

Leaders Magazine

An Interview with Dr Cheddi Jagan
President, Co-operative Republic of Guyana

EDITORS' NOTE:

Dr Cheddi Jagan was born in Guyana in 1918 to parents who worked as indentured plantation workers. After attending Queen's College in Georgetown, Guyana, for two years, he received his Doctor of Dental Surgery degree from Northwestern University in Chicago in 1942.

He founded Guyana's People Progressive Party in 1950 and for 42 years thereafter held increasingly responsible positions in his party, and Government, culminating with his election as President of the Co-operative Republic of Guyana on October 9, 1992.

The author of four books and numerous pamphlets and papers, Dr Jagan in this interview describes his country's rich supply of natural and mineral resources. He says that, given Guyana's especially competitive labor costs and trade possibilities foreign investors have the potential to make out well.

Q: Why should foreign investors looking for investment opportunities choose Guyana over numerous other countries also urging investors to invest in their countries?

A: Guyana is very rich in natural resources and we have a history of developed human resources. I think our government has also brought about political stability. That is a very important ingredient for investors.

There is opportunity to invest here because we have special access to markets in Venezuela and Colombia, in the European Union under the Lome Convention, in North America under the US Caribbean Basin (CBI) and the Canadian CARIBCAN. There is also free trade in the Commonwealth Caribbean Community. And now we have the Association of Caribbean States (ACS) which ultimately will move towards a free trade area. So I would say those factors are important ingredients for investors who come here, apart from the fact that we have said as a government that we need investors.

Another thing I should mention is that we have competitive labor costs. We don't want to remain a low-labor-cost country forever, but for now and the foreseeable future we have minimum wage here of only 40 U.S. cents per day, and highest monthly salary of about US\$800.

To summarize, we have natural resources, a potential quality labor force that can be developed quickly because of our improving educational system, competitive labor costs and political stability. Additionally, as I said earlier, we are in close proximity to and have trade facilities with, many countries in this hemisphere, which is advantageous for investors.

Q: What policies have your government promoted to improve levels of training among your work force?

A: We want to do much more than has been done before. We have increased governmental expenditures for education from eight percent to about 20 percent. We will have training programs for all levels, including the secondary level, such as technical schools and institutes. But we want to expand this very rapidly -- especially among our middle-class people. At the university level, we are trying to put more emphasis on natural sciences, engineering and agriculture-related subjects.

Q: What kind of ventures will offer foreign investors particularly good returns on their investments?

A: Well, let me review the sectors of economy. Number one, we want more investments here for aero-industry. For instance, Caribbean nations are importing nearly \$2 billion worth of food from outside the region and we have free trade in this region.

A good supply of semi-precious stones exists, and I am told that in Guyana there is probably more money to be made from semi-precious stones for jewelry than can be made from gold and diamonds. So here too, we have hope for investment.

Then there's Forestry. Over 70 per cent of Guyana's land is forest-laden. We have the finest quality hardwoods in the world. There is a big market out there for processed timber that is properly seasoned, insect-proof and properly cut by international standards. And furniture can also be made here.

We, of course, don't want our forests or our environment to be depleted. But the right investor who would protect the environment and maintain sustainable development will find a big resource base here.

At the moment we're talking to the International Financial Institutions about improving our monitoring capabilities for the future. But while these talks are taking place, we're also inviting interested investors to come in and work within the rules of environmental protection and sustainability.

Q: Are there infrastructure projects in the planning stages in Guyana that foreign investors might want to participate in?

A: Well, there are many -- roads, sea and river defences, air transport, sea transport, steamers for river transport, drainage and irrigation systems, and electrical plants, just to start.

We need new roads and better transportation services -- even a bus service is needed here.

We have a lot of land in Guyana. We have a lot of people who are willing to work in the agriculture sector, unlike the situation in many countries in Latin America, where people are moving away from rural areas to urban areas. In Guyana, people are willing to stay in agriculture, so any investor who wants to come here should know they will have a labor force that is familiar with agriculture. Consequently, we have tremendous hope for agro-industry. Not only to grow food here, but to process it here as well.

