign demand. In fact its contribution dropped from 17.93% in 1965 to 8.19% in 1969.

Although it is not yet being exploited, the iron mine of Mekambo-Belinga, the reserves of which are estimated at over one thousand million tons, strongly influences the policy of the Gabonese authorities. Ten million tons per annum of this ore are expected to be mined with an iron content of 65%. However, the exploitation of these resources requires the building in Belinga of an industrial complex, including a railway station, a power station, processing plants, warehouses and a town<sup>1</sup>. The material will be processed and stored near Libreville, where it is planned to build the port of Owendo with an 8 km long pier, which will allow the anchorage of vessels of a tonnage of 200,000. A railway connecting Belinga with the embarkation port of Owendo must be built for transporting the ore. The building of this infrastructure requires, however, huge financial means which cannot be easily found. It should be stressed that no solution to the problem has yet been found and that the situation remains rather confused. For instance, for building the port of Owendo, a cost of 700 million CFA francs was estimated, which was to be financed by EDF (EEC European Development Fund). At present, a cost of 4,000 million CFA francs is estimated<sup>2</sup>. Even

<sup>1</sup> The staff required for extracting 10 million tons p.a. is estimated at about 1,600 workers. In this connection, it should be remembered that CO.MI.LOG. employs 3,000 people.

<sup>2</sup> See "Former French Equatorial Africa", *op. cit.*, No. 4, 1970, p. 11. Despite additional EDF financing, the technical solutions of the original plan have been discarded. See *Le Moniteur Africain*, No. 515 of August 12, 1971, p. 5.

the financing of the first section — Owendo-Booué — of the trans-Gabonese railway line is presenting considerable difficulties<sup>1</sup>.

The exploitation of the iron mine would be carried out by the *Société des Mines de Fer de Mékambo* (SOMIFER).

The production and distribution of power are mostly concentrated in the hands of SEEG, a semi-State company with a French majority participation. The mining companies CO.MUF. and CO.MI.LOG. provide power both for their own requirements and those of neighbouring centres. However, in spite of the substantial increase in the electricity output of the country, the cost of electricity is rather high and likely to influence the industrial development<sup>2</sup>.

The industrial sector itself has been, since 1967, characterised by rapid and diversified development. The timber processing

<sup>1</sup> It may be useful to remember that the cost of building the railway line concerned is estimated at about 215 million US dollars, and that up to the present only about 70 million dollars have been found. See "Former French Equatorial Africa", *op. cit.*, No. 2, 1971, p. 17 and *Gabon 1960-1970, op. cit.*, p. 31. To get a better idea of the immense importance of the railway line for the economic development of the country, it should be borne in mind that the exploitation of the forestry area cannot be carried out without this railway.

<sup>2</sup> However, it should be noted that during the last few years remarkable efforts have been made to eliminate this difficulty, as proved by the increase in the output of the Port-Gentil and Libreville power stations and by the works for the construction of the Kinguélé dam and hydro-electric plant, where 6 thousand million CFA francs have been invested. Further increases in the output of the above power stations are also planned. In fact, the second five-year development plan provides for the installation of new plants which should increase the output of the power station concerned to 52,000 KW and the building of a dam at Tehimbélé, on the river Mbei, 30 km upstream the Kinguélé. This will require an investment of about 6 thousand million CFA francs. In addition, EDF completed the survey which SEEG commissioned them to carry out concerning the building of the Ponbara dam on the river Ogoué, near Franceville. This power station would meet the power requirements of CO.MI.LOG., CO.MUF., and of the new Franceville airport, as well as those of the Moanda-Franceville area. Investments are estimated at about 4.5 thousand million CFA francs. See *Deuxième Plan Quinquennal, op. cit.*, p. 13-152—13-155.

companies are the most important and they include 17 saw-mills, 2 veneering plants, furniture factories and a plant for the production of plywood. The latter, established by *Compagnie Française du Gabon* (CFG), is by far the most important<sup>1</sup>. Side by side with these companies there were, up to 1967, a few engaged in farming products and only a few other industrial organizations, among which the *Société Gabonaise d'Oxygène et d'Acétylène* (GABOA) and the *Manufacture Gabonaise de Vêtements* should be mentioned.

