

Guyana

Opportunities and Challenges for the United States and the Caribbean Basin

By R. Evan Ellis

Overview

The **inauguration** of Guyana's ninth president Irfaan Ali on August 2, 2020, **put an end to** almost 20 months of a political crisis that many worried would **derail the country's ability to reap the bonanza** of newfound oil wealth and isolate the country as an **international pariah** like the de facto Maduro regime in neighboring Venezuela. Within weeks of President Ali's inauguration, U.S. Secretary of State Mike Pompeo **scheduled a historic visit to Guyana** to pay respects to, and **engage with the new government**. Just as the **seemingly interminable political crisis** was resolved **with unexpected rapidity**, the world may also be surprised at the speed with which the new government moves forward, and how both investors and the international community breathe a sigh of relief and engage with the Ali government in a positive and constructive manner.

The potential of Guyana to rapidly shift from disaster to victory reflects both the unusual character of the incoming administration and the interest of Guyana's political and business partners in a functional government that is now recognized as legitimate.

ENERGY CONSUMPTION

On one hand, the incoming Ali administration represents a unique combination of youth, new ideas, and technocratic talent with decades of political, administrative, and international experience of Bharat Jagdeo in Guyanese politics. However, the direction of the policy decisions that will be taken, and the style of governance, **will be of concern for some, for whom previous PPP governments were associated with perceived corruption, an anti-U.S. leftist orientation, and the advance of the PRC**. Irfaan Ali is also the **first practicing Muslim president** in Latin America—a landmark in the region, although eclipsed by other considerations in ethnically plural Guyana during the political crisis.

On the other hand, after two years of legal and political uncertainty, Guyana's political and business partners each have strong interests in declaring victory and moving forward with long delayed business. In the petro-

leum sector, the Exxon-led consortium, which has contracts involving **eight billion barrels** of recoverable oil, has a strong interest in political stability, administrative competence of its Guyanese partner, and juridical security as it continues to ramp up production in the **Liza oilfield**, while moving forward with other production, such as the **Payara project**. Other petroleum companies operating in Guyana—including **Anadarko, CGX, Ratio Oil, Repsol, and Tullow**—plus others who are interested in operating there in the future, will welcome the increased predictability, political stability, and juridical security of a constitutionally legitimate, internationally recognized government—even though they may not be able to obtain terms with the new government **as favorable** as those negotiated by Exxon with its predecessors.

On the political front, the United States, the Caribbean Community (**CARICOM**), and the European Community, all invested significant efforts in **encouraging and facilitating** the democratic transition that ultimately brought the People's Progressive Party/Civic (PPP/C) back to power in Guyana. Each thus has a strong incentive to declare success and **move forward with a positive relationship** with the new PPP/C government.

From the outset, the United States consistently demanded that all parties respect Guyana's own laws and processes defined by **its constitution**, including the resolution of the dispute over the December 2018 no confidence vote according to those laws, and the subsequent **holding of timely elections**. The United States also facilitated the sending of non-governmental **observers to the March 2020 election**, and ultimately **imposed visa restrictions** on Chief Elections Officer **Keith Lowenfield and other Guyanese officials** who did not respect the ruling of the Caribbean Court of Justice against their position. Indeed, for the United States, the contribution of such sanctions to the restoration of democracy in Guyana was arguably welcome in light of the continued inability of **sanctions and other U.S. pressures** to **dislodge the de facto Maduro regime** in Venezuela.

For Canada, Great Britain, and the European Union—**whose ambassadors stood by** the United States in **pressuring the Granger** government to conduct elections without delay and abide by their results—moving forward with a positive relationship with the Ali government now capitalizes on the principled position these governments sustained during the crisis, and possibly helps them move beyond **historic issues** that have strained their relationship with Guyana since the colonial period.

CARICOM for its part, played a major role in helping to see the political crisis in Guyana through to a successful conclusion. **It did so through the diplomatic work** of its **former** and **current heads**, by **sending electoral** observers, and through the key role played by the Caribbean Court of Justice (CCJ), as Guyana's highest court, **in resolving the crisis**. For CARICOM, **celebrating the democratic transition** in Guyana and moving forward with the new relationship is an opportunity to highlight its successful role in mediating the political crisis, strengthen the role of the multilateral organization in the region, and give new impetus to initiatives for **economic, juridical, and other Caribbean regional integration** which is a fundamental part of CARICOM's objective as an organization.

