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Guinea

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NATIONAL INTELLIGENCE SURVEY

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Guinea

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July 1969, copies of which should be destroyed.*

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The Economy

A. Economic appraisal (U/OU)

Guinea—equal in size to the United Kingdom but with a population only 7% as large—is rich in natural resources and has good potential for economic growth (Figure 1). Its basic strengths are large mineral reserves and good agricultural land that is suitable for a variety of crops. One-fifth of the world's known reserves of bauxite are located in the country as well as large deposits of iron ore. With a modest rate of development, the country could become self-sufficient in its principal food crops and could provide substantial exports of cash crops, such as bananas, coffee, palm oil, and peanuts. Other resources include ample forests, an abundance of fish in coastal waters, and rivers with considerable potential for the production of hydroelectric power. In addition, the country has a substantial livestock population, consisting primarily of cattle, with lesser numbers of sheep and goats; however, the quality of the herds is generally low and is not expected to improve significantly as long as cattle are kept merely as a symbol of wealth.

After independence in 1958, Guinea's French-style economic system was replaced by a new one guided by President Sekou Toure's radical-socialist philosophy. Except for mining and agriculture, practically all important economic activity is owned or controlled by the government. Despite the government's increasing interest in and assumption of control of the economic sector, economic development remains below political development in priority.

The Guinean Government has placed considerable emphasis on planning to foster economic growth; nevertheless, the 1960-63 and 1964-71 development plans were little more than lists of the public investments to be made in the various sectors of the economy. The plans did not contain quantitative

goals for growth of the economy nor details of the interrelationships among the sectors. The plans emphasized modernization and expansion of the country's transportation and communication facilities; mining and manufacturing were allocated smaller sums for investment, and agricultural development was given the lowest priority. A large part of total plan expenditures was to be financed by foreign loans, mainly from East Europe and the People's Republic of China.

Economic progress has been slow, and per capita income has stagnated at about US\$80 for more than a decade. Only investments in mining, manufacturing and handicrafts have matched or surpassed plan targets, whereas other public investments, particularly in agriculture and transportation, fell far short of planned levels. Moreover, most of the public investment has not led to significant increases in industrial output because of the emphasis placed on infrastructure projects, because of the underutilization of industrial capacity as the result of shortages of raw materials and spare parts, and because of the small size of the domestic market.

Most Guineans have benefited little from their socialist economy. Few have more than one or two changes of clothing, most of which is homemade. The diet is inadequate; rural housing is primitive, overcrowded, and unsanitary, and urban housing is a mixture of apartment houses and Western-style villas for the elite and rural-type huts and shacks for the poor. Government health, education, and welfare services are limited, and most Guineans rely on traditional family, tribal, and community assistance. Government mismanagement of the distribution of consumer goods and the purchase of agricultural produce has led to shortages and a high cost of living.

Paradoxically, foreign exploitation of the country's mineral wealth offers the best hope for stimulating economic growth in socialist Guinea. President Toure has been enough of a pragmatist to encourage private foreign investment in the exploitation of bauxite, iron ore, and diamonds. Already the bauxite industry is the main source of foreign exchange. In fact, within the next decade the existing bauxite operation of the FRIGUIA (formerly FRIA) mining company and the mammoth new Boke project alone are expected to gross each year at least twice the \$50 million earned by total exports in 1971. These additional revenues will ease pressures on the balance of payments that have persisted since independence and will enable Guinea to import the equipment and materials that are vital for domestic development.

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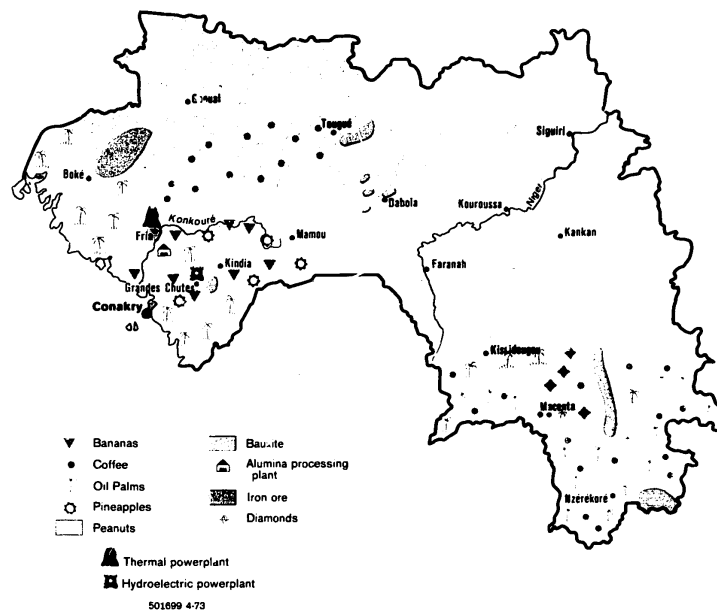


FIGURE 1. Economic activity

B. Structure of the economy

1. Agriculture, forestry, and fisheries

a. Land

Guinea consists of four geographic regions varying greatly in topography, climate, soils, and vegetation. Basse-Guinee, also referred to as Maritime, Coastal, or Lower Guinea, is generally flat and wooded and is the most densely populated region. The coast is indented by wide estuaries with low, muddy banks backed by dense mangrove forests, large areas of which have been cleared for rice cultivation. Most of the banana plantations and all of the pineapple plantations are located in this region. Moyenne-Guinee (Middle Guinea) consists of plateaus traversed by many streams and rivers that have created gorges and waterfalls. In the west, the terrain rises sharply from the coastal plain in a series of steep ascents which culminate in the massif of Fouta Djallon; in the east it falls gradually toward the rolling plains of the upper Niger River valley. Moyenne-Guinee is primarily a pastoral region, supporting traditional cattle herding

and the growing of subsistence crops, such as fonio (finger millet). Peanuts and some coffee are also grown, and there are a few orange and jasmine plantations. Haute-Guinee (Upper Guinea), directly east of Moyenne-Guinee, is mainly a region of rolling savanna plains. Trees grow along the streams and in scattered clumps throughout the countryside. Rice is cultivated along the rivers, while sorghum, fonio, and sweet potatoes are grown on the drier land. The southeast portion of the country, Guinee Forestiere (Forest Region), is covered primarily with dense tropical forest and produces most of the country's coffee.

Of Guinea's 95,000 square mile area only about 10%—the coastal plain, the valleys of the big rivers, and scattered small tracts of bottom land—is arable (Figure 2), more than half of which lies fallow because of the practice of shifting cultivation. Another 20% of the total area could be brought under cultivation by constructing terraces, embankments, and permanent borders of vegetation to protect the soil against erosion. The remaining land cannot be cultivated

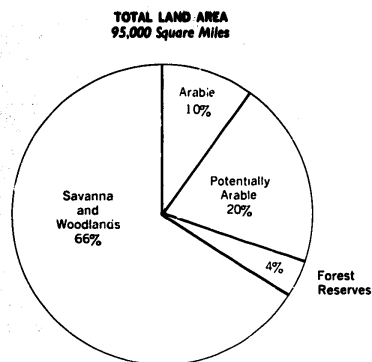


FIGURE 2. Land use

because it is subject to severe erosion or because the soil has already been destroyed.

The size of individual farms is limited to the area that a family can cultivate with the simple traditional implements available. No breakdown of farms by size groups is available, but according to estimates based on the size of farm families, total rural population, and total cultivable land, there are about 600,000 farms averaging approximately 10 acres each. Holdings in excess of 25 acres, including land in long-term fallow, are rare.

