

Guyana: The Next Economic Tiger?

Written by Peter Clegg

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PETER CLEGG, NOV 9 2013

Guyana is the third smallest country in South America, located on the north-eastern coast of the continent. Its total population is also small at around 800,000 (giving Guyana one of the lowest population densities in the Americas), with 90 per cent living within 10 miles of the coast. Although Guyana is the third poorest country in the Americas it has a tremendous stock of natural resources, and there is great hope that Guyana's economy has reached take-off phase and high growth and sustained development are now possible.

Agriculture, the traditional economic sector, remains strong, while mining and forestry are expanding quickly. Mining, mainly of bauxite and gold, contributes around one-fifth of GDP and Guyana has seen healthy growth in these industries in recent years. The mining of manganese, uranium, and rare earths is also being explored. In addition, it is expected that significant quantities of oil will soon be found in the Suriname-Guyana basin. Meanwhile, logging in the tropical rainforest that covers around 75 per cent of the country's land area has increased appreciably with the granting of concessions to several Asian companies. Due to the growth in the gold sector, in particular, the national economy has strengthened. Guyana grew by an estimated 5.4 per cent in 2011 and 4.8 per cent in 2012, and it is predicted to grow by 5.5 per cent in 2013 and 6.0 per cent in 2014.

The strengthening domestic economy is being well supported by Guyana's increasingly vibrant set of foreign relations. The relationship that Guyana has with Brazil is important and efforts have been made in recent years to strengthen ties between them. For instance, a partial abolition of visas was agreed in 2003; a new border-crossing was established in 2009 when a bridge was built over the Takutu River; and in February 2013 a joint Working Infrastructure Group met for the first time to discuss a series of projects to aid economic integration. Relations with Venezuela and Suriname are also deepening, despite continuing border and maritime disputes with both countries. Venezuela provides significant opportunities through Petrocaribe (the oil supply and development programme), while there is significant 'back-track' or informal trade with Suriname. Guyana also has growing interests in several regional organisations that incorporate Latin America including the Union of South American Nations (UNASUR).

UNASUR, which from within the Caribbean only includes Guyana and Suriname, was created in 2008 and has a mandate to bring the countries of the region closer together via infrastructural development. Other initiatives include plans for a single market by 2019 and the promotion of regional security. Due to the clear policy agenda of UNASUR, a deepening institutional structure, and a substantial allocation of funds, the organization could provide an important means by which Guyana extends its links into South America as well as affording Guyana the privileged role of the bridge between South America and the Caribbean. Beyond the region, Guyana maintains close ties with the United States. Guyana trades more with the US than with any other country. Further, China and India are both taking an increasing interest in Guyana, with growing levels of trade, aid, and foreign direct investment.

However, there are concerns that Guyana's development is being undermined by its internal problems of weak state capacity, corruption, and discrimination. For example, Transparency International's 2012 Corruption Perceptions Index ranks Guyana 133 out of 174 countries assessed (the second most corrupt country in the Caribbean after Haiti). While, the World Economic Forum's Global Competitiveness Report 2012-2013, identified corruption as the second largest barrier, after crime and theft, for doing business in Guyana. In addition, Ralph Ramkarran a former stalwart of the governing People's Progressive Party/Civic (PPP/C) claimed an awareness 'of enough verifiable cases of corruption' to be satisfied that it is 'pervasive'.

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The associated threat of drug trafficking is also a concern. In its 2013 International Narcotics Control Strategy Report, the US Department of State noted, 'The influence of narcotics trafficking is evident in the political and criminal justice systems ... Traffickers are attracted by the country's poorly monitored ports, remote airstrips, intricate river networks, porous land borders, and weak security sector capacity'. Another problem is human trafficking, particularly sex trafficking and forced labour, including child labour. A further concern is the marginalisation of the indigenous Amerindian community whose land is being exploited. So, the governing class in Guyana has much work to do to improve the quality of governance in the country. If these changes are not made the vast potential of the country will be squandered.

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