This group, which is hardly diversified, was joined, at the end of 1967, by the oil refinery of SFR<sup>2</sup>. In 1968 and 1969 there was a dramatic expansion in industrial production and a marked diversification process. In this two-year period, the following plants started production:

- (i) a brewery owned by the *Société de Brasserie du Gabon* (SO.BRA.GA.)<sup>3</sup>. 10% of its capital, amounting to 200 million CFA francs, was reserved for the Government and 15% for native workers<sup>4</sup>;
- (ii) a plant for textile printing, of the *Société des Textiles du Gabon* (SO.TE.GA.). Its capital (130 million CFA francs) is shared by the Gabonese Government, *Compagnie Commerciale*

<sup>1</sup> CFG employs 1,500 Gabonese workers.

<sup>2</sup> SFR employs 171 Gabonese workers.

<sup>3</sup> In 1970, this company, with a production capacity of 125,000 hl of beer, produced 55,000 hl of beer and 25,000 hl of soft drinks. In 1969, it had produced 45,000 and 18,000 hl respectively. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-158.

<sup>4</sup> This company included in its development plans the building of another plant with the same output as the one in operation. The financing requirements for this investment were estimated at 74 million CFA francs. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-158.

*Hollando-Africaine* (CCHA), *Société Texunion*, *Cofimer*, *Cegepar*, *Ets. Agache* and others;

- (iii) a flour mill of the *Société Meunière et Avicole du Gabon*. The majority stock is held by *Grands Moulins de Paris* and by SIAN;
- (iv) a cement mill of the *Société des Ciments d'Owendo*. The capital of the company (120 million CFA francs) is shared by *Sococim* of Dakar, *Société des Ciments* of Marseilles and the Gabonese Government <sup>1</sup>.

In addition, it should be remembered that a number of industrial projects are either under study or in progress, among which are the following:

- (i) the *Société Gabonaise de la Cellulose* (SO.GA.CEL.), for the production of 250,000 tons of cellulose per annum. The capital of this company is shared as follows: 25% by the Gabonese Government, 10% by CTFT, 15% by *Lilles-Bonnières Colombes*, 15% by *Klebe et Cie.*, (Allen Group), 10% by *La Rochette - Cenpa*, 10% by *Cellulose du Pin & Oji Paper*, the biggest paper mill in Japan, which has undertaken to absorb half the production, 25% by BIAO and *Crédit Commercial de France* and the balance by private operators <sup>2</sup>;

<sup>1</sup> A new cement mill may start operating after 1972. This would use chalk extracted from the quarries of Conquet Island and would replace the plants at present in operation which use imported clinker as raw material. The output of these plants would be 70,000 tons p.a. (in 1970, production amounted to 22,965 tons). See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-157.

<sup>2</sup> This plant is expected to employ about 3,000 people and to cost 100 million dollars. 40% of these financial requirements would be met by the company's own funds and 60% borrowed. Of this, 30 million would be obtained at long term from international organisations, 9.6% from the interested countries and 20.4% at medium term, with a pre-financing period. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-156.

- (ii) the fertilizer plant of the *Société Gabonaise de Chimie* (SO.GA.CHIM.). This plant would produce nitrogen fertilizers by using Gabonese natural gas as raw material<sup>1</sup>;
- (iii) the Italian-Gabonese company (SO.GA.MAR.) for the exploitation of marble deposits in Tchibanga<sup>2</sup>;
- (iv) a company for the manufacture of soft drinks, with a potential output of about 50,000 hl. This unit will be built by SE.BO.GA. and will require an investment of 300 million CFA francs. The relevant financing requirements will be met as follows:
  - (a) by contracting a medium-term loan with GDB and UGB for 90 million;
  - (b) by issuing shares for 170 million;
  - (c) by borrowing 40 million from Cameroon breweries. 10% of the share certificates will be reserved for Gabonese investors, for SO.NA.DIG. and PROMO-GABON;
- (v) a plant for the manufacture of cigarettes built by the *Société des Cigarettes Gabonaises* or SO.CI.GA., which is also a member of the SPIF Group. This is expected to have an output of 400 tons per annum (20 million packets).

