

**ECONOMIC AND SOCIETAL EFFECTS  
OF STRUCTURAL ADJUSTMENT  
IN GUYANA**

A Thesis Submitted to the College of Graduate Studies and Research  
In Partial Fulfillment of the Requirements for the Degree of Master of Arts  
In the Department of Political Studies  
University of Saskatchewan  
Saskatoon, Canada

By Jasmine Jennilee Calix  
© Copyright Jasmine Jennilee Calix, April 2008. All rights reserved.

## **PERMISSION TO USE**

In presenting this thesis/dissertation in partial fulfillment of the requirements for a Postgraduate degree from the University of Saskatchewan, I agree that the Libraries of this University may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by the professor or professors who supervised my thesis work or, in their absence, by the Head of the Department of Political Studies or the Dean of the College of Graduate Studies and Research. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the University of Saskatchewan in any scholarly use which may be made of any material in my thesis.

Requests for permission to copy or make other use of material in this thesis in whole or part should be addressed to:

Head of the Department of Political Studies  
University of Saskatchewan  
9 Campus Drive  
Saskatoon, Saskatchewan S7N 5A5

## **ABSTRACT**

Already one of the most impoverished countries in the world, Guyana's economy is experiencing a downward spiral under IMF and World Bank structural adjustment programs (SAPs), which ironically, were designed to boost the economy. This claim is analyzed with respect to three of Guyana's most important industries: logging, mining and sugar.

However, while SAPs have been a major force in influencing Guyana's recent development path, the nation's colonial inheritance must also be considered. Specifically, this legacy set the conditions under which Guyana's two major political parties, the People's Progressive Party (PPP) and the People's National Congress (PNC), both claiming to be adherents to socialism, came to power. Their policies and actions, influenced by the colonial inheritance, eventually led to Guyana's adoption of austerity measures designed by the international financial institutions (IFIs). This analysis therefore begins with an examination of the rise of these two dominant political parties, the role of colonialism in their emergence and the impact their actions and policies have had in laying the foundations for SAPs. It then turns to examining specifically the effects of SAPs on three major areas of the economy, logging, mining and sugar.

This study is significant because it draws attention to the problems associated with SAPs. While structural adjustment has become a widely accepted form of financial assistance over the past two decades, upon closer examination, its negative effects far outweigh the positive ones. Therefore, SAPs should be better tailored to the specifics of Guyana's economy.

## **ACKNOWLEDGEMENTS**

First and foremost, I wish to express my sincere appreciation to my supervisor, Kalowatie Deonandan. Her insight and guidance were invaluable throughout the writing of this thesis. Credit must also be given to the members of my Advisory Committee, Jeffrey Steeves and Hans Michelmann who provided excellent input and recommendations during the final stages of the writing process. My external examiner, Alan Anderson, deserves my gratitude, as he contributed several helpful ideas that aided in the completion of my thesis.

I would also like to express gratitude to the Professors I studied under, namely Joseph Garcea, Ron Wheeler, Kalowatie Deonandan, Roy Romanow, and Hans Michelmann. Their tireless efforts and passion for teaching their subject matter made this learning experience enjoyable and worthwhile.

And last, but not least, I must thank my family for their continued support and encouragement.

## ABBREVIATIONS

ACP	African, Caribbean, Pacific countries
AFL-CIO	The American Federation of Labor and Congress of Industrial Organizations
AFSCME	American Federation of State, County, and Municipal Employees
BERMINE	Berbice Mining Enterprise
CARICOM	Caribbean Community
CNTIC	China National Technical Import and Export Corporation
CIA	Central Intelligence Agency
DBH	Diameter at Breast Height
DFID	Department for International Development
EIA	Environmental Impact Assessment
ERP	Economic Recovery Program
EPA	Economic Partnership Agreement
EU	European Union
FBI	Federal Bureau of Investigation
GAP	Gross Agricultural Product
GAWU	Guyana Agricultural and General Workers' Union
GIWU	Guiana Industrial Workers' Union
GDP	Gross Domestic Product
GEPA	Guyanese Environmental Protection Agency
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GUYMINE	Guyana Mining Enterprise
GUYUSCO	Guyana Sugar Company
HIPC	Heavily Indebted Poor Countries
IFIs	International Financial Institutions
IMF	International Monetary Fund
LEAP	Linden Economic Advancement Program
LINMINE	Linden Mining Enterprise
MPCA	Man Power Citizens Association
PAC	Political Affairs Committee
PAHO	Pan American Health Organization
PNC	People's National Congress
PPP	People's Progressive Party
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSI	Public Services International
PSIA	Poverty and Social Impact Assessment
SAP	Structural Adjustment Packages
SP	Sugar Protocol
UF	United Force
USAID	United States Agency for International Development
UN	United Nations

UNDP	United Nations Development Program
VAT	Value Added Tax
WB	World Bank
WC	Washington Consensus
WPA	Working People's Alliance

## Table of Contents

Permission to Use .....	i
Abstract .....	ii
Acknowledgements .....	iii
Abbreviations .....	iv
Table of Contents.....	vi
<i>Chapter One--Introductory Chapter</i> .....	1
<i>Chapter Two—Economic and Political History of Guyana</i> .....	3
<i>Introduction</i> .....	3
<i>British Colonialism</i> .....	4
The PPP’s Ideology, Policy and Consequences .....	6
The PNC’s Ideology, Policy and Consequences .....	12
Conclusion .....	22
<i>Chapter Three—Structural Adjustment in Guyana</i> .....	24
<i>Introduction</i> .....	24
<i>The Philosophy Governing Structural Adjustment Measures:</i>	
<i>Neoliberalism</i> .....	25
<b>Implementation and Effects of Structural Adjustment in Guyana ...</b>	26
<i>IMF and World Bank SAPs in Guyana</i> .....	26
<i>General Effects on Guyanese Economy and Society</i> .....	33
<b>Effects on Specific Industries</b> .....	36
<i>Logging</i> .....	36
<i>Description of Industry and Associated SAPs</i> .....	36
<i>Effects of SAPs on Logging Industry</i> .....	39
<i>Reforms</i> .....	43
<i>Mining</i> .....	48
<i>Description of Industry and Associated SAPs</i> .....	48
<i>Effects of SAPs on Mining Industry</i> .....	50
<i>Reforms</i> .....	55
<i>Sugar</i> .....	56
<i>Description of Industry and Associated SAPs</i> .....	56
<i>Effects of SAPs on Sugar Industry</i> .....	59
<i>Reforms</i> .....	63
<b>Conclusion</b> .....	63
<i>Chapter Four—Conclusion Chapter</i> .....	65
<i>Bibliography</i> .....	69

## **CHAPTER ONE—INTRODUCTORY CHAPTER**

Known as the land where Sir Walter Raleigh sought the legendary golden city of El Dorado, Guyana (earlier called British Guiana) is famous for its precious mineral resources, valuable timber and sugar. Guyana is actually an Amerindian word meaning *Land of Many Waters*. Called British Guiana during the time of colonialism, the country was officially renamed Guyana upon receiving independence in 1966. In 1970, it became a republic within the Commonwealth.

Today, however, despite its riches, it is one of the poorest and most underdeveloped countries in the Western hemisphere and in the world. This is not a new development, as Guyana's economy and society have suffered detrimentally since the time of colonialism, and continued to deteriorate under the policies and programs of successive national governments. Structural adjustment programs prescribed for Guyana for over 20 years by International Financial Institutions (IFIs), such as the World Bank (WB) and the International Monetary Fund (IMF), in order to alter the downturns in the economy have only exacerbated the problems.

The objective of this study is to examine the various structural adjustment packages, namely the Economic Recovery Program (ERP), Heavily Indebted Poor Countries (HIPC) and Enhanced Heavily Indebted Poor Countries (EHIPC) and to analyze their impact on the Guyanese economy. Specifically, the analysis will concentrate on three of Guyana's major industries: logging, mining and sugar and the Guyanese economy to demonstrate how structural adjustment policies (SAPs) have aggravated the nation's developmental problems. Further, the analysis will be placed within the context of Guyana's colonial past as this history helped to create the conditions that led to the eventual implementation of SAPs.

To achieve its aim, this thesis is organized into four chapters, including the introduction (chapter 1) and conclusion (chapter 4). The Introduction (chapter 1) addresses the aim, importance, and layout of the thesis.

Chapter 2 examines Guyana's historical context from the time of British colonialism. This is important to understanding the political occurrences that paved the



way for SAPs. It points out how the actions of the British led to the formation Guyana's first political party, the People's Progressive Party (PPP), which espoused the principles of Marxism, an ideology antithetical to the interests of Britain and its Western allies. Internal divisions with this party, which were in large part exacerbated by the British and Americans and exploited racial divisions, led to the formation of a second major political party, the socialist People's National Congress (PNC). The corrupt actions of this last political party, while seemingly intended to alleviate Guyana's severe underdevelopment, in fact worsened its dependent status, and actually paved the way for the introduction of structural adjustment measures. Ironically, despite both parties' commitment to socialism, their economic positions deviated from this path, as evidenced by their endorsement of structural adjustment policies.

This historical explanation above assists greatly with the premise of Chapter 3, which outlines the specifics of each of the structural adjustment programs implemented in Guyana. In turn, the general effects of these programs are discussed, but more importantly, their effects on the logging, mining, and sugar industries are examined. Also discussed are some positive reforms for alleviating the negative effects of SAPs in each of these industries. Finally, chapter 4, the Conclusion, is forward looking and discusses future implications of this research.

## **Methodology**

The methodology used in this thesis is qualitative in nature. It involves the use of both primary and secondary materials. The former includes information put forth by various national and international agencies, including the relevant ministries in the Guyanese government, the reports of NGO's and the publications of the World Bank and IMF. The latter includes books, government publications, journal and newspaper articles.

The literature linking externally directed and domestically initiated policies and programs to underdevelopment in Guyana are limited. Therefore, this thesis seeks to make a contribution to the academic studies on this topic. The lack of this research could lead to a failure to correct the ills imposed by structural adjustment, thus further exacerbating Guyana's underdevelopment.

## **CHAPTER TWO—ECONOMIC AND POLITICAL HISTORY OF GUYANA**

### **Introduction**

While this thesis analyzes the effects of structural adjustment on Guyana's economy, the foundations for this underdevelopment lie in Guyana's colonial and post-independence political occurrences. It is a history, according to Deonandan, which was "dictated by the imperatives of colonialism, imperialism, racism and oppression."<sup>1</sup>

In this chapter, the objective is to describe the historical, economic as well as political development in an effort to provide an understanding of the context within which SAPs were enacted. (Chapter 3, the core of this thesis, discusses the specific details of these policies and their effects on the Guyanese economy). The focus here will be on two groups: the colonial powers, Britain and the US, and the two major political parties which have dominated the country, the Peoples Progressive Party, the PPP (now the PPP/Civic) and the Peoples National Congress the PNC (now PNC/Reform), as well as their respective leaders. The objective of this chapter is to demonstrate that aspects of British colonialism were very damaging to the Guyanese economy and society.<sup>2</sup> Britain controlled Guyana's major industry at the time, sugar, and used its dominance to exploit African and Indian labour. Further, this chapter will also discuss how colonial policies laid the foundations for racial tensions, which in turn exacerbated Guyana's developmental problems.

The latter part of the chapter takes an inward focus and discusses the emergence of Guyana's two major political forces, the PPP and the PNC, parties which arose from the people's struggles to win independence and end exploitation, as well the influence of worldwide subscriptions to socialism as a means to end inherited colonial ills. What becomes evident, however, is that the fate of these two parties was largely dictated by colonial meddling. Further, the machinations of both the PPP and PNC, such as their exploitation of the race issue also aggravated the nation's economic development

---

<sup>1</sup> Kalowatie Deonandan, "Guyana's PPP: From Socialism to National Democracy," in *From Revolutionary Movements to Political Parties: Cases from Latin America and Africa*, eds., Kalowatie Deonandan, David Close and Gary Prevost. (New York: Palgrave, 2007), 109.

<sup>2</sup> Any positive contributions of British colonialism are not the focus in this thesis.

dilemmas, giving rise to the conditions that led to intervention by the World Bank and the IMF in the form of SAPs.

### ***British Colonialism***

Since the time of colonialism, Guyana has served Britain's economic interests. This nation was initially brought into the world economy as a supplier of raw materials, in particular sugar. Initially, black slaves were brought from Africa to work in the sugar plantations. When slavery was abolished in 1834, Indians from India, Britain's largest colony, were brought over to work as indentured laborers in the plantations. While this form of serfdom was deemed less brutal, it was in actuality another form of slavery.

While the aim of the British initially was to allocate labourers for its sugar plantations, its policies to control and subjugate these labourers led to the creation of a society divided by race.<sup>3</sup> These two groups were therefore brought to Guyana to serve European interests and needs. Guyana's unique racial makeup was thus determined during the colonial era, and has been a major influence in its development. According to Guyanese scholar Ralph Premdas:

The foundations of inter-ethnic rivalry were forged on the anvil of the colonial policy of immigration and divide-and-rule. There is no evidence of any sort of inherent antipathy among the imported immigrants. It was, however, the manner in which colonial society was organized, stratified, and exploited that triggered and sustained inter-communal fears and rivalries.<sup>4</sup>

For instance, there were "differences over wages between racial groups on the sugar estates, brought about by the deliberate policy of the [white] planters of playing one group off against another."<sup>5</sup> The planters made cultural concessions to the East Indians

---

<sup>3</sup> Some authors use the word 'race' while others use the term 'ethnicity.' In the literature, these two words often mean the same thing. In keeping with this and in the interest of simplicity, for the purposes of this thesis, I will use the words race and ethnicity synonymously.

<sup>4</sup> Ralph Premdas, "Race and Ethnic Relations in Burnhamite Guyana" in *Across the Dark Waters: Ethnicity and Indian Identity in the Caribbean*, eds., D. Dabydeen and B. Samaroo (Warwick University Caribbean Studies, London: Macmillan Caribbean, 1996), 46, quoted in, Marcus Colchester, *Guyana Fragile Frontier: Loggers, Miners and Forest Peoples* (Jamaica: Ian Randle Publishers, 1997), 28. It should be noted that some alternative theories assert that ethnic divisions are indeed inherent.

<sup>5</sup> Quoted in Rupert Lewis, *Walter Rodney's Intellectual and Political Thought* (Kingston, Jamaica: The University of the West Indies Press, 1998), 198.

in order to intensify their isolation and make them easier to subjugate.<sup>6</sup> By allowing them to eat their own food with spices brought from India, and maintain their marriage customs and religious practices,<sup>7</sup> they were lured into a false sense of security that gave the planters more power over them. In other words, since the Indians were provided with the comforts of home, they were more likely to feel compelled to obey the planters.

Due to the strategies of the colonial powers, the Africans and East Indians developed as separate societies. The East Indians believed that the Africans did not embrace any traditions or heritage, while the Africans regarded the East Indians as ignorant people who performed the tasks no longer acceptable to the Africans. In essence, both groups had little respect for each other and maintained little contact with one another.<sup>8</sup> Today, this division is still reflected in all aspects of Guyanese life, but most visibly in the political sphere. In spite of growing racial diversity (Guyana has six official ethnic groups), descendants of Indians and Africans form the dominant groups.

This racial makeup is still exploited by political leaders and international players who wish to employ the divide and rule principle, much to the detriment of the nation.<sup>9</sup> According to the most recent data, the ethnic composition of Guyanese society is as follows: 43.4% East Indians (Indo-Guyanese), 30.2% African Guyanese (Afro-Guyanese), 16.7 Mixed, 9.2% Amerindians, 1% Chinese and 0.3% Other.<sup>10</sup> Therefore, while Guyana may be a land of 'six peoples', its society is divided primarily between the two dominant groups—Indo and Afro-Guyanese. As has occurred in several other societies, such human exploitation created a drive within the populace for a method of self-rule. This would lead to the formation of first the PPP and then the PNC. Ironically these two groups had similar ideological origins as they were once united, but became divided in large part due to colonial machinations. Their divisions and conflicts greatly contributed to Guyana's status as one of the hemisphere's poorest countries.

---

<sup>6</sup> Thomas Spinner, Jr., *A Political and Social History of Guyana, 1945-1983* (Boulder, Colorado: Westview Press, 1984), 8.

<sup>7</sup> Janet Naidu, "Indian Women of Guyana: Reflections of their Existence, Survival and Representation," *Guyana Journal*, [http://www.guyanajournal.com/women\\_gy.html](http://www.guyanajournal.com/women_gy.html) (Accessed August 1, 2007).

<sup>8</sup> Spinner, 7-8.

<sup>9</sup> There are some who argue that the political parties are solely responsible for manipulating ethnicity, and that the colonial history has no bearing on current ethnic problems.

<sup>10</sup> Quoted in Deonandan, "Guyana's PPP," 110.

The formation of the PPP, which is discussed in more detail in the following section, was largely influenced by the development of the sugar economy in colonial times. For example, in 1904, four firms, all headquartered in the UK, controlled 80 percent of Guyana's sugar industry.<sup>11</sup> Therefore, transnational corporations had replaced the white planters from colonial times. The existence of these corporations allowed for constitutional changes, which in turn led to an increase in the colonial powers' confrontation of the growing middle class and increasingly articulate labour force.<sup>12</sup>

### **The PPP: Ideology, Policy and Consequences**

The emergence of the PPP is an important step in the development of Guyana because it was essentially Guyana's first effort to assert itself politically and confront its subservience to colonial powers. The actual formation of the PPP was influenced by the aforementioned British-controlled exploitative sugar economy, the resulting rebellions and the formation of unions, and the spread of socialism in the developing world. Following World War I, and especially after World War II, socialist parties increased in number worldwide.<sup>13</sup>

In Guyana, this trend began with the 1905 riot by rebellious sugar workers. This led to the emergence of a labour union<sup>14</sup> called the British Guiana Labour Union, founded in 1919. The focus of this organization was to improve the plight of the working class by demanding legislation to increase wages and improve work hours and conditions.<sup>15</sup> They also capitalized on the ongoing socialist trend that by calling for the creation of a socialist state in their very first constitution. They accomplished this amidst provocations by the colonial rulers and the sugar companies. These strides were the impetus for future legislation regarding minimum wages, workers' compensation and the right to organize.<sup>16</sup>

---

<sup>11</sup> Colchester, *Guyana: Fragile Frontier*, 28.

<sup>12</sup> Colchester, *Guyana: Fragile Frontier*, 28.

<sup>13</sup> "Socialism," <http://www.questia.com/library/politics-and-government/socialism-in-america.jsp> (Accessed November 11, 2006).

<sup>14</sup> The words 'labour union' and 'trade union' are used interchangeably throughout the paper.

<sup>15</sup> Colchester, *Guyana: Fragile Frontier*, 29.

<sup>16</sup> Colchester, *Guyana: Fragile Frontier*, 29.

The trade union was the impetus that brought Cheddi Jagan, the East Indian son of a sugar estate foreman, and eventual founder of the PPP to the fore of Guyanese politics. In 1943, together with other middle-class radicals, he formed the Political Affairs Committee (PAC), which was a quasi-political organization that espoused a Marxist-Leninist ideology. Following the PAC, Jagan founded the Guiana Industrial Workers Union (GIWU) in 1945 to mediate on behalf of the exploited East Indian sugar plantation workers. His objective in founding the GIWU was to create a radical alternative to the existing trade unions in the country such as the Man Power Citizens Association (MPCA), which he saw as being conservative and geared more to protecting the interests of the sugar plantation owners rather than the workers.<sup>17</sup> While popular among the sugar workers, it did not win them bargaining rights until the 1970's.<sup>18</sup> The popularity of the GIWU, however, translated into greater political mobilization via the creation of new political parties, first the PPP, then the PNC, and the struggle for Guyanese independence.

Adding to the effects of these organizations was the influence of the aforementioned post-WWII socialist trend. While still under colonial rule, the peoples of British Guiana participated in this movement by forming a socialist party called the People's Progressive Party (PPP) in 1950. This party was co-founded by the aforementioned Cheddi Jagan, who also served as the party's leader, and an Afro-Guyanese, Forbes Burnham. The PPP's ideological platform was based on Marxist principles. This was described in Jagan's 1966 treatise, *The West on Trial*, where he wrote that he longed to abolish the system of exploitation and poverty to encourage men to be truly free.<sup>19</sup> He strongly believed that "only socialism with a planned economy can bring an end to unemployment, underemployment, hunger, ... insecurity...national chauvinism, and racial and political discrimination."<sup>20</sup> Campaigning on a socialist platform in its first election in 1953, the PPP won. This set the stage for colonial machinations in order to oust the party from power.

---

<sup>17</sup> Euclid Rose, *Dependency and Socialism in the Modern Caribbean: Superpower Intervention in Guyana, Jamaica, and Grenada, 1970-1985* (Lanham, Maryland: Lexington Books, 2002), 163.

<sup>18</sup> Rose, 163.

<sup>19</sup> Quoted in Deonandan, "Guyana's PPP," 116.

<sup>20</sup> Quoted in Deonandan, "Guyana's PPP," 116.

