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Guinea has great potential

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IN 1995 Malaysia's official relationship with Guinea came into being.

The visit of Guinean President Major-General Lansana Conte in September 1995 started the ball rolling... Conte headed a delegation of four ministers, presidential aides and government officials.

Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad and a delegation of 200 Malaysian officials and private investors paid a return visit to Guinea in November 1996.

Not much was heard since of the former French colony (1898-1958) which was the first nation in French-speaking tropical Africa to become independent on October 2 1958.

As a result, the Guinean Government decided it was time to set up an embassy in Kuala Lumpur to establish better ties and assist Malaysians interested in investing in Guinea.

The Guinean embassy in Malaysia was thus established on October 17 1996.

Guinean Ambassador to Malaysia, Mr Ibrahima Sory Camara told Business Times in Kuala Lumpur that the country is endowed with many different kinds of natural resources that make it potentially one of the richest African countries.

"Thanks to the climate and soil, Guinea has agricultural potential. However, today it is especially known for its underground riches (bauxite, iron, uranium, gold and diamonds) and its considerable energy production.

"We have had Malaysian investors who were interested in the agriculture and infrastructure sectors but none so far in exploiting our minerals," he said.

Camara explained that Guinea has only two bauxite mining plants exporting 15 million tonnes of bauxite ore a year. The country has eight billion tonnes of bauxite in its reserves.

"We also have in our reserves some three billion tonnes of iron ore, 2,000,000 million oz of gold and four million carats of diamonds yet to be exploited.

"We also only have one alumina plant exporting 600,000 tonnes of aluminium and a gold refinery exporting two tonnes of gold a year.

"Therefore, there is a great deal of potential for Malaysian investors to go into this field (minerals sector) if they are interested," he said.

The country which extends over 245,857 sq km, has a 300km coastline on the Atlantic Ocean as its western border. It borders Guinea Bissau and Senegal in the north, the Ivory Coast and Mali in the east, Sierra Leone and Liberia in the south.

"There are also vast opportunities for investors to go into the building of hotels and resorts since Guinea is setting its eyes on developing the tourism industry," Camara said.

He indicated that there is a Malaysian entity which is currently looking into building a resort in Guinea, but declined to name it as negotiations with Guinean authorities are on-going.

Camara explained Guinea is opening its doors to investments now that it is no longer a socialist country.

From 1960-1964, Guinea had a centralised planned economy, which corresponded to the country's socialist orientation.

By early 1980 this policy led to dramatic results with disastrous economic effects between 1980 and 1984.

"The rate of growth of the GNP (1.6 per cent) fell below the rate of

population growth (2.8 per cent). Furthermore, the level of investment was falling steadily and the rate of growth of investment became negative (-3 per cent).

"Debt incurred at the end of 1983 represented 75 per cent of GNP. Imports were growing faster than exports and the public sector deficit reached 10 per cent of GNP," Camara added.

So, despite its abundant natural resources, Guinea found itself in 1984 with an under-developed economy (lack of adequate economic and social infrastructure and shortage of equipment) and capital shortage.

"The country also found itself with a bloated and inefficient public sector (industries and services) and unable to respond to demand. There was a poorly integrated economy structure and a heavily over-valued currency with artificial exchange rates and prices," Camara said.

"The poor performance of the Guinea economy over the years was due to the deep, serious economic and financial imbalances.

"The most important and urgent tasks in 1984 were to correct these imbalances and relaunch growth," he explained.

In December 1985, with the support of the Bretton Woods institutions (World Bank and International Monetary Fund), Guinea launched a major programme of economic and financial reforms.

The main target was to lay the basis for sustained and lasting economic growth by setting up efficient production sectors without state involvement; creating strong institutions and formulating regulations to promote investment in the country.

In accordance with these objectives a certain number of measures were taken then and which are still in force.

These included banking and monetary reforms, liberalisation of commerce, promotion of the private sector, privatization and reorganisation of public enterprises, civil service reform, improved management of the state budget and fostering investments by granting incentives.

"These measures produced very beneficial results at the economic and social levels. Overall, economic agents reacted positively to the implementation of these measures," he added.

The GNP growth rate increased from 3.1 per cent in 1987 to 6 per cent in 1988. The inflation rate was cut from 72 per cent in 1987 to 29 per cent in 1988 and from this time onwards, macroeconomics data improved.

Due to these measures, Guinea saw the introduction of a flexible exchange rate and a reduction in the parallel black market exchange.

"There was a ceiling for monetary financing of the public sector which limited this to 0.6 per cent of the GNP. In addition, a real interest rate was established.

"The main reason why Guinea was unable to transform its natural resources was the absence of investment incentive regulations and lack of appropriate infrastructure.

"Because of these reforms and new regulations, investors are now seeking to invest in energy, water, road construction and other infrastructure areas. Investors are also looking for opportunities in the agriculture and agro industries, timber sector and mineral deposits development.

"It is good to remind Malaysian investors to come to Guinea as in addition to these reforms, Malaysia and Guinea have signed a 'Reciprocal Promotion and Protection Investment Warranty Agreement' which will protect Malaysian public and private investments in Guinea," he said.

Camara said the agreement was signed when Dr Mahathir visited Guinea in November 1996.

He indicated that some Malaysian investors already in Guinea are Telekom Malaysia, Padi Beras National Bhd (Bernas) and Bank Bumiputra through International and Commercial Bank.

Telekom Malaysia has 60 per cent equity worth RM100 million in Societe des Telecommunications Des Guinea under a 10-year contract to develop the system in the country.