<sup>1</sup> The promoting group is Belgian-Dutch, or rather a Belgian syndicate of enterprises abroad or SY.BE.TRA.

<sup>2</sup> Financial requirements have been estimated at 840 million CFA francs. These requirements will be, to a large extent, met by the company's own capital (270 million of which, i.e. 33.3%, will be subscribed by the Italian company SINCO) and by credit granted by Italian suppliers (450 million). It should also be pointed out that the capacity of absorption of the domestic market is equivalent to one-fifth of the potential output of the unit concerned. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-157.

- However, it must be stressed that the plan will be carried out in three stages. In the first stage, the production would not exceed 222 tons and would use the dark tobacco manufactured in the SIAT Brazzaville plant as raw material. The second stage will include the completion of an integrated plant for processing dark tobaccos, when the demand exceeds 320 tons. The third stage, to be put into effect when there is a demand for more than 400 tons, provides for the installation of an integrated plant for light tobaccos;
- (vi) a plant for the production of household appliances of pressed plastic materials is at present in the process of being built by SOGO-PLAST. This will have a potential daily output of 1,950 kg. The relevant financing requirements are estimated at 37 million CFA francs and will be met by credits from suppliers amounting to 19.8 millions;
  - (vii) a plant for the production of ropes and cables in which the British Ropes, Limited Group, is now interested. The project requires an investment of 160 million CFA francs <sup>1</sup>.

The transport system is inadequate. There are no railways and the rivers are only navigable in their lower reaches. The road network is altogether insufficient. This inadequacy encourages trade with neighbouring countries, especially in the outlying regions of the north, east and south, and tends to isolate these

<sup>1</sup> In addition, the second development plan provides for two particular operations, namely:

the establishment of an industrial centre at Owendo with loans (90 million) granted by UNDP and UNIDO and a Gabonese participation of 57 million; the concession by means of an allocation fund of 175 million to PROMO-GABON to be redeemed in five years. In this regard, reference should be made once more to *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-159.

regions from that of the estuary. This therefore makes it essential to expand considerably the infrastructures under discussion, since on these depend the development of the commercial sector, the creation of a single internal market, the improvement in the standard of living of the rural population and, in the last analysis, the economic development of the country.

As regards internal trade it should be noted that almost all the goods consumed in Gabon are imported. Local products which are marketed are nearly all of negligible importance. As of now, 85% of consumer goods are imported by a dozen firms. These are: *Compagnie Commerciale du Gabon*, *Sho-Optory-Ceca*, *Hatton & Cookson*, *Compagnie du Niger Français*, *Compagnie Commerciale Hollando-Africaine*, *Paris Gabon*, *Personnaz et Gardin*, *Société Marseillaise du Gabon* or *SO.MA.GA.* with its associate *Société Commerciale de Port-Gentil*, *Société Gabonaise de Commerce* or *SO.GA.CO.*, *Saveco*, *Tintané*, *Etablissements Nicolas*, *Etablissements Piranbe* and *Frigorifiques Gabonais*. The remaining 15% are imported by large firms, e.g. *CO.MI.LOG.*, *Elf-Sfape*, etc.<sup>1</sup>.

It should be noted that the distributive system within the country, despite the Government's intervention in promoting the opening of retail outlets, is very deficient. The deficiency is largely due to the inadequacy of the road network.