Ownership of land is communal, with rights to individual plots accruing because of use rather than legal title. While land tenure systems vary among tribes, a family settling a tract of land or clearing it generally is presumed to have obtained for itself and its descendants the right to use it. When a lineage ceases to use a holding, the land reverts to the local community and may be assigned to another lineage. The leader of the lineage group traditionally divides the land among the heads of the constituent families, and within the same household various family members may have use rights to different pieces of land.

Beginning in 1960, under the first development plan, an effort was made to change the traditional pattern of land tenure to a system of collectives. A Center for Agricultural Modernization was set up in each administrative region to provide equipment, training, and extension services, but this support proved inadequate—primarily because of poor

planning and lack of skilled personnel—and forced collectivization was given up after a few years. A more limited effort to promote voluntary collectivization was made in 1968, but agriculture production still originates almost entirely from family plots. Some isolated cases of collective production activities operate under politically appointed officials.

b. Agriculture

Agriculture engages some two-thirds of the population and contributes more than one-half of domestic production. The wide range of natural conditions in the country allows for considerable diversification (Figure 3). The major cash crops are bananas, coffee, palm kernels, pineapples, peanuts, and citrus fruits, and the principal food crops are rice, cassava, corn, fonio, sweet potatoes, and sorghum. In recent years the government has encouraged the cultivation of cotton, tea, and tobacco to meet the requirements of some newly established processing plants, but output is considerably short of the capacity of these plants. Development of agriculture has been hampered by soil exhaustion, plant diseases, the lack of fertilizers and spare parts, and transportation and marketing difficulties. Moreover, agriculture has been given a low priority in development plans, and long-term bank credit for rural development has been lacking.

(1) Cash crops

(a) **COFFEE**—Coffee is grown primarily in Guinee Forestiere. Most is of the Robusta variety, although small quantities of higher quality Arabica are cultivated in the cooler foothills of the Fouta Djallon. Before independence, Europeans owned some of the coffee plantations, the largest of which covered hundreds of acres. Presently, however, all coffee is produced by some 100,000 Guinean planters on small plots, most of which are tended solely by family members without hired labor.

Coffee production fluctuates widely as the result of changing weather conditions and infestations of plant disease. Annual output ranged between 10,000 and 15,000 metric tons during the 1960's but is estimated to have risen from 13,000 tons in 1969/70 to 23,000 tons in 1970/71. A further increase to 40,000 tons is expected in 1972/73. Official production figures are inaccurate because a large part—some estimates run as high as 50%—of the coffee crop is smuggled to neighboring countries where prices are higher. The 1970/71 increase in reported output was caused in part by the rise in domestic producer prices for coffee and by efforts in some neighboring countries to curb

FIGURE 3. Estimated agricultural production
(Thousand metric tons)

	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Food crops:*							
Rice.....	323	273	275	350	375	400	420
Cassava.....	133	360	400	450	475	500	525
Corn.....	361	328	275	300	325	350	400
Fonio.....	13	65	60	70	70	70	70
Sweet potatoes.....	55	60	75	85	85	90	95
Sorghum.....	7	8	7	8	8	8	8
Peanuts.....	8	15	17	19	25	25	20
Cash crops:							
Bananas.....	75	90	69	50	75	75	60
Coffee.....	14	11	13	10	13	13	23
Palm kernels.....	26	28	24	25	28	30	32
Pineapples.....	11	12	13	15	25	25	30
Citrus fruits.....	3	5	8	7	9	na	na

na Data not available.

*Some of the crops are important both as food and as cash crops but are categorized according to their major economic importance.

smuggling. The main harvest season lasts from November to March, the peak season being February-March. Simple processing operations, such as drying the coffee beans, are generally done on the farms (Figure 4).

Coffee yields are far below Guinea's potential. In 1950-54, yields averaged 318 kilograms (2.2 pounds) per hectare (2.47 acres), whereas in 1967 yields were



FIGURE 4. Coffee beans being dried in a
Guinea Forestiere village

estimated at 100 to 200 kilograms per hectare. The decline was caused by a fungus infestation, which in crop year 1963-64 necessitated the destruction of some 1.5 million trees. Of approximately 110 million trees standing in 1969, about half were largely unproductive because of age, neglect, or disease.

Since 1964 the government has been conducting a program to replace the local Robusta coffee trees with those of Robusta Incae, which are high yielding and disease-resistant. About three-fourths of Guinea's coffee trees are now of the Robusta Incae variety; the program's production goals have not been achieved, however, because of inadequate technical supervision during the distribution and planting of seedlings. Properly tended, the Robusta Incae variety can yield 800 to 1,000 kilograms per hectare per year. Any expansion of output, however, is dependent upon the organization of a widespread extension effort to improve the technology used by growers, but the expert technical supervision required for such a program is lacking.

(b) BANANAS—Bananas are grown on plantations in the coastal lowlands and along the Conakry-Kankan rail line as far inland as Mamou. On well-managed farms yields of up to 40 metric tons per hectare are obtained, but small producers commonly get yields of only 10 to 15 tons per hectare. Production costs are high because fertilizers, insecticides, and farm machinery must be imported. Bananas are harvested throughout the year.

Since independence the banana industry has stagnated because of the exodus of most French

plantation owners, the occurrence of leaf spot (Sigatoka disease) that plagues nearly half the area under cultivation, low producer prices, inadequate care of banana plants, transportation difficulties, and the loss of the French market. In 1970-71, production declined 20% to 60,000 tons. The government is trying to increase the area cultivated and to control banana diseases, but improvement is likely to be slow and expensive. A special government agency apparently has made some progress in combating disease and improving the quality of the fruit. The government feels that once plant disease is controlled, banana-growing will again become attractive, especially since it entails less work and nearly half the time required to grow other crops.

The U.S.S.R., East Germany, and other Communist countries are practically the only markets for Guinea's bananas. For political reasons, Communist countries pay prices above world market levels through bilateral agreements. However, Guinea's export marketing agency reportedly has been suffering considerable losses because of spoilage of bananas in shipment. Prospects for expanding exports outside the Communist areas are not favorable because Guinean producers cannot compete in price and quality on world markets.

(c) **PINEAPPLES**—Cultivation of pineapples is limited to Basse-Guinee, mainly around Forecariah and Kindia. Production rose from about 11,000 tons in 1960/61 to 30,000 tons in 1970-71, and further increases are likely. The value of pineapple exports has been increasing rapidly in recent years, partly because more of the crop is being exported as juice and canned fruit. Even the most efficient growers, however, have production costs—about half of which consist of imported inputs—estimated to be about 25% higher than the world market price, and continued expansion of production is possible only because of the high prices paid by East European countries.

(d) **OIL-BEARING CROPS**—The oil palm is the most important of the oil-bearing plants in Guinea. This tree grows in many parts of the country; there are dense natural groves in Basse-Guinee and Guinee Forestiere. Although improved varieties are available, few have been planted, and yields continue to be low. The palm fruit is gathered as needed throughout the year.

Oil usually is extracted by hand-pounding the fruit, pouring boiling water over it, and then skimming off the oil, which is used for cooking, for making soap, as a kerosene substitute, as a cosmetic, as a medicine, and as a preservative for meat and fish.

After the palm oil has been extracted from the fruit, the remaining nutlike portion is cracked to obtain the kernel that contains about 47% oil. Production of palm kernels has shown little increase throughout the past decade, but an increase in production is expected following the importation of crushing equipment. Exports of palm kernels are not expected to rise because of the anticipated increase in local processing of palm kernels into oil for domestic consumption.

