A New Guinea?

by L. Gray Cowan

The unexpected death of President Ahmed Sekou Touré on March 26, 1984 shattered Guinea's frozen political landscape. What had appeared to be one of Africa's strongest and most radical ruling parties, the Parti Démocratique de Guinée (PDG), was revealed to be a hollow structure maintained not by popular endorsement but by repression and intimidation. Before party stalwarts could decide on a replacement for Touré, an army coup in early April 1984 brought to power Colonel (now General) Lansana Conté as president of a mixed military and civilian government, the Comité Militaire de Redressement National (CMRN).

The Costs of Saying "Non"
The new regime faced critical problems of economic reform and administrative reorganization in the wake of nearly 26 years of deterioration that began with the country's abrupt transition to independence on October 2, 1958, a few days after Guinea, alone among France's African dependencies, voted a resounding non in the constitutional referendum organized by President Charles de Gaulle in the hope of reshaping the colonial empire into a Paris-centered community of self-governing French-speaking nations. In retaliation for the one-sided vote, de Gaulle made Guinea an example of the perils of waywardness by peremptorily removing the entire French support system. Some 4,000 administrators, technicians, doctors, and craftsmen were withdrawn overnight; Guinea's reserves in French banks were blocked; telephones were ripped from walls and instruction plates from immovable equipment; such pedestrian items as light bulbs and toilets were removed or destroyed by departing French officials; and many Guinean soldiers found themselves without shoes.

Meanwhile, Touré moved toward virtual one-man rule as the PDG established a socialist system which ultimately exerted control over every aspect of economic activity with the exception of mining (the major source of foreign exchange). Smuggling was punishable by death and all farmers were required to market their crops through state-run cooperatives under the direction of local party officials. It was only after widespread rioting by market women in August 1977 in protest against the failure of "total economic planning" to meet even minimal consumer needs that limited private trade was reintroduced in an effort to reduce the heavy public reliance on the black market. Despite this step and a growing flow of Western foreign aid from the mid-1970s on, the Guinean economy was close to collapse at the time of Touré's death.

Despite Touré's iron fist mode of governing, his era was marked by persistent political tension. Throughout the 1960s and 1970s, the government issued a steady stream of accusations about plots, thwarted coups, assassination attempts, and external attacks, often said to be the work of Guinean exiles in Senegal, Ivory Coast, and Paris. Diplomatic relations with France, finally established in 1961, were severed in the wake of allegations of French collusion in a 1965 plot against the regime. The most tangible of these alleged conspiracies was a 1970 arrival by sea of a force of several hundred, mainly Guinean, exiles led by Portuguese officers. This overt attempt to overthrow Touré brought increased repression, summary executions, and an increase in the powers of local party loyalists, especially in the rural areas.

As the regime's difficulties, both political and economic, mounted to the crisis stage, Touré began to shift course in several areas. Diplomatic relations with France and economic links with the World Bank were reopened in July 1975. In 1976, Guinea adhered to the Lomé Convention. A 1978 mini-summit in Monrovia ushered in normalized diplomatic relations with Ivory Coast and Senegal, and the year ended with a visit by French President Valéry Giscard d'Estaing to the capital city of Conakry. Meanwhile, Touré released a
number of political prisoners, and a congress of the PDG, while reaffirming the commitment to “non-capitalist” development, approved an “opening up” to Western capital and technology.

The late 1970s and early 1980s also saw a cooling of relations with the Soviets, who had been attracted to Guinea by Touré’s dedication to “positive neutrality” (but not to the extent of providing substantial economic assistance). Well before the the end of Touré’s rule, it was clear that Moscow no longer regarded him as a true socialist and that Guinea was not to be, as had been predicted, the hub for Soviet interests and activities in West Africa.

In his later years, Touré increasingly saw himself as an independent elder statesman in the African community (see “A Conversation with Sekou Touré,” CSIS Africa Notes no. 2, August 15, 1982). Guinea joined African regional economic development organizations and Touré became active as a mediator in intra-African disputes. He was scheduled to serve as 1984-85 chairman of the Organization of African Unity, but he died before he could assume office.