As regards foreign trade it should be pointed out that the greater part of the national production is exported and that almost all consumer goods are imported. During the period under consideration, 1966-1969, the balance of trade has always been positive, with a constant increase. This surplus has almost doubled

<sup>1</sup> See *Gabon 1960-1970*, *op. cit.*, p. 56.

in the course of five years<sup>1</sup>. The minor significance of inter-African trade should also be noted. In fact, from 1968 to 1969, imports from other African countries fluctuated between 5.07% and 4.14%, and exports to these countries between 7.5% and 9.01 per cent.

The value of imports from the franc area, while increasing in absolute figures, declined between 1967 and 1969 from 64.31% to 62.03% of the overall amount. On the other hand, exports have increased from 41.29% to 43.14 per cent. The balance has always been positive and increasingly so: in three years it has grown by 118.94% reaching 3,389.6 million CFA francs.

Trade with the dollar area has shown the opposite trend. Imports have in fact risen from 10.19% to 12.04%, whereas exports have declined from 20.43% to 14.24%. The balance while remaining positive has decreased steeply from 4,368.2 to 2,823 million CFA francs.

The volume of trade with the sterling area has been small and its relative importance has not shown any appreciable change.

On the other hand, trade with countries not belonging to any monetary area is significant. In fact imports have increased from 21.29% to 21.86% and exports from 33.38% to 37.47%. The balance has shown a sharp increase from 6,361.8 to 9,411.9 million CFA francs which represents 56.36% of the trade balance.

It is thus clear, from what has already been said, that a large part of the country's resources are derived from mining and forestry<sup>2</sup>. The exploitation of these resources, however, requires

<sup>1</sup> In 1969 it was 16,699.1 million CFA francs. However if one takes into account transfers due to invisible transactions the trade balance shows a deficit of 5,749 million CFA francs.

<sup>2</sup> It is worth noting that, in the period under consideration, the combined value of these two sectors has not only been above 50% of the overall total

huge sums of money, which can only be found by large foreign firms, seeking new sources of raw materials. These firms, therefore, have not tried to set up processing industries in the country so that, at present, their activities only give rise to an

but has increased in relative importance. This has in fact risen from 50.4% in 1964 to 59.1% in 1968 and finally to 65.9% in 1970.

However, these two sectors have showed divergent trends in the sub-period 1964-1968 since, while the relative importance of the forestry sector and of the timber industry has declined from 24.2% to 14.5%, that of the mining sector has increased from 26.2% to 44.6%. In the following sub-period, on the other hand, there was a rising curve for both sectors. In fact their relative values amounted respectively to 17.2% and 48.7%. This is of considerable importance since the development of one sector or of the other has a very different significance for the Gabonese economy. In fact, out of an increase of 100 in added value there has been an increase in the gross remuneration of the labour factor and of the public factor, considered as internal productive factors, amounting respectively to:

- 35.4% for the mining sector;
- 50.9% for energy;
- 71.1% for forestry;
- 84.6% for the timber industry;
- 85.6% for buildings;
- 82.6% for textile industries;
- 91.0% for mechanical engineering firms;
- 66.5% for other enterprises.

In the same year the distribution of the added value was as follows:

- 33.3% for the labour factor;
- 16.4% for individual entrepreneurs;
- 14.2% for the public sector;
- 35.2% for the capital factor;
- 0.9% for other factors.

We should however note that the amount of wages and salaries cannot be considered wholly as an internal factor, since part of the salaries drawn by Europeans was transferred abroad (34% approx.). The absolute value of these transfers is far from negligible if one bears in mind that, out of 26,375 million CFA francs in wages and salaries, 13,319 million were paid to Europeans. And if we consider only the cost of salaries and wages paid by public and private enterprises (16,825 million) the relative weight of the remuneration of non-residents rises to 59.9%. In this connection it is interesting to point out that firms in the forestry sector and in the timber industry are those which

insignificant amount of processing work. Moreover, this situation has been aggravated by the lack of qualified Gabonese personnel<sup>1</sup>.