Peanuts are the only other significant source of oil. The main area of cultivation is around Koundara, near the Senegalese border. Production declined by 20% to 20,000 tons in 1970-71. In the past, much of the crop was exported, but in recent years exports have ceased because the peanuts now are consumed locally or are processed for domestic oil consumption.

Guinea has two oil-expressing plants—located in Dabola and on Ile Kassa off the coast at Conakry—for the production of palm kernel oil and peanut oil for domestic consumption. The Dabola plant, established in 1970, has operated at only 10% to 15% of its capacity of 19,000 tons of peanut oil and 3,000 tons of palm kernel oil because of a shortage of raw materials, a lack of spare parts, and poor management. The Kassa plant, which is much smaller, has not been operating for several years.

(e) **OTHER CROPS**—Efforts to expand production of other cash crops have not been very successful; a few vegetables are grown for sale as fresh produce and for processing. The government has encouraged the construction of processing plants for these and other agricultural products, but with little thought given to expansion of the plants' raw material supply. Small quantities of good-quality tobacco are cultivated in Haute-Guinee and Guinee Forestiere. Tea and cotton are also cultivated on a small scale.

(2) *Food crops*

(a) **RICE**—Rice is the most important food crop produced in Guinea, accounting for more cultivated area than any other commodity. Despite the steady increase in rice production—to 420,000 tons in 1970-71—domestic output is still well below demand, and large quantities are imported, mainly from the United States and China.

Both upland (dry) rice and swamp (wet) rice are grown. Yields of upland rice are about 6 quintals per hectare (approximately 525 pounds per acre), about half the yields for swamp rice. Upland rice is grown without flooding and may be interplanted with other crops such as corn. Between 30 and 50 inches of rain are required to produce a good crop. As the production

of upland rice has been extended and fallow periods shortened, soils have deteriorated. Swamp rice, which must stand in water, is grown along the coast and in the flood plains of the Niger River and its tributaries.

The expansion of ricegrowing into new areas is severely limited by climate and technology. The productivity of the land now under rice cultivation could be greatly increased by improved techniques and by shifting from upland to swamp rice. Despite government encouragement, however, the shift has been in the opposite direction, from swamp rice to upland rice.

During the growing season, diseases and pests are not serious threats, although rice stem borers are believed to be present. The deterioration of rice during storage, however, is a serious problem, especially in the more humid areas.

(b) **OTHER GRAINS**—Corn, whose cultivation is limited to rather small regions because of climatic conditions, is grown more intensively than other crops. It is most widely grown near Macenta and Siguiri, where it occupies between 20% and 45% of the land under cultivation. Frequently, corn is planted in the enclosed areas around houses, where the soil is improved by manure and compost. The most serious threats to corn are mildew, leaf blight, smut, and rust.

Fonio, an annual grass about 1 1/2 feet high, is second only to rice in area planted, but low yields (about 3 quintals per hectare) result in a lower total output than corn. Although fonio is grown in a number of places in west Africa, only in Guinea is it an important part of the diet. It is grown in most regions of the country, except the extreme southeast. The ability of this hardy plant to grow on poor thin soils has made it particularly important on the Fouta Djallon plateau. Fonio is planted instead of upland rice at elevations above 2,500 feet.

Sorghum and millet are minor crops that are often interplanted with rice or corn, since they are more drought-resistant than either of those crops.

(c) **OTHER FOOD CROPS**—Other food crops consist primarily of roots, tubers, and vegetables. Cassava, although low in nutritional value, is a staple of the Guinean diet and is the most important of the root and tuber crops. It is grown throughout the country but principally near Kankan and Gueckedou. It is often planted in fields that cannot support a more demanding crop. Production has increased steadily in recent years, with estimated yields of between 50 and 60 quintals per hectare. Sweet potatoes and cocoyams are the other principal roots and tubers. Sweet potatoes are grown in most regions of the country but

principally near Boke, Gueckedou, and Dalaba. Cocoyams are an important crop in Beyla and also are cultivated around Siguiri, Nzerekore, and Telimele. Various vegetable crops are grown for family consumption, the more common being spinach, eggplant, onions, and tomatoes; some mangoes and papayas are grown in the north. The primary source of fat in Haute-Guinee and Moyenne-Guinee is a product called shea butter, extracted from the oil-bearing nuts of the shea tree.

(3) **Livestock**—The contribution of livestock to the agricultural economy is small, even though livestock numbers are large. Cattle owners regard their animals more as a status symbol than as a source of food, farm work, or income. Estimates of the livestock population range between 2 million and 3 million head, one-half to three-fourths consisting of cattle and most of the remainder of sheep and goats. Several thousand hogs, donkeys, and poultry are also raised. Roughly 110,000 head of cattle are slaughtered each year, and perhaps another 10,000 are exported (on the hoof) to neighboring countries. The quality of meat is generally poor. In most other African countries the grade of meat sold in Conakry would either be considered unmarketable or would be used only as sausage filling. Domestic meat consumption is less than 9 pounds per capita annually.

Livestock raising remains largely traditional and is concentrated in the Fouta Djallon, which has an abundance of pastureland and springs. Most of the rest of the country is infested by the tsetse fly and therefore is unsuitable for livestock. The animals are generally undernourished and susceptible to disease. They are almost entirely dependent on grazing because no forage crops or hay are produced, and very little grain is used for feed.

The Ndama breed of cattle predominates, and though well adapted to local conditions, it is small and not very productive. An adult male animal in good condition can reach a weight of up to 725 pounds, but the average carcass weight is about 185 pounds. In parts of neighboring Ivory Coast, where cattle are better cared for, average weights of Ndama cattle are 25% to 30% higher.

c. Forestry

Extensive portions of Guinea consist of patchworks of savanna woodlands, open grassland, cultivated plots, and occasional small areas of tropical rainforest, part of which is closed high forest. Slightly more than 1 million hectares in Guinee Forestiere are designated

as forest reserves. Several hundred species, all broadleaf, occur in Guinea's forests and woodlands; only a few species are cut for purposes other than roundwood for farms and fuelwood. The character and distribution of forests are largely determined by rainfall, length of the dry season, soils, and fire. In general, forests are differentiated into closed high forest and savanna woodland of various densities. Mainly because of the increasing number of fires that have occurred as the result of the expansion of the country's population and of slash-and-burn cultivation practices, closed high forest is limited to small areas in Guinea Forestiere and in the Fouta Djallon, some of which are not easily accessible.

The closed high forest of Guinea Forestiere is typically three tiered. The main canopy consists of trees 20 to 30 meters tall, the upper tier of scattered giants up to 60 meters, and the irregular lower tier of underbrush and trees up to 10 meters in height. Remnants of high forest not damaged by fire are scattered throughout the Fouta Djallon.

Other areas where trees are dominant are the savanna woodlands. On the Niger plain, woodlands become more open and scattered, and the dominant species run as high as 6 to 12 meters. Basse-Guinee contains rather dense woodlands of various species used primarily as firewood, but the presence of numerous villages has led to heavy overcutting. Areas around villages are often occupied by oil palms.

The exploitation of Guinea's forests is limited. A sawmill and attached veneer-plywood plant established in 1964 at Nzerekore with assistance from the U.S.S.R. has an annual processing capacity of 50,000 cubic meters of timber, 22,500 cubic meters of sawn timber, 6,000 cubic meters of plywood, and 2,400 cubic meters of veneer. In 1971 utilization of the sawmill averaged less than 35% of capacity.

d. Fisheries

Guinea's offshore waters are well stocked with fish, but the fishing industry is undeveloped. Most of the several thousand fishermen use primitive techniques and work from small ports along the coast. Their craft are primarily 30-foot sailboats, although some are motorized. The fishermen stay within 15 miles of the coast, remaining at sea overnight and smoking part of their catch on board for sale inland. The catch, estimated at from 1,500 to 3,000 tons annually, consists chiefly of sardines, mackerel, and shad.