Post-Toure Political Maneuvering

The seizure of power by the CMRN in the political vacuum following Touré’s death was welcomed by the vast majority of Guineans. The excesses of his one-party state, the cult of personality, ethnic polarization, and suppression of human rights had created severe social tension. Conté immediately took steps to ease the situation by pledging to create a democracy whose cornerstone would be respect for human rights and the law. He placed heavy emphasis on ethnic harmony and national unity as well as on fundamental economic change. Conté’s dual challenge was to consolidate his position as head of government within the multiethnic, military-based ruling committee while at the same time avoiding the accusation of seeking to establish his own version of personal rule.

The popular expectations for rapid improvement, particularly in the living conditions of the mass of Guineans, were undoubtedly exaggerated at the outset. No government could have brought about in a few months the massive restructuring that was required in the political system and in the economy after a quarter century of corruption, inefficiency, and dictatorship. Moreover, Conté recognized that a coterie of supporters of the deceased former leader viewed with dismay their loss of control and were fully prepared to undermine the new regime by taking any opportunity to create dissension within ethnic groups and the army. In these circumstances, Conté moved cautiously on reforms necessary to meet the requirements of international lenders, but carrying the risk of creating new hardship and unrest. His hesitation gave rise to a growing perception that the leadership was weak and indecisive — and thus vulnerable.

Conté’s first direct challenge came from his own prime minister, Diara Traoré, whose flamboyance and eloquence made a much sharper impression both domestically and internationally than did the reticence of the president. Following his demotion in December 1984 from prime minister to minister of state for national education, Traoré became increasingly outspoken in his criticism of the failure of the government to take decisive steps. President Conté’s explanation of the shift: “When power is shared, men do not always think the same way...To keep the post of prime minister in a country such as ours these days is always a little dangerous.”

Conté’s concerns were given substance on July 4, 1985, when Traoré mounted a coup attempt while the president was attending an ECOWAS summit in Togo. In classic African coup form, troops under Traoré’s command seized the national radio station, which subsequently broadcast a recorded announcement of the formation of a Supreme State Council to “put an end to foot-dragging in making political, economic, and, in particular, monetary decisions.”

In the ensuing fray with troops loyal to Conté, 19 people were killed and 229 wounded. By the following morning, the radio station had been retaken and the sketchily planned coup foiled. Conté’s return from Lomé was greeted with tumultuous popular demonstrations of support. Some 200 people were detained and it was announced that the plotters, who included several former ministers, would be summarily executed. (In response to a flood of international protest demanding a fair trial and respect for human rights, President Conté shifted ground and said that those involved would receive a fair albeit rapid trial, and a committee was appointed to look into the circumstances leading up to the coup attempt.)

Even though the coup failed, it highlighted the political problems facing the new regime. Apart from the perception that Conté was overly cautious about making critical decisions, it seems clear that ethnic rivalry was a significant causal factor. Traoré was a Malinké, as was Sekou Touré, and at least some Malinké army officers supported Traoré’s attempted takeover, feeling that they had been victimized by the rise to power of Conté’s minority Soussou group. The ethnicity factor is given additional credibility by the fact that Malinké property in the capital was looted in the days following the coup attempt. Moreover, Conté himself later accused the local trading community of financial complicity in the plot and threatened to bring in competitive foreign traders if sabotage of the government’s effort to hold down the prices of basic foodstuffs continued.

Guinea’s Resource Base

Guinea has long been regarded as one of West Africa’s most resource-rich countries. It has substantial agricultural potential, both in food production for local consumption and in export crops. Major crops have traditionally been grain, cassava, maize, groundnuts, coffee, citrus fruits, pineapple, and bananas. Unlike its Sahelian neighbors, Guinea’s rainfall in normal years is sufficient in most areas and the country was a net exporter of food in the colonial period. Under the PDG, however, it became necessary to import 100,000 tons of...
grain annually — about one-fourth of the national requirement. Agricultural exports were crippled by distortions of the marketing system which encouraged smuggling of crops to nearby hard currency countries. Reestablishment of the plantation system for export of high-grade tropical fruits, either fresh or processed, to the European market would offer hope for agricultural recovery.