This lack in fact compels the firm to call for foreign staff which, because of the substantial transfers of their earnings to their home country, subsequently reduces the effects of circulation<sup>2</sup>. Moreover, the growth of the sector under discussion, by accelerating the flight from the land of the younger and more dynamic elements, makes it harder to modernise the agricultural sector and increase its productivity<sup>3</sup>. As we have seen, the low productivity of this sector, and the poor organisation of marketing, make the food supply of the towns both unreliable and costly, and increase the tendency of urban consumers, generally of workers

pay the largest proportion of their wages and salaries to Africans (53.4% and 51.4%). They are followed by construction (51.2%) and transport undertakings (48%). Hence, notwithstanding the considerable changes in the Gabonese economic system, in the period under consideration, the forestry sector is always the one which contributes most to the promotion of its development. This is extensively discussed in the *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-129—13-131.

<sup>1</sup> In fact, in 1968, out of a gross overall investment of 16,066 million CFA francs, 10,296 were invested in the mining sector and 1,620 in the forestry sector. A large part of the financial requirements for the above-mentioned projects was met through the re-investment of their proceeds. In 1968, for instance, these firms invested 75% of their profits in Gabon.

<sup>2</sup> In the last few years the number of European staff has declined in both absolute and relative terms. In fact, while in 1967 4,717 employees out of 53,608 were Europeans, in 1970 there were only 3,789. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-130.

<sup>3</sup> This exodus has been encouraged by the considerable rise in earnings — 59.1% in the period 1964-1968 — which has essentially been enjoyed by wage-earners occupied in the other sectors of the economy. This conclusion remains valid even if one thinks in terms of family income. This in fact has increased, during the period we are considering, by about 39%, rising from 28,904 to 40,135 million CFA francs. If one thinks that, out of this increase, 60.1% went to African families, one will readily see what differentials have been set up between the earnings of rural families and of those whose members are employed in other sectors. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-130.

in the modern sector, to adopt eating habits which imply increasing recourse to imports<sup>1</sup>. To this must be added:

- (i) the lack of entrepreneurial capacity within the African population;
- (ii) the inadequacy of the infrastructures;
- (iii) the centrifugal tendencies of regional economies;
- (iv) the lack of high-level managerial capacity;
- (v) the heavy dependence of state revenue on the decisions of foreign operators<sup>2</sup>.

<sup>1</sup> To this process one may further attribute the stagnation in the earnings of individual entrepreneurs, 96.5% of whom are Africans. In fact their income has declined from 10,237 to 10,018 million CFA francs. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-130.

<sup>2</sup> As we have seen in fact, much of the revenue of developing countries is due to customs duties on the exports of large firms. Hence, the decision of some of these (e.g. CO.MI.LOG.) to increase or diminish the volume of their exports will have a definite impact on the revenue of the Gabonese Government and, in the last analysis, on the monetary policies of the central monetary authorities and on the possibilities of a practical implementation of the development plans. The consequences of these decisions on the process of development of the economic system will readily be understood if one considers, for instance, that the financial requirements of the second development plan should be met to the extent of 43.6% out of public funds. In particular it is worth noting that, on the assumption that central tax receipts increase by 6% per annum and expenditure on the operation of public services increases at a rate of 7%, the Treasury will have to find, on the internal credit market, funds amounting to 5,123 million CFA francs, and on foreign markets monetary resources amounting to 36,723 million. Out of this sum the monetary authorities envisage that they will be able to raise 34,100 million, of which 15,600 by way of grants and 18,500 by way of loans. Hence, there remains the unsolved problem of finding 2,600 million CFA francs which, together with the 5,100 million worth of financing to be raised on the internal market, bring the financial requirement which has to be met to 7,746 million. In this context one can easily see the rigidity of the financial choices made by the Treasury to which in practice there only remains, in order to face the probable gaps between monetary receipts and outgoings, the recourse to deficit spending operations. See *Deuxième Plan Quinquennal*, *op. cit.*, p. 13-134—13-135.

All this leads one to expect:

- (i) a development of the sectors which produce raw materials for export and of the tertiary sector, at the expense of agriculture;
- (ii) a weakening of the multiplication of incomes, due to the low rate of consumption of national products;
- (iii) a more fragile economy, made more dependent on the outside world for the sale of its industrial products and for the purchase of the supplies which it requires;
- (iv) an increase in the cost of living.

