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The allure of new riches

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Recent foreign investment in Guyana's oil, gas and large-scale gold mining industries are heralding a new era for a country that was once considered among the poorest in the region.

In terms of economic development, Guyana's 46 years of independence from Britain have been a period in which countries like Malaysia, Singapore and the Maldives – which had once lagged far behind Guyana – have surpassed it. But all that is changing and, if Guyana can remain politically stable, the IMF's recent prediction that the country "should sustain growth levels above the long-run trend of 3 percent, to around 5 percent over the medium term" could come true.

Already, Guyana's economy is one of the strongest in the Caribbean. Between 2006 and 2011, the country enjoyed average economic growth of 4 percent – an enviable achievement among the member countries of the Caribbean Community, the majority of whose economies have contracted.

The minister of finance, Ashni Singh, who has been at the helm of the country's financial transformation over the last five years, is especially upbeat about the country's future. "We are now at the most exciting and optimistic time in our country's history. Investor interest and confidence in Guyana are at an all time high," he told *Global*. "In the years ahead, growth will be driven and accelerated by sectors such as oil and gas, minerals, agriculture, and information and communications technology, reflecting the significant gains made in ensuring a diversified productive sector."

Guyana is still getting over the two debilitating decades between 1976 and 1996 when, despite its vast natural resources, the country experienced severe debt, the collapse of social and physical infrastructure, and the large-scale migration of its best educated people (a 2010 World Bank study reported that 89 percent of Guyana's tertiary educated people were still living abroad – mostly in the USA, Canada and the UK). Following the nationalisation in the 1970s of much of the productive sector of the country – the sugar, bauxite and banking industries – Guyana became the sick man of the Caribbean, coming second only to Haiti as the poorest country in the region. Per capita income in 1991 was $304.

The improvements in the post-1996 period had their foundation in an Economic Recovery Programme introduced by the government of President Desmond Hoyte. By 2007, per capita income had risen to $1,984 and in 2010 had reached $2,532. Much has been achieved economically since the forgiveness of Guyana's debt under the Highly Indebted Poor Countries Initiative, which helped secure loans for spending on infrastructure and wage and pension increases. It also allowed the government to improve the investment climate with a reformed tax strategy.

There are 27 Canadian companies lined up to secure licences in Guyana for mining operations in gold, diamonds and manganese. Already, two of them have licences for large-scale open-face mining for gold and diamonds. Guyana's export earnings from gold mining in 2010 were $346.4 million, double those of bauxite ($117.4 million) and sugar ($96.8 million).

Expecting an annual production of 250,000-300,000 ounces of gold as well as 20 million pounds of copper over a period of 15 years, Canada-based ETK/Sandspring Resources will invest approximately $700 million and employ more than 1,000 Guyanese. At the current price of gold, the company could contribute approximately $550 million annually to Guyana's GDP. Meanwhile, Guyana Goldfields, also from Canada, has plans to invest millions of dollars and create hundreds of new jobs.

While these earnings will spur significant growth and spawn many new service industries and a surge in employment, it is the oil and gas industries that offer the greatest prospects for dramatically enriching the country as a whole. The current drilling for these resources off the coast offers the twin prospect of big earnings and lower costs for agricultural and manufacturing production. As the IMF points out, the Guyanese economy is particularly exposed to oil price movements, since it relies exclusively on imports for its oil consumption.

The companies that have started drilling are Canada-based CGX and Spain's Repsol. Shares in both companies are publicly traded, and Guyanese people and companies have invested in them. Repsol, in partnership with CGX and Tullow Oil, is drilling a 6,500-metre well in the Guyana Basin, which experts claim could hold up to 15 billion barrels of oil and 1.2 trillion cubic metres of natural gas. Separately, CGX is drilling in the same basin to a depth of 4,250 metres. If the drillings confirm the expected oil and gas reserves, the country's economy will boom.

While President Donald Ramotar says he is hopeful that oil and gas will be produced, he places great importance on "the acquisition of cheap and clean power", which he feels will create many well-paying jobs and "slash our fuel import bill and thereby release significant resources to enhance the efficiency of the productive sectors". Therefore, his government is placing high priority on the public-private partnership hydropower project at Amaila Falls, estimated to cost $650 million. The expectation is that the project would cover all the electricity needs of Guyana. The project is being developed in collaboration with a subsidiary of the prominent US-based Blackstone investment group, and is expected to receive financial support from the Inter-American Development Bank and the China Development Bank.

The hydropower project is an integral part of a low-carbon development strategy first put in place by the country's previous president, Bharat Jagdeo. Under this strategy, Guyana has also committed to Norway to preserve millions of acres of huge forests in return for $250 million over five years starting in 2010. In the first two years, Guyana has already received a total of $70 million from Norway for saving 8 million tonnes of carbon.

Having been independent for 46 years, Guyana is now poised for a great economic leap forward. However, its politicians on both sides of the divide will have to exercise maturity in resolving their differences, putting the interests of the Guyanese nation first.

About the author:

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