



Guyana 2023, Factors Shaping a Path to Prosperity

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Countries do not survive or thrive on macroeconomics and politics alone. Those factors are most important; however, there are structural and institutional forces and factors at play that occupy an even larger role in how a nation fares domestically, regionally and globally. The Caribbean-South American nation of Guyana would be prudent to be mindful of such forces and factors.

To begin, there is the big picture—four trends that will transform the global economy in the short to medium term. These are energy cost differentials, rising wages in China, nearshoring of supply chains and remote work. Emerging markets with the right natural resources and institutions can ride these trends and move up the income ladder. Potential beneficiaries include Argentina, Colombia, Mexico, Malaysia, the Philippines....and Guyana.

Right out of the starting gate, Guyana is in an exceptionally strong position economically. While most economies clock in at GDP growth rates between 1% and 3%, Guyana's GDP growth for 2022 is expected to top 56%. Oil has been and will continue to be the locomotive that drives the economy. Guyana is home to one of the largest oil discoveries in the last decade, with about 11 billion barrels found to date. While the nation pumps out 380,000 barrels per day that figure is expected to grow to 1.2 million by 2027. Mining, agriculture and construction are also slated to do well in 2023.

Structural features of the Guyanese economy present a mixed picture, however. Nearly 40% of its citizens live on less than US\$ 5.50 per day, and exports are overwhelmingly primary sector-based, meaning low value-added (sugar, gold, bauxite, aluminum, rice, shrimp and timber). More than half of Guyana's exports are destined for the US and Singapore. As for foreign direct investment, the nation attracted \$180 billion this year; however, with the oil boom underway, that figure could well double as scores of opportunities beyond the energy sector, along with those that are linked to that sector, present themselves to foreign investors.

When it comes to competitiveness out of 140 countries, the World Economic Forum ranks Guyana #121. Tanzania, Mongolia and Albania are ranked higher. (Oil is the only sector that is competitive). In terms of Innovation and IT readiness, two other surveys, Guyana is not even ranked; and in Transparency International's Corruption Perception Index, Guyana ranks in the middle among 180 countries. Regarding trade, non-tariff barriers such as labor-intensive red tape and excise taxes on consumable goods remain problematic.

As for government policies to support competitiveness, Guyana is in much need of improvement. Most notably, the latest reported World Bank indicator of "Ease of Doing Business," finds Guyana ranked 134 out of 190 countries. To illustrate, trading across borders has become more expensive, with increases in the cost of compliance including a boost in fees for mandatory inspection for exports. As another example, both domestic and foreign firms have to compete for business with state-owned enterprises. For individual

Guyanese, waiting periods for a permit to build a new house can take up to several years. On the positive side, foreigners' property rights are protected, and tax incentives are extensive (exemptions, depreciations, repatriation). Additionally, the current government has launched measures to improve business competitiveness, eliminating a number of withholding, VAT and excise taxes and allocating \$329 million to the Small Business Bureau to improve capabilities and readiness for local content opportunities.

When it comes to commercial possibilities, business opportunities abound for both domestic and foreign firms. As the world's biggest diaspora, Guyanese along with other English Caribbean residents abroad comprise a rich market for imports of packaged and processed products, destined for New York, Toronto and Miami. In general, light manufacturing, furniture, agribusiness, forest products, aquaculture, supplements and cookware present attractive possibilities. Franchises and services for both foreign and local suppliers have a large upside.

Finally, Guyana's path to prosperity will be impacted heavily by its human capital. The economic literature has confirmed the correlation between education and a nation's success. While Guyanese are well-educated and entrepreneurial, unfortunately 89% of Guyanese college-educated live in the diaspora. Therefore, the onus is on the government to create an economic, business, public safety and overall quality of life environment that will entice overseas Guyanese to return—full-time, part-time, or at least invest in their homeland. Fortunately, current president Irfaan Ali allocated 20% of the national budget goes towards education in 2022, and to his credit former president David Granger invested close to that percentage during his administration.

In searching for a model to emulate in building its human capital, Guyana would do well to consider the examples of Brunei, Qatar, and Norway. These countries invest across the entire spectrum of education and training including vocational and technical. Norway, in particular, places a special emphasis on STEM.

To take advantage of its oil windfall, Guyana will need a winning formula, an elixir of supply side policies that will benefit not just multinational energy firms but the Guyanese people and their own domestic enterprises. These must include investment as well as export promotion and facilitation, access to finance, human capital development, infrastructure, improved business development services, and far better bureaucratic procedures (enterprise registration, cutting red tape).

The latest report from the Inter-American Development Bank (IDB) forecasts prolonged effects of external economic shocks in 2023, including for high food and fuel prices and rising international interest rates. As businesspeople understand, economic forecasts are barometers, not roadmaps. If the private and public sectors can embrace and implement the 6 ingredients to a winning formula cited above, then the future for Guyana—beyond oil—will be a bright one.

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