Despite strong incentives for interested businesses and key international partners to embrace the new regime, there are also outstanding issues and dynamics that could end the honeymoon phase sooner than expected. The Ali administration is **revisiting contracts and transactions** by the outgoing Granger Administration, particularly those made after the **December 2018 vote of No Confidence** and the **expiration of the 2019 budget year**, after which some argue that the legal status of transactions is questionable. The administration is also taking forward a **Commission of Inquiry** into the election and associated problems. Those ongoing disputes will play out against a backdrop of **legal appeals** regarding the election outcome by the defeated A Partnership for National Unity + Alliance for Change (APNU-AFC) coalition, and the **convening of the new parliament**, which **may include former president Granger**.

As the disputes play out in the media, parliament, and other forums, those adversely affected politically and legally by the change in government will be tempted to appeal to ethnic politics, fears about the ideology of the PPP, and its business dealings with the PRC to rally Afro-Guyanese or conservative Western governments against the PPP for their economic, legal, or political benefit.

THE NEW TEAM

On August 6, 2020, President Ali [swore in his 19-member cabinet](#), a combination of young leaders with energy and new ideas, competent technocrats, and experience. President Ali is a businessman comfortable talking in practical terms and a creative thinker with a command of detail on the range of economic issues facing the country. His previous interest and participation in courses at the William J. Perry Center in Washington D.C., lends credence to the argument that President Ali's goodwill toward the United States and the West is long-standing and sincere, although his loyalty and priority is advancing the interests of Guyana.

Bharat Jagdeo, vice president in the Ali administration, former president of Guyana, and party chief of the PPP, will without a doubt play a very influential role in the new government, as he has for decades. For some, Jagdeo's influence will be a cause for concern given perceptions of administrations tied to his leadership as [left-of-center](#), [corrupt](#), and opening doors for [influence for the People's Republic of China](#) (PRC). An alternative interpretation is that Jagdeo is a pragmatist whose positive relationship with the United States, Great Britain, and Canada has been strengthened by each country's role in the ultimate triumph of democratic processes that brought the PPP back to power. While Jagdeo will have an outsized role with his relatively young cabinet, his substantial political, administrative, and international experience will help the Ali government hit the ground running, [as it already has](#), with a plan and understanding of what needs to be done.

Another key figure in the Ali government will be prime minister and retired brigadier general Mark Phillips. Phillip's role reflects his strengths as a highly educated, disciplined, and capable former military officer who understands well the dynamics of Guyana. As prime minister, Prime Minister Phillips heads the Covid-19 Task Force and leads the implementation of the government's business in Parliament. Phillips will also manage telecommunications, energy (including both oil and renewables), and government information.

Prime Minister Phillips is also a member of the Defense Board, along with the government's new home minister Robeson Benn. As the former head of the Guyana Defense Force (GDF), Phillips will bring valuable understanding and attention to Guyana's international and domestic security affairs and challenges at the Cabinet level. Beyond his policy contributions, his participation in the government also symbolically assures the approximately 30 percent of the Afro-Guyanese population, that they have a voice in the government, despite the historical identification of the now dominant PPP with Indo-Guyanese.

Hugh Todd, the new foreign minister, is also a man of ideas, energy, and principle. He is sincerely open to a positive mutually respectful relationship with the United States, in the context of the nation's role as an independent actor and leader in the Caribbean, in the spirit of independence figure Cheddi Jagan, but without the anti-colonialist baggage of that era.

THE PPP GOVERNMENT'S AGENDA

Rarely has an incoming government faced such a complex and challenging agenda, and yet one which has such potential to generate success and prosperity for the country if it successfully navigates the challenges. The tasks that will demand attention by the Ali government are multiple and difficult.

THE COVID-19 CRISIS

Responding to the Covid-19 pandemic is arguably the number one short-term public policy priority for the incoming government, affecting virtually every other area—from health and public security to social stability and the country’s foreign relations. On **August 8, 2020**, President Ali, shortly after naming his cabinet, replaced the prior government’s Covid-19 Task Force with a new **Covid-19 Response Unit** headed by Prime Minister Phillips and the Minister of Health Dr. Frank Anthony. It will also include the **Minister of Education Priya Manickchand**, representation from the private sector, and international organizations such as CARICOM, the Pan American Health Organization (PAHO), and the United Nations Development Program (UNDP), among others. In addition to coordinating the whole-of government and international response, the new entity is formulating a **socioeconomic response plan** to cover the impacts of the pandemic on the lives and livelihoods of the Guyanese people.

