

NMBC's FACT-FINDING MISSION TO GUINEA, WEST AFRICA, June 18 – 30, 2005.

Purpose of Mission

In June 2005, NMBC decided to explore business opportunities for members in Guinea, Conakry, under that continent's new thrust: "Africa is Open for Business." The mission was in keeping with standard NMBC protocol under the Council's International Trade Program.

Why Guinea?

Guinea is a 246,000 sq. km. former French colony on Africa's west coast with a population of 9 million that comprises such popular African people as Mandingos, Fulanis and Sousous. Rich in history, culture and natural resources, Guinea has long exported its artisan skills and world famous dance troupe, along with gold, diamonds, iron ore, bauxite and alumina, to global markets. Guinea is reported to have one-third of the world's known resources of bauxite. Today there are major international mining firms operating in Guinea, including ALCOA, ALCAN, Global Alumina, Ashanti Gold Co. and Anglo Gold, bolstering a sector that contributes more than 17 percent of the country's gross domestic product (GDP).

Guinea's capital city, Conakry, with a population of over 2 million, offers myriad opportunities for U.S. businesses. It calls to minds the story of the two shoe salesmen who visited a country where the majority of the people had no shoes. One of the salesmen promptly returned home because people did not wear shoes. The other remained because he saw the opportunity to sell shoes to people who needed them. Conakry, to an entrepreneur, is a work in progress, a city in transition. Multi-story buildings (not skyscrapers) are going up everywhere, from downtown Conakry to the outskirts of town, with sturdy stick scaffolding that obviously works on the six- and eight-story structures. Road and drainage construction is all over the city, but with lots of old equipment and too much manual labor. There is a new U.S. Embassy under construction directly across from the brand new Guinea radio and TV headquarters.

Embedded in this physical development is the reality of African poverty, quite different from the American type poverty we are accustomed to. There is a lack of adequate housing, food, sanitation, health and much more of life's basic needs. In spite of the obvious poverty, these communities are brisk with commerce. Roadside stalls offer everything from clothing, food and live animals to imported appliances and motorcycles.

With two political leaders since independence from France in 1958, the country has demonstrated political stability, especially when compared to its direct neighbors Sierra Leone, Liberia and Ivory Coast. However, with an aging head of state in poor health, attention must be paid to the process and prospects of succession.

Currency and Financial Landscape

As part of the African Francophone community, Guinea uses the CFA franc as currency along with its own Guinean franc. There is a parallel currency market (often referred to as the black market), which provides some advantage if you chance your U.S. dollars in the streets. At end June 2005, exchange rates for one U.S. dollar was as follows:

CFA official rate	545 francs
CFA black market	550 francs
Guinea franc official rate	3,830 francs
Guinea black market	4,400 francs

While it is important to understand the relative value of your U.S. dollar, if you intend to conduct serious business in the country, it is equally important to understand the full workings of the financial system, both formal and informal.

At the end of 2004 it was estimated that the country's external debt had reached \$3 billion and inflation was about 28 %. With a strong mining sector contributing over 70% of exports, the government has been forced to use much of these export earnings for debt servicing, leaving little foreign currency for commercial transactions. As a consequence, the local business community must resort to creativity and good external relationships for financing. It will be interesting to see how the debt relief program currently being advocated by the G8 countries affect the development potential of countries like Guinea. The Central Bank is often forced to ration its foreign currency in favor of such critical imports as fuel. The commercial banking system has not yet reached the level of sophistication we are accustomed to in the United States, with electronic banking and new technology supporting all types of e-commerce. It is estimated that over 70% of transactions in Guinea are conducted in cash. Remember the shoe salesman that saw the opportunity.

U.S. Government Investment Facilitation

A number of U.S. government agencies and programs aimed at facilitating or supporting investment and trade with Africa are worth a look at when considering doing business with Guinea. These are:

- U.S. EXIM Bank -- offers export credit insurance for the export of U.S. products to Africa. Web site: www.exim.gov;
- Overseas Private Investment Corp. -- provides guarantee to qualified U.S. investors considering investment in the country. Web site: www.opic.gov;
- U.S. Department of Commerce -- www.doc.gov;
- AGOA -- Africa Growth and Opportunity Act;
- Millennium Challenge Corporation.

Operating in Guinea

Cost of living. Cost of living for a prospective U.S. investor is relatively low when compared to other African and Caribbean alternatives. A two-bedroom apartment in Conakry can cost \$300 to \$500 per month. Salaries for a senior engineer is about \$500 per month; for a secretary from \$100 to \$200 per month, a driver \$80 to \$100 per month; a general worker about \$60 per month.

Inconveniences. Inconveniences include poor electric service -- power cuts are frequent, water supply inadequate and official public transportation poor to non-existent. Improvements to these three, as well as other shortcomings, represent immediate challenges and opportunities for local as well as foreign businesses.

Guinea government facilitation. The government of Guinea is currently engaged in a program of political and economic reform with the main objective of improving the ailing economy. It has created a one-stop shop for business registration and an arbitration court to handle business disputes. In addition, it is a signatory to treaties involving international commerce. Notwithstanding the government's good initiatives, successful ventures require establishing good relationships with potential partners. Friendship and trust are very important in Guinean culture. It takes time to build a successful working relationship in Guinea. Effort, patience and face-to-face contact may be required to bring business transactions to fruition.

Contact points. However, it is good practice for U.S. businesspersons to exercise extreme caution when entering any kind of contract arrangements or business partnerships. The newly installed arbitration court has helped to expedite the resolution of some disputes. In addition to the U.S. Embassy Commercial Officer, the local chamber of commerce, the employers' association and the Guinean government's office of private investment promotion are good points of contact with the local business community

Starting a business. Starting a business in Guinea is relatively simple. Businesses must register. Legal incorporation for new investments involves signing by-laws, depositing the startup capital in a blocked bank account, registering the company at the register of economic activities and announcing the incorporation in a journal for legal notices. The process is centralized at the Center of Business Formalities (Centre de Formalités des Entreprises) in the Office for the Promotion of Private Investment (OPIP), the one-stop business registration office.

Traveling to Guinea. Traveling to Guinea requires a visa which can be obtained at the Guinean Consulate in New York City at a cost of \$100; a yellow fever certificate and culinary discipline. The diet includes tubers, grains, sauces and spices, lots of fruits and vegetables and loving folks urging you to keep on eating. If your normal diet does not include oils such as red palm oil and peanut oil, proceed with caution, paying close attention to your digestive system.

Current Focus on Africa

Much attention is currently being paid to Africa, as evidenced by the recent G8 Summit in Scotland, the globally staged and televised Live 8 concert, debt relief recommendations of the super powers and the priorities recommended by the new head of the World Bank, Paul Wolfenson. NMBC members interested in doing business in Guinea, or Africa as a whole, should pay close attention to the impact of these developments at the macro level on the opportunities available in the transforming of Africa to its next phase of growth and development. NMBC will continue to provide information, insights and opportunities on Africa. Specific opportunities in Guinea can be reviewed by contacting the NMBC office (212) 997-4753, nmbc@msn.com.