The Guinean mining sector is a potential source of substantial wealth. The production of bauxite, which peaked in 1979 at 14.65 million tons, has fallen to a little over 12 million tons with the decline in world markets, but it could be raised to 20 million tons within a few years given sufficient demand. The government owns 49 percent of the major producer, Compagnie des Bauxites de Guinée, and receives 65 percent of the profits.

The iron ore deposits at Mount Nimba on the Liberian border are claimed to be among the world’s richest (65-67 percent grade, with reserves estimated at 1 billion tons). Production has been initiated at a modest level by a nine-country consortium of firms and the Guinean government, which holds a 50 percent share. The ore has been exported thus far by rail to Buchanan in Liberia, although plans (now shelved as too costly) have been laid for a rail connection to Conakry and a new deep-water port. The international market for the ore has been depressed for some time, however, and it is unlikely that the original goal of 15 million tons a year will be reached in the foreseeable future.

Production of the third main mineral resource, diamonds, was suspended under the Touré regime because of the government’s inability to control theft. The new regime has allowed private companies to resume production (with 65 percent of the profits going to the government) and has banned individuals from mining any precious minerals. Joint venture production of gold has begun and uranium is in prospect. Exploration for petroleum has as yet been unsuccessful. Further development of dams could provide all the hydroelectric power needed for future alumina smelting. The manufacturing sector has never been of notable importance but efforts are being made to rehabilitate industries which declined under state control.

Toward Economic Liberalization

In addressing the serious economic crisis it inherited, the Conté government was forced to take bold steps to liberalize trade and investment and to revive private sector activity. An interim national recovery plan was published outlining new investment priorities limited to the productive sector (and backup infrastructure projects) and those supported by “solid studies.” Emphasis was placed on agriculture, livestock, and fishing. Two conditions applied to all proposed investments: that they generate regular income to repay loans and that they be limited to a maximum of $60,000, with most under $10,000. The main beneficiaries would be local peasant associations.

It soon became clear, however, that little new investment would be forthcoming without monetary reform. At the strong urging of the International Monetary Fund, Conté eventually decided to embark on a wrenching devaluation program, announced in January 1986. The syli, which had been tied to an SDR parity of 23 to the U.S. dollar, was devalued to bring it more nearly in line with the black market rate of nearly 350 to the dollar. In a related move, the syli was replaced on a one-to-one basis with a new Guinean franc, a move which some Western observers interpreted as a first step toward joining the CFA franc system. The exchange rate for the new currency was based on a two-tier system that separated government from private exchange transactions. Exchanges carried out by government agencies, parastatals, and joint venture mining companies were fixed at a rate of GF300 to the dollar. Private sector transactions were to float by means of a system of weekly auctions organized by the Central Bank. Pending the first auction, this rate was fixed at GF340 to the dollar.

This massive devaluation was designed to restore popular confidence in the currency and make the economy more attractive to foreign investors by enabling them to repatriate profits. Recognizing that such a sizable devaluation would raise living costs substantially, the regime established fixed (albeit increased) prices for rice, fuel, and public transport to counter possible discontent. All government personnel, civilian and military, including those working in state-owned enterprises, were given a nontaxable living allowance of GF3,000 a month and those in Conakry an additional GF1,500 transportation allowance. Guineans appear to have accepted the devaluation almost with relief in anticipation of reduced black market and smuggling activity and an internationally acceptable currency.

In the Touré era, the banking sector had been totally controlled by the state and there was evidence that bank officers had been appropriating significant amounts of depositors’ money for their own use. To restore confidence, a new banking law was issued in March 1986 under which the six former state banks, which had ceased all activity the previous December “for technical reasons,” were replaced by three new commercial banks. Depositors in the state banks were guaranteed full repayment but only after accounts had been “verified.” The Guinean governor of the Central Bank was replaced and a French former advisor to the Bank became the new governor’s deputy.

Two of the new commercial banks are 51 percent government owned, with the remaining shares being held by a variety of European (chiefly French) banks and, in the case of one, the International Finance Corporation. The third is entirely private, consisting of a consortium of Guinean investors with Swiss and French partners. The three will play a key role in the weekly foreign exchange auction.

