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Guyana at Risk: Ethnic politics, oil, Venezuelan opportunism and why it should matter to Washington

By Evan Ellis / [🐦REvanEllis](#) / December 31, 2018

On Friday, December 21st, as attention in Washington, D.C. shifted from the fight over the border wall and impending government shutdown to last-minute Christmas shopping, the government of Guyana, one of Latin America's most overlooked strategically important countries, imploded.



Charrandas Persaud, a member of parliament (MP) with the Alliance for Change (AFC), the small centrist partner in the governing coalition, voted against his own party's leadership in a no-confidence motion. This broke the government's fragile 33-32 majority in the 65 seat National Assembly, setting the clock running for new national elections within 90 days.

Persaud's defection set in motion far more than fresh elections and a likely change in government. It is potentially the first shot in a destabilizing fight between Guyana's ethnically Indian and African communities to control the spoils from a tidal wave of oil money as production from the offshore Liza field begins in 2020. To exacerbate the situation, the collapsing socialist regime of neighboring Venezuela continues to assert claims on part of that oil and a third of Guyana's national territory.

Guyana's Ethnic Politics

Even before the nation's independence in 1966, Guyanese politics were shaped by the rivalry between citizens of Indian and African descent. Founding father Cheddi Jagan (of Indo-Guyanese descent) sought to build a pan-national movement, the People's Progressive Party (PPP), including Forbes Burnham and other key figures of Afro-

Guyanese descent. A series of political disputes ultimately led Burnham to leave the PPP and found the People's National Congress (PNC), with mostly Afro-Guyanese membership, with the remainder of the PPP coming to be seen as principally an Indo-Guyanese party.

Leveraging the greater size of the Indo-Guyanese population relative to the Afro-Guyanese supporters of the PNC, (40% Indo-Guyanese versus 29% Afro-Guyanese according to the 2012 census), the PPP, under Bharat Jagdeo, held onto power without interruption from 1992 through 2015. During this time, the Indo-Guyanese came to have a particularly strong presence in the Guyanese bureaucracy, complementing their longstanding dominance of the business community, while the Guyanese Defense Force (GDF) and police have been dominated by Afro-Guyanese since their inception.

As with ethnically polarized politics elsewhere, political control in Guyana, in the context of high levels of perceived corruption, has come to be associated by many in the country with the distribution of the national wealth. There are continuous perceptions of ethnic favoritism in decisions regarding government jobs and investment, social programs and government contracts in the country.

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PPP dominance began to crack in the early 2000s, beginning with the 2005 defection of three members of Parliament to form the centrist AFC, drawing support from reform-minded members of the PPP's Indo-Guyanese base. Compounding the PPP's problems, in 2011, PNC leaders expanded their coalition to form the "A Partnership for National Unity" (APNU), and adopted a platform that modestly broadened the group's appeal beyond Afro-Guyanese.

In the 2011 general and regional elections, although the PPP held onto the Presidency as the single biggest party, the sum of APNU and AFC seats gave them a majority in the parliament, allowing them to reveal questionable details, and in some cases block activities of the PPP government of Donald Ramotar, including a number of questionable projects with Chinese partners. In 2015, a threatened APNU-AFC no-confidence vote forced the PPP to call for elections in May, which the APNU-AFC coalition won. This victory gave them an extremely fragile one-person majority in the National Assembly, and put retired Afro-Guyanese Brigadier General, Dr. David Granger, in the Presidency.

Guyana's Oil Bonanza

Concurrent with the shift in Guyana's politics, petroleum exploration activities by Exxon-Mobil, in partnership with Hess and China National Offshore Oil Company, among others, in the offshore Stabroek block, revealed significant amounts of recoverable oil. With successful oil find after successful find, Exxon and its partners have identified an estimated five billion barrels of recoverable oil in the Liza field, whose extraction could yield between \$7 billion to \$27 billion in

gross revenues per year over the next 30 years. The fields are scheduled to begin producing oil for commercial sale in 2020.

While the amount of oil is modest by global standards, once at target production levels (probably in 2025), Guyana will rival Mexico and Venezuela as an oil producing nation. The transformative potential is significant in light of the country's small population of 750,000. The additional income from the salaries of oil workers, construction, contracts to support the development and operation of the fields, and the ripple effect on the Guyanese economy will be enormous. Some estimate that the country's modest \$3.6 billion GDP could triple in five years. Guyana's capital Georgetown is already awash in new commercial real estate projects and other ventures in mere anticipation of that money. Complementing such benefits, royalties and other payments passed by Exxon to the Guyanese government could double the national budget.