The Gabonese economy will therefore tend to be increasingly marked by its dualism, by the lack of integration and by the complete dependence of its monetary sectors on the decisions of foreign operators. Hence thoroughgoing structural changes are necessary in order to prevent the exploitation of national resources from leading to a new form of neo-colonisation and an impoverishment of the country in real terms<sup>1</sup>.

## 7. CONCLUSIONS

The economic systems of the countries we have considered show a heavy dependence on the outside world, capable of having a determining influence on the behaviour of the monetary authorities.

<sup>1</sup> The intention of the public authorities to alter the structure of the country's economic system clearly arises from the analysis of the second Five-Year Plan. According to this plan, investments in the productive sectors show, by comparison with those envisaged for the first Plan, an increase of 50%, an increase of 10% of the investment concerning infrastructures, and about 75% in the social infrastructures sector. The investments to be made in the

As noted, this dependence arises from the inadequacies:

- (i) of the infrastructures;
- (ii) of the level of qualification of national operators;
- (iii) of the productive structure which could satisfy internal demand.

Action to remedy these inadequacies — an essential prerequisite for the start of any process of development — is the task of the Government authorities<sup>1</sup>. The monetary authorities,

productive sector, amounting to 92,114 million, represent 61.4% of all investments, and should be divided as follows:

- 21.3% for industrial investments;
- 19.4% for mining enterprises;
- 9.2% in the forestry sector and in firms working on timber;
- 7.9% in the energy sector.

In the infrastructures sector, investments are envisaged amounting to 53,375 million, that is 35.6% of the whole. These should be broken down as follows:

- 11.0% for railways;
- 8.1% for town planning and administration;
- 7.3% for roads;
- 3.3% for the tourist trade.

In the first Plan, on the other hand, productive investments accounted for 68% and those for infrastructures for 28.5%. In particular, it should be noted that the time-curve of these investments shows divergent tendencies. In fact, while the first show a declining trend, the second are moving in the opposite direction. See *Deuxième Plan Quinquennal, op. cit.*, p. 13-133—13-134.

<sup>1</sup> In this connection we should note the statements of an authoritative scholar: "... it is certain that the Government's activities in the public works sector and in some basic sectors, and the Southern initiatives of some large industrial private groups are laying some foundations for diversified economic development in the South. Public works, however, do not create a permanent flow of income, and basic industries rather than large sums in salaries produce returns on capital and on management which do not always remain on the spot... The development of these activities in the South is therefore heavily dependent on the creation of a large entrepreneurial class in the area and on the technical abilities (as well as on the expansion of local market outlets...). The Government may usefully intervene in this process by the improvement of general and technical education". See Paolo Baffi, *Studi sulla moneta*, Milan, Giuffrè, 1965, p. 345.

through the promotion and fruitful use of savings, may for their part make a useful contribution to this same end, and in particular, to removing the third obstacle we have listed <sup>1</sup>.

<sup>1</sup> Brimmer, to assess the functions assumed by central banks in developing countries, uses the following criteria:

- (i) Have central banks in developing countries — while not ignoring their traditional tasks — taken new steps to encourage economic development?
- (ii) Have these central banks been able to alter the flow of credit in favour of development needs?
- (iii) Have they assisted in creating institutions specifically designed to provide development finance?
- (iv) Have central banks in developing countries succeeded in efforts to encourage the mobilisation of savings by private financial institutions?
- (v) Have these banks used their proximity to the centres of political power to advise their governments as to the importance of monetary and fiscal stability by creating a climate conducive to investment and economic growth?
- (vi) Finally, what is the record of success, and of disappointment, harvested by these central banks in the struggle for economic development?

See Andrew F. Brimmer, "Central Banking and Economic Development", *Journal of Money, Credit and Banking*, November 1971, p. 781-782.