In cooperation with the Central Bank, the commercial banks will also be influential in negotiating repayment of Guinea’s medium-term foreign debt of $1.5 billion, debt service charges of $150 million annually, and arrearages of $250 million. A standby agreement has
Guinea: Key Economic Indicators

Area: 95,000 square miles
Population: 5.9 million
Population Growth Rate: 2.8 percent
Exchange Rate: US $1.00 = 300 Guinean francs (public sector and mining activity)
US $1.00 = 340 GF (private sector)

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<td>GDP (at market prices)</td>
<td>1,500</td>
<td>1,520</td>
<td>1,546</td>
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<td>of which: Agriculture</td>
<td>42%</td>
<td>42%</td>
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<tr>
<td>Industry &amp; Mining</td>
<td>23%</td>
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<td>Services</td>
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<td>35%</td>
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<tr>
<td>Nominal GDP Per Capita (U.S. dollars)</td>
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<td>300</td>
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<td>Balance of Payments</td>
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<td>Trade Balance</td>
<td>64</td>
<td>123</td>
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<tr>
<td>Exports</td>
<td>444</td>
<td>503</td>
<td>527</td>
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<td>Imports</td>
<td>380</td>
<td>380</td>
<td>428</td>
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<td>Exports to U.S.</td>
<td>121.1</td>
<td>105</td>
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<td>Services &amp; Private Transfers (net)</td>
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<td>Balance on Current Account</td>
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<td>External Debt (millions of U.S.$)</td>
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<td>1,500</td>
<td>1,570</td>
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<td>Mineral Production (millions of metric tons)</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Bauxite</td>
<td>10.6</td>
<td>10.8</td>
<td>12.2</td>
<td>13</td>
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<tr>
<td>Alumina</td>
<td>.53</td>
<td>.57</td>
<td>.51</td>
<td>-10</td>
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<td>Diamonds (carats)</td>
<td>32,700</td>
<td>40,500</td>
<td>48,000</td>
<td>18</td>
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Source: U.S. Department of Commerce, Foreign Economic Trends, Guinea, March 1986. Note should be made, however, that (1) Commerce figures are based on data from the Government of Guinea, the International Monetary Fund, the World Bank, and U.S. Embassy estimates, and (2) all data on Guinea have a relatively high margin of error and should be viewed only as indicative of underlying trends.

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been signed with the IMF and debt rescheduling with the Paris and London Clubs is anticipated. Investor confidence will be further bolstered by a World Bank structural adjustment loan of $43 million and bilateral aid agreements estimated at $75 million.

A new currency and the restructuring of the banking system are expected to have a salutary effect on Guinean trade. Official imports now cost more than 12 times their prices in the former currency, which should give new impetus to local production. With a stable exchange rate and increased producer prices, exports should also rise. New import licensing procedures and simplified customs regulations will make private trade easier, as will the removal of import duties on foodstuffs and reduction of duties on construction materials.

Indications are that France will resume its former position as Guinea’s major trading partner, although the United States, Japan, Brazil, China, and the Soviet Union will continue to have a share.

Despite the steps outlined above, the government is under pressure to liberalize conditions further for foreign holders of bauxite concessions. Halco Inc., the U.S.-based international consortium that owns 51 percent of the largest producer, Compagnie des Bauxites de Guinée, has warned its partner, the government, that Guinea runs the risk of pricing itself out of the world market unless the present $13 a ton export levy is eliminated. Alcan, a member of the Halco consortium, claims that it costs $200 a ton to produce alumina at its Irish refinery with Guinean ore whereas the product can be bought on the spot market for $80. Talks are scheduled to begin shortly in an effort to resolve the question; meanwhile the tax on exported bauxite is being paid under protest.

Within the larger context of other domestic moves toward economic liberalization, which included abolition of food subsidies and rationing as well as increased farm gate prices, reform of the public sector was a critical next step. In the years prior to Toure’s death, budgetary transfers to public enterprises represented between 30 and 40 percent of total government receipts. Some 181 public enterprises accounted for 25 percent of the gross domestic product in 1979, and by 1981 they were responsible for more than 75 percent of modern sector employment.