As of September 15, 2020, according to the CDC, Guyana had **1,884 officially registered cases** of Covid-19 and **56 deaths**. Although the number of documented cases has increased as the Ali government has expanded testing, infection and death rates are lower than many other parts of Latin America and the Caribbean. **Regions Seven, Eight, and Nine** (in the interior of the country bordering Venezuela and Brazil), and **some parts of Region One** (on the coast bordering Venezuela) **have become hotspots** for the disease. As in other countries in the region, the pandemic is also felt at the leadership level, with the country’s new **foreign minister Todd**, Minister of Tourism **Oneidge Wallrond Allicock**, and **Chairman of the Private Sector commission Gerry Gouveia** all testing positive for the virus. President Ali has accordingly ordered his ministers **to work remotely**.

Guyana is particularly vulnerable to the effects of the virus, with very limited healthcare infrastructure outside the capital Georgetown, although it is seeking to create new facilities such as a **\$1.6 billion infectious diseases hospital** which was the **former Ocean View Hotel**. The country is also vulnerable to the pandemic’s spread due to a large informal sector, public markets, and traditions of social interaction which makes sustained curfews, “working at home,” and social distancing unrealistic as means of limiting contagion. The government has found it difficult to persuade Guyana’s residents to practice social distancing, wear facemasks, and take other measures that would limit the spread of the virus. Further contributing to the challenge, gold mining (both authorized and illegal) in the interior of the country facilitates the spread of the virus, with miners arriving to the mining sites from other parts of the country, then working for extended periods in unsanitary, non-socially distanced conditions (including the brothels and markets that are an integral part of the mining communities). Following such significant opportunities for exposure, miners then commonly travel back to their homes outside the region, potentially spreading the virus, although the Guyana Police Force has attempted to control movement into and out of the mining region through roadblocks.

Management of Covid-19 in Guyana is further complicated by the spread of the disease in each of the country’s three geographically contiguous neighbors, particularly given the relatively **porous borders** that Guyana has with each. **Suriname**, where the spread of the disease had previously been limited, has recently suffered an outbreak near the border with Guyana along the Corentyne river. Brazil, to Guyana’s south, has one of the highest per capita infection rates in the region, helping to make the Guyanese town of **Lethem, bordering Brazil, a hotspot**. To the west of Guyana, in Venezuela, the disease is spreading exponentially—even though the interior of the two countries are separated by jungles that are difficult to traverse. **Venezuelan refugees, often with the facilitation of traffickers, continue to migrate** to Georgetown and other parts of Guyana (particularly along the Coast), furthering the spread of the virus.

Despite such challenges in controlling Covid-19, the Ali government is making progress in responding to the virus in the country. The new administration—in its brief time in office—has significantly increased

the number of testing kits, building on the work of its predecessor. By August 2020, according to Guyanese authorities consulted for this work, the number of kits available in the country has expanded from 2,000 to over 20,000, with a reported 40,000 more on the way. The Ali government is working to acquire more reliable polymerase chain reaction (PCR) tests, in addition to existing rapid test kits, and expand testing capability into the hinterlands beyond Georgetown, particularly where the hotspots are in regions One, Seven, Eight, and Nine. In part, this expansion seeks to overcome the logistical problems and delays of having test processing capabilities located solely in the capital, and thus having to continuously transport samples from remote areas back to Georgetown.

Beyond testing, the Ali government is also focusing on the aforementioned difficult task of educating the population about the importance of social distancing. It also continues to physically distribute masks, other protective equipment, and relief supplies for those economically impacted by the shutdown of the economy required to respond to the pandemic. The GDF has played an important role in helping to seal off the borders with neighboring Brazil, Venezuela, and Suriname, as well as using its aircraft and vehicles to transport medical personnel, tests, and other supplies and relief aid. By contrast to some other countries, the Administration has not involved the Guyana Defense Force (GDF) in enforcement of curfews and social distancing rules but has left such tasks to the police.

On the economic front, the government has committed \$4.5 billion in relief to help the Guyanese population cope with the economic consequences of the pandemic, although it is not clear where that money, **or additional quantities that may be required as the threat of the pandemic continues** will come from. Due to the economic imperatives, and despite the challenges with contagion, the Ali government is currently evaluating the conditions for a **phased reopening of the economy**. Indeed, it has already begun to **reactivate the mining sector**.

THE ECONOMY AND BUDGET

In economic affairs, the Ali government is moving quickly in the face of multiple challenges, including actions delayed due to the extended political crisis. Its near-term priority is the **formulation and passage of an emergency budget**, which the government committed to complete in a **mere 21 days**, and **formally presented on September 10**. Technically, the country has been operating without a formal budget since the **December 2018 no confidence vote** that ended the constitutional mandate of the prior APNU-AFC governing coalition, and the period for the **last budget approved by the legislature**.