The PPP was in power for a mere 133 days before the British government suspended the Constitution and evicted this new government because of Jagan's so-called radical socialist politics. In particular, according to Rose, the British did not approve of the PPP's "radical domestic program," which included land and welfare state reforms, trade union legislation, and the removal of church control of the schools.<sup>21</sup>

Jagan's declared commitment to Marxist/Leninist beliefs<sup>22</sup> was detrimental to Guyana's relations with the U.S. and Britain because of the ongoing Cold War as well the fact that Cuba's turn to communism heightened the sensitivities of the U.S. and Britain regarding the spread of socialism.<sup>23</sup> In response, Britain "...introduced cold war definitions into the nationalist arena,"<sup>24</sup> thus thwarting Jagan's efforts at nationalist policy. Additionally, the U.S. began to view Guyana's political actions "from the prism of the cold war."<sup>25</sup> This presented the opportunity for the U.S. to utilize its "hegemonic and hemispheric role of American imperialism."<sup>26</sup> Part of the British and US strategy was to use its trade unions to undermine Jagan's GIWU in Guyana. Both countries' trade unionists channeled support to the MPCA in order to prevent the GIWU from replacing it. In fact, Serafina Romauldi, interamerican representative of the The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), a far right organization, stated that he so opposed Jagan's subservience to the communist movement, that he did everything in his power "...strengthen the democratic trade union forces opposed to him (Jagan) and to expose Jagan's pro-Communist activities."<sup>27</sup> Additionally, the CIA had infiltrated a United States Trade Union, the American Federation of State, County, and Municipal Employees (AFSCME) and provided funds to this organization so that it could become more involved in the Public Services International (PSI) and then engage in a trade union recruiting drive in British Guiana.<sup>28</sup>

---

<sup>21</sup> Rose, 167.

<sup>22</sup> Anton Allahar, ed., *Caribbean Charisma: Reflections on Leadership, Legitimacy, and Populist Politics* (Kingston, Jamaica: Ian Randle Publishers, 2001), 146.

<sup>23</sup> Allahar, 144.

<sup>24</sup> Allahar, 142.

<sup>25</sup> Allahar, 145.

<sup>26</sup> Allahar, 28.

<sup>27</sup> Spinner, 92.

<sup>28</sup> Spinner, 92-93.

It has also been suggested that the British Governor had formed alliances with the upper and middle class Guyanese to orchestrate the ousting of Jagan.<sup>29</sup>

The electoral system was also manipulated to ensure the PPP was defeated at the ballot box. According to Rabe, the Kennedy and Johnson administrations actually played a role in encouraging the British to devise a scheme to ensure that Jagan lost the elections scheduled for 1964. Specifically, President Kennedy “asked the UK government (British Labor Party) to change the voting system in British Guiana to proportional representation (PR) so as to unseat Jagan.”<sup>30</sup> In light of the racial composition of Guyana and the racial voting pattern, PR would greatly aid in removing the Marxist PPP government from office. This was because Jagan’s parliamentary strength was greater than his popular strength. For instance, in the 1961 elections, under the first-past-the-post system, the PPP won 57% of the seats based on 42.3% of the vote. Therefore, PR, which was finally implemented in 1963, would diminish these discrepancies and produce a more accurate reflection of seats.<sup>31</sup>

Additionally, as recently released US State Department documents show, the CIA had funded demonstrations to undermine Jagan.<sup>32</sup> Consequently, as a result of these various machinations, in the 1964 election, although the PPP had a higher percentage and total number of votes, Governor Sir Richard Loyt appointed the PNC along with a small, white-supported conservative party (the United Force-UF) as the ruling government. The PNC then held on to power, through electoral manipulations and other forms of outright corruption until 1992.

The British government had further reasons for suspending the Constitution. They accused the PPP of inciting violence and attempting to create a communist outpost in the region.<sup>33</sup> Additionally, two pivotal pieces of legislation led to the suspension of the Constitution. Namely, they were the Rice Farmers Security of Tenure Bill and the Labor Relations Act. According to Rose, these bills threatened the economic interests of

---

<sup>29</sup> Rose, 169.

<sup>30</sup> Adrian P. Hewitt, “Guyana Sugar and EBA—The Case Study of a Country which is not quite Least Developed,” London: Overseas Development Institute, <http://www.odi.org.uk/iedg/publications/Guyana.pdf> (Accessed May 13, 2007).

<sup>31</sup> Rose, 175.

<sup>32</sup> Stephen G. Rabe, *U.S. Intervention in British Guiana: A Cold War Story* (Chapel Hill, North Carolina: University of North Carolina Press, 2005), 6.

<sup>33</sup> Quoted in Deonandan, “Guyana’s PPP,” 111.



the local propertied, professional, and administrative middle class, as well as the metropolitan interests.<sup>34</sup> In particular, the Rice Farmers Bill contained a provision that protected East Indian farmers from rent increases by unscrupulous landlords. Further, it allowed the government to confiscate land from any landlords who were deemed unscrupulous. Second, the Labor Relations Bill allowed for fair elections for trade union representation, which had heavily favored the Guiana Industrial Workers Union (GIWU), now known as the Guyana Agricultural Workers' Union or (GAWU) over the Man Power Citizen Association (MPCA) as the principal union on the sugar estates. The British also believed that this bill was deliberately designed to provoke crisis, and was responsible for turmoil such as a run on the banks and economic insecurity.<sup>35</sup> The passing of this last piece of legislation was the impetus for the British to act, and they proceeded to suspend the Constitution and resume colonial rule over Guyana for the next four years, until 1957.

These colonial machinations were detrimental to Guyanese society because the sudden return of power to the British led to political, economic, and racial disturbances. For example, to counteract support for the PPP, the UK government decided to “fight for the hearts and minds of the populace.”<sup>36</sup> In order to accomplish this, numerous propaganda were employed via the media. The Legislative Council increased its budget from \$29,000 to \$750,000 in order to increase press, radio broadcasts, and movies that delivered the state’s message.<sup>37</sup> The circulation of the newspaper, the *Bulletin*, was increased from 10,000 to 30,000 and emphasized the development initiatives being pursued by the state in comparison to what the PPP had to offer.<sup>38</sup> Additionally, following the suspension of the Constitution, the militarization in Guyana increased. The numbers of ordinary and commissioned ranks increased by nearly 50 and 100 percent respectively. Jagan characterized this atmosphere as a “reign of terror under ...a police state.”<sup>39</sup> Also, the British rule during 1953 to 1957 did not help to improve the economic development of Guyana. For example, they voted in the House of Commons to

---

<sup>34</sup> Rose, 167.

<sup>35</sup> Spinner, 57.

<sup>36</sup> David Granger, “Guyana’s State Media: The Quest for Control,” *Guyana Review*, <http://www.guyanareview.com/ppig/dag05.html> (Accessed February 18, 2001).

<sup>37</sup> Granger, “Guyana’s State Media: The Quest for Control.”

<sup>38</sup> Granger, “Guyana’s State Media: The Quest for Control.”

<sup>39</sup> Cheddi Jagan, *The West on Trial* (New York: International Publishers, 1966), 188.

provide \$44 million in development expenditure from 1954-1955.<sup>40</sup> There were several talks about how the money would be spent. It was purported to go towards road infrastructure, and a new seven-storey hospital.<sup>41</sup> However, development was clearly not a priority since these plans were never realized.<sup>42</sup> Only \$26 million was spent due to a lack of preparation.<sup>43</sup> The bulk of this money went towards finance, (credit corporation) agriculture, drainage and irrigation, while some of the lowest amounts were spent on health, social services and education.<sup>44</sup> For these reasons, the economy did not substantially improve, and unemployment and the cost-of-living continued to rise.<sup>45</sup> Meanwhile, the population was increasing substantially as between 1954 and 1955, soaring from 472,000 to 486,000.<sup>46</sup>

These political and economic issues caused racial disturbances in Guyana, beginning with dissension within the PPP. This party was in fact the “first nationalist movement in the country to pose a serious and consistent challenge and threat to British imperial rule.”<sup>47</sup> While its objectives may have been noble and placed the party in great stead with the rest of the country, the results of its policies, that is, the British suspension of the Constitution, was detrimental to the internal workings of the PPP, ultimately leading to the dissolution of the relationship between the party’s two leaders, Cheddi Jagan and Forbes Burnham. This in turn eventually led to the latter’s formation of the PNC.<sup>48</sup>

While initially, “...the split did not lead to racial politics, because most of the black radicals remained with Jagan while the moderate East Indians departed with Burnham,”<sup>49</sup> the political scene soon thereafter became racially divided. Rose believes that Jagan was the first to introduce racial politics during a speech to the PPP congress in

---

<sup>40</sup> Jagan, 192.

<sup>41</sup> Jagan, 193.

<sup>42</sup> Jagan, 193.

<sup>43</sup> Jagan, 199.

<sup>44</sup> Michael Swan, *British Guiana: The Land of Six Peoples* (London: Her Majesty’s Stationery Office, 1957), 221.

<sup>45</sup> Quoted in Jagan, 214.

<sup>46</sup> *Monthly Bulletin of Statistics*, Vol. 17. No. 11. (New York: United Nations Statistical Division, November 1963), 1.

<sup>47</sup> Rose, 157.

<sup>48</sup> The effects of the split on the formation of the PNC is further discussed in the PNC section of this chapter.

<sup>49</sup> Rose, 170.

1956, and precipitate the resignation of black radicals from the PPP, when he stated that the East Indian community (with a particular appeal to East Indian labourers, peasants and youth) should support the PPP on the basis of ethnicity.<sup>50</sup> Specifically, he used the Hindi slogan “Apan Jhaat,” which in English means ‘support your own race.’<sup>51</sup> It could be surmised that he was not responsible for introducing it, as racial divisions already existed in Guyana due to the consequences of policies from its colonial past. Perhaps in this vein, it would be more accurate to say that he capitalized on already existent racial tensions.

### **The PNC: Ideology, Policy and Consequences**

As a result of this political cleavage, the PNC was formed in 1957, when Forbes Burnham decided to leave the PPP and form his own party. Two reasons are commonly attributed to his departure. The first is that he decided to leave the party leadership that he shared with Cheddi Jagan on account of their markedly diverging ideologies.

Jagan’s views were in direct contrast to those of Burnham’s. For instance, Jagan adamantly rejected the idea of a West Indies Federation. Burnham, however, supported this federation and believed it could be used to discontinue Guyana’s economic and political dependence on Britain. Jagan believed that this dependent relationship was detrimental to Guyana’s successful economic development. In fact, he preferred alignment with the socialist Bloc of Eastern Europe. This position angered Britain and the U.S., who were ideologically opposed to this union because it was dangerous to the Western interests in Guyana, especially in light of the ongoing Cold War.

Burnham, on the other hand, has often been described as a Fabian socialist, meaning that he preferred gradual methods of social reforms and socialistic permeation of existing political institutions rather than following the revolutionary theories of Marxism.<sup>52</sup> According to Rose, he wanted a “neutral non-aligned approach”<sup>53</sup> in the

---

<sup>50</sup> Rose, 170-171.

<sup>51</sup> Tony Jones, “Is Race an Enigma to Guyana’s Political System?” June 16, 2005, [http://www.guyanacaribbeanpolitics.com/commentary/guest\\_jones.html](http://www.guyanacaribbeanpolitics.com/commentary/guest_jones.html) (Accessed November 12, 2006).

<sup>52</sup> “Fabian Society,” *The Columbia Encyclopedia*, 6<sup>th</sup> ed., New York: Columbia University Press, 2007, <http://www.bartleby.com/65/fa/FabianSo.html> (Accessed July 27, 2007).

<sup>53</sup> Rose, 169.

arena of international politics. Therefore, he was opposed to Jagan's anti-American and anti-British position. He thought that the solutions to Guyana's problems needed to be locally derived and could not be found in the ideals of international communist alliances.<sup>54</sup> His goal was therefore Guyanese nationalism. As a result, he supported Britain's proposal for Guyanese independence within the general framework of a West Indian federation and an electoral system based on proportional representation for Guyana.<sup>55</sup>

The second viewpoint on the Burnham-Jagan split, and the dominant one, suggests that the reason for Burnham's departure from the PPP was that the Americans and British moved quickly to tap into his political ambitions, preferring his seemingly less radical version of socialism to Jagan's. They proceeded to engineer his gaining the reigns of power in the country while at the same time ensuring that Jagan and the PPP was removed from the scene.<sup>56</sup>

While Burnham was the choice of the imperial powers, he ended up instituting a system of authoritarian rule for 30 years. Namely, he set about implementing policies that not only alienated his former colonial supporters but also greatly undermined Guyana's economic and political developments. The PNC's policy agenda was designed to transform Guyana into a "cooperative socialist" society. As a matter of fact, Burnham was credited with making Guyana the first cooperative republic in the world, an experiment inaugurated on February 23, 1970.<sup>57</sup> This brand of socialism was designed to alleviate the problems inherent in the economy, but in fact, only made them worse. Cooperativism was defined in the PNC's mandate as an idea with both organizational and psychological forms, which was rooted in the psyche of Guyana's people.<sup>58</sup> Specifically, Burnham asserted that socialism did not fall into European and North American definitions, but was defined specifically by the social needs and wants of the country.

These needs and wants were directed at creating a just society for the people of Guyana. He believed that "...a just society cannot be achieved unless the majority of the

---

<sup>54</sup> Rose, 169.

<sup>55</sup> Rose, 169.

<sup>56</sup> Rose, 169.

<sup>57</sup> Fitzroy Ambursely and Robin Cohen, eds., *Crisis in the Caribbean* (New York: Monthly Review Press, 1983), 29.

<sup>58</sup> Quoted in Rose, 179.

people, namely the masses or the little men, have a full share in the ownership and control of the economy, a share which corresponds realistically with their political power.”<sup>59</sup> Here we see an ironic move in that Burnham chose to distance his policies from that of the colonial powers, yet in enacting his doctrine, acted very much like a colonial master over the Guyanese people.

According to Rose, cooperative socialism had two objectives: to rid the Guyanese society of the “exploitative and dependency features of the capitalist world order and to strengthen Burnham’s hold on power.”<sup>60</sup> Additionally, there were nine initiatives associated with cooperative socialism. These initiatives exacerbated rather than helped to achieve the above two objectives. They combined to form an authoritarian environment that further plunged Guyana into a downward economic spiral. Before examining some of these initiatives and their impact on the Guyanese economy, this paper will first discuss the political and economic foundations that paved the way for cooperative socialism.

Brackette Williams, in his work *Stains on My Name, War in my Veins: Guyana and the Politics of Cultural Struggle* states that Guyana’s transition to socialism under Burnham was not enacted entirely in the interest of the people but rather in the self-interest of the elite. This is evidenced by the fact that following independence, PNC leaders changed their pro-business, pro-imperialist positions they had adopted during their coalition with the United Force (UF) in order to prevent the Marxist PPP from taking power.<sup>61</sup> What this demonstrates, he argues, was that in reality, the main focus of the party was in winning state power and not in advancing the real interest and welfare of the Guyanese people. Furthermore, he believes that the PNC had no direct economic interest in the dominant industries—sugar and bauxite. Support for this assertion lies in the fact that both these industries were foreign owned at the time. Therefore, the institutional base for their power would lay in the control of state apparatus and thus, a centralization of power. The PNC therefore believed that through increasing their control

---

<sup>59</sup> Rose, 179.

<sup>60</sup> Rose, 185.

<sup>61</sup> Rose, 183.

via the state, party leaders would accumulate increasing influence and power.<sup>62</sup> This in part led to the decreasing profitability of the sugar and bauxite industries and ultimately, an open invitation for IMF and WB structural adjustment policies.

Additionally, there was a previously existing militant population in Guyana, due to the permeation of the PPP's past Marxist-Leninist policies. This played a major role in the successful ushering in of a cooperative socialist republic. Specifically, the PPP and its Marxist-Leninist doctrines had helped to mobilize the lower working classes.

Economist Clive Thomas states that Burnham adopted this similar socialist policy—cooperativism—in order to capitalize on the attitudes of the masses, which had been so successfully indoctrinated under the PPP.<sup>63</sup>

There were also several economic factors that played a role in the lead-up to the creation of a Cooperative Socialist Republic in 1970 and they all relate to the underdeveloped and dependent nature of the Guyanese economy. As previously mentioned, the country's most productive assets, such as bauxite and sugar, were owned and operated by foreign multinational corporations, and relatedly, its economy was very dependent on foreign corporate investment, foreign technology and external trade, especially from the U.S. and Britain. Further, Guyana's economy strongly relied on imported goods including foodstuffs. Ironically, the country was spending large sums of its foreign currency on food imports despite being an agriculturally based economy. Guyana was also extremely dependent on imported oil, fertilizers and capital equipment to develop its economy. Exacerbating these economic problems (and linked to them) was the fact that Guyana was unable to provide ample jobs for its small workforce. For instance, 69 percent of Guyana's population was unemployed, and 35 percent of these were underemployed due to the seasonal nature of the agricultural sector.<sup>64</sup> Hence, policies introduced under the auspices of cooperative socialism were designed to counter these trends.

Two of the initiatives introduced under cooperative socialism involved the expansion of state property through import substitution industrialization (ISI), a main part

---

<sup>62</sup> Brackette Williams, *Stains on my Name, War in my Veins: Guyana and the Politics of Cultural Struggle* (Durham, North Carolina: Duke University Press, 1991), 36.

<sup>63</sup> Clive Thomas, *The Poor and the Powerless: Economic Policy and Change in the Caribbean* (New York: Monthly Review Foundation, 1988), 252.

<sup>64</sup> Quoted in Rose, 180.

of which was a program of nationalization. This led to the creation of domestic industries, which produced goods that were once imported, thus separating state-owned resources from international corporate structures. For instance, Burnham created an agribusiness industry by merging the agricultural and manufacturing sectors. The aim was to use local agricultural products as raw materials, thereby increasing domestic manufacturing. This would, in turn, reduce Guyana's traditional dependence on foreign exchange to finance imports. At the same time, this strategy would increase production of local food and other agricultural products within Guyana. While seemingly a profitable move, it failed because the agricultural sector was extremely disorganized. Additionally, those in the agricultural sector were poorly trained and unable to execute the best agricultural methods in order to produce the intended results.<sup>65</sup>

Contributing to the failure of the ISI strategy was the fact that branch plants were set up by foreign corporations. These plants assembled only semi-finished products and employed highly capital-intensive technology and thus did not contribute to solving Guyana's employment problems. Nor did they contribute to expanding investments in the country. While profits were high in this industry, they were mostly returned to the home countries of these multinational corporations. This led to a substantial external drain of foreign exchange and thus a shortage of foreign currency in the host state.<sup>66</sup>

Also under this initiative, the bauxite and sugar industries were nationalized. According to Rose, acquiring the "assets of the bauxite industry was perhaps the single most decisive event that determined Guyana's future economic policy and the PNC socialist strategy."<sup>67</sup> This was because it greatly improved the economic status of Afro-Guyanese, middle-class PNC supporters who became the members of the new managerial staff in the bauxite industry. If not for these new jobs, it is unlikely that the program of cooperative socialism would have received such support. In that case, it would not have been as easy as it was for Burnham to usher in socialism.

The PNC's nationalization of foreign assets was a success until around the mid-1970's. For instance, during this period, the bauxite and sugar industries reaped sizable

---

<sup>65</sup> Rose, 182.

<sup>66</sup> Rose, 180.

<sup>67</sup> Rose, 187.

profits.<sup>68</sup> This was largely due to a substantial rise in the price of world sugar,<sup>69</sup> and less likely to PNC efforts. The stellar performance of these two industries led to a period of economic prosperity in Guyana, but these economic surpluses were misused by the PNC. They used the money to provide patronage benefits to the bureaucratic middle class, and to expand the military and surveillance branches in order to hold on to power. As a result, the agriculture industry as well as the natural resource sector, suffered immensely. The abuse and misuse of state resources was so dramatic that by 1980, Guyana was incapable of meeting the food, health, education, and welfare needs of the population.<sup>70</sup> This was not much different from the downturns that took place in the economy before the PNC assumed power.

Another reason for the lack of funding to important industries was because production and profitability in the three dominant sectors, sugar, rice and bauxite industries plummeted. Export levels declined sharply and so did foreign currency earnings. Consequently, the external debt escalated<sup>71</sup> as did the cost of servicing it. Overall, from the period of 1966 to the late 1980's, Guyana's economy experienced decreasing output, large deficits, high inflation, and as a result, a substantial build up of external debt arrears.<sup>72</sup> Relatedly, there was also deterioration in the quality of social services, and in several public utilities services such as electricity, fresh water supply, public transport, telephone, postal services and sanitation. These deficiencies inevitably led to serious health risks for the population.<sup>73</sup>

It has been suggested that one reason for the failures of nationalization to increase profit and levels of production was the fact that the government was responsible for supporting these "loss-making public entities as well as its own operations."<sup>74</sup> The debt problems caused in part by nationalization negatively affected Guyana's relations

---

<sup>68</sup> The Library of Congress Country Studies Program, "Guyana Economy," [http://www.mongabay.com/reference/country\\_studies/guyana/ECONOMY.html](http://www.mongabay.com/reference/country_studies/guyana/ECONOMY.html) (Accessed June 2, 2007).

<sup>69</sup> The Library of Congress Country Studies Program, "Guyana Economy."

<sup>70</sup> Rose, 201.

<sup>71</sup> Philippe Egoumé-Bossogo, Ebrima Faal, Raj Nallari, and Ethan Weisman, *Guyana: Experience with Macroeconomic Stabilization, Structural Adjustment, and Poverty*, Washington D.C.: International Monetary Fund, Publication Services, 2003), 88.

<sup>72</sup> Government of Guyana, "Guyana Assessment Report on the Barbados Plan of Action Plus 10," [http://www.sidsnet.org/docshare/other/20041102123202\\_GUYANA\\_NAR\\_2004.doc](http://www.sidsnet.org/docshare/other/20041102123202_GUYANA_NAR_2004.doc) (Accessed April 1, 2007).

