

**COMMENTARY** *By* Dr. DHANPAUL NARINE

# Is Guyana Getting a Fair Deal for its Oil?

I recently moderated a panel discussion on oil and gas in Guyana. The panel was made up of professionals that are household names in their own right. Dr Tarron Khemraj is a professor of Economics in Florida. He writes a column in the 'Stabroek News' on economics and business and his interests include oil and gas. Dr. Jan Mangal is a graduate in off-shore technology and has a PhD from Oxford. He was an advisor to President David Granger. Christopher Ram is an attorney that is based in Guyana. He has a television show, and is involved in civic matters in Guyana. He holds a Master's Degree in Oil and Gas.

The panel discussion was held at the Shri Lakshmi Mandir in Liberty Avenue, New York, and it attracted a diverse audience. It was a privilege for me to be in the esteemed company of these experts. In my preliminary remarks I made the following observations: Oil is power. Oil is politics, it is geo-politics, and it has implications for the ecology and the environment. There is a legal side to it. Oil related to geophysics and geomorphology, and we mustn't forget the economics of oil with its cost benefit, labor and markets. Oil can be disruptive; it has a social impact. In the case of Guyana, it is projected that by 2030 the country would undergo changes that we may not recognize. One such change would be the influx of labor by the thousands. The impact that would have in a country of under 800, 000 persons is unthinkable. Oil then is complicated.

If we are to make sense of it, one of the recommendations is that we must manage it carefully. We must learn from the experiences of

others and adopt their best practices and tailor them to suit the needs of Guyana. There are some countries that borrow heavily and go on a spending spree without even seeing the first barrel of oil. In those cases, one can expect a heavy debt that future generations will have to repay. And what about coun-

tries that produce a million barrels of oil a day and cannot bridge the poverty gap? The wealth of oil has failed to trickle down to the poor in the slums.

We are told that oil cannot last forever. There comes a time when it will run out. What do we do then? How do we plan

for the rainy day? There are cases where a failure to diversify the economy has left societies high and dry with expensive projects yet to be completed. The sovereign wealth fund is depleted. Then there is corruption and mismanagement.

Venezuela has tremendous reserves but as of yesterday there were long lines to purchase gas that was rationed. The Guyana-Venezuela relationship is complex with over 100 Venezuelans entering Guyana each month and the authorities do not appear to have accurate statistics on their entry or whereabouts. Trinidad is also experiencing a rapid influx of Venezuelans each day.

Finally, there is the question of verification and oversight. Multinationals are a law unto themselves. They are known to fudge numbers. They dress

to be re-negotiated. We need strong leadership. We need a Guyanese presence and involvement in every step of the way, from extraction to export. We need policies in place to verify and check for transparency. Professor Tarron Khemraj was the first speaker. He said that the natural resource curse occurs when countries with a large amount of natural resources tend to underperform economically and socially. This can lead to undesirable

Singapore, Germany, France and the United Kingdom.

Professor Khemraj asks, 'Why do countries with natural resources underperform?' He said that civil conflict is a cause for this to happen. Another cause is to de-emphasize the manufacturing sector and then there is the Dutch disease. But the Guyana's case is more interwoven in politics. Professor Khemraj discussed briefly the oil contract that Guyana signed. He



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elites or we could have a policy of egalitarianism where the money is used for the development of all. The latter is a desired objective but is still to be fully realized.

Professor Khemraj said that an understanding of the political situation in Guyana is essential if one is to place oil and gas on its development agenda. He said various studies have shown that that around 87 percent of the Guyanese population will vote not because they love their party 'but because they want to keep the other side out.' Thus is known as strategic voting. The prize is the executive as losing it is a costly process. The party that wins gets the lion's share.

The loser cannot co-operate and is relegated to the wilderness. In the Guyanese case, no one is really interested in sub-executive power sharing. Professor Khemraj said that the constitution has to be changed to minimize the harmful effects of ethnic voting. It should be noted that days after the OGGN meeting, the Caribbean Court of Justice handed down rulings that has led the Chairman of GECOM to demit office. Many feel that Guyana is in a constitutional crisis. The impact of the crisis on the oil and gas sector is yet to be fully explored. (Next Week: Dr. Jan Mangal's presentation).



Professor Tarron Khemraj

outcomes on economic development. Professor Khemraj said that Guyana with a per capita income of \$4,000 could be classified as an underdeveloped nation.

As far as oil and gas are concerned, only Norway can be cited as relative success story. It developed largely because of oil and gas whereas Canada, Australia and the US have

a strong manufacturing sector and a diversified economy. But there are other nations that have progressed without an abundance of natural resources and Barbados is a case in point. It has a highly educated population and it manages the economy well as does

said, 'the contract is not the best. But the potential exists for Guyana to make a lot of money by volume. This means that when Guyana hits the around a million barrels a day, or more, it will be a lot of money. The simulation shows that if its \$35 a barrel the government gets US\$204 million.'

But if the price is higher Guyana's share will be even greater. However, the price may not reach \$100. According to Professor Khemraj, the projections show that for 2020 Guyana could get around \$380 million, if the price is \$65 per barrel. This means that if Guyana produces 350 thousand barrels per day it could get around \$5 billion per year. This is a lot of money for a small population. This money could create



A section of the audience at the OGGN meeting in Queens, New York.

up their presentations in fancy language, charts and graphs. They undervalue production to look like they are running at a loss. They give a mere pittance to their hosts while they hog the profits. We must not allow that to happen to Guyana.

We need the contract

The views expressed in this article are those of the writer and do not necessarily represent the position or policy of the THE WEST INDIAN.