As part of gaining understanding of the technical details of the current situation, and asserting control over the administration and fiscal affairs of the country, the Ali administration has contracted a team to do a “**rapid financial and management assessment**” of 19 government agencies, including those administering electricity and water services, the Guyana Geology and Mines Commission, the Central Housing and Planning Authority, the Guyana Forestry Commission, the Guyana Gold Board, the National Industrial and Commercial Limited, the Guyana Lands and Survey Commission, the Lotto Fund, the Guyana Energy Agency, the Guyana Rice Development Board, the Guyana Oil Company, the Guyana National Shipping Corporation, the Guyana Office of Investment, and the Guyana Sugar Corporation.

Beyond the budget, and despite increasing oil production, the new government must address the dramatic contraction of the economy due to Covid-19, with Guyana’s non-oil sector **shrinking 49.5 percent** in the first half of 2020. In addition, the Ali government must act to quickly restore investor confidence—which was **shaken during the political crisis**—even while taking action to assert control over the country and over petroleum contracts that may cause **concern to investors**.

As oil production ramps up between now and 2026 and beyond, **revenues available to the PPP government will increase from \$300 million in 2020 to an estimated \$5 billion per year by 2025**. In the short-term, however, the new government is impacted by spending and contractual commitments by the outgoing Granger administration. According to Vice President Jagdeo, this included **\$116 billion** in disbursements during the current fiscal year before the Ali government took office, and **\$21.7 billion in such contracts** for future spending, that must be reflected in the new budget. The new government has noted other actions by the outgoing administration that complicate its ability to address the country's challenges on its own terms, including the **absence of termination clauses** in contracts for consultants and others hired by the prior administration, constraining them to use, or at least pay for the services of those persons.

In the context of depressed economic activity in the non-oil sector and previously noted fiscal constraints, the new government has been obliged to postpone promised **cuts in 200 separate tax measures**.

PETROLEUM

The successful development of Guyana's petroleum, management, and use of the associated revenues is arguably the central task for the new government with respect to management of the economy. The importance of the sector was highlighted by Exxon's announcement, in September 2020, of its **18th oil discovery**, bringing the known amount of recoverable oil in the country and in its waters, to **over eight million barrels**. In the near-term, the key project is the expansion of production at the country's first producing oil well, Liza-1, by the consortium of Exxon Mobil, Hess, and the Chinese firm CNODC. Production is currently **98,000 barrels per day**—with aims to expand to 120,000 barrels per day by August 10, 2020. The consortium plans to bring other wells in the Liza block online **by 2022 (eg. the Liza Phase 2 development)**, further increasing production. The Ali government is also now reviewing other activities in various stages of approval and development under the prior government—most significantly, **Exxon's Payara project**, which was initially targeted to begin production in 2019, and was **delayed by the political crisis**, but in **September was approved** by the new government.

By 2026, with multiple blocks producing oil, production from Guyana is anticipated to reach **750,000 barrels per day**, although the portion of the revenue going to the Guyanese government **will be lower than in many other** oil producing countries. Such agreements were negotiated by predecessor governments, including both the PPP and the APNU-AFC coalition, when Guyana's oil potential was unknown and the government position was correspondingly weak. Some suggest that the APNU-AFC government should have pressed Exxon for better terms in 2016 when prior contracts **were up for renewal**. As part of the Ali government's demonstration that it will honor existing legal commitments, it has signaled that **it will not challenge the terms** of the current contracts, which include the government receiving a **relatively low 2 percent royalty** on the oil (plus 50 percent profit-sharing). In the coming years, however, the Ali government will have the opportunity to auction off the rights to explore for and develop other oil blocks, possibly demanding more favorable terms.

Where contracts have not yet been finalized, by contrast, the new government has delayed and in some cases is redoing processes set in motion by its predecessor to **exert control** and seek **possibly better deals**. Examples include the previously mentioned **Payara project**, which the new **government evaluated** before giving the Exxon-led consortium approval to proceed. Despite Exxon's concerns over the delay in approval of Payara, however, the Ali government **has been expeditiously moving forward on the review and approval** of multiple oil projects.

In the same fashion, it is also **re-bidding some petroleum sector service contracts**. Similarly, while continuing to honor the prior government's contract with Exxon, the Ali government is pressing the consor-

tium and other oil companies for more benefits in its implementation, including [increased pay for Guyanese petroleum workers](#) (currently [55 percent of its employees](#) in the country), plus [more funds to train them](#) to develop an enduring local capacity in the sector. It remains to be seen whether such pressures by the historically left-of-center PPP will be interpreted by investors as market unfriendly initiatives, or merely the incoming government trying to [negotiate a better deal](#) for Guyana from the lucrative relationship.