<sup>73</sup> Rose, 203.

<sup>74</sup> Government of Guyana, "Guyana Assessment Report on the Barbados Plan of Action Plus 10."



with the international community, making it ineligible to receive aid from donors such as the Caribbean Development Bank, the UK and the US.<sup>75</sup>

A second reason that nationalization proved an unsuccessful strategy was due to the price control mechanisms at the time. While the PNC tried to control production and profits, they failed in this enterprise because as noted earlier, the international market determined the prices of the country's products. Therefore, the PNC's attempt at control was unsuccessful, because due to the nature of the international market, they could not determine the costs of production in the state-run enterprises.

The poor economic state of affairs that resulted from nationalization forced the government to cut back on capital expenditures. This led to job layoffs and increases of prices of goods as subsidies for food items were removed. There was also a reduction in imported goods resulting in shortages of much needed materials such as spare parts and especially intermediate goods needed for production and maintenance of public utilities.<sup>76</sup> All of this ultimately led to a fall in real wages and a devaluation of the Guyanese dollar.

To assist with the economic imbalances, Guyana sought rescheduling agreements with banks. For instance, in 1979, Guyana also sought such agreements with commercial banks such as the Royal Bank of Canada. This is an important reason why Guyana remained in significant debt up to 10 years later. Specifically, the "repeated rescheduling of arrears and interest refinancing contributed to an increase in the country's external debt".<sup>77</sup> The Guyanese government experienced extreme difficulty in meeting the payments without "significant recourse to...higher taxes and cuts in productive expenditures in economic infrastructure, health and education."<sup>78</sup> This, in addition to the failures of cooperative socialism, steeped the country further into debt.

Another of Burnham's initiatives, introduced as part of his cooperative socialism, was the concept of the 'paramouncy of the party,' which was unveiled in 1974 to mark the PNC's 10<sup>th</sup> anniversary. This doctrine meant that the PNC would maintain

---

<sup>75</sup> Egoumé-Bossogo et al., 89.

<sup>76</sup> Rose, 206.

<sup>77</sup> Egoumé-Bossogo et al., 92.

<sup>78</sup> Egoumé-Bossogo et al., 92.

supremacy over all other political parties, and the state as a whole.<sup>79</sup> This was a Marxist-Leninist doctrine in that it “recognized the vanguard party as the leading force in society.”<sup>80</sup> This monolithic, hegemonic role was similar to that of socialist parties in the former USSR and Eastern Europe. In fact, this doctrine allowed the party to have “...practical and theoretical leadership at all levels—political, economic, social and cultural.”<sup>81</sup> Evidence of the party’s strategy to ensure its dominance were the singing of the party solidarity song at public functions immediately following the national anthem, the daily raising of the national and PNC flags in places such as the National Service and Youth Corps camps, and indoctrination sessions promoting the party line at various educational institutions.<sup>82</sup> Also as will be seen below, the party ensured its views prevailed by censoring opposition media or denying them newsprint. Not surprisingly, this reification of the party meant that corruption became endemic.

One of the many privileges granted to the ‘paramount’ party was that it was financed by public funds. State resources could be legally and directly transferred to the PNC. These resources were used as “patronage to mobilize support for the party executive.”<sup>83</sup> For example, between 1975 and 1980, G\$54.3 million was allocated to this new department of state (PNC), yet only G\$1.4 million was accounted for by the regime.<sup>84</sup> This led to a dearth of availability of public funds in other areas, including the industries vital to the nation’s economic survival.

Other initiatives introduced under Burnham’s cooperative socialism exacerbated racial tensions and increased repression for certain groups and sectors. One of the policies implemented was an expansion of the military and paramilitary forces in Guyana. Between 1964 and 1976, Guyana’s armed forces increased from 2,135 to 22,000.<sup>85</sup> Several violent incidents, such as a secessionist outbreak by a group of Amerindians, and other issues on the border of Guyana and Venezuela served as justification for this increase. However, the underlying rationale was to give Burnham

---

<sup>79</sup> Ambursely and Cohen, 32.

<sup>80</sup> Rose, 194.

<sup>81</sup> Rose, 194.

<sup>82</sup> Rose, 197.

<sup>83</sup> Rose, 195.

<sup>84</sup> Rose, 195.

<sup>85</sup> Allahar, 108.

more control over the citizenry and to make it more difficult for opposition parties to challenge the government.

While the increase in the military undoubtedly provided employment for many, thus improving the welfare of the population, it also was accompanied by “aggressive efforts to make the members act and think in partisan manner in favor of the PNC party.”<sup>86</sup> In addition, the policies carried with them definite racial undertones as they privileged Afro-Guyanese to the detriment of Indo-Guyanese.

According to former PPP General Secretary Donald Ramotar, during colonial times, the Afro-Guyanese were primarily recruited for the Disciplined Forces in order to ensure that the Indo-Guyanese sugar workers remained on the plantations even after the end of indentureship. He argued that the PNC policy was a deliberate continuation of this strategy.<sup>87</sup> Evidentially, upon acceding to power, Burnham fired then Indo-Guyanese Major of the Guyana Defense Force (GDF), Raymond Sattaur, and appointed Clarence Price, an Afro-Guyanese. Unlike Sattaur, Price was not a professional military man.<sup>88</sup> Furthermore, in order to ensure the Indo-Guyanese were not accepted into the services if they attempted to join, a rigid anti-Indian testing mechanism was initiated.<sup>89</sup> According to the International Commission of Jurists’ 1965 report, a standard of physical criteria such as height and chest measurement was established. This excluded the Indo-Guyanese, who as a race, were smaller in stature than the Africans.

Additionally, recruits were required to be unmarried. The Indo-Guyanese were thwarted by this requirement because they customarily married earlier than the Afro-Guyanese. Other methods used to deter the Indo-Guyanese were racial insults and discrimination during training.<sup>90</sup> In addition, while the religious needs of the Afro-Guyanese were met (the majority are Christians), those of the Indo-Guyanese (who were

---

<sup>86</sup> Rose, 196.

<sup>87</sup> Michael Gordon, “More Inclusivity, Yet Maintaining Standards Proposed by PPP to DFC—Forces Must Reflect Demographics of Guyana,” Guyana Government Information Agency (GINA), September 17, 2003, <http://www.gina.gov.gy/archive/features/f030917.html> (Accessed July 4, 2007).

<sup>88</sup> Chaitram Singh, “Changing the Basis of Civilian Control over the Military in Guyana,” *Journal of Third World Studies* (Fall 1997), [http://findarticles.com/p/articles/mi\\_qa3821/is\\_199710/ai\\_n8779043/](http://findarticles.com/p/articles/mi_qa3821/is_199710/ai_n8779043/) (Accessed July 4, 2007), 2.

<sup>89</sup> Gordon, “More Inclusivity.”

<sup>90</sup> Quoted in Malcolm Haripaul, “Historical Outline of the Security \Forces in Guyana,” <http://www.guyanaundersiege.com/Other%20single%20pages/imbalance.htm> (Accessed September 30, 2007).

primarily Hindus and Muslims) were not. For example, there was a prevalence of Christian practices and a lack of Hindu or Muslim practices, thus further alienating the Indo-Guyanese from joining the forces.<sup>91</sup> This racism continues even today, as the Indo-Guyanese account for no more than 5 percent of the officer corps and enlisted ranks.<sup>92</sup>

Another component of the PNC's autocratic rule was its domination of the judiciary, a process facilitated by the passage of legislation that "preempted the use of the courts to mount legal and constitutional challenges against the actions of the PNC government and its decisions."<sup>93</sup> To reinforce the party's power, the PNC flag was flown over the Court of Appeals.<sup>94</sup> The judiciary then officially became part of the "coercive apparatus of the state to intimidate and punish political opponents arrested on trumped-up charges by the PNC regime."<sup>95</sup> These repressive actions illustrate that the PNC was directly violating human rights. Furthermore, due to the paramountcy of the party, these actions could be performed with impunity.

As a consequence of PNC policies, not only was the nation's economy in decline but racial tensions were exacerbated, political cleavages deepened, and repression increased. For example, prior to the 1964 elections, PNC supporters went out into the streets chanting slogans, throwing dust in the faces of Indians and surrounding houses telling people to vote PNC or else they would come for their wives and daughters.<sup>96</sup>

Disenchantment with the PNC led many Afro-Guyanese who had been supporters of the party to join the Working People's Alliance (WPA), a Marxist party founded by the charismatic Afro-Guyanese intellectual Walter Rodney. (Former PPP supporters seeking an alternative also joined the WPA). In fact, by 1979, it is speculated that three quarters of the population supported the WPA.<sup>97</sup> Walter Rodney, leader of the WPA, conducted a scathing campaign against the PNC regime. This included industrial strikes, and other forms of social unrest.

---

<sup>91</sup> Michael Gordon, "More Inclusivity."

<sup>92</sup> Chaitram Singh, "Changing the Basis of Civilian Control over the Military in Guyana," 3.

<sup>93</sup> Rose, 198.

<sup>94</sup> Rose, 199.

<sup>95</sup> Rose, 199.

<sup>96</sup> Peter Simms, *Trouble in Guyana: An Account of People, Personalities and Politics as They Were in British Guiana* (London: George Allen and Unwin Ltd., 1966), 151.

<sup>97</sup> Rose, 208.

In response, Burnham increased the use of the armed forces to maintain political stability. He feared that the WPA would seriously challenge the PNC's dominance, given the party's rising popularity and the fact that Rodney was Afro-Guyanese. Therefore, in an effort to disengage citizens from the WPA's ideologies, Burnham denied newsprint to the *Day Clean*, a biweekly newspaper published by the WPA.<sup>98</sup> Finally, in June 1980, in an effort to eliminate all threats, Burnham had Rodney assassinated by a bomb blast.<sup>99</sup> Rodney's assassination was certainly one of the factors that led to the weakening of the WPA.

Censoring the *Day Clean* was part of an overall strategy to control all opposition mass media. For example, he also censored Guyana's daily newspaper, the *Chronicle*, and both national radio stations. Additionally, newsprint was also denied to the weekly newspaper, the *Mirror*, which was operated by the PPP, as well as the *Catholic Standard*, a Roman Catholic paper.<sup>100</sup>

Given the economic chaos and the political and social instability, which resulted from Burnham's cooperative socialism, it is clear that the policy was a failure as far as Guyana was concerned. Its merits lay more in theory than in deeds. This made the PNC and Burnham seem duplicitous in their efforts to actually help the Guyanese people.

## **Conclusion**

The actions of the British were instrumental in creating an indelible imprint on Guyanese society. They used divisive methods to create dissension between the East Indians and Africans, the two dominant racial groups in the country. In spite of these efforts, however, members of both these groups were able to form a political party, the PPP, as a result of the mobilization by the trade union movement and by the appeal of the party's socialist ideology. The Party's goal was to fight for independence and to advance the cause of the nation's poor. This was a tangible assertion to the colonialists that the Guyanese people were capable of self-government. However, machinations by the British would emerge once again, this time with the help of the Americans, in

---

<sup>98</sup> Rose, 208.

<sup>99</sup> Quoted in Lewis, *Walter Rodney's Intellectual and Political Thought*, 245.

<sup>100</sup> Rose, 208.

reasserting colonial control of the country. While plunging the economy into further financial disarray, the British and Americans also engaged in divide and rule policies that hearkened back to colonial times in order to create dissension within the PPP. Their actions led to the creation of a competing political party (to the PPP), the PNC under the leadership of Forbes Burnham.

Theoretically, Burnham's unique cooperative socialism policies were designed to lift Guyana out of its economic mire, yet the hidden power-seeking agenda of the PNC, and the party's weak control of the economy only led to an exacerbation of economic and racial tensions in an already unstable country. His policies, in conjunction with the earlier colonial actions weakened the economy to the extent that the stage was set for the eventual intervention by the World Bank and the International Monetary Fund. Additionally, the fact that Burnham agreed to the implementation of structural adjustment programs demonstrates a deviation from his socialist policies. This deviation occurred due to the coercions of the IMF and World Bank, as well as Guyana's dire economic situation at that particular point in time. The particulars of Guyana's involvement with these two organizations will be discussed in greater depth in the following chapter.

## **CHAPTER THREE—STRUCTURAL ADJUSTMENT IN GUYANA**

### **Introduction**

While Guyana's paradoxical fate as one of the world's most impoverished countries despite its riches is rooted in colonial occurrences, this analysis examines its strong links to the negative effects of structural adjustment policies that the governments, notwithstanding their adherence to socialism, have been forced to implement as a result of its balance of payment problems. As was shown in the previous chapter, these debt problems had their beginnings with Guyana's economic status as an underdeveloped state, which was entrenched at the time of colonialism when the country was brought into the system of global capitalism as a producer of raw materials. Its condition was exacerbated by political developments in the nation that included British intervention to subvert the democratic process in the nation as well as the authoritarian policies of the PNC government, and racial tensions in the society.

While the preceding chapter set the historical context, the objective of this chapter is to discuss the policy prescriptions, specifically the structural adjustment measures developed by International Financial Institutions (IFI's) such as the World Bank and International Monetary Fund (IMF) and implemented for over a decade to address Guyana's economic woes. Specifically, the focus will be on the Economic Recovery Program (ERP), the Heavily Indebted Poor Country Initiative (HIPC), and the Enhanced HIPC Initiative,<sup>101</sup> which had an accompanying component called the Poverty Reduction Strategy (PRS). What will become evident is that while SAPs were initially designed to improve Guyana's economic efficiency and productivity, they achieved only modest success and have even exacerbated its economic problems in some cases.

An overview of each of these programs will be given. Next, the general impacts of these prescriptions on Guyana's economy and society as well as on three particular sectors of the economy, notably the logging, mining and sugar industries will be

---

<sup>101</sup> Hereafter, the Enhanced HIPC Initiative will be referred to as the Enhanced HIPC.

analyzed. These three industries are the focus for several reasons. They are three of Guyana's most lucrative and important industries, due to the abundance of forests, gold, precious metals, and sugar in Guyana.

After examining the negative impact of SAPS on these three industries, which to some measure impacted Guyana's economy and society, this analysis will then present some of the reforms that may possibly address the shortcomings caused by the structural adjustment measures, thereby minimizing the devastation in Guyana.

### ***The Philosophy Governing Structural Adjustment Measures: Neoliberalism***

The principles governing the IMF's policies are rooted in the free market,<sup>102</sup> or what is commonly referred to currently as neoliberalism. Although there is much debate as to whether this idea is new or just classical liberalism in new guise, the objective here will not be to debate the terminology, merely to utilize it for explanatory purposes. The term is often a prefix for another, globalization,<sup>103</sup> and the two are sometimes used interchangeably.<sup>104</sup> It is a development strategy that began to emerge in the 1960s<sup>105</sup> and which combines the ideas of classical liberalism with those of the free market, or *laissez-faire* economics. Essentially, the underlying philosophy is that the market must be allowed to operate without obstruction. Following the logic of Adam Smith, the idea is that the market is the best means of efficient resource allocation; hence this will lead to increased productivity, growth and development. In the current era marked by globalization, this means that not only must internal obstacles to the free market be removed, but the same must occur at the global level. In other words, trade barriers globally must be torn down. This is witnessed in the many free trade agreements that have been negotiated or are under discussion.

In terms of the internal organization of economies, the logic of neoliberalism dictates that privatization, or private ownership of the means of production be

---

<sup>102</sup> This 'market' is the "mode of exchange in which the needs of society are met through the buying and selling of goods and services in the form of private property," Gary Teeple, *Globalization and the Decline of Social Reform* (Toronto: Garamond Press and Humanities Press, 1995), 79.

<sup>103</sup> Martin Wolf, *Why Globalization Works* (New Haven, Connecticut: Yale University Press, 2004), 13.

<sup>104</sup> This paper refers primarily to the phenomenon of economic globalization, which is largely driven by neoliberalism.

<sup>105</sup> John Rapley, "Development Theory in the Wake of Structural Adjustment," in *Understanding Development: Theory and Practice in the Third World* (Boulder, Colorado: Lynne Rienner, 1996), 58.



emphasized and relatedly, there must be limited government intervention in the economy. The logic behind this, in order for the market to operate freely, and to ensure growth, state intervention in the economy must be kept at a minimum, because too much “state intervention had distorted prices in such a way as to discourage production of potentially lucrative primary goods, thereby slowing growth.”<sup>106</sup> In other words, the invisible hand of Adam Smith’s analysis is what will regulate the market and bring about equilibrium.<sup>107</sup> The operation of the invisible hand, however, does not eliminate the need for government regulation. According to Milton Friedman, “government is essential both as a forum for determining the ‘rules of the game’ and as an umpire to interpret and enforce the rules decided on.”<sup>108</sup> Therefore, while the free market has lessened the range of issues that require political decisions, political force is still required in the free market to “enforce substantial conformity.”<sup>109</sup>

### **Implementation and Effects of Structural Adjustment in Guyana**

#### ***IMF and World Bank SAPs in Guyana***

Guyana’s economic problems as we have seen stem both from its colonial past and from the policies enacted by the country’s political leaders. SAPs were adopted because of the debt crisis, the lack of political alternatives given the demise of the Cold War, combined with the ensuing victory of capitalism over communism, and lack of political alternatives. Just prior to the implementation of SAPs, the economy was in crisis, with a combined domestic and foreign debt worth 413 percent of the GDP.<sup>110</sup> While severe, this scenario is consistent with that in other underdeveloped countries. As a consequence of this type of economic crisis, poverty, diseases, low levels of education, and lack of access to social services such as health care became prevalent, creating a vicious cycle. In addition to the debt crisis, the end of the Cold War meant the hegemony of one superpower (the U.S.), the victory of capitalism over communism, and the rise of

---

<sup>106</sup> Rapley, 60.

<sup>107</sup> See Adam Smith, *The Wealth of Nations* (New York: Random House, Inc., 1937).

<sup>108</sup> Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1982), 15.

<sup>109</sup> Friedman, 15.

<sup>110</sup> Egoumé-Bossogo et al., 20.

neoliberalism.<sup>111</sup> This in turn meant “choices available to political leaders on the left [were] severely constrained.”<sup>112</sup> Not surprisingly, as a result, the socialist mandate was abandoned, and a neoliberal one adopted.

Faced with such debilitating economic problems, Guyana, like many of its counterparts in the developing world, were forced to abide by the dictates of the IFIs, such as the IMF and World Bank, to avoid economic collapse. The World Bank, for instance, granted loans to governments facing balance-of-payments difficulties, provided the national governments agreed to implement structural adjustment policies or SAPs, which contain clearly-defined components to reorganize the economy in order to restore macroeconomic stability.<sup>113</sup>

Guyana began negotiations on SAPs in 1985, but the more stringent SAP measures were not adopted until negotiations occurred in 1989. Desmond Hoyte of the People’s National Congress (PNC) assumed power as President of Guyana in 1985 (after the death of Forbes Burnham). With the country facing a staggering amount of external debt, he entered into negotiations with the IMF and the World Bank. This move would, however, considerably alter Guyana’s state structure. As mentioned in Chapter two, Guyana was a socialist state, and therefore there were high levels of state involvement in the economy. Extensive nationalization of industries, and significant public sector spending in health, education and employment existed in Guyana at that time. Neoliberal policies, however, which were the foundations of the restructuring packages of the IFIs, advocate lessening the role of the state in order to achieve economic efficiency. Therefore, the reduction of government spending is crucial to this initiative.

The reduction in government spending began in 1985 (as part of debt restructuring) because the Guyanese government witnessed unacceptable primary deficits averaging about 12 percent of GDP.<sup>114</sup> This was likely because expenditures represented 95 percent of GDP during the 1980’s.<sup>115</sup> The government therefore reduced its spending by cutting its expenditures on goods, services and maintenance programs.<sup>116</sup>

---

<sup>111</sup> Deonandan, “Guyana’s PPP,” 108-109.

<sup>112</sup> Deonandan, “Guyana’s PPP,” 109.

<sup>113</sup> Rapley, 83.

<sup>114</sup> Egoumé-Bossogo et al., 17.

<sup>115</sup> Egoumé-Bossogo et al., 25.

<sup>116</sup> Egoumé-Bossogo et al., 27.

Guyana continued SAP negotiations when, in 1989, Desmond Hoyte (PNC) enacted the ERP in conjunction with the World Bank and the IMF. As part of its plan to repay outstanding debt, the Hoyte government implemented “appropriate macroeconomic and structural reform policies under the ERP supported by new loans from the IMF, the World Bank, and the Inter-American Development Bank (IADB)...”<sup>117</sup> In essence the program entailed massive cutbacks in government spending in the economy and it also involved efforts to attract foreign private investments in targeted sectors of the economy.. These policies were continued under the PPP when it gained power in 1992.<sup>118</sup>

The ERP also contained provisions for privatizing various public corporations.<sup>119</sup> This is one of the central tenets of neoliberal policies. The objective of this initiative is to raise money for cash-starved governments by selling national enterprises to private entities, and also to ensure that less of the government’s money is spent in the public sector.<sup>120</sup> In addition, it is believed that private firms are better at maintaining and increasing efficiency and profitability than the public sector.<sup>121</sup>

Further justifications for privatization in Guyana’s economy must also be noted. As mentioned in chapter two, nationalization was considered to be one of the causes of Guyana’s debt. This is evidenced by the fact that the public sector wage bill was 15 percent of GDP during the 1980’s. This was higher than any country in the Caribbean at the time<sup>122</sup> and occurred as a result of Guyana’s nationalization program, which began in 1972. Aggravating this problem was the fact that market conditions for Guyana’s exports declined in the early 1980’s.<sup>123</sup> As a result of SAPs, by 2000, over 80 percent of the government’s total net asset holdings from 1988 had been privatized or liquidated.<sup>124</sup>

---

<sup>117</sup> Egoumé-Bossogo et al., 91.

