



U.S. Department of State FY 2000 Country Commercial Guides: Guyana

The Country Commercial Guide for Guyana was prepared by U.S. Embassy Georgetown and released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

Chapter I: Executive Summary

This Country Commercial Guide (CCG) presents a comprehensive look at Guyana's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Guyana is a small, poor, heavily indebted country with a wealth of natural resources. In 1991, Guyana embarked upon a series of market-oriented reforms which produced consistent economic growth after years of economic decline. There was a resumption of foreign investment in the early 1990s which fueled growth for most of the decade.

Two events occurred in 1997-1998 which unfortunately constrained Guyana's growth, at least for the short term. First, the El Nino weather phenomenon resulted in severe drought for much of 1997 and early 1998. The agricultural sector, which is the primary pillar of Guyana's economy and its foreign exchange earnings, was negatively affected by the drought. Second, the disputed elections of December 15, 1997, threw the country into an extended period of political tensions. This uncertainty translated directly into much reduced business and consumer activity in the weeks surrounding the elections, and the business climate remains substantially disrupted.

Nineteen ninety-eight has been characterized by periods of relative political calm punctuated by episodic flare-ups of street demonstrations and vandalism. With few exceptions there has been little serious harm done to either people or property. The unpredictability of the political climate has, however, dampened some plans for large-scale investment and intimidated potential small-scale investors in 1998. Although the latter half of 1998 was free of any serious unrest, the underlying roots of the political instability remain only partially addressed, and thus the potential exists for renewed conflict in the future.

The U.S. Embassy views Guyana as a potentially profitable site for American investors, particularly in the areas of primary materials, agriculture and some consumer products. Potential investors should proceed with caution and patience, however, and realize that Guyana's infrastructure and legal frameworks are still developing and may not afford adequate protections. We encourage U.S. firms contemplating any substantial new business presence in Guyana to consult with the Embassy's Commercial Information Center.

Guyana's natural resource base includes gold, diamonds, bauxite, timber, seafood, and rich agricultural land used to produce sugar and rice. These resources, combined with a relatively small and stable population, offer potential for growth and prosperity. Guyana's capital improvement program to develop its long-neglected physical infrastructure provides opportunities for suppliers of related products and services. In addition, Guyana's high affinity for U.S. products represents a nascent market for U.S. consumer goods. Franchising is on the rise in Guyana and should be regarded as a promising growth area for U.S. brands, which generally enjoy strong recognition and appreciation among Guyanese consumers.

Guyana needs new investment--although the amount and pace of investment will depend greatly on the further elaboration of government policies toward foreign investment. The government has signaled its intent to welcome foreign investment. The government has promised to enact a liberal investment code and publish a forward-looking national investment strategy. However, these promising initiatives remain incomplete. Investors are sought for a variety of government-owned entities which are to be privatized in late 1998 or 1999, notably including the bauxite mines, Linmine and Bermine. The government's success in privatizing its power monopoly, the Guyana Electricity Corporation (GEC), which is now projected to occur in January or February 1999, will be a key bellwether for investors.

The Guyana dollar is stable and freely convertible, although foreign currency shortages frequently lead to long delays when attempting to convert large sums. Inflation has been moderated to 4.1 percent. Tariff rates are relatively high, not to protect the small domestic manufacturing sector, but as an important source of government revenue. Nearly half of the government's revenue is derived from customs and excise receipts.

Guyana currently enjoys preferential terms of trade with several nations including the U.S. and Canada, as well as with the European Union. These preferential markets are under increasing pressure, and will require significant adjustments in the sugar and rice industries as the year 2000 approaches.

The potential for growth in Guyana is constrained by, among other factors, a deficient infrastructure, the lack of human resources as a result of years of heavy emigration, an ambiguous investment atmosphere, a heavy debt burden, and lack of available local capital. Progress has been made in addressing some these problems, most notably the debt burden and the infrastructure deficiencies. The other areas continue to present real difficulties with little perceptible improvement.