The middle stage of the bauxite aluminum integrated industry holds potential for development. Foreign investment is possible; investors could evaluate our bauxite plants and work out possible joint venture relationships such as the one with Reynolds Metals Company. We produce bauxite at the moment, but our alumina plant is closed. Unfortunately for us as producers of the raw material, money is made in bauxite by smelting it into aluminum as well as in the fabricating part of the industry. The bottom line is that there is no money in just selling raw or refined bauxite, but if we had the capability to smelt here, we would become very competitive.

We have a tremendous amount of sand here. An investor could develop a glass industry and other related industries from silica which can be produced here. Guyana has very high-quality silica sand.

We have gold and diamond developments. Gold is fairly well developed -- we do need new investors in that area as well. Diamonds are mined on almost a primitive level. It's not done on a very big scale, so this is another possible potentially lucrative investment area

Q: How will Guyana's role evolve over the next 10 years?

A: This brings me to what I call our global strategy. There's no doubt in my mind that modernized production methods in North America and elsewhere are causing the rich to get richer and the poor to get poorer, and more and more people are losing their jobs as a result. In other words, computers and robots are putting people out of work. Skilled workers are becoming semi-skilled workers and semi-skilled workers are becoming unskilled workers.

Why are the rich getting richer and the poor getting poorer? Because it takes capital to do research and to transfer that research into technology and that technology into industry. Therefore, whatever products are produced, a greater share of that product goes towards finance capital and less to the worker. That's the reason why you have prolonged recessions, economies that stagnate, and the rich getting richer and the poor getting poorer. Twenty per cent of the richest people in the world have an income 150 times greater than 20 per cent of the poorest in the world. Everyone knows also that the income gap is widening between the North and the South. United Nations statistics show this. I won't elaborate on poverty and backwardness, hunger, unemployment, illiteracy, narcotics production and use, and immigration. All these are known issues.

North American countries are having growing problems with homelessness, poverty, hunger, unemployment, underemployment and crime. And therefore, aid is being cut to South America. What is called "aid fatigue" is setting in.

People in North American countries are saying, "Why help the Third World, the countries of the former Soviet Union and the countries of Eastern Europe - why don't you help us in our own country?" Because of this attitude, politicians in North American countries are resorting to reduction of aid to foreign countries.

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We can understand why people would feel that way when they see their social standards dropping. But we need debt relief for Guyana because nearly three quarters of our revenues are going towards debt payments -- local and foreign debt. And nearly half of our foreign earnings are going towards foreign debt payments. Foreign debt payments of Guyana are among the highest of the 47 least-developed countries in the world. so we need debt relief -- and we need more aid under new rules that will not sink us deeper into the debt trap. If we get relief we can access more goods from the North.

What we are saying to the U.S. is: Do what President Roosevelt did during the depression -- create physical, social and cultural infrastructure work programs. President Clinton would like to do this but he doesn't have the money. Roosevelt wasn't faced with the huge budget deficit that the US has now.

How can rich countries come ^{up} with the money? First, a demilitarization fund; and second, a global tax on energy. One dollar tax on a barrel of oil, for example, would produce \$66 billion annually. Pollution taxes on multinational industries is another possible source of funds. Finally, why not tax global speculative transactions of foreign exchange movements? Those are my thoughts. But we must also realise that if debt relief and aid are not forthcoming to countries like Guyana, the world will remain in turmoil.

Q: Will Guyana's economy continue to be based primarily on agriculture? Or will other industries figure more prominently in your country's economy in the future?

A: No, it will not be only in Agriculture. Agriculture is important because capital/development costs are lower, but it does not recover money that you put into it as rapidly as happens in industry. Therefore you have to balance agricultural and industrial development. If you put money into industry, you will see a return within one to 10 years. If you put money into agriculture, it will take 10 to 20 years to recover it.