Reflecting the importance of petroleum and the revenues associated with it in Guyana's development, the Ali government is moving the Energy Department (which oversees oil and gas) [under the Ministry of Natural Resources](#), where it will be directly overseen by President Ali and Vice President Jagdeo. In addition, the Ali government has [emphasized on multiple occasions that it is contracting](#) experienced consultants to give them the expertise that it requires for oversight and technical negotiations with the big oil companies. The government further plans to establish a [petroleum commission within six months](#) to aid with technical management, and establish an advisory board of outside experts on petroleum. It further will review, and possibly restructure to some degree, the Sovereign Wealth Fund set up by the prior administration. The government has announced that it will set up a commission populated by technically qualified personnel to oversee the fund. Whatever changes it makes, it has committed to submit its plan for the restructured fund for debate and a [vote in Parliament](#).

In conversations with members of the Ali government, each emphasized the importance of using the proceeds of the new oil wealth not just for short-term social benefits, but also to diversify and create value-added activities in the economy for when the petroleum runs out. One focus of long term thinking in this regard is the construction of infrastructure, in the petroleum and other energy sectors, and also in transportation, telecommunications and elsewhere. In the petroleum sector, for example, the Ali government has expressed a desire to [industrialize the natural gas](#) now flared off from the country's offshore wells. The Ali government is also actively focused on the development of renewable energy—including wind, solar, and hydroelectric—and has had preliminary conversations [with the Islamic Development Bank](#) regarding financing projects in this area. Indeed, a PPP campaign commitment that the government is serious about taking forward is the [resurrection of the canceled Amaila Falls](#) hydroelectric plant, previously contracted to a consortium centered on [China Railway First Group](#).

TRADITIONAL ECONOMIC SECTORS

Due in part to the Covid-19 pandemic, but also because of economic adjustments in process prior to it, the Ali government [must address the parts of the non-oil economy](#) which have contracted significantly and which continue to provide a substantial part of the employment for the country. For example, some [7,000 Guyanese](#) were put out of work when the outgoing government closed down four sugar estates at [Rose Hall, Skeldon, Enmore and Wales](#), which had been operating at a loss and draining the budget. The Ali government [has promised to reopen three of the four](#) closed estates. In addition, it must address the depressed bauxite mining sector, whose problems were [compounded by the Covid-19 pandemic](#), including [suspension of operations and the firing of workers](#) by the Russian mining firm Rusal. The government must also confront similar problems in rice farming, timber, gold, and retail sectors, despite the previously mentioned short-term constraints in the budget.

While economic dislocation naturally generates calls for compensation to those unemployed or subsidies to prop up the industry, a central element of the Ali administration's thinking is using part of the coming oil bonanza to giving farmers and other traditional workers the education and technological capabilities to be more productive and access export markets for their products, such as that of the United States.

ELECTORAL REFORM

The more than twenty months of delays and political struggle that almost prevented the PPP from attaining power has highlighted weaknesses in Guyana's electoral and other institutions and the need to reform them. The imperative was further bolstered by a report released in August 2020 by the United Nations Commission for Human Rights, noting the contribution of Guyana's political system to **polarization, misinformation, and the marginalization** of minority ethnic groups. The Ali government has thus made **electoral reform**, to be implemented prior to the next elections (theoretically in 2025), a top priority. Within its first 100 days, the government intends to begin a national dialogue, including sending people into communities across the country to obtain inputs regarding the changes needed and foster a sense of grassroots participation in whatever reforms are proposed.

CRIME AND INSECURITY

The incoming Ali government must address issues of crime and insecurity in the country, particularly in the context of both the hardships created by the Covid-19 pandemic and the country's coming oil wealth.

Although the operation of gangs and drug cartels in Guyana is more limited than in other parts of South America, the transshipment of drugs from Venezuela to the United States and Europe is becoming an increasing problem. In August 2020, for example, authorities intercepted a shipment of rice going from Guyana to Hamburg Germany with 1.5 tons of cocaine, worth an estimated **\$350 million**. Organized crime also includes the operation of Brazil-based groups such as the **First Capital Command (PCC)**, seeking to position themselves for the cocaine trade. In addition, Guyana faces increasing levels of crime and insecurity in **Georgetown**, the region **bordering Venezuela**, and the **Corentyne River border region** with neighboring Suriname.

In the country's sparsely populated interior, **illegal gold mining** and **associated criminal activity** continues to be a problem and is expected to become an even more urgent challenge with gold prices **at record highs** above \$2,000 per ounce.