Doing business in Guyana is challenging. Legislation and regulations are often antiquated and many laws are being rewritten, creating confusion and uncertainty in the short term. Bureaucratic procedures are cumbersome and time-consuming. Decisionmaking is centralized and businessmen, both Guyanese and foreign, say it is often difficult to know who the decisionmakers are on a given issue or what the rationale was for decisions made. One of the biggest obstacles in establishing a business is navigating land deeds and title registries. Getting clear title to land is one of the most frequent administrative difficulties for prospective businesses. Some of these problems may be mitigated with the enactment of the promised investment code.

Some segments of the government and private sector are making efforts to improve the business climate, but those who seek to tap into Guyana's vast potential should be prepared for bureaucratic and infrastructure challenges.

Please consult the U.S. Embassy Georgetown World Wide Web site for updates and other information of interest to business people. The web address is www.usembguyana.com.

Country Commercial Guides are available on the U.S. National Trade Data Bank on CD-ROM or through the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at: <http://www.stat-usa.gov> and <http://www.state.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

Chapter II: Economic Trends and Outlook

Major Trends and Outlook

The year 1998 has been difficult for Guyana's economy. Political unrest following the 1997 elections sent shock waves through an economy that had begun to weaken since mid-year. Since embarking on a series of market-oriented reforms in 1991, Guyana has experienced strong and consistent economic growth, but this progress stalled in 1998. From 1991 to 1994, GDP grew by over 6 percent each year. GDP growth for 1995 was 5.1 percent, and 7.9 percent in 1996. Guyana failed to reach its 1997 goal of a 6.9 percent GDP growth rate, reaching only 6.2 percent, and the inflation rate exceeded its target. The decrease in GDP growth was caused by weak performance in the rice, sugar, gold, timber, housing, and construction sectors, ameliorated by increased activity in government- and international donor-financed infrastructure projects. Inflation eased in 1997 (4.1 percent) from its 1995 (8 percent) and 1996 (4.5 percent) rates, progressing quickly towards the goal of reaching the regional average of 4 percent by 1998. Guyana's inflation rate is particularly sensitive to fluctuation in the exchange rate since a high percentage of both inputs and finished goods are imported.

On November 27, 1998, Guyana's Finance Minister announced that the country's economy is officially in recession, having experienced consecutive quarters of negative

growth in the second and third quarters of 1998. He projects that Guyana's final GDP growth for 1998 will be negative 1.8 percent.

The 1998 budget presentation, which lays out the government's economic program, contains several proposals intended to foster private sector development and stimulate the economy. These proposed measures include: tax breaks on new business investment, reform of property rights and the land title system, creation of a securities market, new insurance regulations, and concessions for the establishment of a "private sector development bank" to provide cheaper credit to Guyanese businesses. The proposed initiatives, which at this time remain loosely defined, will require legislation to be implemented.

Principal Growth Sectors

Weakness in world commodity markets in general, and the widely predicted demise of preferential markets for sugar and rice, will enforce considerable restructuring in Guyana's economy. Guyana Sugar Corporation, the state-owned sugar monopoly under the contract management of the British firm Booker-Tate, is in the process of modernizing and rationalizing its vast sugar estates to bring its average cost of production into a competitive range, creating opportunities for equipment suppliers in that sector. Guyana also shows potential for medium term growth in the mining and forestry sectors. An unknown area of potential is the prospect of offshore oil in Guyana's economic zone, which possibility is beginning to be explored by international firms. Much needed infrastructure developments represent opportunities in all facets of public works: principally construction, water supply, communications expansion, and power generation and distribution. Multiple privatizations offer investment opportunities for American companies. Some small manufacturing enterprises are being created and many existing operations will be re-tooling. American business also stands to benefit from rising consumerism in Guyana.

Government Role in The Economy

Guyana has undertaken an Economic Recovery Plan in accordance with IMF recommendations. Fiscal policy has generally been conservative, bringing down inflation and the public deficit, although the latter spiked upwards to nearly 10 percent in 1997 due to the economic challenges noted above and generous infrastructure spending in advance of the elections. A top priority for the government has been debt relief. The Paris Club and Highly Indebted, Poor Countries (HIPC) initiatives have brought down Guyana's debt without reducing the size of its payments, since Guyana had previously not been making all of its payments. Guyana continues to make progress in its debt restructuring and structural adjustment efforts which should strengthen Guyana's economy considerably in the medium term.