As part of the new government’s campaign to encourage the private sector, subsidies to state-owned enterprises were drastically reduced. It was somewhat optimistically forecast that all subsidies would be eliminated by the end of 1986 through a combination of privatization, liquidation, and rationalization. In addition to the elimination of the state banking monopoly, public marketing agencies and some 300 state farms were closed. The 54 state-owned gasoline stations have been put on the block and a private petroleum distributing company established to compete with the state-owned firm.

In an effort to reduce the overstuffed civil service, employees of state enterprises were removed from the public employee rolls. A 30 percent cut in the country’s 84,000 civil servants is planned, with further reductions to follow in 1987. The government’s ability to carry out its intentions, however, will depend in large degree on increased employment in the private sector.

In 1985 consultants from France’s Institut de Dévelop­lement International (IDI) and France’s Fonds d’Assistance et Coopération (FAC) were called in to analyze the government’s holdings in 38 state-owned enterprises and to make recommendations. Their analysis painted a rather bleak picture. The average utilization of manufacturing capacity is about 15 percent and the overall ratio of sales to capital invested only 5 percent. On the other hand, market capacity was estimated to be far in excess of installed capacity in several industries. The consultants recommended that 12 enterprises should be liquidated and their assets sold, 10 should initially be rehabilitated through management contracts or joint ventures, and most of the remainder, although potentially profitable, should cease production until joint venture partners could be found. Essential services such as water, telecommunications, and electricity would remain in the public domain but under new statutes giving greater operating autonomy to management.

Buyers for some of the firms designated for privatization have been found and prospects appear good for eventual disposal of others. But all suffer from similar problems — a long history of poor management, excessive numbers of employees, lack of business and marketing plans, and inability to secure sources of imported raw materials. In view of the evident sincerity of the government’s expressed intention to dismantle many of its public sector industries (indeed, some have argued that privatization has been embraced too rapidly and with excessive faith in its immediate results), the problem now is to identify suitable joint partners who have appropriate production experience and access to foreign markets and raw material supplies.

Can Reform Survive?
The blocking of the 1985 coup attempt apparently has strengthened Conté’s hold on power and the display of popular support when he returned to Guinea in its wake has made him less hesitant about making some of the kinds of economic decisions that have prompted popular protests in other African countries. Neither a full cabinet reshuffle shortly after the coup attempt nor the monetary reform and reduction of the public sector undertaken a few months later produced serious public reaction. There appears to be a growing public awareness that substantial sacrifice will be required to achieve even the relative prosperity of the immediate post-inde­pendence period. But the full effect of the changes remains to be felt; unemployment resulting from the privatization of industry may yet create resistance to further reform.

The emigration of large numbers of trained Guineans over the past two decades has left the country seriously short of trained managers and technicians. The new government has thus far had limited success in enticing skilled professionals to return. They are making a good living in other African countries or France and will be
apprehensive about coming home unless and until they can be assured of considerably improved living conditions and political stability without ethnic discrimination. Meanwhile, the government will continue to be cautious in its dealings with foreign business, particularly in view of the rush of entrepreneurs of questionable quality and intent who descended on the country immediately after the change of regime.

The Conté government has exhibited an almost complete reversal of its predecessor’s ideological stance and a determination to seek new political and economic directions involving the private sector. If it is successful in maintaining personal liberties and improving the economic lot of Guineans at all levels, it may provide a salutary example to other African countries in similar circumstances. Whether the Conté regime can stay the course long enough to effect a genuine transformation of Guinea’s prospects remains to be seen. It took more than a quarter century to break down a thriving economy; it may take almost as long to reconstruct it.

L. Gray Cowan was director of Columbia University’s Institute of African Studies from 1960 to 1970, and subsequently served as dean of the Graduate School of Public Affairs at the State University of New York/Albany. His early classic, The Dilemmas of African Independence, originally published in 1964, was updated and reprinted in three subsequent editions. His other publications include books on local government in West Africa and on the financing of education in Kenya, as well as articles on Nigeria and various French-speaking countries of Africa. Dr. Cowan is currently working as a consultant to the U.S. Agency for International Development, specializing in analysis of privatization trends in the public sector in developing countries. His two previous contributions to CSIS Africa Notes were “Africa Reconsiders Its Parastatals” (issue no. 33, September 4, 1984) and “Benin Joins the Pragmatists” (issue no. 54, February 28, 1986).

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