Modern commercial fishing ships, most of them operated under commercial agreements with Poland and the U.S.S.R., account for about 800 tons of the annual salt water catch. In the 1966 Agreement on

Cooperation in Marine Fisheries, the U.S.S.R. agreed to supply Guinea with 10 fishing vessels and to keep technical experts aboard them for 3 years. They also agreed to accept 60 Guinean students and apprentice fishermen to train in Soviet fishery schools. Italy and Japan have also fished in Guinean waters, dividing the catch with the Guinean Government, and in 1967, West Germany agreed to help build and operate small fishing craft. In 1972, the government and the Dutch airline, KLM, agreed to form a new company, AFRIMAR, to further exploit fish resources off the coast. AFRIMAR is to lease all of the necessary vessels and equipment from a Liberian firm. Further development of commercial fishing is handicapped by the lack of cold-storage, canning, and other processing facilities. Fresh waters are fished primarily by women using traps and lines. The size of their catch is unknown because most of it is consumed locally. The most common fresh water fish are carp, catfish, butterfish, and moonfish.

2. Fuels and power

Firewood and charcoal are the only fuels produced domestically; no mineral fuels have been discovered. Since 1961 approximately one-third of Guinea's petroleum product imports have been supplied by the U.S.S.R. under long-term credits. The remaining two-thirds have been supplied by five Western companies (Texaco, Mobil, British Petroleum, Shell, and Total—a subsidiary of French Petroleum Company). The FRIGUA alumina plant consumes about two-thirds of total petroleum product imports in the form of fuel oil supplied by Texaco under exclusive contract. Petroleum products supplied by non-Communist sources are principally kerosene, diesel fuel for the bauxite operations, and all lubricants. The Directorate of Mines and Geology is responsible for the supply, storage, and distribution of petroleum products to government organizations. Within that directorate, imports and sales of petroleum products are handled by the National Petroleum Office (ONAH).

President Toure ordered the nationalization of foreign oil operations in Guinea in January 1972. A month later, however, he modified his "all inclusive" nationalization by exempting the Texaco-owned central storage facility—the bulk of Western oil investment—and airport refueling equipment. The distribution network, such as gas stations, remains effectively nationalized since its takeover by ONAH in June 1971.

With the completion of a number of public projects, total installed electric power capacity has increased substantially in recent years. Electric energy is

FIGURE 5. Production of electric energy
(Thousand kilowatt hours)

	1960	1968	1969	1970	1971
FRIGUIA (formerly FRIA)...	77,372	129,247	130,894	138,410	139,677
Public system.....	24,143	72,923	101,305	249,828	310,322
Total.....	101,515	202,170	232,199	388,238	449,999

produced by the public system and by the FRIGUIA mining company. The public system consists of the network of the National Electric Company (SNE), as well as of the smaller electric power facilities administered by regional communities and state enterprises. Electric energy generated by the public system rose from 24.1 million kilowatt-hours (kw.-hr.) in 1960 to 310.3 million kw.-hr. in 1971. Over the same period, production of electric energy by FRIGUIA increased by about 80% to 139.7 million kw.-hr. (Figure 5). Private consumption of electricity is limited mostly to Conakry, which consumes about 75% of the nonindustrial electricity although it has only 5% of the country's population.

The power network in Conakry and Kindia is over 20 years old, and the government plans to modernize it with technical and financial assistance from a Swiss firm. The main power projects for the longer run include the linking up of the entire network and the construction on the Konkoure river of a large dam and hydroelectric power plant that would be associated with an industrial complex for the production of aluminum. The latter would constitute a major step toward the exploitation of the country's large hydroelectric power potential, estimated at more than 60 billion kilowatts, and would permit a substantial reduction in the cost of power.

3. Metals and minerals

Guinea's rich mineral resources consist primarily of high-quality bauxite and iron ore deposits. Although the contribution of the mining sector to gross domestic production and to government revenue has been small, mineral exports were the most important source of convertible foreign exchange and represented over three-fourths of the country's total exports in FY71. The importance of the mining sector is expected to increase markedly in the mid-1970's as additional bauxite deposits are exploited.

a. Bauxite

Guinea has about 20% of the world's known bauxite deposits but ranks only about seventh in production.

Its largest and richest deposits have yet to be tapped. In 1967, the American-owned Harvey Aluminum Company began mining a small deposit on Ile Tamara, near Conakry, to supply its alumina plant in the Virgin Islands. The deposit, which originally contained about 7 million tons, was depleted in 1972. Its annual production exceeded 1 million tons during the last 2 years of operation.

Guinea's major bauxite producer is the FRIGUIA mining company, formerly called FRIA after a town situated near the mine. The FRIGUIA deposit, which contains at least 250 million tons of good quality ore, is mined by open pit methods; the aluminum oxide content of current production is about 60%. All bauxite produced by FRIGUIA is processed into alumina near the mine before being shipped abroad for processing into aluminum. The plant has a capacity of 700,000 tons of alumina annually, and as of 1971, annual production was running about 660,000 tons (Figure 6).



FIGURE 6. FRIGUIA alumina plant. Annual production of alumina in 1971 was about 660,000 tons. The layout of the plant was designed for an eventual expansion of production to 2 million tons, and bauxite deposits could easily justify such a rate for many years.

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In February 1973, FRIA became FRIGUIA, a mixed company in which the government has 49% ownership. The remaining 51% is held by a consortium of private companies which have invested a total of \$160 million. The consortium has owned and operated the mining facilities, the alumina plant, a railroad, and port facilities at Conakry. Even though Olin-Mathiesen (U.S.) is the largest private partner, Pechiney-Ugine of France has had a predominant role in FRIGUIA's management and administration. Pechiney was largely responsible for discovering the deposits and developing the present complex, and Pechiney's processes and techniques are used. Olin's presence is exerted mainly in Paris, where general policy is reviewed. Other members of the consortium are the British Aluminum Company, *Alusuisse* of Switzerland, and *Vereinigte Aluminium-Werke, A.G.*, of West Germany. Government partnership will mean an increase in Guinean participation in management.

Guinea's most ambitious investment project currently under way is the Boke bauxite project located about 100 miles northwest of Conakry, scheduled to become operational in 1973 or 1974. Reserves in the Boke region are estimated at more than 1.75 billion tons of high-grade ore. The project's planned annual capacity will be 8 million to 10 million tons, which will be capable of expansion. As of 1971, revised investment and expansion estimates for the total project amounted to \$245 million. Boke will not have facilities for converting bauxite to alumina.

Mining operations at Sangaredyi in the Boke region will be run by the Guinea Bauxite Company (CBG), owned jointly by the Guinean Government (49%) and by Halco Mining Company (51%), an international consortium. CBG is responsible for developing the mining installations and Sangaredyi township, including crushing, drying, and loading equipment, and will provide locomotives and ore cars, with Halco providing the financing. The Guinean Government, through its semiautonomous agency, Boke Development Office (OFAB), will finance and operate the railroad, the port, and other related infrastructure facilities. To finance these infrastructure costs, in 1968 the government obtained a loan of \$64.5 million from the World Bank to meet foreign exchange requirements and a loan of \$21 million from the U.S. Agency for International Development (AID) to cover local currency costs. Since then, the government has obtained an additional \$9 million loan from the World Bank for an expansion of the original planned capacity.

