SUMMARY OBSERVATIONS

(1) ECONOMIC ENVIRONMENT

1. Guinea's economy is based on the mining sector (26 per cent of GDP, including processing bauxite into alumina) and agriculture (20 per cent), the former providing 95 per cent of export earnings, and the latter the remainder. Exports' share of GDP rose from 34 per cent in 2005 to 41 per cent in 2009, highlighting the strong global demand for bauxite, diamonds and gold, and the weakness of the other sectors in Guinea's economy. In 2011, substantial foreign direct investment (FDI) in the production of alumina and iron ore was planned, together with two port extensions. This investment is for an amount comparable to the country's annual GDP. It is therefore vital to introduce appropriate macroeconomic policies, including trade policies, so as to prevent the strong inflationary trends which such investment might cause.

2. The first democratic elections in Guinea in November 2010 led to far-reaching political renewal. Parliamentary elections should soon be held to elect the National Assembly, which was dissolved when the Constitution was suspended after the *coup d'état* in December 2008. Following serious outbreaks of violence against civilians in 2009, the Guinean Government was suspended from most international bodies, and Official Development Assistance (ODA), including Aid for Trade, almost entirely came to a halt.

3. Such a situation was not very conducive to economic growth, which remained below 3 per cent on average over the period 2005-2010, while poverty increased. During the period as a whole, exports only rose by 20 per cent, reaching US$1.9 billion, while imports increased four times as fast, amounting to US$3.7 billion.

4. One of the Government's first priorities is to restore macroeconomic balances, particularly price stability. During the period 2009-2010, the Central Bank encountered serious problems in fulfilling its responsibilities, and in 2009 most government expenditure had to be financed by expanding the supply of money. As domestic production did not increase, the increased supply of money led to inflation and exacerbated the sustained depreciation in the Guinean franc. The result was "dollarization" of the economy, which is still the case.

5. The Government's declared objective is to put in place the bases for economic development by fostering a dynamic private sector. The obsolescence of the infrastructure, notably electricity supply problems and the continuing lack of roads and storage facilities, are the obstacles to be lifted as a priority. Supplies of water and electricity are therefore included in the Government's new "emergency programme", for which co-financing is being sought for some 20 hydroelectric projects. In order to finance this spending on infrastructure, the Government is seeking to raise State income from the mining sector, a policy that has already proved its worth.

6. The reform of State-owned enterprises has suffered a setback in recent years owing to lack of investors; the State therefore still has large holdings in several enterprises. In addition, in 2010 Guinea set up a new government-owned maritime transport company, the Guinea Shipping Corporation, which has been given the exclusive right to carry a percentage of the mining products taken from Guinea's subsoil.

(2) GENERAL TRADE POLICY FRAMEWORK

7. Guinea's Poverty Reduction Strategy Paper (PRSP) recognizes that trade plays a key role in combating poverty and that it can make a contribution towards food security. Because of the political and social instability in Guinea, however, since the previous Trade Policy Review Guinea has undertaken almost none of the reforms needed to allow trade to play such a role. Despite the wide range of incentives in

the Investment Code, Guinea attracts little FDI because of the high level of corruption within the administration, the shortcomings of the judicial system, and the lack of infrastructure. Streamlining and accelerating administrative procedures and reducing the numerous fees and charges should help to enhance the business climate. For this purpose, a website for the Official Journal could make all the legislative texts available to the public. Revision of the Government Procurement Code would enable controls to be tightened up, a priori and a posteriori. Stricter compliance with its provisions would also help to prevent almost all public contracts being negotiated privately, at high cost, because there is no competition.

8. Since 2006, the political situation in Guinea has greatly limited its participation in the WTO's training and technical assistance activities. The WTO reference centre has not operated for four years. Guinea has not notified any measure covered by the Agreements on Technical Barriers to Trade (TBT) or on the Application of Sanitary and Phytosanitary Measures (SPS), even though such measures are in effect. The regime for the import and distribution of fertilizer, pesticides and other chemical inputs could be revised, bearing in mind the important implications not only for food security but also for the development of downstream sectors (processing and marketing) and exports.

(3) TRADE POLICY INSTRUMENTS

9. Guinea's MFN tariff has been aligned on the WAEMU's Common External Tariff (CET) since 2005. The simple average rate is 12 per cent (with a range between zero and 20 per cent). Guinea has bound 41 per cent of its tariff lines at ceiling rates, including all agricultural products, but only one third of non-agricultural products. The average bound rate is around 39 per cent on agricultural products and 11 per cent on non-agricultural products. On some 10 per cent of the tariff lines, the applied rates exceed the bound rates.

10. Guinea takes part in the development of a common trade policy of the ECOWAS member countries, based on that of WAEMU. The final list of mainly agrifood products subject to a fifth category of customs duty, at a rate of 35 per cent, was finalized by the ECOWAS member States in spring 2011.