<sup>118</sup> At first glance, this may seem surprising since, as mentioned in the previous chapter, the PPP was a Marxist party. It is suggested that the reason for this is that the PPP was constrained by the previous ERP agreement enacted under Hoyte and Burnham’s PNC. In an economic sense, they were indeed constrained due to the need to repay the country’s outstanding debt.

<sup>119</sup> “Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. III. Economic Program, 1988, and Recovery,” International Labor Organization, <http://www.ilo.org/public/english/dialogue/sector/papers/agrguyan/143e3.htm#h2> (Accessed June 20, 2007).

<sup>120</sup> Rapley, 83.

<sup>121</sup> Rapley, 84.

<sup>122</sup> Egoumé-Bossogo et al., 25.

<sup>123</sup> Egoumé-Bossogo et al., 27.

<sup>124</sup> Egoumé-Bossogo et al., 29.

To ensure the efficiency of the growing private sector, deregulation of the economy was required. This measure is defined as removing the “constraints and rules, backed by sanctions, which are intended to modify the activities of corporation in the private sector.”<sup>125</sup> It also includes trade liberalization and the abolition of marketing boards, which help to reduce trade hindrances. One such regulation is the industry-specific one that places constraints on prices, production, profits, and standards of service. This helps to reduce price distortions. Trade liberalization also operates in the general interest of capital.<sup>126</sup> According to the doctrine of neoliberalism, this policy is beneficial because it benefits the developing country by opening it to trade.<sup>127</sup> In Guyana, the trade liberalization strategy was adopted under the ERP in 1989.<sup>128</sup> Its goals were to lower protection, reduce the dispersion of tariffs, and replace non-tariff barriers with tariffs.<sup>129</sup>

One final method implemented by the IMF and the World Bank to achieve lower interest rates was the devaluing of the Guyanese dollar. This act was purported to reduce producer prices and therefore increase exports,<sup>130</sup> consequently bringing more money into the economy. Specifically, through the process of devaluation, the prices exporters pay become cheaper, making them more likely to purchase. In Guyana, the largest devaluation took place in February 1991, when the Guyanese dollar went from G\$45.00 to G\$101.75 per US\$1.<sup>131</sup>

The ERP was limited in its success<sup>132</sup> as Guyana still found itself heavily indebted. In response to this situation, the IMF and World Bank then created the HIPC initiative in 1996 (under the rule of the PPP). This was part of a larger objective for all indebted poor countries and its goals were to reduce the external debt burden of all eligible poor countries to sustainable thresholds, as determined by the international community, in a short time period.<sup>133</sup> According to Stiglitz, however, one of the

---

<sup>125</sup> Teeple, 86.

<sup>126</sup> Teeple, 86.

<sup>127</sup> Rapley, 88.

<sup>128</sup> Egoumé-Bossogo et al., 104.

<sup>129</sup> Egoumé-Bossogo et al., 104.

<sup>130</sup> Rapley, 92.

<sup>131</sup> Egoumé-Bossogo et al., 42.

<sup>132</sup> The ERP was also highly unsuccessful in other countries, proving that the program itself was faulty and its failures cannot be attributed to the countries themselves.

<sup>133</sup> Egoumé-Bossogo et al., 91.

drawbacks of the HIPC was the fact that the IMF had major control over the recommendations. The developing countries themselves were not given much choice or input into the program.<sup>134</sup> This criticism the IMF later tried to address in subsequent debt restructuring programs as discussed below.

In light of the limited successes of the original HIPC, introduced in 1996, Guyana's Enhanced HIPC was introduced in 1999. The Enhanced HIPC was to provide even faster and greater delivery of HIPC assistance to those HIPC countries that were doing a good job of implementing reform policies.<sup>135</sup> As part of the Enhanced HIPC requirement, countries currently receiving assistance under this initiative must develop a Poverty Reduction Strategy Paper (PRSP) with the participation of civil society.<sup>136</sup> Its aim was to provide a long-term focus to specifically address the multidimensional issues of poverty,<sup>137</sup> which existed prior to the implementation of, and were in part, exacerbated by prior structural adjustment programs such as the ERP and HIPC. Additionally, the Public Sector Investment Program (PSIP) was developed and was designed to facilitate the goals of the Poverty Reduction Strategy (PRS).<sup>138</sup>

Unlike the HIPC, one of the core elements central to the PRS was that the composition of the PRS paper, called the Poverty Reduction Strategy Paper (PRSP), must be country-driven. This represents a shift within the IMF's rhetoric and policy<sup>139</sup> as they seek to confront legitimacy issues that arose in the structure of the original HIPC. By promoting a 'national ownership' of the policies, the IMF was taking a step to ensure that the developing country was more likely to perceive the program as legitimate and will as a result have more political will to implement it, thus increasing its chances of success.<sup>140</sup>

Also as part of the IMF reform of its restructuring programs, specifically the PRS, was the requirement that the country seeking aid must include a greater sector of society, specifically civil society organizations (along with government and businesses) in the

---

<sup>134</sup> Joseph Stiglitz, *Making Globalization Work* (New York: W.W. Norton and Company, Inc., 2002), 226.

<sup>135</sup> Egoumé-Bossogo et al., 93.

<sup>136</sup> Egoumé-Bossogo et al., 93.

<sup>137</sup> Halifax Initiative, "Issue Brief—Poverty Reduction Strategy Papers—September 2005," <http://www.halifaxinitiative.org/index.php/Factsheets/800> (Accessed April 1, 2007).

<sup>138</sup> "Overview," Guyana Information and News Agency (GINA), [http://gina.gov.gy/prsp\\_psis/PSIP%20REPORT%202005.pdf](http://gina.gov.gy/prsp_psis/PSIP%20REPORT%202005.pdf) (Accessed June 20, 2007).

<sup>139</sup> Jacqueline Best, "Legitimacy Dilemmas: The IMF's Pursuit of Country Ownership," *Third World Quarterly* 28, no. 3 (2007): 476.

<sup>140</sup> Best, 479.

decision making process regarding the PRSP.<sup>141</sup> In the PRSP, each country must show how “money freed up from debt servicing will be used to alleviate poverty.”<sup>142</sup> This paper must outline the country’s proposed macroeconomic, structural and social policies and programs that will promote growth and reduce poverty. It must also outline in great detail any external financing needs and major sources of financing. The paper is then reviewed and eventually approved by the World Bank and IMF Board of Directors.<sup>143</sup> According to the Halifax Initiative Brief on PRSP’s, this is a necessary step towards receiving debt reduction. It is also a valuable step towards achieving debt relief, as the country itself is more likely to be able to propose appropriate recommendations than would an IFI such as the World Bank or IMF. In Guyana, civil society task forces held over 100 meetings as part of the drafting of the PRSP,<sup>144</sup> and a total of 8,400 Guyanese people participated in the consultations.

Guyana’s PRSP focused on “maintaining macroeconomic stability through sustainable fiscal and wage policies, prudent monetary policy, and flexible exchange rate policy. [It] also envisaged structural reforms to improve the efficiency of the public service, increase the productivity of government investment, restructure key productive sectors, and increase competitiveness.”<sup>145</sup> There were also social safety net programs and other poverty-reducing programs.<sup>146</sup>

In the area of fiscal policy, the focus was to provide cost-efficient delivery of public services to the population, maintaining and upgrading physical infrastructures, and financing productivity-enhancing public investment. Such government subsidies and safety net programs were designed to target the poorest based on certain criteria.<sup>147</sup> Value Added Tax (VAT) was also implemented to help generate more revenues. Specifically, VAT is a levy added to the ‘value’ of goods and services as they pass through each stage of the production process. It is arguably less damaging to the

---

<sup>141</sup> The Carter Center, “Report of the Third Development Cooperation Forum: Human Security and the Future of Development Cooperation,” Atlanta, Georgia: The Carter Center, February 2002, <http://www.cartercenter.org/documents/1186.pdf>. (Accessed April 1, 2007), 101.

<sup>142</sup> Halifax Initiative. “Issue Brief—Poverty Reduction Strategy Papers—September 2005.”

<sup>143</sup> Halifax Initiative, “Issue Brief—Poverty Reduction Strategy Papers—September 2005.”

<sup>144</sup> “Development Cooperation Forum: Human Security and the Future of Development Cooperation, 81.

<sup>145</sup> Egoumé-Bossogo et al., 135.

<sup>146</sup> Egoumé-Bossogo et al., 135.

<sup>147</sup> Egoumé-Bossogo et al., 136.

economy than income taxes due to its focus on consumption. This makes it less likely that the money levied will be used for income redistribution, which can be damaging.<sup>148</sup> The PRS Exchange Rate policy strategy required that Guyana maintain a flexible exchange rate in order to absorb exogenous shocks that result from commodity price swings, cost increases and natural events. Such shocks have in part caused deterioration in the terms of trade.<sup>149</sup>

In order to ensure public sector efficiency and governance, a wage policy was implemented. This policy focused on assigning different wages based on individual merit to attract qualified staff likely to maintain longevity in their positions. There was also a pension reform, which would ensure the long-term solvency of Guyana's National Insurance Scheme (NIS). It called for hiring, in particular, more skilled personnel at the middle-level management, which was at the time seriously depleted.<sup>150</sup>

The PRS was also aimed at assisting the Amerindian communities, who in Guyana, are among the most impoverished. In fact, the majority falls below the poverty line. The PRS envisaged specific projects intended to improve their quality of life, as well as that of poor Guyanese people in general, thereby bringing them out of poverty. These projects included providing primary health care, supplying potable electricity and water, providing transportation, and building nurseries and elementary schools with scholastic materials and tools. Also under this plan was the upgrading and maintenance of economic infrastructure such as roads, bridges and sea defenses to improve the livelihood of Guyanese coast-dwellers. The PRS also aimed to expand land distribution and accelerate lease-to-own operations. Training programs for displaced workers and social safety nets such as targeted electricity and water subsidies for vulnerable members of society, which comprise the elderly and disabled, are also envisaged under the PRS. Children from poor families would also receive subsidized education and health care.<sup>151</sup> The success of these initiatives is discussed in the following section.

There are however, several challenges to successful implementation of the PRS such as natural disasters like droughts and floods, which have had adverse effects on

---

<sup>148</sup> Daniel Mitchell, "Beware the Value-Added Tax," The Heritage Foundation, <http://www.heritage.org/Research/Taxes/bg1852.cfm> (Accessed July 31, 2007).

<sup>149</sup> Egoumé-Bossogo et al., 137.

<sup>150</sup> Egoumé-Bossogo et al., 137.

<sup>151</sup> Egoumé-Bossogo et al., 141.

agriculture. Other challenges that need to be overcome are the maintenance of a peaceful political environment and increasing security levels.<sup>152</sup> Additionally, Guyana needs to avoid somehow the emigration of skilled workers. This is sometimes referred to as a ‘brain drain’ wherein the home country needs the skills of the professionals who emigrate to avoid the symptoms of underdevelopment.<sup>153</sup> The loss of experienced professionals in Guyana has had adverse effects on productivity, and is preventing the accumulation of practical knowledge by younger, inexperienced workers.<sup>154</sup>

### *General Effects on Guyanese Economy and Society*

The previously discussed structural adjustment programs have had varying effects on the Guyanese economy and society. While successful in the short run, the reduction in government spending failed because it was not sufficient to address the root causes of the deterioration in the public finances. Other important reasons given for the poor fiscal performance between 1992 and 2000 are adverse external financial shocks, bad weather, and a dearth of accurate social and political consensus.<sup>155</sup>

The ERP was slow to take effect and positive results were not seen until 1992.<sup>156</sup> While under the ERP and prior to 1992, Guyana’s per capita income fell by 8 percent, consumption dropped by over 16 percent, and recorded output of all major agricultural and non-agricultural products fell.<sup>157</sup> Some blame for these failures is attributed to bad weather, power shortages and industrial unrest.

When the ERP policies did take root, however, several positive economical impacts were witnessed. For example, GDP rose to 11 percent higher than it had been

---

<sup>152</sup> Egoumé-Bossogo et al., 142.

<sup>153</sup> Lexico Publishing Group, “Definition of Brain Drain,” LLC, Dictionary.com, <http://dictionary.reference.com/browse/brain%20drain> (Accessed July 16, 2007).

<sup>154</sup> Egoumé-Bossogo et al., 143.

<sup>155</sup> Egoumé-Bossogo et al., 17.

<sup>156</sup> “Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. II. Economic Program, 1988, and Recovery,” International Labor Organization, <http://www.ilo.org/public/english/dialogue/sector/papers/agrguyan/143e2.htm#h2> (Accessed June 20, 2007).

<sup>157</sup> “Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. II. Economic Program, 1988, and Recovery,” International Labor Organization.



two years before.<sup>158</sup> In fact, as illustrated later, GDP recovery continued to improve until 1998. Also, the balance-of-payments deficit declined substantially from US \$158 million in 1992 to US \$97 million in 1997.<sup>159</sup> Additionally, this account deficit became 13 percent of GDP, as compared to 93 percent of GDP in 1989.<sup>160</sup>

Privatization in Guyana engendered many positive effects. For instance, the public sector became more efficient, and foreign direct investment, which had been negative throughout the 1980's, rebounded strongly.<sup>161</sup> Additionally, output of major exports increased by over 100 percent by 1999 from its levels in the 1980's.<sup>162</sup> Furthermore, actions aimed towards deregulating the economy aided Guyana in several ways. It increased Guyana's overall efficiency of production, diversified its export base making it more resilient to external shocks, and increased international competition in the domestic market.<sup>163</sup> Trade liberalization helped offset Guyana's balance of payments crisis from the 1980's to the 1990's, which occurred as a result of "inward-oriented policies."<sup>164</sup> Such policies were generally restrictive of trade and preventative of outside competition.<sup>165</sup> The IMF report states that the combination of a sharp recovery in economic growth following the implementation of structural adjustment and the strengthening of social programs resulted in poverty reduction. It also claims that other benefits of these programs were the delivery of essential social services such as health and education.<sup>166</sup>

The devaluation of the dollar, however, produced mixed results. On the one hand, it caused the costs of good and services to increase, and as a result, a significant number of the population was no longer able to access and obtain certain goods and services due to the subsequent rises in the cost of living. This led to severe underdevelopment and poverty. On the other hand, the IMF report states that this devaluation "helped make the

---

<sup>158</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. II. Economic Program, 1988, and Recovery," International Labor Organization.

<sup>159</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. II. Economic Program, 1988, and Recovery," International Labor Organization.

<sup>160</sup> Egoumé-Bossogo et al., 108.

<sup>161</sup> It is important to note, however, that the bauxite companies LINMINE and BERMINE, which are discussed in greater depth in the mining section, were not privatized and remain in government hands.

<sup>162</sup> Egoumé-Bossogo et al., 29.

<sup>163</sup> Egoumé-Bossogo et al., 106.

<sup>164</sup> Egoumé-Bossogo et al., 108.

<sup>165</sup> Egoumé-Bossogo et al., 103.

<sup>166</sup> Egoumé-Bossogo et al., 3.

economy more competitive, encouraged private investment, and provided incentives to export.”<sup>167</sup>

One of the components of underdevelopment and poverty was the creation of an underground economy wherein illegal trade existed, alongside the legal economy, as a means to avoid taxation. As a result of this, the government’s ability to collect revenue was diminished, which in turn led to an increase in the cost of public services to the Guyanese people.

Under the ERP’s successor, the HIPC, Guyana’s fiscal debt burden declined sharply. This was only temporary, and, even though Guyana is receiving debt relief, debts still continue to grow due to the “magic of compound interest.”<sup>168</sup> The most recent SAP, the Enhanced HIPC with PRS and its corresponding PSIP has still not been able to meet all the proposed goals. For instance, Guyana’s economy has stagnated since 1998,<sup>169</sup> meaning that real GDP has not grown. Therefore, it has not increased the productivity of either the public or private sectors. The slowdown in growth, however, may not necessarily be attributed to the PRS itself, but to external conditions such as violent crime sprees, damage to agriculture on account of El Nino, and civil political disturbances.<sup>170</sup>

According to government publications, public sector investments have been successful, and have even increased. For instance, more is being invested in the areas of education, water services, and roads.<sup>171</sup> Increased public investment programs in the areas of agriculture and flood control have helped facilitate private sector activities in the mining sector.<sup>172</sup> Other noteworthy introductions have been training programs provided to farmers; rehabilitation of health centers and increases in accessibility to health services for the poor; a housing program that focuses on distribution of housing lots and land titles.<sup>173</sup> These strides have been very beneficial to the development of Guyana,

---

<sup>167</sup> Egoumé-Bossogo et al., 3.

<sup>168</sup> Stiglitz, 227.

<sup>169</sup> “Overview,” Guyana Information and News Agency (GINA).

<sup>170</sup> “Overview,” Guyana Information and News Agency (GINA).

<sup>171</sup> “Overview,” Guyana Information and News Agency (GINA).

<sup>172</sup> “Overview,” Guyana Information and News Agency (GINA).

<sup>173</sup> “Overview,” Guyana Information and News Agency (GINA).

improving the quality of life of its citizens, as well as the efficiency of the mining sector. This has therefore aided in reducing poverty levels.

Following this period of fiscal adjustment, Guyana was able to make substantial progress. Indicators of this success are the facts that the budget deficit was substantially reduced and expenditure control strengthened.<sup>174</sup> In spite of the significant debt relief since 1989, however, Guyana still remains vulnerable because its “traditional exports are subject to volatility and uncertainties in preferential markets...”<sup>175</sup> According to data projections, Guyana’s debt sustainability is expected to worsen by 2009.<sup>176</sup> Therefore, while the PRS may help to reduce poverty, Guyana will still have balance-of-payment problems, which can only lead to the implementation of further structural adjustment programs. This represents a failure of neoliberal policies to achieve some measure of improved long-term economic efficiency. In spite of its failings, however, the PRSP process has been helpful in some regard. For instance, it has helped to refocus “national and international agendas on poverty eradication and increased public engagement in select issues in a number of low-income countries.”<sup>177</sup>

While the aforementioned programs had general effects on Guyana’s economy and society, further effects of these strategies will now be discussed in relation to three of Guyana’s most lucrative and pivotal industries: logging, mining, and sugar.

## **Effects on Specific Industries**

### ***Logging***

#### *Description of Industry and Associated SAPs*

Guyana is well known for its abundant forestry, having more than 75 percent (50,000 square miles) of its 83,000 square miles covered by woods.<sup>178</sup> ‘Forest products’ is a general term that encompasses various types of wood such as lumber, firewood,

---

<sup>174</sup> Egoumé-Bossogo et al., 17.

<sup>175</sup> Egoumé-Bossogo et al., 98.

<sup>176</sup> “Overview,” Guyana Information and News Agency (GINA).

<sup>177</sup> Halifax Initiative, “Issue Brief—Poverty Reduction Strategy Papers—September 2005.

<sup>178</sup> Jaling Forest Industries, “Environmental and Social Impact Assessment: Final Report,” December 2004, [http://www.epaguyana.org/downloads/emd/Jaling\\_FEIA\\_Report.pdf](http://www.epaguyana.org/downloads/emd/Jaling_FEIA_Report.pdf) (Accessed May 13, 2007).

fuelwood, poles, and sawnwood. These types, among several others are exported from Guyana.<sup>179</sup> Forest products are primarily exported to the Asian, Caribbean and North American markets,<sup>180</sup> as well as Europe.<sup>181</sup> This industry contributes approximately 5 percent to the Guyana's Gross Domestic Product (GDP).<sup>182</sup> Greenheart (*Chlorocardium rodiei*) was, until recently, the major timber species in Guyana and is considered to be one of the most valuable and high quality timbers in the world. It is no longer Guyana's major species, as it now ranks third in abundance. Additionally, there are approximately 1,000 tree species in Guyana.<sup>183</sup>

Due to the vast abundance and excellent quality of Guyanese forests, the logging industry is a major source of livelihood for many Guyanese, providing both direct and indirect employment for about 20,000 persons.<sup>184</sup> The workforce is poorly trained,<sup>185</sup> which leads to longer time periods for production and thus higher costs. This can cause substantial monetary losses within the industry. The inadequate training also increases the risk of on-the-job accidents.

Since such a large industry needs substantial regulation, the Guyana Forestry Commission (GFC) plays this role. The GFC is responsible for the administration and management of all forestland and advises the appropriate Minister on issues relating to forestry laws and policy and forest regulations. Their mission is to "provide excellence in forestry management service to our stakeholders through the application of professional skills to contribute to our nation's development." Their vision is to be dynamic and professional and respected by local and international stakeholders.<sup>186</sup> The mission and vision cannot be fully implemented, since due to budget austerity, the

---

<sup>179</sup> Guyana Forestry Commission, "Forestry in Guyana Market Report 2002," Georgetown, Guyana: Guyana Forestry Commission, February 5, 2003, <http://www.forestry.gov.gy/Downloads/2002%20GFC%20Market%20Report.pdf> (Accessed May 17, 2007), 5.

<sup>180</sup> Guyana Forestry Commission, "Forestry in Guyana Market Report 2002," 17.

<sup>181</sup> "The Forestry Sector: The Forest Resource Base," The Guyana Office for Investment, [http://www.goinvest.gov.gy/key\\_sectors\\_c.html](http://www.goinvest.gov.gy/key_sectors_c.html) (Accessed May 17, 2007).