In November 1969, the U.S.S.R. agreed to participate in the exploitation of a deposit of 70

million tons of low-grade bauxite near Kindia which had been rejected by Western companies as economically infeasible. Original plans call for mining operations to begin in 1973, with production goals set for 2.5 million tons annually. Three-fourths of the output will be shipped to the U.S.S.R. to repay the \$92 million Soviet loan for the project and to meet Guinea's obligations to the U.S.S.R. under bilateral trade agreements.

Guinea possesses other bauxite deposits farther inland that are being investigated. In 1970, *Alusuisse* of Switzerland and the Guinean Government formed a joint subsidiary, Somiga, to exploit the bauxite deposit near Tougue, but Tougue's isolated location and that fact that the deposit is smaller and of inferior quality to those at Boke could preclude any serious attempts at exploitation for more than a decade. Additional deposits near Dabola, along the Conakry-Kankan railroad, are being studied by the Yugoslav Government corporation, *Energoprojekt*.

b. Iron ore

Guinea's known deposits of iron ore are located just east of Conakry and in the areas of southeastern Guinea near the Nimba and Souloumandou (Simandou) mountains. The deposits near Conakry were mined until 1967 by the Conakry Mining Company (CMC), a consortium of European companies. At present, no iron ore is being mined in Guinea because of marketing problems caused by the shift in world trade to sources of richer ores and because of the shortage of foreign exchange to purchase spare parts and equipment.

The Nimba and Souloumandou (Simandou) deposits offer the best potential for a successful iron ore mining industry. Reserves are estimated at more than 1 billion tons of high-grade ore similar to that being exploited on the Liberian side of the Nimba mountains by the international consortium, the Liberian American-Swedish Minerals Company (LAMCO).

The Guinean Government has been seeking foreign assistance for a number of years in exploiting the iron ore in the Nimba and Souloumandou mountains. In negotiations held in February 1973 with representatives of LAMCO, private firms from Japan, Belgium, and Spain, and the ambassadors from Algeria, Liberia, Nigeria, Yugoslavia, and Zaire, it was agreed that the participants would establish a company to exploit Monts Nimba's ore; apparently they also intend to form a similar company to develop those at Souloumandou. The Guinean Government will own

50% of each company. If studies of these deposits continue to show promise, mining operations could begin by 1975 or 1976.

c. Diamonds

Guinea has both industrial diamonds and gem stones; production is mostly confined to the industrial variety. Mining is carried out largely in the forest area near Kerouane and near the Liberian and Sierra Leone borders by a government-owned diamond mining enterprise and by numerous individual miners. Official exploitation was halted in 1967, but with the technical assistance of a Belgian company and Soviet experts, production was resumed in 1969. Production was estimated at 3,800 carats in 1969, 4,500 in 1970, and 5,020 in 1971. Conakry has approached two U.S. firms to assist in increasing diamond production.

4. Manufacturing and construction

Although the manufacturing sector has expanded since independence, its contribution to domestic production, government revenue, and exports is still small. At the end of 1971 there were 42 industrial plants employing 9,000 people, or about 7% of the registered wage earners. Many of the manufacturing enterprises are located in Conakry because of the availability of power and water facilities. Most of the factories either are state owned or are joint ventures with private interests in which the government is a major shareholder. Output is geared to the domestic market; only a few plants are able to export part of their production. The majority of the manufacturing enterprises process agricultural or forestry products. Among the products manufactured are cigarettes, matches, soft drinks, beer, lumber and plywood, textiles, footwear, canned vegetables, and canned meat.

Most state-owned manufacturing enterprises operate at well below capacity, primarily because of shortages of raw materials, of semifinished products, and of spare parts, and also because of poor management. In certain cases, the limitation of the domestic market is a restraining factor. The underutilization of capacity has resulted in high unit costs and has placed the firms in serious financial difficulties, causing many of them to rely heavily on bank credit to finance their operations. In 1970, several enterprises, including the brick and tile plant, the refrigeration plant, the furniture factory, the fruit juice plant, some divisions of the plastics factory, and the brewery, operated at less than 10% of planned

capacity. A striking exception is the cigarette factory, which has been operating well above its planned capacity.

The government in recent years has taken measures to alleviate the technical and financial difficulties facing some manufacturing enterprises. Priority has been given in the allocation of foreign exchange resources, to imports of raw materials and spare parts for the factories. Some enterprises have been reorganized, their management changed, and technical and administrative deficiencies corrected. On the other hand, the government has not solved the problems of a truck assembly plant that ceased production in 1966. Another enterprise that still faces serious difficulties is the furniture factory at Conakry, which has been unable to obtain timber from Guinea Forestiere at a reasonable cost.

The government continues to give a high priority to industrialization, and a number of new manufacturing enterprises are expected to begin production in the near future. Among public industrial projects that are nearing completion are a wood panel factory, with a projected annual capacity of 15,000 cubic meters, which is being established with the assistance of a Belgian firm; a soft drink complex with an annual capacity of 15 million bottles, being established with assistance of the same Belgian firm; a brick and tile factory, with an annual capacity of more than 6 million pieces, being set up with assistance from China; a ceramic products plant, being established with assistance from North Korea; and an oil extraction plant, being established with assistance from an Italian firm.

The construction and construction materials industry is small. Much of the construction has been done by foreign firms using foreign technicians, foreign equipment and supplies, and foreign capital. The domestically owned industry includes a company that imports construction materials; brick and tile factory; a tile factory; and a granite mining company. These firms are wholly owned by the government or by individuals in partnership with the government. Output of the brick and tile factory is expected to expand considerably upon completion of an extension of the existing railroad to large new clay deposits. However, all cement and steel, as well as much of the lumber and tile used in construction, must be imported.

The number of registered wage earners employed in construction and public works nearly tripled from 1968 through 1971, increasing from 4,200 to 12,000. This sharp increase primarily reflects the demand for construction workers at Guinea's new bauxite projects.

5. Domestic trade

Guinea's modern commercial life was dominated by the French until 1958, when the country became independent and established a system of state trading monopolies to conduct its foreign trade. State stores were established throughout the country to distribute imported goods, largely from Communist countries, but these proved unsatisfactory because of poor management and the generally poor quality of the imported goods. Distribution of consumer goods was returned to private merchants at the end of 1963, but under strict government control. In March 1965, a presidential decree established a series of regional committees to control the distribution of all domestically produced and imported consumer goods. Party officials hold the major offices on the committees, with government officials holding secondary posts. In a further move to tighten control of the economy, in November 1968 all foreigners engaged in trade and not otherwise engaged in a productive undertaking were banned from conducting business in Guinea or were given 1 year to opt for Guinean citizenship. The result of these drastic measures against the traditional and experienced traders was a spectacular decline in the efficiency of distribution of consumer goods and significant shortages in many areas.

A large part of the domestic trade is in rural markets, where petty traders offer locally grown foodstuffs and handicraft items for sale or barter. Itinerant peddlers trade throughout the countryside, often crossing national borders to exchange Guinean farm produce for textiles and other small, manufactured consumer items. Modern commercial practices introduced by the French during the colonial period supplemented but never fully supplanted these traditional trading practices.

Domestic production of consumer goods is generally inadequate to meet total national demand, and, despite periodic loans from abroad, Guinea has not been able to import sufficient quantities to avoid shortages.

C. Economic policy and development

1. Policy

a. Government finance

Following independence, Guinea embarked on a comprehensive reorganization of economic and social activities, bringing virtually all important sectors of

the economy other than mining and agriculture under direct government control. The public sector thereby came to occupy a predominant position in the country's economic activities. The public sector as defined in Guinea includes the central government, 29 administrative regions, 209 administrative districts (*arrondissements*), various public agencies, and about 70 state enterprises.