With so much new money arriving so quickly, observers worry that Guyana's institutions are sufficiently capable and corruption-resistant to manage the money effectively. But there are some positive signs. Under the Granger administration, perceptions of public corruption have fallen significantly, and investor confidence has grown. The government has published a "green paper" to advance the national discussion regarding how to manage the windfall and has begun building management and oversight mechanisms to deal knowledgeably with its commercial oil sector partners. It has also proposed a "natural resources" sovereign wealth fund, and has taken other steps to strengthen institutions.

Still, some have criticized the government for the terms of the agreements with Exxon, and for not doing enough to prepare to manage the inflow of money. Some have proposed spending the money on infrastructure and cash transfers to the poor, but others have criticized those ideas as wasteful “vote-buying schemes.” The contentious history of Guyana’s ethnic politics and example of neighboring Venezuela’s oil resources squandered by a populist regime, believed to have looted billions and destroyed its economy, inspire worries for Guyana.

The Coming Crisis in Guyana?

The Persaud vote, and the associated fall of the government is what many in Guyana hoped to avoid but feared could easily happen. The poor performance by the AFC in November 2018 local elections exposed the weakness of the ruling coalition and tempted the PPP to calculate it could win an early national election, while the framework for managing Guyana’s oil revenues is still being established.

In the short-term, the no-confidence vote severely limits the ability of the Granger government to make needed decisions regarding the quickly approaching beginning of oil production, until the now-required early elections are held (likely in March 2018). Indeed, PPP leader Bharat Jagdeo has called on President Granger and his government to immediately resign.

The constitution is vague on the required sequence of events after a no-confidence vote. Now that Persaud has been “fired” by his party and replaced by a loyalist, there has even been talk about “re-doing” the vote, with a changed outcome theoretically allowing the government to

argue that early elections are no longer necessary (a position which the PPP would strongly dispute).

The APNU-AFC coalition reportedly is exploring options to fight the no confidence motion based on irregularities in how it occurred. The matter could become drug out in the courts for years. Such a situation would paralyze the government, in the face of important necessary decisions about both the management of Guyana's new oil wealth and the response to Venezuela, with a government that would likely come to be seen as illegitimate by the PPP and an important part of its Indo-Guyanese supporters.

If elections do occur, the key candidates on both sides will be handicapped in a fragmented party environment. President Granger has affirmed that he will be the candidate for the APNU-AFC coalition, but will be weakened by the chemotherapy associated with his battle with cancer. Bharat Jagdeo will probably not be the PPP candidate, since he has already served two terms and the Caribbean Court of Justice has ruled that he is ineligible for a third term. The Jagdeo loyalists who have been suggested as candidates are tainted by corruption and could be opposed by the PPP old guard.

Contributing uncertainty to the political dynamic, Guyana's Proportional Representation (PR) parliamentary system facilitates the formation of splinter parties. Elections would probably result both the further demise of the AFC, and two or more newly-formed centrist parties winning representation in the National Assembly, completely altering the calculations of post-election maneuvering between Guyana's key political actors.

Adding to Guyana's difficulties (and associated uncertainty for oil operators and investors), on December 22nd, the Venezuelan Navy approached and threatened to board a Bahamian-flagged Norwegian seismographic ship, the Ramform Tethys, operating in support of Exxon-Mobil-led petroleum operations within Guyana's Exclusive Economic Zone, forcing the company to temporarily suspend its technical measurement activities in the area.

The violation of Guyanese sovereignty, which was quickly condemned by the Caribbean Community (CARICOM), Great Britain, and the U.S., is a reminder of Venezuela's continuing claims to the Essequibo region (two-thirds of Guyana's territory), even as thousands of Venezuelan refugees enter the area, driven by the economic collapse of their own country. Venezuela's harassment of oil exploration vessels in Guyana's Exclusive Economic Zone is not, however, based on only its land claim (resolved in 1899 in Guyana's favor by international arbitration), but on a questionable argument that its maritime claims extend on a 70-degree projection from the Orinoco River delta at the Venezuela-Guyana maritime border. However weak the claim, as in 2013 when Venezuela seized the Anadarko oil exploration ship Teknik Perdana, the Maduro regime in Venezuela appears set on using the fabricated dispute to extort Guyana into handing over part of its offshore oil (or agreeing to some other type of compensation) in exchange for Venezuela leaving Guyana in peace to develop the remainder of its resources. Absent such unlikely concessions, continued Venezuelan provocations, coupled with the Maduro regime's announced intention to allow Russia to establish a military facility on nearby Orchila island, could compound the effects of government instability in scaring investors.