<sup>182</sup> "The Forestry Sector: The Forest Resource Base," The Guyana Office for Investment.

<sup>183</sup> Mark Jacobson, "Guyana's Gold Standard—Gold Mining Boom," *Natural History*, (September 1998).

<sup>184</sup> "The Forestry Sector: The Forest Resource Base," The Guyana Office for Investment.

<sup>185</sup> World Resources Institute, "News Release: Independent Study Recommends Forest Policy Reform to Promote New Sources of Revenue in Guyana." World Resources Institute, [http://www.wri.org/biodiv/newsrelease\\_text.cfm?NewsReleaseID=109](http://www.wri.org/biodiv/newsrelease_text.cfm?NewsReleaseID=109) (Accessed May 17, 2007).

<sup>186</sup> Mike Thompson. "An Economic Analysis of Forest Resources Charges in Guyana," Georgetown, Guyana: Guyana Forestry Commission, [www.forestry.gov.gy/](http://www.forestry.gov.gy/) (Accessed April 1, 2007).

Guyana Forestry Commission lacks the trained foresters essential for monitoring and regulating the logging industry. It could be surmised that this mission and vision of catering to the stakeholders, especially international, could be problematic because of the constant need to appease international stakeholders, which might eventually lead to tactics and policies that compromise national and local development.

During Burnham's era of Cooperative Socialism, foreign companies "steered clear" of Guyana. At this time, only small-scale logging was carried out in the coastal forests with outdated machinery. Loggers focused only on the best trees of the choicest timbers.<sup>187</sup> Which was necessary to ensure the wood was of the best quality. This meant that Guyana's forests were not suffering the problems of depletion that many other countries at the time were undergoing. Logging there was selective and less damaging. However, forests that were once protected by their isolation and species diversity in the Philippines, Malaysia, and Borneo were rapidly being depleted due to a trend of capital-intensive logging to meet increases in world demand for timber. Logging in these countries was more indiscriminate and thus, damaging. Between 1978 and 1987, the World Bank made efforts to initiate this trend in Guyana by investing over US \$35 million in a state owned company called Demerara Woods Ltd. in an effort to exploit what they called the largest stand of Greenheart in the world.<sup>188</sup> Some of this money went towards a sawmill and a wood gasification plant, neither of which ever operated efficiently. For this reason, as well as poor financial management and lack of institutional oversight, the company ran into debt. Burnham adopted a full-blown structural adjustment program in 1986 due to pressure from the World Bank and IMF.<sup>189</sup> This plan called for a rapid increase in logging.<sup>190</sup>

Since privatization is one of the elements of SAPs and neoliberalism, in the early 1990's, as part of the ERP, the Guyanese government (PNC) granted concessions to transnational firms such as the Barama Co. (Malaysian-South Korean owned) for over half of the country's harvestable forestland. This company was also awarded benefits

---

<sup>187</sup> Colchester, *Guyana: Fragile Frontier*, 98.

<sup>188</sup> The export industries, such as logging, are targeted by SAPs because they are the profitable ones for MNCs since the Guyanese government already derives its export earnings from such industries.

<sup>189</sup> Colchester, *Guyana: Fragile Frontier*, 98.

<sup>190</sup> Colchester, *Guyana: Fragile Frontier*, 99.

such as a ten-year tax holiday and a 25-year licence.<sup>191</sup> Still prominent in Guyana's logging industry today, the 2005 Budget states that Barama Co. was awarded a concession in the amount of US\$35 million for a new sawmilling complex and 2 wood-processing plants along the Essequibo River.<sup>192</sup> In May of 2007, the Chairman of Barama, Girwar Lalaram, stated that US\$10 million would be added to this sum in order to ensure increased value in its production of forest products.<sup>193</sup> The outcome of this particular project is later discussed in the section covering the effects of SAPs in Guyana's logging industry.

### *Effects of SAPs on Logging Industry*

Structural adjustment policies have had a significant impact on Guyana's logging industry. For instance, the production of forest products has increased dramatically since Barama's operations began.<sup>194</sup> This operation could potentially benefit Guyana's economy since the increased output will supposedly create more revenue. The 2005 Barama project claimed it would create 500 new jobs, open road links, and improve power supply in the Essequibo area,<sup>195</sup> thus achieving great strides in improving the well being and livelihoods of Guyanese citizens. However, to date, this project has not achieved its stated goals and objectives. The company has recently claimed that a shortage of local skilled labor is affecting the setting up of the plant. Therefore, it has been training managers in Malaysia to work in Guyana with the new technology.<sup>196</sup> Such outsourcing of jobs cannot be beneficial to the Guyanese economy. Alternatively, the Barama Company could have trained the local 'unskilled' labor to become managers for the new plant. The possibility would then exist for increased employment rates in Guyana, as well as providing members of the population with valuable managerial skills.

---

<sup>191</sup> Colchester, *Guyana: Fragile Frontier*, 102-103.

<sup>192</sup> Guyana Government Information Agency, "Budget 2005 At a Glance," <http://www.gina.gov.gy/budget2005/budget.pdf> (Accessed October 5, 2007).

<sup>193</sup> Johann Earle, "Barama Says Shortage of Local Skills Delaying Veneer Plant," *Starbroek News*, June 2, 2007, <http://www.stabroeknews.com/index.pl/article?id=56521485> (Accessed June 20, 2007).

<sup>194</sup> Nigel Sizer, "Profit Without Plunder: Reaping Revenue from Guyana's Tropical Forests Without Destroying Them," World Resources Institute, September 1996, [http://pdf.wri.org/profitwithoutplunder\\_bw.pdf](http://pdf.wri.org/profitwithoutplunder_bw.pdf) (Accessed April 1, 2007), 33.

<sup>195</sup> "Guyana: attracts international investors," *Latin Trade*, (May 2005).

<sup>196</sup> Earle, "Barama Says Shortage of Local Skills Delaying Veneer Plant."

Furthermore, the deleterious impact of SAPs and privatization soon became evident as there was massive degradation visited upon Greenheart trees, which were the focus of the logging enterprises. Perhaps this focus existed because it was the most plentiful and high-quality timber, and therefore would prove to be a reliable target for structural adjustment. However, in retrospect, this may not have been the wisest choice since Greenheart has a very slow growth rate. According to results of Greenheart studies from 1924, 1964, and 1999, it was found that the tree population had declined by 63 percent over a 75-year period.<sup>197</sup> Some of this depletion undoubtedly can be attributed to the low-impact logging performed by local concessions up to the time of SAP implementation. Statistics show that the depletion rate is 43 percent for both periods 1924-1964 as well as 1964-1999.<sup>198</sup> It is important to note that the second time period is shorter yet exhibits the same depletion levels. More importantly, measurements indicated that the Diameter at Breast Height (DBH) of the trees was greater than 40 cm in 1924, but greater than 30 cm in 1964 and 1999.<sup>199</sup> This smaller size illustrates that the significant decline of Greenheart has produced less than an equal regeneration response. Underdevelopment in Guyana is a result, due to the depletion of these valuable resources to the point of extinction. If extinction does occur, this resource will no longer be available for industry purposes, and not profitable to the Guyanese economy, thus incurring monetary losses.

The 2004 Pan-American Health Organization (PAHO) report states that an increase in logging and mining practices has been the major cause of increases in malaria in already malaria-prone areas. The mining and logging operators, with their access to foreign exchange, purchased antimalarials and used them indiscriminately to suppress symptoms. The improper use of these drugs causes problems with diagnosis and can enhance problems with stable resistance to the disease.<sup>200</sup> The proliferation of these diseases undermines public health and adds to the health care costs of the state and its citizens.

---

<sup>197</sup> Hans ter Steege, Ivan Welch & Roderick Zagt, "Long Term Effect of Timber Harvesting in the Bartica Triangle, Central Guyana," *Forest Ecology and Management* 170 (2002): 127.

<sup>198</sup> Figures derived from statistical information in ter Steege, Welch and Zagt, 134.

<sup>199</sup> ter Steege, Welch and Zagt, 134.

<sup>200</sup> Pan American Health Organization (PAHO), "Guyana," <http://www.paho.org/English/AD/DPC/CD/cartagena-4-guy.pdf> January, 2004. (Accessed March 29, 2007).

In addition to health and environmental issues, Guyana has also experienced monetary losses in the form of governmental revenue. For instance, these international logging firms pay very little taxes. In fact, when harvesting in Guyana, they pay the lowest taxes in the world's tropical timber industry.<sup>201</sup> Barama, for example, enjoys a ten-year tax holiday. This includes income, corporate, withholding, consumption, and property taxes. They also do not pay income duties on supplies such as machinery, fuel, and building materials.<sup>202</sup> The loss of these taxes as a source of revenue is extremely detrimental to Guyana's economy.

The aim of privatization was supposedly to bring in more revenues to reduce the deficit. In Guyana's case, this did not occur, but instead resulted in the Guyanese government deriving little economic gain from the exponential depletion of its forests. Such tax holidays are therefore not economically beneficial to Guyana and the fiscal results thus far achieved do not correlate with the proposed goals of SAPs and privatization--to achieve economic growth. According to Teeple, the reason for these tax exemptions is part of the strategy of "conformity of tax policy around the world to accommodate the needs of internationalized capital."<sup>203</sup> This is one reason why transnational corporations can demand tax concessions from national governments as an incentive for them to invest.<sup>204</sup> However, it creates a growing tax burden on the working population, in particular, the middle and lower classes. This promotes underdevelopment as it impoverishes sectors of the population.

Guyana's indigenous peoples, the Amerindians have also been adversely affected by the logging concessions. Currently, in Guyana, there are 40,000 to 45,000 Amerindians, and their lands comprise 16 percent of the country, which includes 10 to 15 percent of the state forest. Some, though it is unclear exactly what percentage, work in the logging industry.<sup>205</sup> Since Guyanese law does not subject forests on private lands to GFC control, timber companies have been entering into formal and often informal

---

<sup>201</sup> Resource Center of the Americas (RCA), "Fool's Gold: Cash Strapped Governments Squander Natural Wealth for IMF Credit," Resource Center of the Americas, 2002, [http://www.americas.org/item\\_127](http://www.americas.org/item_127) (Accessed April 2, 2007).

<sup>202</sup> Colchester, *Guyana: Fragile Frontier*, 103.

<sup>203</sup> Teeple, 96.

<sup>204</sup> Teeple, 97.

<sup>205</sup> Sizer, "Profit Without Plunder," 11.



agreements with Amerindian communities and the activities of some of the companies have been highly questionable if not blatantly illegal.

More recently, the Barama Company has disregarded pre-existing Amerindian claims and titles. As a result, its concession encloses four Amerindian communities and several other homesteads.<sup>206</sup> While such acts are seemingly illegal, unfortunately, according to Guyanese law, “forests on private lands, including those titled to Amerindian communities, are not subject to the control of the Guyana Forestry Commission and no special laws or regulations exist to regulate felling.”<sup>207</sup> Therefore, the logging in these areas is unregulated and lacks supervision or control. The Amerindian Peoples’ Association (APA) made efforts to establish a Commission of Enquiry to review the Barama contract and the Amerindians rights, since many of them did not even know that they were living within a forestry concession owned by a foreign logging company. However, after much stalling and urging by NGOs and international supporters, to date, this Commission has not been established.<sup>208</sup>

As a result of these incongruities, many of Guyana’s Amerindian communities have fallen victim to machinations by logging companies, as well as victims to diseases and other ills. Environmental degradation, which includes deforestation, contamination of water supplies and an erasure of flora and fauna have led to various health concerns. For example, many Amerindians now lack access to traditional foods, shelter and other forest resources, since the logging activities reduce or eliminate these items. Another reason they lack access to traditional foods is because they can no longer practice rotational agriculture, as it would encroach on the company’s concession.<sup>209</sup> Also, water sources have been contaminated from spills of wood preservatives, insecticides and fungicides. These along with the diseases that the incomers bring<sup>210</sup> have led to the Amerindians acquiring new diseases and a general worsening of their health conditions.

Amerindians traditionally have very strong spiritual and cultural ties to the land. Barama’s disregard of this fact has therefore led to a destruction of their culture. It has also led to a demise of their livelihoods, health, and family structures. Since many

---

<sup>206</sup> Colchester, *Guyana: Fragile Frontier*, 119.

<sup>207</sup> Colchester, *Guyana: Fragile Frontier*, 123.

<sup>208</sup> Colchester, *Guyana: Fragile Frontier*, 121-122.

<sup>209</sup> Colchester, *Guyana: Fragile Frontier*, 121.

<sup>210</sup> Colchester, *Guyana: Fragile Frontier*, 120.

Amerindian men and women are employed in the logging camps, a drain of cheap labour follows, which “deprives the communities of the hands needed to plant next year’s crops, hunt, fish and build, as well as to carry on cultural traditions that have held the groups together for generations.”<sup>211</sup> This creates divisions within the community as well as within individual families.

### ***Reforms***

Several positive reforms have been suggested to alleviate the negative impacts of IMF and WB strategies. One of them is the Iwokrama International Rain Forest Program, which was implemented in by the PPP in 1996 via a landmark law, when President Jagan’s administration thought it was necessary to protect some areas from development activities due to the previous lack thereof.<sup>212</sup> With this program, the Government of Guyana showed great leadership by dedicating almost 400,000 hectares of lowland rain forest to demonstrate sustainable forest use.<sup>213</sup> Specifically, this initiative helps demand demarcation of this area for low-impact sustainable use to avoid threats from logging agreements and development proposals. The goal is to assist with the promotion of biodiversity conservation in Guyana.<sup>214</sup> In order to be fully effective, Iwokrama should effectively form partnerships with the private sector and persuade them to adopt the innovations that Iwokrama members have developed, tested, and demonstrated. Part of the program includes conducting research and demonstration activities outside of the Iwokrama area on commercial logging concessions and with Amerindian villages.<sup>215</sup> This is required to reduce tension and frustration experienced by the Amerindians over still-undemarcated lands that they claim.<sup>216</sup> Based on these results, one can speculate that the private sector may not initially feel compelled to consult with Iwokrama on these projects due to the fact that they would be expending time and resources for no monetary

---

<sup>211</sup> Sizer, “Profit Without Plunder,” 12.

<sup>212</sup> Sizer, “Profit Without Plunder,” vi.

<sup>213</sup> Sizer, “Profit Without Plunder,” 30.

<sup>214</sup> Sizer, “Profit Without Plunder,” 16.

<sup>215</sup> World Resources Institute, “Recommendations for Action: Realizing the Potential for Guyana’s Forests--Make Foreign Assistance More Effective.” World Resources Institute, [http://pubs.wri.org/pubs\\_content\\_text.cfm?ContentID=2728](http://pubs.wri.org/pubs_content_text.cfm?ContentID=2728) (Accessed April 9, 2007).

<sup>216</sup> Sizer, “Profit Without Plunder,” 16.

gain. This would detract from their current enterprises and the logging industry as a whole.

Donors are essential for this program in part because Guyana already faces cash challenge tradeoffs between short-term needs for spending on social and political needs and long-term needs for sustainable development. Another reason is that the boost of foreign support could help the government resist offers from foreign investors with dubious track records.<sup>217</sup> These investments represent a unique resource for promoting basic and applied research in Guyana's forests, and should attract foreign scientists and funds. The funds and collaboration with other scientists will assist in the development of new technologies, markets, and revenue-generating forest-based industries that would be of benefit to Guyana and the region.<sup>218</sup>

To increase donor interest, some short-term priorities have been suggested. They would be donor funded and should help the logging industry recover. First, Guyana can strengthen links with other countries in the region that are experienced in reformulating forestry and related policies to promote sustainable development; this would help cover the costs of information exchange. For example, Costa Rica recently offered assistance to Suriname in this area. Therefore, it is likely they would be willing to assist Guyana as well.<sup>219</sup> Such assistance would depend, however, on Costa Rica's available time and resources.

Secondly, a twofold program to help make the forest-based industry environmentally friendly, while assisting Guyana establish credit-worthiness with an aim to access lower foreign credit rates would be beneficial. This program would need to be separate from any World Bank or IMF programs to ensure impartiality in its operations. Thirdly, donors for sustainable community enterprises could provide small grants and loans in the form of a rapid response initiative. Some of these would be non-timber based development, sustainable agriculture, and basic training in financial management. These community efforts would, by definition have civil society underpinnings, thus giving the citizens more control over the outcomes. In addition to these three main initiatives, forest use by the foreign corporations and their employees should be closely

---

<sup>217</sup> Sizer, "Profit Without Plunder," 31.

<sup>218</sup> World Resources Institute, "Recommendations for Action."

<sup>219</sup> World Resources Institute, "Recommendations for Action."

monitored and the law diligently enforced. The Guyana Forestry Commission (GFC) can assist with this law enforcement, which would have the added benefit of providing employment for locals. Finally, creativity and alternatives to traditional timber should be investigated.<sup>220</sup>

The above-suggested projects need to have a short term as well as a long-term agenda. The Guyanese government would be responsible for long-term commitment, but would need adequate support from citizens and donors alike. These donors could be, for example, USAID, the World Bank, the European Union, and the U.N. agencies. While the World Bank is in fact one of the agencies promoting SAPs, this may be perhaps be a strategic move because they would be lending even more assistance and thus it would appear as if they were attempting to right some of the wrongs they themselves have caused. The average cost of these programs would be no more than \$100 million per year.<sup>221</sup> The donors should therefore encourage the government to resist the “short term temptation to award more large logging concessions. Many small countries such as Guyana are rich in timber but poor in the government and civil machinery needed to withstand predatory foreigners as their economies rapidly open up.”<sup>222</sup> The United Nations Development Programme (UNDP), the world’s largest multilateral source of development assistance, has the mandate to lead donor coordination in Guyana, and holds regular meetings, but was not very effective on forest-related issues at the time.<sup>223</sup>

Donor activity has also engendered positive action. For instance, perhaps the most significant was led by the British Overseas Development Administration (ODA) and called for a moratorium on large concessions of new Timber Sales Agreements and Wood Cutting Leases until the ODA’s Guyana Forestry Commission Support project reached its three-year objectives.<sup>224</sup> These objectives included providing foreign assistance to strengthen the Forestry Commission and for policy and legal reform.<sup>225</sup> These objectives were not entirely fulfilled, as evidenced by declining amounts of foreign

---

<sup>220</sup> World Resources Institute, “Recommendations for Action.”

<sup>221</sup> World Resources Institute, “Recommendations for Action.”

<sup>222</sup> Marcus Colchester, “Social Exclusion and Development Domination: The Underlying Causes of Deforestation and Forest Degradation in Guyana,” World Rainforest Movement, 1999, <http://www.wrm.org.uy/deforestation/LAmerica/Guyana.html> (Accessed March 27, 2007).

<sup>223</sup> World Resources Institute, “Recommendations for Action.”

<sup>224</sup> Sizer, “Profit Without Plunder,” 15.

<sup>225</sup> Sizer, “Profit Without Plunder,” 7.

investment for the duration of this moratorium.<sup>226</sup> This meant that the economic viability of existing concessions did not improve substantially. In spite of these shortcomings, large concessions once again began to be granted.<sup>227</sup> Additionally, guidelines for maximizing the effectiveness of the planned Guyanese Environmental Protection Agency (GEPA),<sup>228</sup> and other basic conditions of assistance should be rigorously upheld.

The World Resources Institute has put forth the idea that not only should reforms take place on a local level, but the IFIs can enact change as well. Armed with the statistical proof that their actions have caused irreparable damage to Guyana's economy and environment, the IFIs should be required to "review the current and the proposed SAPs prior to implementation to ensure that none of its components promote degradation of the forest resource base or have undue negative impacts on local communities."<sup>229</sup> I think that if they do violate environmental laws or if their business practices destroy the economy or the environment, IFI programs that are ongoing should be discontinued, regardless of monetary losses to the IFIs or Guyana. Proposed programs should be redrafted and aligned to improve the environmental and economic needs of the country.

Pivotal in the evaluation process could be the GFC. They could collaborate with the IFIs to determine the best avenues to ensure economic prosperity and environmental improvements. There might be objections to this collaboration on the grounds that the IFIs economic objectives may be at odds with the GFC's environmental ones. While such disagreements can lead to standstills in negotiations, it is an advisable move because the GFC experts will have a better knowledge of the Guyanese forests than would IFI officials. Especially worthy of attention are the promotion of foreign investment and tax administration reform.<sup>230</sup>

Additionally, a 'Friends of the Earth' report on the environmental ills committed by the environment, suggested that the IMF could implement 'green taxes,' and establish

---

<sup>226</sup> Jyrki Salmi and Kelvin Craig, "Study on Forest Sector Financing in Guyana," United Nations Development Commission Guyana Forestry Commission Program on Forests Profor Guyana, March 5, 2004, <http://www.freewebs.com/gnifc/pdf/StudyonForestSectorFinancinginGuyana.PDF> (Accessed October 10, 2007), 64-66.

<sup>227</sup> Andrew Mendes and Duncan Macqueen, "Raising Forest Revenues and Employment: Unlocking the Potential of Small and Medium Forest Enterprises in Guyana," International Institute for Environment and Development, 2006, <http://www.iied.org/pubs/pdf/full/13523IIED.pdf> (Accessed October 5, 2007), 14.

<sup>228</sup> The GEPA was created in 1997, following the 1996 publication of Sizer's article.

<sup>229</sup> World Resources Institute, "Recommendations for Action."