Public sector financial transactions are recorded in either the ordinary budget or the public investment budget. The ordinary budget covers current transactions and some minor investment transactions. The Ministry of Finance and Banking prepares and executes the budget, with assistance from the Minister of Plans, and the National Assembly approves the financial act that governs annual ordinary budget operations. Budgets of the autonomous public agencies are included because of their continued dependence on central government contributions, but the administrative regions and districts have independent budgets that are approved by presidential decree. The public investment budget is derived from Guinea's economic development plan (see below, under Development Planning).

In the first half of the 1960's, the ordinary budget was generally in surplus, since revenue expanded steadily and expenditures were strictly controlled. In FY66, however, the surplus disappeared, mainly because of sharply increased expenditures for wages and salaries following an upward adjustment in wage scales and increased recruitment (Figure 7). Deficits in the subsequent 3 years resulted primarily from a marked decline in import duties that was not balanced by cutbacks in spending. Domestic production had eliminated the need to import certain high-tariff items such as cigarettes, matches, and textiles. To finance deficits, the government often resorted to using Central Bank credit, especially in FY68.

During FY70 the government introduced a set of stabilization measures that improved the financial situation. The principal measure was an import surcharge of at least 100% of the existing customs duty rates; this was equivalent, on the average, to 42.5% of the value of imports in FY69. Additional new excise duties were levied on locally manufactured products, such as cigarettes, textiles, beer, sheet metal, plastic goods, and soft drinks. Import duties and import surcharges on alcoholic beverages, flour, and inorganic chemical products were also increased. These measures, together with the favorable impact of an expansion in economic activity and imports as well as an effective drive to collect tax arrears, led to a 45% increase in ordinary budget revenue and a balanced

FIGURE 7. Ordinary budget
(Millions of U.S. dollars)

	FY66	FY67	FY68	FY69	FY70	FY71*	FY72*
Revenues:							
Taxes on income and profits....	13.8	11.5	14.9	12.7	18.0	19.7	21.1
Taxes on international trade....	28.8	19.5	16.6	17.9	31.0	44.6	53.8
Taxes on domestic production and consumption.....	2.2	2.2	2.2	1.3	4.3	8.1	10.5
Registration fees and stamp duties.....	1.8	1.2	0.8	1.0	2.9	3.0	5.1
Other revenues.....	19.0	23.7	15.5	21.8	22.9	19.0	22.1
Total revenues.....	65.6	58.2	50.1	54.8	79.2	94.4	112.7
Expenditures:							
Wages and salaries.....	36.3	41.7	45.1	44.7	51.1	52.7	66.2
Materials and maintenance.....	12.6	14.2	16.1	14.5	21.8	28.3	33.2
Equipment.....	4.4	3.6	4.0	3.1	3.0	3.0	2.9
Contributions and subsidies.....	2.6	0.5	0.5	0.5	0.6	1.5	1.7
Public debt service.....	9.8	0.0	5.3	7.2	0.0	2.0	2.0
Other.....	0.0	1.0	0.7	0.0	2.6	6.9	6.7
Total expenditures.....	65.6	61.0	71.7	69.9	79.2	94.4	112.7
Surplus or deficit (-).....	0.0	-2.8	-21.5	-15.1	19.0	0.0	0.0

NOTE--Because of rounding, components may not add to the totals shown.

*Budget estimates.

ordinary budget in FY70. No figures on actual performance in FY71 are available; preliminary information suggests that another balanced ordinary budget was achieved.

Recent information on the budgetary performance of administrative regions and districts is not available.

b. Money and banking

In March 1960, Guinea withdrew from the French-oriented Central Bank of West African States and created its own currency (Guinea franc) and banking system. A legal exchange rate of 247 Guinea francs (GF) to the U.S. dollar was maintained until January 1972, when the rate was changed to GF227 per dollar. In October 1972, the Guinea franc was replaced by a new currency unit, the syli, valued at the equivalent of 10 Guinea francs, or 22.7 sylis per dollar. The currency has no gold backing and is nonconvertible.

The present banking system consists of the Central Bank of the Republic of Guinea (BCRG), three government-owned specialized banks, and at least two nonbanking financial institutions.

In addition to issuing currency, the BCRG is responsible for managing the country's foreign exchange reserves and administering exchange controls. The BCRG may provide short-term credit to the government for the ordinary budget, but such credit must not exceed 10% of the previous year's

ordinary budget revenue and may not be extended for more than 240 days. The Central Bank is permitted, however, to give unlimited medium- and long-term credit to the government for financing investment under development plans. The BCRG serves as fiscal agent for the government and acts as the official agency for contracting foreign loans on behalf of the government and state enterprises. The BCRG also finances extrabudgetary outlays, such as the payment of arrears owed to government suppliers and, since 1965, pension payments to civilian and military veterans of the preindependence administration.

The three specialized banks performing commercial banking activities in Guinea are the National Credit Bank for Commerce, Industry, and Housing (CN), the Guinean Bank of Foreign Commerce (BGCE), and the National Bank for Agricultural Development (BND). Although these banks have their own statutes and maintain separate accounts, they are closely controlled by the Central Bank, which, in turn, is under the supervision of the Ministry of Finance and Banking. The CN is the largest specialized bank, with total assets at the end of 1971 amounting to more than 60% of the \$312 million combined assets of the three banks. It also holds the bulk of the economy's deposits. The BGCE is the second largest bank, with slightly less than 30% of the combined assets of the specialized banks. It was established by the government to

handle, on behalf of the Central Bank, all foreign payments and transfers of funds. The BNDA was created for the purpose of providing long-term credit to the agricultural sector. The financial resources of the BNDA have remained small, reflecting the meager deposits of farmers.

In addition to the three specialized banks, other financial institutions in Guinea include the Postal Checking System (CCP) and the National Savings Bank (CNE), both of which are government owned and operated. The CCP accepts demand deposits, the proceeds of which are transferred to the Treasury. The CCP is used by the Treasury, private individuals, and specialized banks for making payments and transfers, mainly in the interior. The CNE accepts private sector saving deposits, of which the larger part is turned over to the Treasury and the remainder is deposited with the Central Bank.

The government is contemplating the establishment of regional banks to service the needs of specific regions that will be opening up to new economic activity. The first regional bank is expected to open in the Boko bauxite mining region in 1973, and a similar bank is expected to be established at Nzerekore.

2. Development

Guinean authorities have placed considerable emphasis on development planning. In 1969 a Ministry of Planning was established to elaborate long-term social and economic development programs and to coordinate public sector activities. The ministry, which is now called the Ministry of Plans under the newly established "Domain" of the Prime Minister, prepares the government's investment programs and controls their execution by the other government departments, regional and local governments, and state enterprises.

Guinea's first attempt at development planning was the Three Year Plan for public sector investment covering the period July 1960 through June 1963. Planned investment expenditures totaled \$150 million, of which 57% was to be devoted to the modernization and expansion of the country's transportation and other infrastructure facilities; 17% to manufacturing, mining, power, and handicrafts; 13% to rural development; and the balance to social and other services. Although national accounts series are not available, indications are that during the plan period the rate of economic growth was modest compared with the sizable investment made. A large part of the total public investment expenditure was financed by foreign loans, mainly from East Europe and the

People's Republic of China, but an important amount was also covered by Central Bank credit.