Several state-owned businesses have been offered for privatization and government calls for outside investment have become frequent. The government is still involved in approving various business ventures, frequently at the Cabinet level, because there is no

clear investment code. The government is currently working on the development of an investment code, which is badly needed to facilitate investment and growth. Prospective investors often experience long negotiation periods and delayed decisionmaking in an ad hoc process with limited transparency.

Privatization

Six businesses were offered for privatization in June 1996, including the National Bank of Industry and Commerce (NBIC), one of Guyana's largest banks. In July 1996, the Cabinet voted to privatize the state-owned power company, Guyana Electricity Corporation (GEC), with 40 percent of shares going to a strategic private investor, 40 percent to the government, and 20 percent to other private investors. While NBIC was successfully privatized, GEC privatization ran into difficulties. After nearly two years of negotiations, the investor (a publicly owned Canadian power company) walked away from the deal at the eleventh hour, largely due to political pressures in Canada. The government acted quickly to re-bid GEC and has selected a reputable U.K./Irish consortium to take over the troubled power company. The government hopes to finalize a new deal by February 1999. If this second privatization effort for GEC is successfully closed in early 1999 as hoped, it will be a positive sign that the government has achieved a new level of confidence, political will, and sophistication in its privatization process.

As the GEC deal nears completion, the government is turning its attention to the other entities slated for privatization. The government has recently announced its intention to privatize the international division of Guyana Airways Corporation. Other state firms on the auction block include the government bauxite mines, Linmine and Bermine, Guyana National Printers, Guyana Stores (retail sales), Guyana Pharmaceutical Corporation, Versailles Dairy Complex, GNCB Trust (financial services), and the Wauna Oil Palm Estate.

Guyana's previous privatization efforts have met with mixed results. A few offerings were less than successful. Some observers attribute this failure to lack of interest or available capital, but it may reflect discomfort with the composition of the offerings which often restricted investors' business options and required some level of government shareholding. Privatization is also difficult due to the convoluted legal structures and confused rights of property ownership resulting from antiquated record-keeping and the legacy of nationalization. Union concerns also weigh heavily in privatizations. The mixing of social goals by the government in what businessmen would view as purely economic decisions creates difficulties in securing qualified bidders. Negative government statements about privatization, particularly in the sugar industry—the giant state monopoly Guyana Sugar Corporation (GUYSUCO)—create the image of a country that is reluctant to privatize. The admirable speed and resolve which the government brought to resurrecting the GEC privatization in the wake of its abrupt collapse is a positive sign, however.

Balance of Payments Situation

Like many developing countries, Guyana is heavily indebted. Reduction of the debt burden has been one of the present administration's top priorities. Over half of the annual budget goes to debt servicing, hindering efforts at public investment. In May 1996, Guyana received a 67 percent stock of debt reduction from its Paris Club creditors. The write-off included Guyana's debt to its largest creditor, Trinidad and Tobago, bringing Guyana closer to a sustainable level of debt. The total debt has been reduced from US\$2 billion to US\$1.5 billion. The U.S. signed a Bilateral Debt Agreement with the government of Guyana in March 1996. The ongoing HIPC (Highly Indebted, Poor Countries) negotiations will "top up" debt relief from the Paris Club's 67 percent write-off to approximately 80 percent if Guyana complies with the benchmarks set by international financial institutions. The HIPC accord should bring Guyana to sustainable debt levels by early 1999, assuming that the government is successful in meeting the conditions of the agreement.

Infrastructure

Guyana's infrastructure is severely deteriorated. Water supply is erratic, and was made worse by El Nino-related drought conditions. Roads are in disrepair, although the government is in the process of resurfacing many important arteries. Transportation outside of Georgetown and other large communities is also constrained by too few roads, leading to congestion and occasional bottlenecks which can bring traffic to a standstill. The sea wall that protects the low-lying, populous coastal region is in disrepair. Farming is hampered by a need for improved drainage and irrigation systems.

Telecommunications service has been upgraded since the 1991 sale of the state phone system to a U.S. firm, with much of the capital now enjoying sophisticated service carried on digital equipment. Expansion of the network has been slower than expected, however. This may be due to the Public Utilities Commission's mandating much lower than expected subscriber rates, which has substantially constricted the telephone company's revenue stream. The government-owned power company has outdated equipment and insufficient transmission and distribution systems causing frequent blackouts.

