

**COUNTRY PROFILE:****REPUBLIC OF GUINEA**

IES/02: ATTACHMENT A

**DATED:****AUGUST 2007****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	Case-by-case

*Recent Political Highlights*

- ❑ President Lansana Conte has been head of this military Government since April 1984. He was elected president in December 1993. Guinea has had only two presidents since gaining independence from France in 1958;
- ❑ In an interview late last year, the president confirmed that despite his ailing health, he will remain in power until the end of his term in 2010;
- ❑ Declining economic conditions and popular dissatisfaction with corruption and bad governance prompted two massive strikes in 2006 that sparked widespread urban unrest;
- ❑ In December 2006, President Conté personally released two of his close associates from prison who were under investigation for embezzling funds from Guinea's Central Bank. He also reversed his decision and reinstated the Minister of Transport, who was allegedly connected to the Central Bank scandal. This highlighted his autocratic style and disregard for the separation of powers and prompted the labour unions to halt ongoing negotiations and to recommence the general strike in January 2007. A tripartite agreement was later entered into whereby Government would appoint a prime minister with delegated executive powers. The president appointed a long-time friend as Prime Minister Lansana Kouyate in February 2007.

*Recent Economic Highlights*

- ❑ Guinea has a population of 10m that is expected to grow at a rate of 2.6% in 2007. Although its mineral wealth makes it potentially one of the richest countries in Africa, its people are among the poorest in West Africa;
- ❑ Investor confidence has been drained by rampant corruption, a lack of electricity and other infrastructure, a lack of skilled labour and the political uncertainty due to the failing health of the president;
- ❑ GDP growth was estimated at 3.7% in 2006. The IMF expects the economy to grow by 2.5% in 2007 and 5% in 2008 and puts inflation at 34.1% in 2007 and 25% in 2008;
- ❑ A European think-tank, the Crisis Group warned that the country's acute economic problems, instability among its neighbours and uncertainty over a successor to its authoritarian president risks becoming a failed state;
- ❑ The IMF estimates Guinea's per capita gross domestic product at \$398 compared with the average in Sub-Saharan Africa of \$592. Following the closure of AngloGold's office in Guinea early this year due to ongoing strikes, the Fund warned that the growing instability will likely lead to further economic decline as foreign operators will be dissuaded from carrying out work in the country;
- ❑ Guinea possesses over 25bn metric tonnes of bauxite – a third of the world's proven reserves, over 4bn tonnes of high-grade iron ore, significant diamond and gold deposits and undetermined quantities of uranium. Its joint venture bauxite mining and alumina operations in northwest Guinea historically provide about 80% of Guinea's foreign exchange. Coffee exports and remittances from Guineans living abroad account for the rest of the country's forex;
- ❑ A \$3bn factory to turn bauxite into aluminium will be built by 2009 in Sangaredi, a rural settlement in Guinea. It will give hope to poor communities desperate for jobs that have for decades seen their region's mineral wealth exploited abroad;
- ❑ A \$80m aid package was signed between Guinea and fourteen UN agencies in July to boost the availability of drinking water in the troubled Forest Region in the southeast of the country. The package envisages an increase in the number of people with access to drinking water in the region from 59% to 85% by 2011. International donors have pledged \$90m to help Government improve access to water, electricity and food and tackle mass youth unemployment and a further \$400m towards a long term programme to address poverty.

*Latest Trade Developments*

- ❑ Major exports: bauxite, alumina, gold, diamonds, coffee, fish and agricultural products;
- ❑ Major imports: petroleum products, metals, machinery, transport equipment, textiles, grain and other food items;
- ❑ Main trading partners: South Korea, Russia, Ukraine, Spain, France, US, Germany, Ireland, China, Netherlands and Belgium;
- ❑ SA's exports to Guinea totaled R258m in 2006 from R236m and R76m in the year to May 2007.