In 1964 the government undertook a more ambitious development program, the Seven Year Plan for the period 1964 through 1971. Total investment expenditures were planned at \$531 million, including certain investments carried over from the Three Year Plan. As in the case of the previous plan, the Seven Year Plan consisted essentially of a list of public sector projects but did not establish growth targets for the economy. The fundamental objectives were to further improve and expand infrastructural facilities, to diversify economic activity, and to raise the level of agricultural, mineral, and industrial production with a view to increasing domestic income and improving Guinea's foreign trade balance. These objectives were to be met through a further extension of the public sector. Of total planned expenditures, about 46% was allocated to transportation and other infrastructure facilities, 15% to mining and manufacturing, 12% to power and water resource development, 9% to agriculture and related activities, and the remainder to social and other services. The government's intention was to undertake projects only as financing became available and to refrain from having recourse to domestic bank credit.

Execution of the Seven Year Plan was not as rapid as expected. In the first 2 years of the plan period, investment outlays were far below the planned rate. Subsequently, the rate of plan execution showed considerable improvement, although with marked fluctuations. For the plan period as a whole, public investment expenditure totaled \$355 million, or about 67% of the original target. Only in mining and manufacturing did actual investments exceed planned levels, probably because of the commencement of the large Boko bauxite project.

The government has begun work on another development plan, which will cover a 5-year period. Higher priority will be placed on agriculture, with emphasis to be placed on achieving self-sufficiency in food crops, expanding the output of export crops, and increasing the production of industrial crops for local processing industries.

3. Manpower

The labor force participation rate is high—over 80% of the working age population. The government has no precise definition of "labor force," using the term to refer generally to all economically active persons of

FIGURE 8. Registered wage earners

	1967	1968	1969	1970	1971
Government*	23,600	26,085	28,720	29,549	30,400
State enterprises and private sector	75,050	74,900	80,750	94,709	105,600
Agriculture and fishing	29,200	29,200	30,100	30,500	31,500
Mining	3,400	3,400	3,100	8,500	11,000
Manufacturing	5,600	5,800	7,700	8,650	9,000
Construction and public works	4,500	4,200	5,900	8,200	12,000
Transportation	6,750	6,500	6,750	7,750	8,000
Water and electricity	4,500	4,500	5,100	6,550	7,000
Banking, insurance, and trade	17,600	17,800	18,200	20,300	22,200
Hotels and domestic services	3,500	3,500	3,900	4,250	4,900
Total	98,650	100,985	109,470	124,249	136,000

*Excluding military personnel and police.

working age—usually 15 to 30 years—with the exception of full-time students and housewives engaged exclusively in domestic duties. The Guinean labor force consists of two broad categories—a large nonmoneyed labor force engaged in traditional agricultural and handicraft pursuits in some 4,000 villages, and a small group employed in modern activities in a few urban communities. Rural workers occasionally are engaged in paid activities. About 7% of the 1.9 million member labor force has been employed for wages and salaries on a regular (registered) basis in recent years (Figure 8).

Guinea's labor force is not effectively organized, and most laborers lack economic incentives and skills. Ill conceived labor legislation, poor working conditions, and government control of Guinea's trade union serve to reduce labor's productivity in the modern sector, while politically inspired governmental controls and artificially low prices reduce the output of the traditional agricultural economy. Because of Guinea's low level of industrial development, growing numbers of workers in both the modern and traditional economic sectors are faced with the constant threat of unemployment and underemployment.

There appear to be no governmental restraints against moving from one area, occupation, or enterprise to another. In fact, the government has encouraged movement of urban unemployed to rural areas. Population movements as a whole, however, have been impeded by the lack of adequate transportation and communications facilities, the absence of industrial employment opportunities, and the strong personal ties to the family and local community.

D. International economic relations

1. Foreign trade

Much of Guinea's economy consists of subsistence agriculture, while the remainder of the economy is largely oriented toward foreign trade. All machinery and equipment, most of the raw materials required by manufacturing industries, and about one-third of all consumer goods are imported. Export products, such as bauxite and agricultural commodities, offer the primary means for stimulating the country's economic development. Moreover, taxes on international trade account for nearly half of government revenues.

For many years Guinea's foreign trade was characterized by a stagnation of exports. A general increase in mineral exports was largely offset by a decline in agricultural exports resulting from the persistence of plant diseases, transportation and marketing difficulties, and the smuggling of a significant share of export crops to neighboring countries. Imports were maintained at an artificially low level through severe restrictions until FY68. Thereafter, imports have been allowed to increase as the government has attempted to satisfy in part the demand for basic consumer goods and to overcome shortages of materials required by the productive sector. As a result, the trade deficit has grown significantly, reaching \$29.8 million in FY71 (Figure 9).

Alumina accounted for over 70% of total exports in FY71 (Figure 10). Bauxite, the only unprocessed mineral exported except for a few diamonds, is likely to overtake alumina as an item of export when the Boko facility becomes fully operational. Pineapples were the major agricultural export crop in FY71.

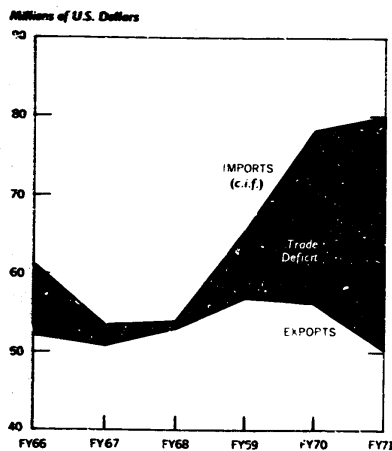


FIGURE 9. Foreign trade

Although bananas, coffee, and palm kernels have lost much of their earlier prominence as exports, they still offer a good potential for future export growth. Peanuts and iron ore, once important, are no longer exported.

The general import program sets priorities each year according to the country's basic needs for consumer goods, spare parts, fertilizers, and transport equipment

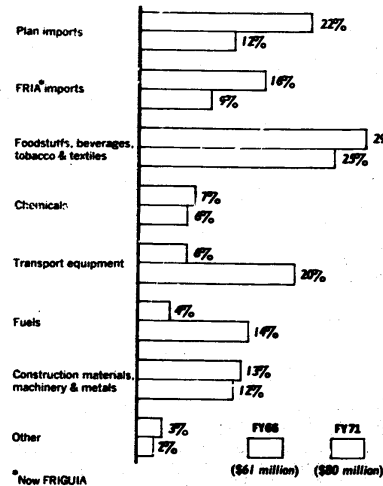


FIGURE 11. Composition of imports

(Figure 11). The program includes all imports other than those for FRIGUA and those under development plans. Adjustments made during any year reflect the availability of foreign exchange. The sharp increase in the portion of imports accounted for by transport equipment and fuels between FY66 and

FIGURE 10. Composition of exports
(Millions of U.S. dollars)

	FY66	FY67	FY68	FY69	FY70	FY71
Agricultural commodities.....	16.1	16.5	18.4	20.6	19.1	12.1
Bananas.....	4.2	4.1	3.0	3.9	2.4	0.8
Coffee.....	5.3	3.0	6.1	5.6	5.6	2.8
Palm kernels.....	2.8	2.8	2.8	3.8	2.7	2.7
Pineapples.....	2.7	2.9	3.3	4.0	4.9	5.4
Peanuts.....	0.4	1.9	0.1	0.1	0.0	0.0
Other.....	0.8	1.9	3.0	3.1	3.5	0.4
Minerals.....	35.7	34.3	34.5	36.2	37.1	38.1
Bauxite.....	0.8	0.0	0.5	1.5	1.6	1.8
Alumina.....	32.9	33.2	33.7	34.0	35.3	36.3
Iron ore.....	1.8	0.5	0.0	0.0	0.0	0.0
Diamonds.....	0.3	0.4	0.3	0.0	0.1	0.0
Other.....	Insig	0.1	Insig	0.7	0.1	0.0
Other.....	0.1	0.1	0.0	0.0	0.0	0.0
Total.....	51.9	50.8	52.9	56.8	56.2	50.2

NOTE: Because of rounding, components may not add to the totals shown.