<sup>230</sup> Sizer, "Profit Without Plunder," 29.

an independent evaluation unit to assess IMF policies and programs. This would improve IMF accountability. The report further states that instead of using VAT to build governments' capacity to collect taxes, it could encourage the generation of substantial taxes from large industrial producers and resource extractors. This would influence economic activity directed towards the environment. It would also assist Guyana in the promotion of environmental goals because they could then provide incentives for manufacturers to alter their production practices. In turn, this could improve Guyana's economic competitiveness since it might encourage more efficient energy and resource use and prevention of environmental contamination and degradation.<sup>231</sup> However, it is probable that this scheme this would cause the IMF to lose money. They would thus require financial or other incentives to encourage Guyana to implement green taxes.

It is this author's contention that GFC shares part of the blame in permitting the depletion of Greenheart, since their mission is to monitor and regulate the logging industry. Logging therefore should not have been so narrowly focused on one species of tree (the Greenheart), but rather the harvesting should have been performed systematically on different species of trees, which would have allowed ample time for regeneration. An analysis of growth rates of different species should have been conducted in advance of the implementation of logging SAPs. Retrospectively, therefore, the GFC is doing its part to implement positive reforms. It has recognized its errors and recently changed its Greenheart harvesting guidelines from a 20-year rotation cycle to a 60-year cycle.<sup>232</sup> The government and regulatory bodies along with conservation agencies in Guyana therefore need to be more proactive rather than reactive to ensure the preservation and conservation of natural resources for the benefit of the people and economy of Guyana.

---

<sup>231</sup> Friends of the Earth, "The IMF: Selling the Environment Short," Friends of the Earth," <http://www.foe.org/camps/intl/imf/selling/conclusion2.html> (Accessed April 1, 2007).

<sup>232</sup> ter Steege, Welch Zagt., 140.

## ***Mining***

### *Description of Industry and Associated SAPs*

Guyana is very rich in mineral resources and consequently, bauxite, diamonds, gold, crushed stone and semiprecious stones are mined.<sup>233</sup> Gold and bauxite are two of the country's largest mineral exports and represent about one-fifth of Guyana's GDP.<sup>234</sup> The bauxite industry has achieved mediocre success when compared with the gold industry, which represents 32 percent of Guyanese exports.<sup>235</sup> Approximately 37 transnational mining companies (mostly Canadian) have been registered in Guyana.<sup>236</sup> Several of the mining companies are present in the Upper Mazaruni area of Guyana. As mentioned in the logging section, there is an abundance of these companies in this area due to the fact that the rivers in this vicinity allow for easy transportation. The scope of this paper does not allow discussion of all these companies and their individual impacts on Guyana. Therefore, for the purposes of this paper, only LINMINE and BERMINE (formerly GUYMINE), Cambior, Golden Star Resources, and the Omai Gold Mine will be discussed.

The mining industry is very important to the Guyanese economy and work force. The 1993 Statistical Bureau's Household Survey indicated that 9,836 persons were employed in the mining and quarrying sector, which is approximately 4 percent of the then estimated labour force of 245,492.<sup>237</sup> The bauxite industry has highly skilled workers and those in other industries, such as gold, are continually developing and upgrading their skills. Therefore, at the sub-professional and professional levels more and more Guyanese are being trained in the fields of mining engineering, geology, data management, assaying, gem appraisal, occupational health and safety, drilling, contract

---

<sup>233</sup> Alfredo C. Gurmendi, "The Mineral Industry of Guyana," U.S. Geological Survey, Mineral Resources Program, 2002, <http://minerals.usgs.gov/minerals/pubs/country/1997/9513097.pdf> (Accessed May 16, 2007), 4.

<sup>234</sup> Gurmendi, "The Mineral Industry of Guyana," 2.

<sup>235</sup> Amy Rosenfeld Sweeting and Andrea Clark, "Lightening the Lode: A Guide to Responsible Large-Scale Mining," *Conservation International Policy Papers* (2000): 20.

<sup>236</sup> World Rainforest Movement. "Guyana: Transnational Mining Companies' Impacts on People and the Environment," World Rainforest Movement (WRM) Bulletin no. 43, February 2001. [www.wrm.org.uy/bulletin/43.html](http://www.wrm.org.uy/bulletin/43.html) (Accessed March 27, 2007).

<sup>237</sup> NDS Secretariat, Ministry of Finance, Georgetown, Guyana, "Mining Policy," May 7, 1996, <http://www.guyana.org/NDS/chap32.htm> (Accessed May 17, 2007).

negotiations, feasibility studies.<sup>238</sup> It is significant that highly skilled workers and professionals become an integral participant in the mining industry, since it is rather dangerous due to use of machinery and chemicals. The more highly skilled the workers, the more unlikely it will be for mining accidents and potential revenue losses to occur.

As noted above, a large number of transnational mining companies currently exist in Guyana. This is due to the fact that privatization of the mines was a requirement under the HIPC debt relief program. After the government allowed majority holdings by foreigners,<sup>239</sup> corporations from Australia, France, Brazil, North Korea and Yugoslavia began moving in.<sup>240</sup> Additionally, the Guyana Geology and Mines Commission (GGMC) actively promoted foreign investment and participation in the country's mineral development.<sup>241</sup> These actions are in line with the neoliberal rationale of privatization.

In 1992, GUYMINE was dissolved and divided into the Linden Mining Enterprise Limited (LINMINE) and Berbice Mining Enterprise (BERMINE) due to heavy debt. These two companies were then privatized as a requirement of the Enhanced HIPC. The purpose of this was to eliminate government subsidies<sup>242</sup> thus freeing up more money for the government to apply elsewhere and allowing the private sector to be completely self-sufficient without using money that the government needed for other projects. As a result, this initiative promised to boost the economy as a whole. LINMINE was overseen by Minproc Engineers Ltd. of Australia, as part of the restructuring arrangement with the World Bank between 1992 and 1994.<sup>243</sup> Due to lack of new investment, LINMINE failed as a privatized entity, which is the reason that Minproc's contract expired in 1994.

Another company, Cambior Inc., which is Canadian in origin, owns 65 percent of the Omai Gold Mines Limited in Guyana. They have a consortium with Golden Star Resources Ltd. (U.S.), which owns 30 percent of these mines, and the Guyanese government, which owns 5 percent.<sup>244</sup> The Omai Gold Mines consortium planned to

---

<sup>238</sup> NDS Secretariat, Ministry of Finance, "Mining Policy."

<sup>239</sup> As noted earlier, such extensive ownership by foreign corporations was not allowed under during the time of Guyana's extensive nationalization.

<sup>240</sup> Resource Center of the Americas (RCA), "Fool's Gold." [http://www.americas.org/item\\_127](http://www.americas.org/item_127).

<sup>241</sup> Gurmendi, "The Mineral Industry of Guyana," 1.

<sup>242</sup> Egoumé-Bossogo et al., 139.

<sup>243</sup> "Bauxite Industry in Guyana," 2000, [www.guyanaguide.com/bauxite.html](http://www.guyanaguide.com/bauxite.html) (Accessed May 16, 2007).

<sup>244</sup> Gurmendi, "The Mineral Industry of Guyana," 4.



mine 250,000 ounces of gold annually during its first three years, beginning in 1993, and tapering off to 200,000 ounces per year after that. Only five percent of the gold went to the Guyanese. Guyana was supposed to benefit from an income tax paid by Cambior incorporated on the remaining portion of the gold (95 percent) at the rate of 33 percent for the first seven years and 45 percent after that.<sup>245</sup> The production levels were effective and were even increased after two years.<sup>246</sup> It was recently found, however, that no taxes were in fact paid to the government.<sup>247</sup>

### *Effects of SAPs on Mining Industry*

Positive impacts have resulted from the IMF and WB Strategies. For instance, under the ERP, output from mining doubled.<sup>248</sup> This was because privatization and restructuring of the public sector led to increased efficiency in the public sector and encouraged more private sector development.<sup>249</sup> Additionally, the Linden Economic Advancement Program (LEAP) was created to use development funding to stimulate small-scale entrepreneur activity in the area due to the economic downturn from the bauxite mining.<sup>250</sup> LEAP provides 12 million Euros over a seven-year period to finance technical assistance, micro-finance programs and investment in economic infrastructure.<sup>251</sup>

At the same time, however, the mining industry has contributed little to overall development in Guyana. While at first glance it would appear that structural adjustment in the mining industry would improve the economy and livelihoods of the Guyanese people, SAPs have in fact accomplished neither of these goals. This is because the economic conditions are so deplorable that today many Guyanese are still forced to turn to small-scale mining. The Mining Act of 1989 promoted involvement in the small-scale

---

<sup>245</sup> Larry Luxner, "Guyana Means Business," *Américas Magazine* 43, no. 1 (1991).

<sup>246</sup> Colchester, *Guyana: Fragile Frontier*, 79-81.

<sup>247</sup> Derek MacCuish, "Guyana: Experience of Economic Reform under World Bank and IMF Direction," The Halifax Initiative Coalition, <http://www.halifaxinitiative.org/updir/Guyana.pdf> (Accessed January 17, 2007), 16.

<sup>248</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. II. Economic Program, 1988, and Recovery," International Labor Organization.

<sup>249</sup> Egoumé-Bossogo et al., 29.

<sup>250</sup> MacCuish, "Guyana: Experience of Economic Reform," 18.

<sup>251</sup> MacCuish, "Guyana: Experience of Economic Reform," 18.

sector. In order to comply with the requirements of privatization and neoliberal policies, the Guyanese government sought “private investment for the exploitation of mineral deposits.” It did this by stipulating in the act that small and medium-scale mining was limited to Guyanese citizens, while mandating that only foreigners could engage in large-scale mining.<sup>252</sup>

It is estimated that 40,000 people, including 10,000 Brazilian garimpeiros participate in small-scale mining in Guyana, a majority of them illegally.<sup>253</sup> Small-scale mining tends to be extremely destructive, both environmentally and health-wise as a result of the poor monitoring, primitive extraction and processing techniques, and lack of financial resources.<sup>254</sup> The result is poor monitoring since the Guyanese government is unable to properly monitor this sector because Guyana’s “poor economic standing coupled with fraud and corruption within the environmental regulatory bodies impair its ability to monitor mining activities effectively.”<sup>255</sup> Furthermore, the government is cautious about visiting too many regulations upon small-scale mining since it supplies revenue and employs some of the poorest segments of the population.<sup>256</sup>

The Mining Act is problematic for by prohibiting Guyanese citizens from engaging in large-scale mining, the government is doing a great disservice to the employment needs of its people, as well as denying them opportunities to develop their business skills and owning the assets of the productive, economic, income-generating resources of their country.

It can be argued that the Guyanese do not have the resources to perform large-scale mining. But if they are not encouraged to partake in such activities or their access to financial and other resources is limited or non-existent, they will be relegated to the small-scale mining sector, where poor wages and conditions abound.

SAPs have also negatively affected Guyanese workers in other ways as well. For instance, when the Australian Firm, Minproc, was contracted to manage the Linden Mining Enterprise Limited (LINMINE) Bauxite mine, they essentially cut the work force

---

<sup>252</sup> Gurmendi, “The Mineral Industry of Guyana,” 2.

<sup>253</sup> Lomarsh Roopnarine, “Small-scale Gold Mining and Environmental Policy Challenges in Guyana: Protection or Pollution,” *Canadian Journal of Latin American and Caribbean Studies* 31, no. 61 (2006): 4.

<sup>254</sup> Roopnarine, 5.

<sup>255</sup> Roopnarine, 23.

<sup>256</sup> Roopnarine, 15.

in half.<sup>257</sup> Also, the 2002 contracting of Cambior to mine ore led to massive layoffs, because this company used a different method of ore extraction that required fewer workers. The community had already experienced a high rate of unemployment<sup>258</sup> and further unemployment was detrimental to the community. This is an example of how utilizing multinational corporations to achieve economic efficiency actually hindered Guyana's economic development by depriving several citizens of their livelihoods.

As a result, in 1995, The UK aid agency, DFID, contracted the Adam Smith Institute to study the implication of the LINMINE reform.<sup>259</sup> This report identified concerns about impacts of privatization on the community, economic benefits, and public services. The report also recommended strong government support to mitigate negative impacts. While beneficial, the publishing of such a report seems to be mere tokenism, since little is being done to offset the negative effects mentioned therein.

Both large and small-scale mining has been very detrimental to the environment, as it has transformed local ecosystems into polluted waterways, destroyed forests and ruined soil quality. In 1995, a dam belonging to the Omai gold mine burst, leaking 3.5 million cubic meters of toxic wastes<sup>260</sup> into the Essequibo River. The wastes included cyanide and heavy metals, therefore poisoning fish and reducing the livelihoods of thousands of residents who relied on the river for their incomes and meals. It is important to note that before this mine was opened both the World Bank and the Guyanese government approved an Environmental Impact statement. Yet, the London-based environmental group Minewatch predicted in March of 1994 that a serious accident was inevitable because the tailing pond for the wastes was inadequate.<sup>261</sup> However, the mine continued operating even after a smaller leakage in May of that year killed hundreds of fish in the Omai River. According to Survival International, "the short term effects of the cyanide discharges include severe skin burns, lethal food poisoning and the death of

---

<sup>257</sup> This takeover is referred to as the LINMINE reform.

<sup>258</sup> MacCuish, "Guyana: Experience of Economic Reform," 17.

<sup>259</sup> MacCuish, "Guyana: Experience of Economic Reform," 15-16.

<sup>260</sup> Judith Perera, " 'Whitewash' Charged in Guyana River Disaster," *Albion Monitor/News*, December 3, 1995, <http://albionmonitor.net/12-3-95/guyana12update.html> (Accessed May 16, 2007).

<sup>261</sup> Perera, " 'Whitewash.' "

livestock and fish." Furthermore, "Its long-term environmental and social impact can only be guessed at."<sup>262</sup>

Further environmental destruction is caused by the mining methods and chemicals used in mining. Missile dredging, for instance, involves using enormous vacuum cleaners that are used to remove alluvial deposits along the river dredges. Riverbanks and forests, along with the existing fragile ecosystems and habitats, are thereby destroyed. This results in an increase in sedimentation in the rivers, which has led to a loss in fish populations and the resulting destruction of fragile ecosystems. Another issue is that the mercury used to maximize gold production potentially destroys and negatively impacts the existing ecosystems, as well as the health of humans. The rivers are heavily discoloured and full of so much sediment that piles of debris accumulate at the riverbanks. This is detrimental because the cloudy waters have caused fish stocks to crash, negatively affecting the Amerindian diet. Also, the debris creates mud, which can choke flora and fauna.<sup>263</sup> Furthermore, liquid sodium cyanide, a dangerous chemical, is the catalyst that separates gold ore from base deposits. For every ton of gold mined, 3 million tons of waste rock is churned up.<sup>264</sup> This seems to have a great impact on Guyana's "biologically rich territory."<sup>265</sup> When the land is blasted, pulverized and filled with liquid sodium cyanide, it undoubtedly affects the 1,000 tree species, 8,000 plant species, and 1,000 types of terrestrial animals existent in Guyana.<sup>266</sup>

The aforementioned changes in mine management also affected the community's supply of electricity. Electricity was privatized in 1999 under the PRS.<sup>267</sup> The new management ushered in under privatization failed to invest in equipment, causing the electricity supply to the surrounding town to become increasingly erratic.<sup>268</sup> To address this problem, Cambior brought in generators for the bauxite mining, but used it solely for their purposes and did not deliver electricity to the town and nearby communities.<sup>269</sup> This has been an ongoing point of contention between the residents and Cambior. For

---

<sup>262</sup> Perera, " 'Whitewash.' "

<sup>263</sup> Colchester, *Guyana: Fragile Frontier*, 71.

<sup>264</sup> Mark Jacobson, "Guyana's Gold Standard—Gold Mining Boom." *Natural History*. September 1998.

<sup>265</sup> Jacobson.

<sup>266</sup> Jacobson.

<sup>267</sup> MacCuish, "Guyana: Experience of Economic Reform," 18.

<sup>268</sup> MacCuish, "Guyana: Experience of Economic Reform," 18.

<sup>269</sup> MacCuish, "Guyana: Experience of Economic Reform," 18.

some it might be difficult to choose sides in this situation, since there are no laws stipulating that the international companies should provide electricity for the residents. Perhaps, however, Cambior has a moral obligation to provide electricity since the companies are indeed utilizing Guyana's natural resources for substantial monetary gain. Furthermore, since they have not paid taxes, providing electricity to the residents from their generators may be considered a small price to pay.

Not only are the foreign owned companies to blame for the suffering of the Guyanese people, but the government is also not doing its part to protect its citizens. It did not ensure that the IFI policies were environmentally sound prior to their implementation. Furthermore, now that environmental degradation has indeed occurred, the government has failed to implement measures that could protect its citizens from soil erosion, sedimentation, deforestation and runoff. As far back as 1993, the World Bank warned that the Guyana Geology and Mines Commission lacked environmental controls and scientists.<sup>270</sup> If these warnings were heeded, the Omai dam burst discussed earlier could have been avoided.

As was seen in the case on logging, SAPs introduced in the mining sector have also had negative effects on the Amerindian community. The aforementioned Upper Mazaruni area is heavily populated by Amerindians who are living on reserves. In colonial times, legislation existed to prevent mining districts from being erected in Amerindian reserves. However, the colonial powers circumvented this legislation in the 1930's by de-reserving the Mazaruni area so they could open it to mining. Following the discovery of diamonds there in 1959, the PPP excised and gazetted the area as a mining district. In other words, this area was specifically reserved for that purpose. Finally, in 1977, the PNC passed regulations that allowed the area to be opened up to full-scale diamond mining. By 1978, the entire area was declared a mining area. While in 1991, the Amerindians were granted some titles to a small part of the reserve, mining was still allowed in the areas between these titles.

The previous actions of the colonial administrations, the PPP and PNC have paved the path for multinational companies to secure exploration rights to search the

---

<sup>270</sup> Resource Center of the Americas (RCA), "Fool's Gold."

whole area, including titled lands.<sup>271</sup> This has significantly impacted on the livelihoods of the Amerindian communities. For example, while mining provides employment for the male Amerindians, it takes them away from family farming duties such as clearing the land and fishing. This leaves women and children to bear the load. As a result, family tensions have increased.<sup>272</sup> Also, many Amerindians gave up their subsistence farming for jobs in the mines. This led to their destitution when the mines began to close.<sup>273</sup>

Additionally, health problems ensued when miners introduced new diseases for which the Amerindians had no immunity. Mosquitoes lived in the braided stream beds and pools left over from mining, exposing most of those who lived in this area to malaria. Also, tuberculosis has become quite prevalent, due to the lack of hygiene and poor nutrition in mining areas. Dietary problems have also been created by the large-scale mining. Game animals that inhabit the areas surrounding the river are scared off by the noise caused by mining and the unsustainable hunting done by miners, thus affecting the Amerindians' livelihoods and diets.<sup>274</sup>

As a result, many Amerindians have therefore moved out of their titled areas. While this may seem like a good idea, health-wise, by moving, they are leaving behind services such as schooling and healthcare, which are provided by the government.<sup>275</sup> Indigenous people are therefore relinquishing their land to foreign multinationals without any benefit to themselves.

### ***Reforms***

The problems stemming from mining and SAPS have been allowed to continue because there are no environmental guidelines built into the SAPs. While many of the questionable methods discussed above are necessary to extract the maximum amount of mineral in a given time frame, restraint should be exercised, along with the implementation of written guidelines or laws to ensure the protection of the environment,

---

<sup>271</sup> Colchester, *Guyana: Fragile Frontier*, 65.

<sup>272</sup> Colchester, *Guyana: Fragile Frontier*, 69.

<sup>273</sup> Colchester, *Guyana: Fragile Frontier*, 66.

<sup>274</sup> Colchester, *Guyana: Fragile Frontier*, 69.

<sup>275</sup> Colchester, *Guyana: Fragile Frontier*, 67.

and more importantly, to minimize the damage so as not to compromise future excavations of minerals.

Therefore, reforms have been suggested to alleviate the negative impacts of structural adjustment in the mining sector. One such suggestion is to refocus government resources that are currently used to subsidize mining, on health education and other ‘basic services’.<sup>276</sup> The Poverty and Social Impact Assessment (PSIA) performed an analysis of the bauxite reform, and found that substantial benefits could be achieved if tax exemptions for the mining companies were eliminated.<sup>277</sup> It may be difficult, however, to impose taxes on organizations that were initially granted 10-year tax holidays as a condition of their contract.

Another reform was the formation of the Guyanese Environmental Protection Agency (GEPA), which was created in 1997. This followed the aforementioned accident at the Omai Gold Mines. It requires an environmental impact assessment (EIA) for all mining operations. Furthermore, a detailed EIA is part of the mining license process. Specifically, mining companies must observe environmental guidelines. They must design tailing dams to prevent milling or leaching discharges, prevent mercury contamination of soil and water and use large dredges in the Essequibo River, which causes less damage.<sup>278</sup> While beneficial, this is a reactive rather than a proactive measure. Less environmental damage would have occurred if these measures were taken proactively.

## ***Sugar***

### *Description of Industry and Associated SAPs*

The sugar industry is extremely important to understanding Guyana’s development because the economy was essentially founded on the sugar plantations. In fact, “...sugar has been the major formative influence in [Guyanese] history.”<sup>279</sup> As discussed in the *Historical and Economic Chapter*, the Guyanese economy began with

---

<sup>276</sup> MacCuish, “Guyana: Experience of Economic Reform,” 18.