Perhaps the greatest danger for Guyana is that the present domestic political turmoil escalates to decimate what remains of goodwill between ethnic groups, and their faith in whatever government emerges from the present crisis, to fairly and effectively use the new oil wealth to advance national development. It is too easy to imagine a scenario in which the Indo-Guyanese majority returns a PPP government to power, leaving the Afro-Guyanese minority recalling prior corruption and perceived favoritism under the PPP. The Afro-Guyanese may be convinced that the government of their champion, Granger, was brought down through Indo-Guyanese treachery, and convinced that the democratic system will not protect their interests. The result would likely be an escalation of inter-group violence, government paralysis, and expanded criminality and corruption.

For the United States, such a course for Guyana would contribute to the security concerns along the southern shores of the Caribbean basin, as drug production explodes to Guyana's west in Colombia, Venezuela hosts Russian military deployments and basing agreements, and while criminal and terrorist groups operate with impunity on Venezuela's territory. Meanwhile, to Guyana's East, in Suriname, President Desi Bouterse's son languishes in a U.S. prison, having accepted money in a U.S. Drug Enforcement Agency sting operation, thinking he was helping the terrorist group Hezbollah move drugs and set up training camps on the nation's territory.

What to do

Policymakers in Washington can help Guyana avoid a descent into ethnic violence and chaos. The U.S. must begin by demonstrating a sincere commitment to *all of* the people of the country, whether of

Indian, African, or other ethnic origin. It should work through CARICOM, through the Organization of American States (OAS), and bilaterally as well, to support the realization and monitoring of free and fair national elections in the country.

At the same time, the U.S. should work with the Guyanese government to identify how it can best help it to strengthen its institutions and processes, including support for planning, management, and oversight of Guyana's use of oil revenues in a transparent, effective, and impartial fashion. To avoid the appearance of favoritism toward the current APNU/AFC government on the cusp of the possible recapture of power by the PPP, the U.S. should also maintain an open dialogue with the latter to identify ways in which it might work with the U.S. to further the same interests of Guyana, should national elections favor it.

Particularly during Guyana's delicate transition, the U.S. should also be attentive to attempts by both interested domestic and external actors to manipulate the election or public opinion, through social media, cyber operations, or old-fashioned bribery, coercion, and fraud.

Whoever prevails in the election, the U.S. should make it clear that it is prepared to sincerely work with them, to include increasing assistance in areas such as good governance and protecting the nation against malevolent actors who would violate its sovereignty.

In turn for that extended hand and expanded non-reciprocal assistance, however, the U.S. must make clear that it expects whoever is in power in Guyana in 2019 to respect the democratic practices defined by its own constitution. Particularly important is extending protection and equal treatment under the law to all of its citizens, honoring the

nation's legal commitments to commercial partners and investors, and continuing to fulfill the nation's responsibilities to international institutions, including continued cooperation in the struggle against illicit finance, narcotics operations and other organized crime.

Guyana will continue to be courted by a range of international actors interested in its oil wealth, including China (as previously noted, Chinese petroleum company CNOOC has a 30% interest in the Exxon-led development of the Stabroek block). As with its posture towards other countries of the region, the U.S. should insist that such engagement is consistent with principles of transparency, equality of treatment, and equality of opportunity before the law.

With the no-confidence vote, Guyana is entering a particularly difficult period, albeit with the promise that could come from making wise use of the nation's petroleum and other abundant resources. Guyana is a country in which the U.S. has not always been perceived as an attentive friend and partner. As 2019 begins, America has an important opportunity and many good reasons to change that perception.

The author is Latin America research professor with the U.S. Army War College Strategic Studies Institute. The views expressed herein are strictly his own. The author would like to thank journalist and Caribbean expert Mark Wilson, among others, for their help with this work.

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