FY71 reflects the government's efforts to solve some of the problems in the productive sector. Basic consumer goods, such as food, clothing, and textiles, normally command at least a fourth of total import expenditures. Imports by FRIGUIA reflect its need for spare parts and primary products.

A large share of Guinea's foreign trade is conducted within the framework of bilateral trade-and-payments agreements. In FY71, 40% of Guinea's imports originated in bilateral agreement countries, which in turn received about 21% of Guinea's exports. Guinea maintains operative agreements with 13 countries and inoperative agreements with eight others. Guinea also has a clearing arrangement with a private firm based in Switzerland. In recent years, while trying to reduce the scope of trade conducted under such agreements, the government has attempted to limit imports from some of these countries. However, Guinea continues to import more goods than it can export under bilateral arrangements.

Imports and exports are allocated geographically at the beginning of each fiscal year under their respective programs. The source of imports depends mostly on the availability of foreign exchange or of credit under bilateral payments agreements. In FY71 the U.S.S.R. and Czechoslovakia were Guinea's main customers among bilateral agreement countries, whereas its main suppliers were the People's Republic of China and the U.S.S.R. Exports to countries of the convertible currency area were mainly to Norway, the

Netherlands, and Spain, whereas imports originated primarily from France, Switzerland, and Belgium.

2. Balance of payments

Guinea's balance of payments has been under great pressure almost continuously since independence. Following the depletion of foreign reserves in the early 1960's, imports were sharply curtailed. Service payments continued to be substantial, while exports stagnated, and the current account continued to show large deficits. Guinea received large amounts of development aid and obtained temporary relief from mounting debt service payments through rescheduling agreements.

During the FY66-71 period, except for FY69, the balance of payments registered sizable overall deficits, which were financed primarily by increasing its indebtedness under bilateral payments agreements (Figure 12). Despite some reduction in the deficit on services account, coupled with a considerable increase in development aid and the provision of special drawing rights (SDR), the balance of payments registered a deficit of \$5.7 million in FY70 and \$7.4 million in FY71. By the end of 1971, Guinea had utilized practically all of its SDR allocations, and its holdings of foreign exchange amounted to only \$3.2 million, or the equivalent of about 2 weeks' imports, compared with \$7.9 million a year earlier.

FIGURE 12. Balance of payments
(Millions of U.S. dollars)

	FY66	FY67	FY68	FY69	FY70	FY71
Current account.....	-28.6	-23.4	-17.3	-26.7	-52.4	-36.8
Exports (f.o.b.).....	52.0	50.9	52.0	49.4	50.8	48.4
Imports (c.i.f.).....	-60.9	-53.3	-54.5	-56.8	-89.7	-68.5
Trade balance*.....	-8.9	-2.4	-1.6	-7.4	-38.8	-20.1
Net services.....	-19.7	-21.0	-15.7	-19.2	-13.6	-16.7
Capital account.....	27.1	17.7	10.5	30.3	45.4	44.6
Net private capital.....	1.4	0.0	1.1	1.8	2.8	4.0
Net official capital.....	25.7	17.7	8.8	27.7	42.7	38.6
Subscriptions to international organizations.....	0.0	0.0	0.6	0.8	-0.1	0.0
Allocation of special drawing rights.....	3.2	2.6
Errors and omissions.....	-3.4	-5.5	-1.5	2.1	-1.8	-17.7
Surplus or deficit (-).....	-4.8	-11.2	-11.2	5.8	5.7	-7.4

NOTE—Because of rounding, components may not add to the totals shown.

... Not pertinent.

*Both exports and imports are based on customs returns, adjusted for coverage and timing; hence, they differ from other trade figures.

3. Foreign aid

Guinea has received substantial foreign assistance, both as loans and grants. The source of aid has shifted from France, the principal donor prior to independence, to the U.S.S.R. and the United States. Substantial assistance has also been received from East European countries, China, and several other countries.

By December 1971 the Communist countries had extended over \$900 million in economic credits and grants. As the major creditor, the U.S.S.R. extended a total of some \$200 million for construction of a sports stadium in Conakry, a hotel, a jet runway at Conakry, and assistance in the construction and staffing of the Gamal Abdel Nasser Polytechnic Institute in Conakry. Soviet industrial projects include the Mamou food processing plant and the Nzerekore lumber mill. The latest Soviet aid project involves the development of Kindia's bauxite resources. China extended about \$80 million for the construction of a cigarette and match factory, a vegetable oil processing plant at Dabola, a tea plantation and processing plant, a large auditorium, and a hydroelectric installation and has provided budget support and commodity credits. The remaining Communist aid has come from East Europe and has consisted primarily of a number of small-scale projects. Yugoslavia has provided financial assistance for the construction of the brick and furniture factories and has extended a loan for the construction of a dam and hydroelectric powerplant. While most of the

Communist-assisted projects have been completed, the success of the programs has been hampered by poor planning, Guinean redtape, and inefficient local management.

The United States has been a major source of Western aid to Guinea. By 1971, its total aid had reached \$118 million, of which \$72 million was in loans and \$46 million in grants. The P.L. 480 program has supplied rice, wheat flour, edible oils, and cotton to Guinea for a number of years and has been of major importance in generating the local currency for a \$21 million AID local-costs loan for the Boke project. Other U.S. aid consisted of transport equipment, fuels, chemicals, and industrial and mining products. U.S. technical assistance has been directed toward the development of agriculture, education and vocational training, transport and communications, and health services.

West Germany has been another major source of Western assistance, with grants and loans amounting to at least \$35 million by the end of 1970. Loans have been used to finance imports of transport equipment and to meet the costs of communications facilities. West Germany also has provided aid to the army for the construction of roads and several small industrial plants, including a tannery. All West German aid ended in January 1971, when Guinea broke relations with Bonn. Other countries that have assisted Guinea include Belgium, Ghana, the Netherlands, Italy, and the United Kingdom.

Glossary

ABBREVIATION	FRENCH	ENGLISH
BCRG.....	<i>Banque Centrale de la Republique de Guinee</i>	Central Bank of the Republic of Guinea
BGCE.....	<i>Banque Guineenne du Commerce Exterieur</i>	Guinean Bank of Foreign Commerce
BNDA.....	<i>Banque Nationale de Developpement Agricole</i>	National Bank of Agricultural Development
CNE.....	<i>Caisse Nationale d'Epargne</i>	National Savings Bank
CBG.....	<i>Compagnie des Bauxites de Guinee</i>	Guinea Bauxite Company
CCP.....	<i>Compte Courant Postal</i>	Postal Checking System
CMC.....	<i>Compagnie Miniere de Conakry</i>	Conakry Mining Company
CN.....	<i>Credit National</i>	National Credit Bank
FRIA.....	<i>Fria Compagnie Internationale pour la Production de l'Alumine</i>	Fria International Alumina Production Company
OFAB.....	<i>Office d'Amenagement de Boke</i>	Boke Development Office
ONAH.....	<i>Office National d'Hydrocarbures</i>	National Petroleum Office
SNE.....	<i>Societe Nationale d'Electricite</i>	National Electric Company

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