

Washington, October 4, 1962.

U.S. ECONOMIC ASSISTANCE PROGRAM IN GUINEA

Summary

The United States is providing the major portion of Western assistance to Guinea. To date, total United States aid commitments in all categories amount to just under \$20 million, the majority of which has been Food for Peace. The bulk of United States assistance commitments, approximately \$16 million, have been made in the past year, starting with the aid offers made by Ambassador Attwood in May 1961. The offers, consisting of projects in the fields of education (vocation), industry, power, public administration, agriculture, and commodity imports, were well received by the Guineans and continue to be the basis for the FY 1962 and 1963 programs. At the time of the visit of the Guinean Ministerial Delegation in May 1962, \$2.5 million of balance of payments assistance for commodity imports was added to the commitments previously made. Implementation is now well under way with commodity deliveries being made on a regular basis. With improvement of Guinea's relations with the United States, Guinea in August 1962 requested a Peace Corps program.

The objectives of the United States program in Guinea have been to lessen Guinea's dependence on the Soviet Bloc and to stimulate private investment from the West as one of the ways to start the country toward economic development. It has become apparent that a measure of success has been registered in these areas. The trend towards United States sources of supply, using private importers, has been accelerating. An Investment Code, encouraging private investment, has been promulgated by the Guinean Government. Individual Guinean entrepreneurs are planning various industrial enterprises in collaboration with United States investors. An Industrial Growth program, financed by a United States Development Grant, will shortly be activated for the purpose of accelerating private investment.

Discussion

The first assistance given by the United States to Guinea consisted of \$1.7 million of Title II PL 480 rice and flour delivered in 1959. This was in response to an urgent request from the country based on widespread rice crop failures. At the time of President Toure's visit to the United States in October 1959 a further United States offer consisting of 150 scholarships and an English language teacher training program was made. This offer was accepted and the program became operational during the summer of 1960. Again in response to Guinean requests for assistance \$1 million of Section 402 rice, flour, and milk were made available to Guinea from FY 1960 funds with deliveries made in the spring of 1961. With the scholarship and English language programs costed at a total of \$1.1 million, cumulative United States assistance up until the spring of 1961 was \$3.8 million over the preceding three years.

In April 1961, with the arrival of Ambassador Attwood in Guinea, a significant United States aid offer was made to President Toure consisting of projects in the fields of education, public administration, industry, power, and agriculture. These activities were estimated to cost \$2.5 million. In addition, \$1 million of commodity imports for balance of payments assistance was offered. A small dam and a Peace Corps

contingent were included in this aid offer but were not accepted by Guinea at that time. Negotiations were also begun for a three-year program to provide Guinea with needed surplus agricultural commodities. These negotiations were completed and agreements were signed in February 1962, providing for \$10.2 million worth of rice and flour over a three-year period. An increment of \$470,000 was added to this agreement in May 1962, providing for deliveries of edible oil, milk and milk products. Also, at the time of the visit of the Guinean Ministerial Delegation to Washington in May 1962 an additional \$2.5 million for commodity imports balance of payments assistance was made, thus bringing the total commodity import assistance for FY 1962 to \$3.5 million. As of June 30, 1962, total obligations for that year were \$6,106,000.

Based on analysis by the Embassy and USAID, a program has been drawn up for FY 1963 which provides for a total of \$18,525,000 composed of \$7 million for commodity imports, \$2,535,000 in development grants and \$9 million of prospective development loans. It is anticipated that in addition to the foregoing the value of the PL 480 Title I will be considerably augmented by new Guinean requests for increased quantities of items already provided for in that program, e.g., rice, flour, and milk as well as the addition of new items such as meat, fruit, vegetables, etc.

The Guinean Government has drawn up a tentative list of import requirements to be financed by the United States. This list, totaling \$30 million, was informally transmitted to USAID in Conakry on September 25. A preliminary analysis shows that a great many of the items requested would be ineligible for United States financing because of either the source of supply (France, Italy, West Germany) or the type of item in question (luxury goods). It is possible that further discussions over the coming weeks with the Guineans in Conakry will permit reduction of this list to a hard core of essential commodities totaling \$15-\$18 million including Title I sales. Furthermore, the Guineans have included in this import requirements list provision for certain equipment which would be ineligible for financing as commodity imports but would rather be included in project assistance either under development grants or loans.

It is becoming apparent that one of the major United States objectives, that of encouraging participation by both American and Guinean private enterprise in the development of that country's economy, is being accelerated considerably by the A.I.D. program. The signature of the investment guaranty agreement in May 1962 has generated considerable interest on the part of small, medium, and large United States investors (Harvey Aluminum, Olin Mathieson, Pan American Airlines, etc.) and several projects are now under active consideration in the mining and manufacturing areas. Additionally, the United States financed commodity import program has tended to encourage the Guineans to do their importing through normal commercial channels. Activities (such as feasibility surveys, promotion of investment opportunities, training of Guinean entrepreneurs, etc.) of American consulting engineering firms are being launched and should be operational before the end of this calendar year.

Source: Department of State, Conference Files: Lot 65 D 533, CF 2173. Confidential. Drafted by Eugene Abrams and cleared by Trimble, Hutchinson (AID), and Tasca. Prepared for President Toure's visit to Washington in October.