Guyana's new oil wealth is likely to attract new and more sophisticated criminal actors to the country, making the Ali government's completion of **Security Sector Reform begun by its predecessor** and the associated enhancement of the capability and professionalism of the police force a top priority. The urgency of such advances is something well understood by Prime Minister Phillips, particularly given his background as former head of the GDF. Similarly, increasing income from petroleum and associated activities into the growing Guyanese economy will also increase the importance of having a solid mechanism for overseeing the financial system to identify and investigate money laundering and other financial crimes. The challenges in this area were recently noted by the Caribbean Financial Action Task Force, which plans to conduct a **third round of reviews** of Guyana's system in the coming months.

In preparing for such challenges, one focus of the incoming government is improved mobility and training for the Guyana police force and other government entities involved in public security, including training in new areas such as cybercrime. The Ali administration is also considering acquiring more technology for the Guyana Police Force, including body cameras and devices to permit more reliable, continuous communications with police headquarters and police units. In addition, members of the Administration consulted for this work mentioned in favorable terms the use of surveillance and other architectures under the **"safe cities" initiative**, which have raised issues of personal and data privacy in other places in the world. A 100 camera pilot project is currently in the works for Georgetown, contracted **to the Chinese firm Huawei**.

Finally, the Ali government looks to enhance the capabilities of the GDF, including more assets for Guyana's Coast Guard to help it more effectively patrol the country's Exclusive Economic Zone and its valuable oil production.

GUYANA'S POLITICS

In political affairs, one of the most pressing tasks for the Ali government will be to **unite the country**. Most importantly, this includes reassuring voters—in a country ethnically and politically polarized between Indo-descendant and Afro-descendant populations—that the interests of all ethnic and other groups are fairly represented and protected. President Ali's **positive and inclusive inaugural address** was a good start in that regard, as was Attorney General Nandall's **expression of interest in working with the opposition**. It remains to be seen how such gestures will be received by those who fought against the PPP's return to power over the past two years. Nonetheless, the **angry discourse and violent protests** following the September 6 murders of two afro-Guyanese youth in the West Coast Berbice area **highlight the risk** of escalating ethnic conflict in the country.

Despite such difficulties, there are some causes for optimism. Despite unacceptable delays in recognizing the APNU loss, outgoing President Granger's decision to finally concede, urge his supporters to **remain calm**, and pursue his party's grievances through legal channels—rather than in the streets—was an important act befitting of the president as a statesman. Although Georgetown, the seat of the government, has a significant concentration of Afro-Guyanese APNU supporters, it has not seen significant political protests by that APNU base following President Ali's inauguration and the initial activity by his government.

In the context of persistent political polarization and negative sentiment in Guyana, there are multiple opportunities for government gestures designed to move the country past the crisis to backfire. As an example, the **Commission of Inquiry** into electoral problems that the Ali government has promised represents an important step with respect to advancing transparency, good governance, and rule of law. Nonetheless, there is a risk that those targeted by such an inquiry, with **possible criminal charges** for wrongdoing associated with the election process (including **Chief Elections Officer Keith Lowenfield**), will try to misrepresent those actions to their supporters as the criminalization of political opposition, fueling further political polarization. Former president David Granger has already accused the incoming government of **"persecuting" the opposition**.

In the same vein, the incoming government's **legal review of funds expended in 2020** by the outgoing Granger administration has the potential to give rise to a series of criminal cases and political polemics throughout 2021 and beyond. Such cases would make the APNU leadership and support base feel threatened and could potentially stimulate populist appeals that could deepen polarization.

INTERNATIONAL AFFAIRS

In its external relations, the immediate and most important task of the new government is to rebuild and extend the country's international reputation as a respectable, key regional actor. This is particularly important since the recently ended 20-month political crisis discredited not only the previously laudable outgoing APNU-AFC government, but cast doubt on the functionality and reliability of Guyana's democratic and legal institutions. This doubt comes at a time in which the country's newfound oil wealth will lead investors to make important decisions about the security and advisability of investing billions of dollars of their own money in the petroleum and supporting sectors.

In pursuing this balance in international affairs, the government will be helped both by the significant experience of Vice President Jagdeo as an astute politician with longstanding personal experience not only as

a Caribbean leader, but also with the United States, China, the European Union, and other countries. The government will simultaneously be aided by Foreign Minister Hugh Todd who is perceived by to have ample creativity and ideas, and a positive inclination toward the West, but who also understands and values the legacy of Guyanese dignity and independence.

THE BIG THREE WESTERN PLAYERS

The key role played by the United States, Canada, Great Britain, and to a lesser extent Norway and others in the European Union (EU) in fighting for a democratic transition in Guyana has already laid the groundwork for a stronger relationship than has historically been the case in the post-independent period between these actors and the PPP government. The Ali administration has been consistent in emphasizing its [gratitude for the United States' contribution](#) in restoring democracy, well as its support for a close and positive bilateral relationship with the United States, and the ongoing role of the latter as an advocate for democracy and prosperity in the region. Guyana's diaspora in the United States (as well as in Canada, Great Britain, and the European Union) also strengthen the importance of positive government-to-government ties with the United States and these other traditional Western players.