11. Guinea also imposes a whole range of fees, taxes, "supplementary taxes" and levies, whose total adds up to 18 percentage points to the tariff. It has, however, bound the "other duties and taxes" at zero on over 1,000 tariff lines. Reforming the numerous charges levied in addition to the tariff would not only bring Guinea into line with its WTO obligations, but also, by lowering costs for consumers, would help to revitalize the economy and lessen poverty.

12. Other recent initiatives include a new levy on international trade in connection with the "Cargo Monitoring Slip" and administered by the recently created Guinean Shippers' Agency. To this has to be added the "shipping royalty" of US$0.10/tonne of goods unloaded for the (abolished) UNCTAD Liner Conferences duty, and a new high charge in euros for scanning all containers and sealed packages unloaded. A comprehensive revision of all the charges levied, usually in foreign currency at the port level, is essential in order to lower costs for operators.

13. The manifold exemptions given for certain imports cost Guinea over one third of its customs revenue. A systematic review of import regulations would enable both the number and frequency of levies to be reduced, while at the same time distributing import taxation more fairly. This excessive taxation makes charges higher for companies and increases costs for consumers, and is thus a factor that exacerbates poverty.

14. Since 2008, Guinea has once again used a preshipment inspection system for imports with a value of US$3,300 or more. The inspection fee amounting to 0.65 per cent of the customs value of the goods, with a

minimum of US$250, is payable by importers. For the economy, the actual cost of such a system is high.

15. Customs procedures would need to be streamlined in order to lower costs and enhance the competitiveness of imports for Guinea's economy. The measures to be introduced as a priority include computerization of customs procedures, particularly the use of electronic documents, digital signatures and electronic payments; the creation of a common interface for the customs and port and airport operators; and the possibility of customs clearance in advance. The introduction of sound risk management would allow systematic recourse to the scanner to be reduced. Despite the adoption of the WTO Customs Valuation Agreement, Guinea still uses reference values for a whole range of products. The authorities explain this by the frequency of under-valuation in customs declarations.

16. The export regime would need to be reviewed, especially export bans intended to guarantee supplies on local markets. Export restrictions are in fact the source of huge losses on both sides of the regional borders. For example, the "supplementary taxes" levied on exports of agricultural products cannot but discourage the use of formal export channels.

(4) TRADE POLICY BY SECTOR

17. The new mining policy announced in 2011 is intended to improve governance in this sector, lessen corruption and increase the State's earnings from the sector. Higher revenue would allow the financing of the cost of the infrastructure needed for the economy to take off. The new mining policy, which plans to raise State holdings in the capital of mining companies from 15 per cent to 33 per cent had already generated some US$700 million in May 2011, or over 15 per cent of GDP. Prompt validation of the Extractive Industries Transparency Initiative (EITI), including systematic publication of the revenue earned from the mining sector, would be a step towards better governance in the sector. Participation in the Kimberley Process is another step in the right direction, Guinea being one of the ten largest global producers of diamonds.

18. Agriculture has many assets which make it one of the most promising sectors of the economy, not only in terms of trade opportunities but also in terms of improving food security and combating poverty. In order to exploit this potential, there needs to be, *inter alia*, reform of land tenure, in particular the creation of private land ownership deeds which could be used as collateral for commercial loans to develop land and finance production. The scarcity of loans and agricultural extension activities are in fact constraints on expanding production and agricultural exports and explain in part the dependence on food imports subsidized by the Government at high cost, which can only be a disincentive to developing domestic production.

19. As far as fisheries are concerned, it is urgent for Guinea to exercise proper control over the ships operating in its EEZ as illegal fishing is estimated to account for half of all fishing. The specific needs expressed by Guinea to its development partners in order to be in a position to apply its regulations should receive support, together with the efforts to upgrade hygiene and product quality. This would no doubt improve food security, increase exports and eliminate the need for export restrictions (for self-sufficiency purposes), which are unlikely to encourage development of the sector.

20. Small-scale industries would probably be one of the major beneficiaries of a reduction in import duty. This sector, which imports most of its inputs, accounts for over 40 per cent of manufacturing, and also provides a large share of jobs in Guinea in areas such as metal working, carpentry, pottery, foundries, dyeing, jewellery or textiles and clothing, and thus plays a strategic role in combating poverty.

21. Trade in services is generally open to foreign presence, which is large. It is not very developed and contributes little or nothing to economic growth. For example, the banking sector does not play its role in making loans for production available, most of the loans granted being for short-term financing of imports. New legislation has been in place since 2010 to promote competition in telecommunications, but the current infrastructure does not allow high-speed connectivity at affordable cost.

22. In all, trade regimes at the sectoral level have remained virtually unchanged, except for some measures taken from time to time to respond to specific needs. In the absence of a national strategy involving all the major stakeholders, it is highly likely that the conclusions in this report, which are similar in many respects to those in the previous Trade Policy Review (TPR) of Guinea, will still be relevant at the time of the next Review in six years and that trade will still not play its role as a catalyst for economic growth and poverty reduction.