<sup>277</sup> MacCuish, “Guyana: Experience of Economic Reform,” 16.

<sup>278</sup> Gurmendi, “The Mineral Industry of Guyana,” 2.

<sup>279</sup> Colchester, *Guyana: Fragile Frontier*, 25.

the sugar industry when slaves and indentured laborers were initially brought to Guyana to work on the sugar plantations. It was on the sugar plantations that the first colonial machinations by the British were witnessed. In fact, there existed a comparative situation to that of today's structural adjustment packages. For instance, in 1795, a large proportion of the sugar crop—approximately 15 million pounds—was sent to Britain to pay off debts to British merchants, which were incurred when setting up the sugar estates.<sup>280</sup>

The British influence continued, so that by 1904, four separate British firms controlled eighty percent of Guyana's sugar industry.<sup>281</sup> Today, Guyana still does not have complete control over its sugar industry and continues to be a victim of neo-colonialism, in that within this industry the IMF and World Bank exercise control. This industry is still extremely important today because Guyana supplies 300,000 tons of sugar per year<sup>282</sup> and accounts for approximately 20 percent of GDP and 60 percent of gross agricultural product (GAP).<sup>283</sup> Because of its importance to the economy, it too, like mining and logging was the target of SAPs.

Cultivated in the coastal regions,<sup>284</sup> sugar is Guyana's largest foreign exchange earner, providing 23 percent of foreign exchange earnings. It is also the biggest corporate contributor to public revenue.<sup>285</sup> The Guyana Sugar Company (GUYSUCO) controls all sugar production and processing. Since 1996, Booker Tate Ltd, a British company, has managed GUYSUCO.<sup>286</sup>

Over 90 percent of Guyana's total raw sugar production is exported and approximately 95 percent of these exports are sold under preferential arrangements with the EU and US.<sup>287</sup> The sugar industry, much like that of logging, is also a major source of employment, absorbing approximately 21,000 persons, which is 17 percent of the

---

<sup>280</sup> Colchester, *Guyana: Fragile Frontier*, 26.

<sup>281</sup> Colchester, *Guyana: Fragile Frontier*, 28.

<sup>282</sup> MacCuish, "Guyana: Experience of Economic Reform," 10.

<sup>283</sup> Hewitt, "Guyana Sugar and EBA," 3.

<sup>284</sup> MacCuish, "Guyana: Experience of Economic Reform," 10.

<sup>285</sup> MacCuish, "Guyana: Experience of Economic Reform," 10.

<sup>286</sup> MacCuish, "Guyana: Experience of Economic Reform," 12.

<sup>287</sup> Hewitt, "Guyana Sugar and EBA," 17.



Guyanese workforce. In addition to this, an additional 8,000 are employed in linkage activities.<sup>288</sup> Overall, the sugar industry provides livelihood for 75,000 people.<sup>289</sup>

While a large and quite profitable industry, it suffered setbacks in the 70's and 80's due to poor governmental policies such as:

...restrictions on the proportion of export earnings which GUYSUCO could retain as foreign exchange. (Retaining revenue as foreign exchange would have enabled the company to defend the purchasing power of its revenues to a greater extent). The exchange rate regime also created a dual foreign currency market, in which goods were exported at the official (overvalued) rate, but limited importer agricultural inputs could be financed at a parallel exchange rate which better reflected the true (higher) value of foreign exchange in domestic currency terms. GUYSUCO was frequently denied access even to the parallel foreign exchange market for purposes of importing capital equipment. The industry therefore experienced a profound deterioration of infrastructure and rapid decapitalisation in the late eighties.<sup>290</sup>

These problems made sugar, one of the nation's core industries a target for SAPs. GUYSUCO's management by Booker Tate was one of the World Bank conditions for HIPC debt relief. It was part of a modernization plan for GUYSUCO that had a deadline of November 2000.<sup>291</sup> The objectives of this modernization plan were covered in the World Bank's Poverty Reduction Support Credit (PRSC) loan agreements for the sugar industry. The aim was to assist Guyana to increase its resource output and to be able to do so at internationally competitive prices. As a condition of the loans, production costs needed to be dropped and production expanded.

The 1996 PRSC documents outlined programs for expanding production in the Berbice region. One aspect of this plan aimed to base salaries on productivity and profitability,<sup>292</sup> while another aimed to replace the existing sugar levy by a dividend and taxes in order to provide a source of government revenue.<sup>293</sup> A third aspect involved building new mills in Berbice. Assistance in implementing this plan came in the form of a \$6.4 billion loan received on concessional terms to finance the co-generation plant that will be a major part of the Skeldon Sugar Modernization Project (SSMP) in the Berbice

---

<sup>288</sup> Hewitt, "Guyana Sugar and EBA," 15.

<sup>289</sup> MacCuish, "Guyana: Experience of Economic Reform," 10.

<sup>290</sup> Hewitt, "Guyana Sugar and EBA," 16.

<sup>291</sup> MacCuish, "Guyana: Experience of Economic Reform," 12.

<sup>292</sup> MacCuish, "Guyana: Experience of Economic Reform," 12.

<sup>293</sup> MacCuish, "Guyana: Experience of Economic Reform," 12.

region of Guyana.<sup>294</sup> Cogeneration is a process by which waste energy is used to produce electricity. At Skeldon, boilers and generators form the basis of this new project. Specifically, the boilers will be able to burn both fuel and bagasse, a waste product, thereby producing up to 10 more Megawatts of electricity.<sup>295</sup> A contract was signed with China National Technical Import and Export Corporation (CNTIC) for the construction of this project, which is scheduled to be completed in 2007.<sup>296</sup> Part of the plan at Skeldon was to build on its current success by erecting a new factory and co-generation plant, improving productivity throughout its operations, diversifying, adding value through its branded sugars (such as Demerara Gold brand) and alcohol production, while expanding its markets in CARICOM and elsewhere. A fourth aspect of the PRSC plan was to close the sugar mills in the Demerara region.

### *Effects of SAPs on Sugar Industry*

The implementation of these SAPs in the sugar industry has produced negative as well as potentially positive effects. For example, the new factory at Skeldon will have a production capacity of 110,000 tonnes annually, which is nearly three times the capacity of the previous factory. This will increase annual national production by more than 450,000 tonnes.<sup>297</sup> With production scheduled to come online by January 2008, the success of this project could determine whether or not it will be one of the positive reforms that has resulted from SAPs.

Since Guyana implemented SAPs in 1989, the sugar industry has achieved a “gradual trend of improving performance, both from the point of view of production and productivity.”<sup>298</sup> Hewitt believes that the structural adjustment requirement of establishing a floating exchange rate (which led to a depreciation of the Guyanese dollar)

<sup>294</sup> Neil Marks, “The Year in Review 2005: Disastrous Floods, Bitter Sugar, Fighting Crime, The Year of the CSME,” *The Guyana Chronicle*, January 2006, <http://guyana.org/special/year2005.html> (Accessed March 27, 2007).

<sup>295</sup> Guyana Sugar Corporation Inc., “Cogeneration Equipment to be Installed at the Skeldon Sugar Modernization Project (SSMP) Site,” Press Release, July 21, 2006, [http://www.guysuco.com/about\\_gsc/gscoday/ssmp/press%20releases/2006/Jul2106.doc](http://www.guysuco.com/about_gsc/gsc/gscoday/ssmp/press%20releases/2006/Jul2106.doc) (Accessed October 5, 2007), 1.

<sup>296</sup> “Guyana: attracts international investors,” *Latin Trade*.

<sup>297</sup> Hewitt, “Guyana Sugar and EBA,” 17.

<sup>298</sup> Hewitt, “Guyana Sugar and EBA,” 15.

was actually beneficial to the sugar industry. It increased Guyana's export earnings because the new floating exchange rate allowed the transmission of "powerful investment signals from high preferential sugar prices to the domestic economy."<sup>299</sup> Accompanying an increase in export earnings was an increase in the operating budget and thus a newfound ability to enhance and enlarge the workforce. Additionally, non-quantitative trade barriers were reduced and rationalized. These policies gave GUYSUCO greater access to equipment and as a result company began to rehabilitate its infrastructure.<sup>300</sup>

In spite of this, however, the SAPs implemented in the sugar industry did produce negative effects on the economy, especially in the areas of employment levels and sugar prices. These negative effects were most obvious between 1993 and 1998, when the GUYSUCO workforce was reduced from 27,000 to 20,000.<sup>301</sup> In 1997, the Guyanese government, in order to mitigate the effects of the lay-offs, enacted legislation. Specifically, it mandated provisions for severance packages, which included pay of two to three weeks' wages per year worked, depending on the number of years in employment.<sup>302</sup> Such legislation should have been enacted much earlier in order to avoid the massive unemployment and strikes that initially followed the lay-offs. Strikes negatively affect productivity in the sugar industry, especially when workers spend substantially less time on their jobs due to participating in strikes.

Additionally, workers were detrimentally affected by the lowering of production costs. The ERP required that Guyana be able to produce sugar at internationally competitive prices, and in order to achieve this, production costs needed to be lowered. Since labour costs represented a substantial percentage (50-55 percent) of the production costs, labour shedding was inevitable and the remaining employees received a reduction in non-salary benefits.<sup>303</sup> Additionally, the introduction of more mechanization increased labour productivity.<sup>304</sup>

---

<sup>299</sup> Hewitt, "Guyana Sugar and EBA," 16.

<sup>300</sup> Hewitt, "Guyana Sugar and EBA," 17.

<sup>301</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. III. Economic Program, 1988, and Recovery," International Labor Organization.

<sup>302</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. III. Economic Program, 1988, and Recovery," International Labor Organization.

<sup>303</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. III. Economic Program, 1988, and Recovery," International Labor Organization.

<sup>304</sup> "Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. III. Economic Program, 1988, and Recovery," International Labor Organization.

Not only have workers been negatively affected, but in late 2005, Guyana's efforts as part of the African, Caribbean and Pacific group (ACP) to get the EU to change its mind about making a 36 percent cut in sugar prices over four years was unsuccessful. The EU market is part of the Sugar Protocol (SP). Established in 1975, it allows the EU to purchase and import specific quantities of cane sugar from African Caribbean Pacific (ACP) countries, of which Guyana is a member. Each country is assigned a quota. Guyana's quota is 165,000 metric tonnes white sugar and is the third highest among the ACP countries.<sup>305</sup> Export earnings (though considerably less) are derived also from sugar exports to the US preferential market, where the quota is only 24,310 tons.<sup>306</sup>

In a move to comply with global trade rules of liberalization, Guyana is scheduled to lose preferential treatment in the EU by October 2009.<sup>307</sup> This will occur because having a preferential market directly counters neoliberal policies of free trade. Since 2005, Guyana has been losing US\$37 million in revenues annually.<sup>308</sup> The Guyanese government, however, believes it will be able to offset this loss due to a \$6.4 billion loan they received on concessional terms to finance the co-generation plant that will be a major part of the Skeldon sugar modernization project in Berbice.<sup>309</sup> Further, President Jagdeo recently stated that he wanted to sue the EU in order to "test the protocol as a long-term legal agreement that was concluded between Europe and the ACP."<sup>310</sup>

Regardless of whether the government sues or not, the fact remains that the ramifications of ending the EU agreement will most likely be detrimental to Guyanese society and economy. The labor intensive nature of the industry coupled with Guyana's high unemployment rates can lead to an inability to absorb the shock that would result from a closed sugar industry, thus stunting economic growth.<sup>311</sup>

---

<sup>305</sup> Hewitt, "Guyana Sugar and EBA," 18.

<sup>306</sup> Hewitt, "Guyana Sugar and EBA," 19.

<sup>307</sup> "Guyana to Raise Sugar Wages," *The Trinidad Guardian*, October 6, 2007, <http://www.guardian.co.tt/archives/2007-10-06/business4.html> (Accessed October 6, 2007).

<sup>308</sup> Marks, "The Year in Review 2005."

<sup>309</sup> Marks, "The Year in Review 2005."

<sup>310</sup> "Caribbean Sugar on the Ropes," *Trinidad and Tobago Newsday*, October 18, 2007, under Business Magazine, <http://www.newsday.co.tt/businessday/0,66264.html> (Accessed October 18, 2007).

<sup>311</sup> "Caribbean Sugar on the Ropes," *Trinidad and Tobago Newsday*.

As of last December, however, all Cariforum (Caricom and the Dominican Republic) countries, reached an agreement with the European Union, that, with a temporary exception for rice and sugar, all exports and goods will be entitled to duty-free and quota-free access in Europe under the first ever Economic Partnership Agreement. This agreement also holds that in 2010, rice and sugar will be eligible for duty-free and quota-free access on Europe's markets.<sup>312</sup>

Concerning the closure of the Demerara Estates, another stipulation for the GUYSUICO modernization project, a study was conducted in 2002 on sugar industry workers to assess the short to medium term well-being of sugar industry employees. Called the Poverty and Social Impact Assessment (PSIA), this effort was spearheaded by the World Bank, and was included in their PRSC loan documents. The PSIA's results were not favourable, suggesting that the most devastating effects of the sugar industry would be experienced in the Demerara region, if the sugar mills there were not made more profitable. Failure to achieve this would lead to their closure. They determined that the job losses resulting from such a closure would affect not only the sugar workers, but also those workers employed in the service sectors built up around the sugar industry.

Additionally, as the social provider for workers and their communities, GUYSUICO provides services in health, education and housing. Therefore, in addition to the job losses, the workers will also lose these services. Another negative impact of modernization (downsizing and closing unproductive areas) will be the liberalization of the sugar price in Guyana. This will lead to an increase in general prices and a net welfare loss for the poor.<sup>313</sup> This is because opening up prices to free market control tends to lead to a general increase in prices.

Compounding the employment and pricing problems is the fact that Booker Tate Ltd. has a tense relationship with the Guyanese government. The lack of trust between the two and has led to inaction by both sides.<sup>314</sup> It could be argued, however, that in fact this situation has resulted from inaction. The government has been unable to acquire equipment that is urgently required. The management of Booker Tate believes that this

---

<sup>312</sup> Rickey Singh, "Caribbean in Historic Deal with the EU," *Trinidad Express*, December 17, 2007, <http://www.trinidadexpress.com/index.pl/article?id=161251342> (Accessed January 20, 2008).

<sup>313</sup> MacCuish, "Guyana: Experience of Economic Reform," 14.

<sup>314</sup> MacCuish, "Guyana: Experience of Economic Reform," 13.

inability is due to the government's refusal to solicit private investment for this new equipment. Presumably, however, the government may simply be unable to acquire this access due to cost and other variables.

### ***Reforms***

Reforms to alleviate the negative impacts of SAPs in the sugar industry have not been as forthcoming as in the logging and mining industries. However, it is noteworthy to mention one ongoing form of resistance, which can certainly lead to reforms. It was framed as a result of the negative impacts on the sugar industry. For instance, in response to the numerous layoffs, the Guyana Agricultural and General Workers' Union (GAWU), which has been associated with the sugar workers since Cheddi Jagan's early years in politics, has been very active in resisting the layoffs, and the cutting of health, transport and social benefits. The policy recommendations of the SAPs do not provide remunerations for the losses that result from their modernization policies, such as the Skeldon modernization project in Berbice. These should be enacted in order to prevent the economy from initially plummeting, while it is in transition under structural adjustment.

### **Conclusion**

The policy prescriptions of neoliberalism call for, among other things, the removal of global trade barriers, increased privatization, and limited government intervention. These are the foundations of the structural adjustment packages designed by the IMF and World Bank for countries such as Guyana, which find themselves in economic crisis. Even parties with socialist platforms, such as the PPP and PNC in the Guyanese context, had no choice but to enact these policies. However, in spite of the economic improvement promised by these policies, as the Guyanese case shows, the economic decline continued. The ERP, HIPC and Enhanced HIPC were only mildly successful, and instead of engendering improvements, exacerbated the economic instability responsible for the cycle of underdevelopment.

Specifically, due to the abundance of Guyana's valuable timber, precious metals, and sugar, the IMF and World Bank targeted these industries for structural adjustment. Through SAPs, these industries were supposed to have the potential to increase economic profitability in Guyana and thus generate sufficient revenues to eliminate the debt and balance of payment problems, which initially led Guyana to implement SAPs. While productivity was increased in all three sectors, the negative effects outweighed the positive ones, as massive unemployment, environmental degradation and further debt resulted. Reforms, however, within Guyana and on the part of the IFI's themselves, have been proposed in the wake of destruction caused by SAPs. Many of these are ongoing, and success rates will be determined with time, political will and policies.

## **CHAPTER FOUR—CONCLUSION CHAPTER**

Guyana's economy has experienced significant decline since the implementation of structural adjustment by the IMF and World Bank. As this analysis discusses, the decline can be seen in the general economic situation and in specific industries such as logging, mining and sugar.

The thesis has been organized in such a way as to provide the historical context of the country's economic and political development. The objective for this historical overview is to highlight the role of the colonial powers in the rise of the two dominant political parties and in turn their impact on the nation's economic direction. Due to the British colonials' meddling in the actions of the PPP and PNC, Guyana was unable to initially form a healthy political culture and a viable, productive economy. Policies by both parties led to a later need for structural adjustment. Through trade union activities such as fighting for the plights of poor sugar workers, Jagan founded the PPP, which, with underlying socialist principles, was supposed to improve Guyana's economy. The British did not find these doctrines suitable and therefore reassumed rule, later joining with the Americans in placing Burnham and his PNC in charge of the country.

Both parties, following a worldwide trend, attempted to use socialism to correct the ills of society. Burnham's experiment of state socialism contained what he called surefire ways to boost the economy and make the small men real men. This policy, however, was largely unsuccessful, mostly due to Burnham's misuse of power. Guyana's economic situation became so dire, that it was at the mercy of the economic solutions proposed by the neoliberal agencies, the IMF and World Bank. Despite Burnham's commitment to socialism, this move was deemed essential in order to stabilize an economy spiraling downward. Additionally, at that time, there was growing confidence around the globe in the abilities of neoliberal policies such as structural adjustment programs that could effect positive economic changes.

Structural adjustment packages, namely the ERP, HIPC, and Enhanced HIPC were enacted to help repair the economy. The remedies involve such prescriptions as privatization, trade liberalization, loan support, and strategies for reducing debt burdens and poverty. It involved increasing production capacity for the purposes of export in



order to increase foreign currency earnings. It was also supposed to industrialize the economy, a form of development that would also revolutionize the economy. Each successive program was designed to correct the ills of its predecessor, with the Enhanced HIPC containing provisions to allow the home country (in this case, Guyana) more control over the specifics of policies based on internal assessments performed by the government as well as communities. These programs were applied to the economy as a whole, and as this paper has discussed, specifically to the logging, mining, and sugar industries, as these were potential sources for great economic gain due to the abundance of these materials in Guyana.

Slight economic improvement was observed, but only in the short run. With respect to the industries mentioned above, that is, logging, mining and sugar, structural adjustment led to degradation of the environment, physical and economic displacement of peoples, higher levels of poverty and debt, and a severe economic decline overall. Racial tensions that have existed since the time of the country's birth were seriously exacerbated by the economic problems.

In light of the pressing problems identified here with the SAPs and the neoliberal program generally, it is imperative that reforms are implemented in order to stall and if possible, reverse this deterioration. The first act of recourse must come from the IMF and World Bank themselves, as they are the entities that have historically enacted policies to eliminate debt and improve economies by relying on their own expertise and their claims of objectivity,<sup>315</sup> yet they have proven to be unsuccessful. This has led to legitimacy dilemmas, which center on whether the IMF should be the sole arbitrator of policies and whether its authority is justifiable or sustainable.<sup>316</sup>

The IFIs have sought to respond to these criticisms by encouraging and promoting more country ownership of the adjustment policies. This, however, has not so far been a sufficient reform effort, as this innovation has produced mixed results. Since there seems to be no end in sight to the cycle of incurring and paying off debt, perhaps the entire debt should be forgiven, which will grant these countries a clean slate and provide a fresh economic start. However, the impetus for alleviating these problems does not rest only on

---

<sup>315</sup> Best, 471.

<sup>316</sup> Best, 472.

the shoulders of the IMF and World Bank, but also on those of Guyanese political parties and their attendant agencies working in cooperation with non-governmental organizations.

A recent proposal developed by Jagdeo offers hope for this method of alleviation. It deals with the issues of deforestation and poverty. Emphasizing that poor countries should be rewarded for avoiding deforestation, he believes that the rain forest is an asset in the fight against climate change, and should be safeguarded by the British government and NGO's through bilateral investments in conservation and sustainable development. Britain is actively considering the proposal. Opinions on the matter vary. A Guyanese resident agreed with Jagdeo's idea, finding it preferable to the deforestation that is usually a requisite for aid. Mr. Robert Corbin, current leader of the PNC, believes however, that a multilateral approach, rather than an exclusive appeal to Guyana's former colonial master should have been pursued and that this is simply a return to colonialism and will not benefit Guyana in the long run. Mr. Gobin, leader of the Iwokrama project, thinks that approaching Britain was a good move, since they have been one of the leaders in debt relief for developing countries.<sup>317</sup>

Additionally, this study has highlighted areas within Guyanese society that require immediate attention, in particular the racial tensions that have existed since the time of colonialism, which have caused significant harm to the political sector and the society as a whole. These tensions must be reduced, and hopefully one day resolved, as the political parties attempt to work together more harmoniously, immune from manipulation by external forces. Both parties have already attempted to bridge the racial divide. For example, the PPP has incorporated the word 'Civic' into the name of the party, in addition to attracting leadership from the opposite race, while the PNC has incorporated the word 'Reform' into its name, and recruited Indo-Guyanese leadership. Additional societal, sociological, and political measures must be implemented in this area to ensure the creation of harmony among all the ethnicities within Guyanese society.