The Ali government recognizes the value of the partnership with the United States on a range of specific issues—from fighting the Covid-19 pandemic and coordinating against state and criminal threats to the security and territorial integrity of the country to supporting Guyana's prosperity and governance through both commerce and developmental assistance. With respect to Covid-19, the resolution of the political crisis now opens the door for a range of U.S. government and private sector donations.

With respect to security, the Ali government looks to the United States for support in Guyana's [territorial dispute with Venezuela](#) over the Essequibo region when the International Court of Justice reconvenes at the end of 2020 to take up the case, and as a potential ally if the Venezuelan military continue to violate Guyana's waters or territory [as it did in December 2018](#). Similarly, as Guyana faces natural disasters, narcotraffickers, and incursions from armed groups associated with illegal mining in neighboring Venezuela, U.S. security assistance, including material support, the Tradewinds regional security exercise, and cooperation with the U.S. Coast Guard continues to be important. With respect to development, the Ali government looks to the United States for economic assistance and governance strengthening programs, as well as U.S. government support for private sector investments through vehicles such as the [Development Finance Corporation](#) and the American Chamber of Commerce. A positive relationship between the Ali government and the U.S. Department of State will also be strategically important as the former deals with oil companies such as the Exxon-led consortium.

Early U.S. outreach and initiatives with the new Ali governments, including U.S. Ambassador [Sara Ann Lynch's early conversation](#) with President Ali and the expansion of the USAID [Guyana Extractives Sector Transparency \(GEST\)](#) Project, are steps in the right direction.

CHINA

The Ali government will seek to work with the PRC in a cautious but relatively transparent fashion, within the framework of rule of law (without being cast as a Chinese client) and with sensitivity to doing so in ways that do not alarm the United States, which has taken a strong interest in the PRC advancement in the region. While the PRC did not publicly voice its support for the resolution of Guyana's 20 month-long political crisis in the same way that its Western counterparts did, it did cautiously advocate for following Guyana's electoral laws and constitution in a way that ultimately helped to resolve the crisis, with the PRC ambassador received by the new government at the highest level shortly after inauguration.

PRC-based companies played a key role during the prior PPP administrations of Bharat Jagdeo and Donald Ramotar, including the construction of the [Marriott Hotel](#), the [Cheddi Jagan International Airport](#), the country's electric and fiber optic infrastructure, the [Skeldon Sugar Factory](#), as well as import-export (e.g., [China Trading](#)), retail (from motorcycles to electronics), and the timber sector, among other projects in the interior. Chinese companies have also expanded business in the country in new ways under the Granger government, including an important role by [China National Offshore Oil Corporation \(CNOOC\)](#) as a minority partner to Exxon Mobil in the development of Guyana's offshore oil, as well as work by China Harbour Engineering Corporation in the [\\$100 million expansion of the landmark Pegasus Hotel](#). While the base of businessmen involved in dealing with and benefiting from dealings with the PRC shifted while the APNU-AFC coalition was in power, Guyanese businessmen affiliated with the prior PPP government arguably continue to be well-positioned for projects with Chinese companies in the country—likely facilitating China's commercial advance in Guyana in the context of the country's newfound oil wealth.

VENEZUELA

One of the early tests for Guyana's foreign policy will be Venezuela. The Ali government has already made clear its rejection of the claim to legitimacy of the *de facto* Maduro regime, and [its agreement with the Joint Declaration of Support for Democratic Change in Venezuela](#) in August 2020. While the Ali government's position is congruent with that of the U.S. government, its support derives from its own experience, emphasizing that in Venezuela, like Guyana, the voice of the people in choosing their leader should be respected and not hijacked by an incumbent government that wishes to maintain its position of power in order to reap the benefits associated with control of oil revenues and other perquisites of office.

Beyond the government's position on the restoration of democracy, Venezuela and the *de facto* Maduro regime continue to present a multidimensional security threat for Guyana, [including "sindicatos"](#) and other armed Venezuela-based criminal groups which [cross over the border and conduct criminal activities](#) in Guyana. In addition, as noted previously, Venezuelan migrants, entering Guyana through the country's porous borders (particularly along the coast) present economic and health challenges given the country's small population and limited infrastructure.