There are signs of progress. With assistance from donor agencies, the government has begun various infrastructure improvement projects. There are several road construction and revitalization projects in progress. Ferry facilities in some areas have been upgraded, and the government has announced bridge building plans. A new Suriname-Guyana ferry began service in November 1998, making direct truck transport between the two countries a reality for the first time. The sea wall is being repaired in places. New drainage and irrigation systems are being built. The privately owned phone company has submitted plans for further expansion contingent upon approval of increases in publicly regulated rates. There have been purchases of new power generation equipment and the government's privatization of the electric company should lead to significantly improved power infrastructure. These projects will contribute to economic growth, improve Guyana's inadequate infrastructure, and provide investment opportunities for U.S. businesses.

Chapter III: Political Environment

Relations with the United States

Guyana enjoys excellent bilateral relations with the United States.

Political Issues Affecting Business Climate

The national elections in 1997 became an important factor in business decisions made in 1997 and 1998. A period of social unrest and insecurity, which occasionally turned violent, followed the elections and caused severe losses for local businessmen. Political instability also indirectly contributed to the collapse of the privatization of GEC when a Canadian firm pulled out in January. Guyana's business environment has retrogressed, and caution is advised for potential investors until the political scene calms down.

Although historically not the case, both the ruling and opposition parties now publicly support foreign private investment. The current government supports the idea of joint ventures between government and private investors, reflecting a desire to maintain a government role in business activities.

Protection of the environment has also become a political issue. Guyana is rich in gold, diamonds, timber, and bauxite. To date most foreign investment has been concentrated in the exploitation of these resources. The government, aided by the international donor community, is working to institutionalize environmental regulations and monitoring. There is considerable deliberation over Guyana's use of its natural resources to further development and the best way to encourage sustainable use of its vast rain forests. To oversee the protection of these natural resources, the Environmental Protection Agency was officially opened on June 5, 1996. The agency is charged with developing regulations that should have a marked impact on business in Guyana. Under the EPA legislation, business ventures that would affect the environment must have an environmental impact assessment to gain the required EPA approval.

Last year the government developed a comprehensive National Development Strategy (NDS) with assistance provided by a USAID grant to the Atlanta-based Carter Center. The document was intended to serve as a roadmap for Guyanese development in all sectors. As a major initiative in an election year, the Strategy attracted criticism from the major opposition party. In an attempt to gain multi-party consensus on a NDS, the Government of Guyana recently convened a new Committee which includes the opposition party chairpersons, to review and update the draft strategy. If implemented, the NDS could have a positive effect on business operations in Guyana.

The Political System

Guyana is governed under a parliamentary democracy. Janet Jagan, the American-born widow of former President Dr. Cheddi Jagan, became Guyana's sixth President in December 1997. Pointing to several procedural irregularities, the opposition claimed that the elections were fraudulent, but these claims have not been substantiated. Jagan succeeded previous President and former Prime Minister Samuel Hinds, who had taken office according to constitutionally mandated succession rules following the death of Cheddi Jagan in March 1997. Samuel Hinds is now once again Prime Minister. Most of the other cabinet ministers who had been appointed by Dr. Jagan are still in place, with the addition of four new ministers. The legislature is a unicameral National Assembly. Elections are normally held every five years, although a CARICOM-aided post-election settlement plan specifies that new elections will take place eighteen months after the completion of the constitutional reform process. If the agreed schedule holds, that would result in new elections in December 2000.

A former British colony, Guyana gained independence on May 26, 1966. From 1964-85 L. Forbes Burnham, then head of the People's National Congress (PNC), governed Guyana. Burnham nationalized many industries and financial institutions. The current head of the PNC, Desmond Hoyte, came to the presidency in 1985 following Burnham's death. Free and fair elections were held in 1992, bringing to power the People's Progressive Party (PPP), led by President Cheddi Jagan, in coalition with the Civic Party. The PNC is the major opposition party. Former PNC Prime Minister/Georgetown Mayor Hamilton Green, after leaving the PNC, formed the Good Green Guyana (GGG) Party. Of the smaller parties, only the Alliance for Guyana (AFG, formerly Working People's Alliance, or WPA) and The United Force (TUF) have retained representation in Parliament.