The political parties are not the only ones responsible for promoting these attitudes. Since the colonial era, such racial tensions have been deeply ingrained within the psychological and cultural threads of Guyana's society. Positive reforms by the

---

<sup>317</sup> Christopher Frey, "Guyana's Modest Proposal," *Globe and Mail*, January 19, 2008, under F8.

political parties towards unraveling these threads are certainly helpful, but these changes need to take root in other levels of society as well. Changing these attitudes must begin in homes, schools, and religious and civil society organizations. Since these are the grassroots of society, they are the ideal settings for ingraining an effective level of positive, accepting attitudes regarding ethnicity that encompasses more than mere tolerance. Citizens can then begin to incorporate these attitudes into Guyana's political sphere.

Lessons learned in Guyana have global implications as well. This is because in our increasingly interconnected global society, countries have become more dependent on each other for natural resources. However, in light of improper regulations, inadequate infrastructure, and the destructive methods of extraction and environmental negligence, serious coherent, consideration must be given to the dire consequences of SAPs when it comes to the issue of permanent depletion of resources, not only in Guyana but in other developing countries as well. With limited resources left to trade, a country might eventually be removed entirely from the global trading system. Therefore, if ignored, the current failures of the neoliberal agenda could also lead to the worsening of development problems in other countries where structural adjustment has been implemented.

## Bibliography

- Allahar, Anton, ed. *Caribbean Charisma: Reflections on Leadership, Legitimacy, and Populist Politics*. Kingston, Jamaica: Ian Randle Publishers, 2001.
- Ambursely, Fitzroy and Robin Cohen, eds. *Crisis in the Caribbean*. New York: Monthly Review Press, 1983.
- Best, Jacqueline. "Legitimacy Dilemmas: The IMF's Pursuit of Country Ownership." *Third World Quarterly* 28, no. 3 (2007).
- Bond, Brittany. Jagdeo's Win in Guyana: An Uninspiring Victory. Council of Hemispheric Affairs, September 7, 2006. <http://www.coha.org/2006/09/07/jagdeo%E2%80%99s-win-in-guyana-an-uninspiring-victory/> (Accessed January 18, 2007).
- "Caribbean Sugar on the Ropes." *Trinidad and Tobago Newsday*. October 18, 2007. Under Business Magazine. <http://www.newsday.co.tt/businessday/0,66264.html> (Accessed October 18, 2007).
- Chilcote, Ronald. *Theories of Development and Underdevelopment*. Boulder, Colorado: Westview Press, 1984.
- Colchester, Marcus. *Guyana Fragile Frontier: Loggers, Miners and Forest Peoples*. Kingston, Jamaica: Ian Randle Publishers, 1997.
- Colchester, Marcus. "Social Exclusion and Development Domination: The Underlying Causes of Deforestation and Forest Degradation in Guyana." World Rain Forest Movement, 1999. <http://www.wrm.org.uy/deforestation/LAmerica/Guyana.html> (Accessed March 27, 2007).
- Compa, Lance and Fay Lyle. *Justice For All: A Guide to Worker Rights in the Global Economy*. Washington, D.C.: American Center for International Labor Solidarity/AFL-CIO, 2003.
- Deonandan, Kalowatie, David Close, and Gary Prevost, eds. *Revolutionaries to Politicians: Cases from Latin America and Africa*. New York: Palgrave, 2007.
- Downes, Andrew S. "The Impact of Structural Adjustment Policies on the Educational System in the Caribbean." *La Educacion* 37, no. 116 (1993).
- Earle, Johann. "Barama Says Shortage of Local Skills Delaying Veneer Plant." *Starbroek News*. June 2, 2007. <http://www.starbroeknews.com/index.pl/article?id=56521485> (Accessed June 20, 2007).

- Egoumé-Bossogo, Philippe, Ebrima Faal Raj Nallari, and Ethan Weisman. *Guyana: Experience with Macroeconomic Stabilization, Structural Adjustment, and Poverty Reduction*. Washington D.C.: International Monetary Fund, Publication Services, 2003.
- “Fabian Socialism.” *The Columbia Encyclopedia*. 6<sup>th</sup> ed., New York: Columbia University Press, 2007. Answers.com <http://www.answers.com/topic/socialism> (Accessed November 11, 2006).
- “Fabian Society.” *The Columbia Encyclopedia*. 6<sup>th</sup> ed., New York: Columbia University Press, 2007. <http://www.bartleby.com/65/fa/FabianSo.html> (Accessed July 27, 2007).
- Falloon, Matt. “Guiana: The Chainsaw vs. The Sawmill.” *Starbroek News*. January 2001. [http://www.biodiversityreporting.org/index.php?pageId=sub&lang=pt\\_BR&currentItem=article&docId=359&c=Guiana&cRef=Guyana&year=2001&date=janeiro%202001](http://www.biodiversityreporting.org/index.php?pageId=sub&lang=pt_BR&currentItem=article&docId=359&c=Guiana&cRef=Guyana&year=2001&date=janeiro%202001) (Accessed May 17, 2007).
- Frey, Christopher. “Guyana’s Modest Proposal.” *Globe and Mail*. January 19, 2008, F8.
- Friedman, Milton. *Capitalism and Freedom*. Chicago: University of Chicago Press, 1982.
- Friends of the Earth. “The IMF: Selling the Environment Short.” Friends of the Earth. <http://www.foe.org/camps/intl/imf/selling/conclusion2.html> (Accessed April 1, 2007).
- Guyana Government Information Agency, “Budget 2005 At a Glance.” <http://www.gina.gov.gy/budget2005/budget.pdf> (Accessed October 5, 2007).
- Guyana Forestry Commission. “Forestry in Guyana Market Report 2002.” Georgetown, Guyana: Guyana Forestry Commission, February 2003. <http://www.forestry.gov.gy/Downloads/2002%20GFC%20Market%20Report.pdf> (Accessed May 17, 2007).
- Guyana Sugar Corporation Inc. “Cogeneration Equipment to be Installed at the Skeldon Sugar Modernization Project (SSMP) Site.” Press Release. July 21, 2006. [http://www.guysuco.com/about\\_gsc/gscoday/ssmp/press%20releases/2006/Jul2106.doc](http://www.guysuco.com/about_gsc/gscoday/ssmp/press%20releases/2006/Jul2106.doc) (Accessed October 5, 2007).
- Gordon, Michael. “More Inclusivity, Yet Maintaining Standards Proposed by PPP to DFC —Forces Must Reflect Demographics of Guyana.” Guyana Government Information Agency (GINA), September 17, 2003. <http://www.gina.gov.gy/archive/features/f030917.html> (Accessed July 4, 2007).
- Gore, Charles. “The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries.” *World Development* 28, no. 5 (2000).

- Granger, David. "Guyana's State Media: The Quest for Control." *Guyana Review*.  
<http://www.guyanareview.com/ppig/dag05.html> (Accessed February 18, 2001).
- Gurmendi, Alfredo C. "The Mineral Industry of Guyana." U.S. Geological Survey, Mineral Resources Program, 1997.  
<http://minerals.usgs.gov/minerals/pubs/country/1997/9513097.pdf> (Accessed May 16, 2007).
- Government of Guyana. "Guyana Assessment Report on the Barbados Plan of Action Plus 10."  
[http://www.sidsnet.org/docshare/other/20041102123202\\_GUYANA\\_NAR\\_2004.doc](http://www.sidsnet.org/docshare/other/20041102123202_GUYANA_NAR_2004.doc) (Accessed April 1, 2007).
- "Guyana: attracts international investors." *Latin Trade*. (May 2005).  
[http://findarticles.com/p/articles/mi\\_m0BEK/is\\_5\\_13/ai\\_n13717534](http://findarticles.com/p/articles/mi_m0BEK/is_5_13/ai_n13717534) (Accessed January 29, 2008).
- "Guyana to Raise Sugar Wages." *The Trinidad Guardian*. October 6, 2007.  
<http://www.guardian.co.tt/archives/2007-10-06/business4.html> (Accessed October 6, 2007).
- Halifax Initiative. "Issue Brief—Poverty Reduction Strategy Papers—September 2005"  
<http://www.halifaxinitiative.org/index.php/Factsheets/800> (Accessed April 1, 2007).
- Haripaul, Malcolm. "Historical Outline of the Security Forces in Guyana." May 19, 2002.  
<http://www.guyanaundersiege.com/Other%20single%20pages/imbalance.htm>  
 (Accessed September 30, 2007).
- Henke, Holger and Fred Reno, eds. *Modern Political Culture in the Caribbean*.  
 Kingston, Jamaica: University of the West Indies Press, 2003.
- Hewitt, Adrian P. "Guyana Sugar and EBA—The Case Study of a Country which is not quite Least Developed." London: Overseas Development Institute. October, 2001.  
<http://www.odi.org.uk/iedg/publications/Guyana.pdf> (Accessed May 13, 2007).
- Hope, Kempe. *Development Policy in Guyana: Planning, Finance, and Administration*.  
 Colorado: Westview Press, 1979.
- Ishmael, Odeen. "Remarks by Ambassador Odeen Ishmael at the Opening Session of Guyana Diaspora Forum on Conflict and Conflict Analysis in Guyana at Howard University, Washington DC, December 14, 2002."  
[http://www.guyana.org/Speeches/ishmael\\_forum121402.html](http://www.guyana.org/Speeches/ishmael_forum121402.html) (Accessed November 3, 2006).

- Jacobson, Mark. "Guyana's Gold Standard—Gold Mining Boom." *Natural History* (September 1998).
- Jagan, Cheddi. *The West on Trial*. New York: International Publishers, 1966.
- Jaling Forest Industries Inc. "Environmental and Social Impact Assessment: Final Report." December 2004.  
[http://www.epaguyana.org/downloads/emd/Jaling\\_FEIA\\_Report.pdf](http://www.epaguyana.org/downloads/emd/Jaling_FEIA_Report.pdf)  
 (Accessed May 13, 2007).
- Jones, Tony. "Is Race an Enigma to Guyana's Political System?" June 16, 2005.  
[http://www.guyanacaribbeanpolitics.com/commentary/guest\\_jones.html](http://www.guyanacaribbeanpolitics.com/commentary/guest_jones.html)  
 (Accessed November 12, 2006).
- Lewis, Rupert. *Walter Rodney's Intellectual and Political Thought*. Kingston, Jamaica: The Press University of the West Indies, 1998.
- Lexico Publishing Group. "Definition of Brain Drain." LLC, Dictionary.com.  
<http://dictionary.reference.com/browse/brain%20drain> (Accessed July 16, 2007).
- Lowry, Susan Meeker. "Mr. Budhoo's Bombshell: An Alternative to Structural Adjustment." *Earth Island Journal* (Summer 1995).  
[http://www.thirdworldtraveler.com/IMF\\_WB/Budhoo\\_IMF.html](http://www.thirdworldtraveler.com/IMF_WB/Budhoo_IMF.html) (Accessed March 27, 2007).
- Luxner, Larry. "Guyana Means Business." *Américas Magazine* 43, no. 1 (1991).
- MacCuish, Derek. "Guyana: Experience of Economic Reform under World Bank and IMF Direction." The Halifax Initiative Coalition.  
<http://www.halifaxinitiative.org/updir/Guyana.pdf> (Accessed January 17, 2007).
- Marks, Neil. "The Year in Review 2005: Disastrous floods, bitter sugar, fighting crime, the year of the CSME." *The Guyana Chronicle*, January 2006.  
<http://guyana.org/special/year2005.html> (Accessed March 27, 2007).
- Matuda, Mahu. "Power Galore for Guyana's Ruling Party." *Caribbean Contact* (January 1977).
- Mendes, Andrew and Duncan Macqueen. "Raising Forest Revenues and Employment: Unlocking the potential of small and medium forest enterprises in Guyana." International Institute for Environment and Development, 2006.  
<http://www.iied.org/pubs/pdf/full/13523IIED.pdf> (Accessed October 5, 2007).
- Mitchell, Daniel. "Beware the Value-Added Tax." The Heritage Foundation.  
<http://www.heritage.org/Research/Taxes/bg1852.cfm> (Accessed July 31, 2007).

- Naidu, Janet. "Indian Women of Guyana: Reflections of their Existence, Survival and Representation." *Guyana Journal*.  
[http://www.guyanajournal.com/women\\_gy.html](http://www.guyanajournal.com/women_gy.html) (Accessed August 1, 2007).
- NDS Secretariat, Ministry of Finance, Georgetown, Guyana. "Mining Policy." May 1996.  
<http://www.guyana.org/NDS/chap32.htm> (Accessed May 17, 2007).
- "Overview." Guyana Government Information Agency (GINA).  
[http://gina.gov.gy/prsp\\_psis/PSIP%20REPORT%202005.pdf](http://gina.gov.gy/prsp_psis/PSIP%20REPORT%202005.pdf) (Accessed June 20, 2007).
- Pan American Health Organization (PAHO). "Guyana,"  
<http://www.paho.org/English/AD/DPC/CD/cartagena-4-guy.pdf> (Accessed March 29, 2007).
- Perera, Judith. "'Whitewash' Charged in Guyana River Disaster." *Albion Monitor/News*. December 3, 1995. <http://albionmonitor.net/12-3-95/guyana12update.html> (Accessed May 16, 2007).
- Pinder, Sherrow. "Globalization and Beyond: The Future of Poor Nations." *Globalization*, 2007. <http://globalization.icaap.org/content/special/pinder.html> (Accessed April 1, 2007).
- Rabe, Stephen G. *U.S. Intervention in British Guiana: A Cold War Story*. Chapel Hill, North Carolina: University of North Carolina Press, 2005.
- Ramsaran, Ramesh, ed. *Caribbean Survival and the Global Challenge*. Kingston, Jamaica: Ian Randle Publishers, 2002.
- Rapley, John. *Understanding Development: Theory and Practice in the Third World*. (Boulder, Colorado: Lynne Rienner, 1996).
- Resource Center of the Americas (RCA). "Fool's Gold: Cash Strapped Governments Squander Natural Wealth for IMF Credit." Resource Center of the Americas, 2002. [http://www.americas.org/item\\_127](http://www.americas.org/item_127) (Accessed April 2, 2007).
- Robbins, Richard. *Global Problems and the Culture of Capitalism*. Boston: Allyn and Bacon 2002.
- Rodney, Walter. *How Europe Underdeveloped Africa*. Washington D.C.: Howard University Press, 1982.
- Rodrik, Dani. "Why is there Multilateral Lending?" National Bureau of Economic Research Working Paper No. 5160. National Bureau of Economic Research, 1995. <http://www.nber.org/papers/w5160.v5.pdf> (Accessed June 20, 2007).



- Roopnarine, Lomarsh. "Small-scale Gold Mining and Environmental Policy Challenges in Guyana: Protection or Pollution." *Canadian Journal of Latin American and Caribbean Studies* 31, no. 61 (2006).
- Rose, Euclid. *Dependency and Socialism in the Modern Caribbean: Superpower Intervention in Guyana, Jamaica, and Grenada, 1970-1985*. Lanham, Maryland: Lexington Books, 2002.
- Rosen, Fred and Mario Maurillo. "Interview with Dr. Cheddi Jagan." *NACLA* 31, no.1, (February 1997).
- Salmi, Jyrki and Kelvin Craig. "Study on Forest Sector Financing in Guyana." United Nations Development Commission Guyana Forestry Commission Program on Forests Profor Guyana, March 5, 2004.  
<http://www.freewebs.com/gnifc/pdf/StudyonForestSectorFinancinginGuyana.PDF>  
 (Accessed October 10, 2007).
- Simms, Peter. *Trouble in Guyana: An Account of People, Personalities and Politics as They Were in British Guiana*. London: George Allen and Unwin Ltd., 1966.
- Singh, Chaitram. "Changing the Basis of Civilian Control over the Military in Guyana." *Journal of Third World Studies* (Fall 1997).  
[http://findarticles.com/p/articles/mi\\_qa3821/is\\_199710/ai\\_n8779043/](http://findarticles.com/p/articles/mi_qa3821/is_199710/ai_n8779043/) (Accessed July 4, 2007).
- Singh, Rickey. "Caribbean in Historic Deal with the EU," *Trinidad Express*. December 17, 2007.  
<http://www.trinidadexpress.com/index.pl/article?id=161251342> (Accessed January 20, 2008).
- Sizer, Nigel. "Profit Without Plunder: Reaping Revenue from Guyana's Tropical Forests Without Destroying Them." World Resources Institute. September 1996,  
[http://pdf.wri.org/profitwithoutplunder\\_bw.pdf](http://pdf.wri.org/profitwithoutplunder_bw.pdf) (Accessed April 1, 2007).
- Smith, Adam. *The Wealth of Nations*. New York: Random House, Inc., 1937.
- Smith, Anthony D., *National Identity*. Reno, Nevada: University of Nevada Press, 1991.
- Sowell, Thomas. *The Economics and Politics of Race: An International Perspective*. New York: William Morrow and Company, 1983.
- Spinner Jr., Thomas. *A Political and Social History of Guyana, 1945-1983*. Boulder, Colorado: Westview Press, 1984.
- Stiglitz, Joseph. *Making Globalization Work*. New York: W.W. Norton and Company, Inc., 2002.

- “Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. II. Economic Program, 1988, and Recovery.” International Labor Organization. <http://www.ilo.org/public/english/dialogue/sector/papers/agrguyan/143e2.htm#h> (Accessed June 20, 2007).
- “Structural Adjustment and Agriculture in Guyana: From Crisis to Recovery. III. Constraints Facing Agriculture.” International Labor Organization. <http://www.ilo.org/public/english/dialogue/sector/papers/agrguyan/143e3.htm> (Accessed March 23, 2007).
- Swan, Michael. *British Guiana: The Land of Six Peoples*. London: Her Majesty’s Stationery Office, 1957, 221.
- Sweeting, Amy Rosenfeld and Andrea Clark. “Lightening the Lode: A Guide to Responsible Large-Scale Mining.” *Conservation International Policy Papers* (2000).
- Teeple, Gary. *Globalization and the Decline of Social Reform*. Toronto: Garamond Press and Humanities Press, 1995.
- ter Steege, Hans, Ivan Welch and Roderick Zagt. “Long Term Effect of Timber Harvesting in the Bartica Triangle, Central Guyana.” *Forest Ecology and Management* 170 (2002).
- The American Heritage Dictionary of the English Language*. 4<sup>th</sup> ed. Boston, Massachusetts: Houghton Mifflin, 2006.
- The Carter Center. “Report of the Third Development Cooperation Forum: Human Security and the Future of Development Cooperation.” Atlanta, Georgia: The Carter Center, May 2002. <http://www.cartercenter.org/documents/1186.pdf>. (Accessed April 1, 2007).
- “The Forestry Sector: The Forest Resource Base.” The Guyana Office for Investment. [http://www.goinvest.gov.gy/key\\_sectors\\_c.html](http://www.goinvest.gov.gy/key_sectors_c.html) (Accessed May 17, 2007).
- The Library of Congress Country Studies Program. “Guyana Economy.” [http://www.mongabay.com/reference/country\\_studies/guyana/ECONOMY.html](http://www.mongabay.com/reference/country_studies/guyana/ECONOMY.html) (Accessed June 2, 2007).
- Thomas, Clive. *The Poor and the Powerless: Economic Policy and Change in the Caribbean*. New York: Monthly Review Foundation, 1988.
- Thompson, Mike. “An Economic Analysis of Forest Resources Charges in Guyana.” Georgetown, Guyana: Guyana Forest Commission, 1994. [www.forestry.gov.gy/](http://www.forestry.gov.gy/) (Accessed April 1, 2007).

- United Nations Statistical Division. *Monthly Bulletin of Statistics* 17, no. 11. New York: United Nations Statistical Division, November 1963.
- U.S. Department of State. "Background Note: Guyana."  
<http://www.state.gov/r/pa/ei/bgn/1984.htm> (Accessed April 1, 2007).
- Westmaas, Nigel. "Resisting Orthodoxy: Notes on the Origins and Ideology of the Working People's Alliance," *Small Axe* 8, no. 1 (2004).
- Williams, Brackette. *Stains on my Name, War in my Veins: Guyana and the Politics of Cultural Struggle*. Durham, North Carolina: Duke University Press, 1991.
- Wolf, Martin. *Why Globalization Works*. New Haven, Connecticut: Yale University Press, 2004.
- World Rainforest Movement. "Guyana: Transnational Mining Companies' Impacts on People and the Environment." *World Rainforest Movement (WRM) Bulletin* no. 43. February 2001. [www.wrm.org.uy/bulletin/43.html](http://www.wrm.org.uy/bulletin/43.html) (Accessed March 27, 2007).
- World Resources Institute. "News Release: Independent Study Recommends Forest Policy Reform to Promote New Sources of Revenue in Guyana." World Resources Institute.  
[http://www.wri.org/biodiv/newsrelease\\_text.cfm?NewsReleaseID=109](http://www.wri.org/biodiv/newsrelease_text.cfm?NewsReleaseID=109) (Accessed May 17, 2007).
- World Resources Institute. "Recommendations for Action: Realizing the Potential for Guyana's Forests—Make Foreign Assistance More Effective." World Resources Institute. [http://pubs.wri.org/pubs\\_content\\_text.cfm?ContentID=2728](http://pubs.wri.org/pubs_content_text.cfm?ContentID=2728) (Accessed April 9, 2007).