Finally, Venezuela [claims ownership of Guyana's Essequibo](#) region representing over half of Guyanese territory and impacting its offshore oil claims. Moreover, Venezuelan warships have violated Guyanese waters to [harass petroleum vessels](#) working on offshore oilfields, threatening Guyana's ongoing oil development. The territorial dispute is now before the International Court of Justice (ICJ), presenting the new government the opportunity to secure an important legal ruling from the body. Former foreign minister [Carl Greenidge has been retained](#) by the incoming government [to continue the case](#). The confirmation of ICJ jurisdiction, [which Venezuela plans to reject](#), will be an early milestone in the matter.

Guyana has also committed to support the [U.S. candidate to the Inter-American Development Bank](#), Mauricio Claver Carone, highlighting the goodwill of the new PPP government toward the United States, particularly as Carone's candidacy [faces problems and pushback](#) from the region.

CARIBBEAN

Guyana, as the physical seat of CARICOM, and the greatest recent success of CARICOM's diplomacy, will also have the opportunity to leverage that victory to strengthen its own role in CARICOM, as well as its regional integration, the regional role of CARICOM, and the Caribbean Single Market Economy (CSME) in Caribbean affairs. The Ali government's appreciation of the role played by CARICOM in the restoration of democracy in Guyana is reinforced by the latter's traditional position as an advocate of greater Caribbean

regional integration. As the Ali government moves past the current political crisis, Covid-19, and other immediately pressing business, it is positioned to participate in every level in CARICOM, reviewing and revitalizing dormant agreements, looking for opportunities to work more closely with the CARICOM Secretariat, and harmonizing regional policies and proposing common initiatives.

SURINAME

The Ali government will also have an unprecedented opportunity to strengthen traditionally difficult relations with neighboring Suriname. For the first time in the post-independence period, both governments are now ruled by Indo-Guyanese parties on relatively good terms with the West. One of the first official acts of President Ali was to [meet with his Suriname counterpart Chandrikapersad Santokhi](#) who made the gesture to travel to Georgetown. The two committed to expand cooperation on several issues, including petroleum, fighting organized crime, [natural resources, and border surveillance](#). Ali and Santokhi knew each other as friends and colleagues during their respective time in government before each became president of their respective countries. The parallel experiences of [contested elections](#) that each man lived also brought them closer and reinforced the conviction of each to work together. This will likely continue to bolster a close relationship between the two countries as both governments move forward.

INDIA

While the Indian government was somewhat late in giving attention to the unfolding crisis in Guyana and joining international pressure for the restoration of democracy there, there are multiple bases for a strong relationship with the new government—including a significant Indian diaspora in the country and associated shared cultural ties. Additionally, the Indian government has been consistently generous with development assistance to Guyana in the past. In the first weeks of the new PPP government, President Ali has already met [with the Indian High Commissioner](#) to discuss cooperation between the two nations on Covid-19.

IMPLICATIONS FOR THE UNITED STATES AND THE CARIBBEAN

Despite potential risks, the new PPP government in Guyana has the potential to be one of the best, among very few, positive news stories in the region for 2020. Both the resolution of the political crisis and the potential success of the government's initiatives have the potential to transform Guyana from a lamented lost opportunity and another failure of democracy in the region to a source for celebration, a driver of Caribbean basin economic growth, and strengthened institutionalization for [CARICOM](#).

The new Guyana has the potential to be a positive example of the possibility of successfully blending constructive values of free markets, transparency, and rule of law—with a healthy path for economically engaging with the PRC. In the context of PPP party father and independence leader Cheddi Jagan and the innovative new generation of PPP leaders, the Ali government has the potential to carve out a prosperous path long sought but seldom achieved in Caribbean politics, working in a positive fashion with the West and embracing, on its own terms, the most relevant and productive of its values: achieving independence and dignity without succumbing to the self-destructive trap of a corrupted, radicalized populist left.

Cases will inevitably emerge of corruption, errors by the government, and protests against its choices and performance. The Ali government will also surely take some actions not palatable to the United States or to Western petroleum companies and other investors. The United States and the international community should react to such events with patience, insisting that cases of corruption are pursued and that contracts and other actions are handled within a framework of openness and rule of law.

It is difficult to think of another case in recent memory when the United States has applied consistent pressure—as it did with the outgoing Granger government—for a friendly government to renounce its power in the interest of democracy, paving the way for the return to power of a party with which it previously had concerns. For its part, in its initial communications and posture, the Ali government has done everything to put its best foot forward to begin its relationship with the United States, the international community, international investors, and its own people in a positive fashion. The blossoming of that hopeful beginning into a positive, respectful relationship that advances Guyana’s development, Caribbean leadership, and good governance in the region, would be a befitting tribute to the legacy of the Party’s father and independence leader Cheddi Jagan. ■

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