Political affiliation is largely (although not entirely) determined by ethnic background. Guyana is a racially diverse and mixed society. It is populated primarily by Indo-Guyanese (of East Indian origin) and Afro-Guyanese (of African origin) along with smaller numbers of Amerindians, Chinese, Portuguese, and other Europeans. Indo-Guyanese tend to support the ruling PPP while Afro-Guyanese lean toward the opposition PNC.

Chapter IV: Marketing U.S. Products and Services

U.S. products benefit from an excellent reputation in Guyana. North American origin is widely advertised by Guyanese businesses as a mark of quality. Guyanese generally have a high degree of awareness of and appreciation for American brands. This preference may be attributed to two factors. First, television in Guyana is heavily dominated by U.S. programming (unfortunately, mostly pirated). Guyanese television stations also broadcast the American advertising right along with the pirated programs. Second, the strong ties between Guyanese and their family members living in the United States reinforce popular familiarity with American products and services.

Distribution and Sales Channels

Due to the small size of the local market, most U.S. firms opt to use a local agent or distributor. One prevalent problem in this area is rampant violation of the rights of exclusive distributors. A host of small Guyanese "traders" regularly travel abroad and purchase wholesale quantities of packaged consumer goods, often choosing seconds or nearly expired products from discount outlets. These products are most often sold through Guyana's extensive network of virtually unregulated small shops and street kiosks. This practice undercuts exclusive distribution rights that authorized distributors may have with the manufacturer. It also negatively affects the brand image of a product line when customers associate unauthorized expired products with the legitimate brand name. Unfortunately, there is no effective institutional recourse in place to protect the rights of authorized distributors. Nonetheless, many U.S. exporters of consumer products will find that an agent/distributor arrangement is the most convenient, practical, and cost-effective mechanism for sales in Guyana.

The Commercial Office offers the Gold Key service to export-ready American companies. This service includes customized market and industry briefings prior to business meetings, debriefings with trade professionals afterwards to discuss the results of the meetings, and appropriate follow-up strategies. To find out more about this service, U.S. exporters should contact the Commercial Section, American Embassy Georgetown, Department of State, Washington, D.C. 20521-3170. Tel: 592-2-54900-9, fax: 592-2-58497, e-mail: cgeorge61@hotmail.com.

Agents and Distributors: Finding a Partner

The Embassy's Commercial Information Center contains lists of major agents and distributors in Guyana for U.S. firms seeking trade opportunities. The Economic and Commercial staff publishes a quarterly newsletter, distributed to over 200 local firms and made available at trade events, which lists U.S. firms seeking local agents and distributors. U.S. trade opportunities are also publicized in the bulletin "Commercial News USA" and disseminated to local firms. Other outreach programs include organizing trade delegations from Guyana to attend United States trade shows.

Franchising

While not yet common, franchising shows signs of becoming a growth trend in Guyana. Early successes in fast food and petroleum sectors are encouraging additional entrants. The Embassy's Commercial Information Center frequently receives inquiries from local business people interested in American franchises. The high degree of brand recognition in Guyana makes franchising a good possibility for successful introduction of U.S. products and services in Guyana. A negative consideration is the relative weakness of intellectual property protection, which makes franchisees potentially vulnerable to infringement. The Embassy has not to date observed any actual incidents of franchise or trademark infringement.

Direct Marketing

Direct marketing is not widely used in Guyana.

Joint Venture/Licensing

In some sectors, most notably mining, joint ventures with a Guyanese partner are common. Many of the government's "privatizations" also end up as joint ventures with the government retaining significant ownership. While some investors are uncomfortable with this arrangement, others welcome such a structure, taking the view that it makes the government more of an ally. Licensing requirements are currently being revised for timber and mining operations. Due to recent Environmental Protection legislation, applicants for new timber and mining concessions can expect delays while regulations are being developed. Most other business operations require registration and incorporation. Local attorneys can best advise on these requirements.

Establishing an Office

In 1994, the Government inaugurated the Guyana Office for Investment (Go-Invest). Go-Invest is intended to be a "one-stop" agency for foreign investors who wish to do business in Guyana. The director is Mr. Deo Chand Narain, Tel. 592-2-70653, 50658 or 50659. Due to lack of adequate authority, Go-Invest has not yet fulfilled its promise as a one-stop shop. Prospective investors should be prepared to consult with several ministries and agencies when starting a business in Guyana.