So, in terms of capital input/output, you can't put all your eggs only in the agricultural basket. That's why Third World countries are underdeveloped -- most of their development was agricultural. For those reasons, we want balanced industrial and agricultural development.

Q: How much help will your government give to foreign investors looking to come to Guyana and develop crops?

A: A lot. We only have two conditions -- one, that investors respect the rights of the workers and that they recognize trade unions, and two, that they protect the environment and biodiversity.

The other point that we want to make clear is that we are telling investors that if they make a profit, they should also take an interest in this country. Don't just come here, make your money and take it home - invest some of it back in Guyana to help expand the economy. The conditions which generated profits in the first place will naturally ensure further generation of profits in the additional areas of investment.

Q: What countries is Guyana look to expand trade with? And what import and export ventures will be discussed?

A: We are looking to expand our trade with all countries, without exception. We know the tendency now is to have big trading blocs, like the European Union and NAFTA. Eventually, there will be a trading bloc within this entire Hemisphere. We have no problem with that.

There is a big difference, however, between the European Union and NAFTA. In the European Union, you have free movement of goods, capital and labor. You don't have that in NAFTA; you don't have free movement of people. In Europe, to prevent people from moving all over the place, the EU has created a development fund to help the lesser-developed countries like Spain, Portugal, Ireland, and Greece develop so that the per capita income will be at least three-quarters of the average of all countries in the European Union. You don't have anything like that in NAFTA -- no such fund.

Secondly, the economic disparity among countries in this hemisphere is much wider than in Europe. The U.S. has an annual per capita income level of something like \$25,000. In South America -- in medium-developed countries like Chile, Argentina, Mexico, Colombia, and Venezuela -- the level is probably \$10,000 - \$12,000. Then there are the countries like Guyana that are below the poverty line -- \$300/\$400 per capita.

We can export only a narrow range of products, whereas developed countries export thousands of products. And so, we can't just have free trade only because that's like putting a pygmy and a giant together in the ring to fight. We have to see that the pygmy gets a chance to develop so it can become a giant and then you can put that pygmy in the ring with the giant.

Q: What is the status of Guyana's privatization efforts?

A: We have an agreement with the World Bank and the IMF that we will privatize four companies a year, which began this year.

People often argue that state ownership is bad and that private ownership is better. But we see both the state sector and the private sector playing vital and complementary roles.

We have many examples where state-owned companies are managed and run efficiently. We've had that experience with sugar and electricity. Electricity was mismanaged by the British government when it was running the country. It was taken over and was running well under my government; we had introduced rural electrification. Then the Company was wrecked by the previous government. Now we are running it better again. Our problems have to do with outdated plants, which we are now replacing.

Efficiency has to be the main ingredient: everything must be run properly and be able to show a return. And a company must not be a liability to the state or to the people. So that is our attitude on that. But since we are committed to privatizing four companies each year, a special Privatization Unit was set up and it is doing the things necessary to ensure that the decisions we take in this regard, are decisions that we will not live to regret, as has been the case with some of the divestment of state-owned enterprises under the previous administration.

Q: The year 2000 is only five years away. In what important ways will Guyana be different at the turn of the Century than it is today?

A: I made a statement on the second anniversary of our government that, considering what we inherited -- a wrecked physical and social infrastructure, and a large debt -- that we have made tremendous strides in the economy, in governance and in democracy. We have not only a representative democracy but also a consultative and participatory democracy. We have restored the supremacy of Parliament -- the country is no longer fearful of its Executive branch of government.

But our first two years in office was just a learning experience. I compare Guyana to Singapore and Malaysia and the progress that has been made in those countries in the last 10-15 years. Those are good examples of how I see Guyana progressing by the year 2000.

We have made slow progression in the last two years but, from now on, it will be rapid progression, because we have cleared so many hurdles already. From now on, it will be smooth sailing. There's also the fact that we have received a lot of goodwill from other countries, and the confidence of our people, both here and abroad. Guyanese are now returning to Guyana.

Therefore, in another five or ten years this country will be unrecognizable. Guyana is going to become a "model" country in terms of its development among Third World countries.