Local business law differs somewhat from common practice in the U.S. Interested investors are advised to consult a local attorney (listings available at the Embassy's Commercial Information Center) before opening an office.

Businesses establishing operations to be managed exclusively by local personnel should be careful to develop good accountability systems and select management staff with care. Businesses should also plan to provide significant training, as personnel experienced in American-style business operations are scarce. Although labor costs are quite low in Guyana, it is generally a good investment to pay slightly more than the prevailing wages to secure qualified staff and avoid high rates of employee turnover and absenteeism.

Guyana has a fairly high incidence of property crimes, particularly in the capital city. U.S. businesses planning to establish a presence in Guyana should plan for adequate physical security at all business and residential facilities. Local security contractors are readily available, but of uneven quality.

Advertising and Trade Promotion

Most advertising is done in local newspapers and on local radio and television.

Major newspapers are:

Stabroek News (independent daily), Anand Persaud, editor
Tel: 74076, 68981

Guyana Chronicle (government-owned daily), Sharief Khan, editor-in-chief
Tel: 53107, 75204

Mirror (PPP Party newspaper, twice weekly), Earl Bousquet, editor-in-chief
Tel: 62471/3, 65875

New Nation (PNC party newspaper, weekly), Courtney Gibson, editor
Tel: 57852

Catholic Standard (voice of the Catholic Church, weekly), Colin Smith, editor
Tel: 61540, 62192, 67461, 62195

Guyana Review (independent monthly magazine), David Granger, editor
Tel: 63139

Radio: There are two radio stations in Guyana, both run by the state-owned Guyana Broadcasting Corporation, Courtney John, editor-in-chief. Tel: 60544

Television:

WHRM Channels 6&7, Tel: 02-72317

RCA Channel 38, Tel: 022-4858

NBTV Channel 9, Tel: 02-69986

GTV 11 (government owned), Tel: 02-71566

CNS Channel 6, Tel: 02-61834, 02-65462

RBS Channel 13, Tel: 02-56133

VCT Channel 28, Tel: 02-55753

Selling to the Government

Government procurement is generally by public tender. A number of ministries, including Agriculture and Public Works, have established Project Execution Units (PEUs) to handle procurement for smaller projects. Large projects are the jurisdiction of the Central Tender Board. For some projects, international donors handle procurement. Government tender offers are published in the newspapers and generally have short bidding periods, which often must be extended to give interested bidders enough time to

put together tender packages. Proposals have been made to amend the current operations of the Central Tender Board which would lead to more efficient and transparent procedures, but they have not been implemented.

Protecting Your Product from IPR Infringement

Guyana does not have a Bilateral Investment Treaty (BIT) or an Intellectual Property Rights Agreement (IPRA) with the U.S. BIT negotiations have been entered into but IPRA talks have not yet begun. The most recent BIT discussions took place in October 1995. No date has been established for further negotiations, although the government has recently signaled its interest in renewing talks.

A new copyright law is currently being drafted. Until local statutes governing the protection of intellectual property are revised, enforcement of intellectual property rights will remain weak.

Need for Local Attorney

Guyana's legal system is based on the British Commonwealth system and in practice varies somewhat from U.S. standard procedure. The U.S. Embassy strongly recommends retaining a local attorney for all but the simplest transactions.

Chapter V: Leading Sectors for U.S. Exports and Investment

A. Best Prospects for Non-Agricultural Goods and Services

1. Electrical Power Systems (ELP)

The government is in the middle of privatization proceedings for Guyana Electricity Corporation (GEC) and hopes to conclude a deal by February 1999. The envisioned privatization would in the short term divide ownership evenly between the Government of Guyana and the private investor, with provision for a future public stock offering which could amount to 20 percent of company ownership. The private investor winning the contract will have management control. The agreed price, approximately US\$23 million, will be paid directly into GEC's accounts as immediate working capital for the cash-starved entity.

It is estimated that investment of US\$154 million is needed to bring GEC to adequate levels of operation. The generating equipment currently owned by GEC is outdated and fails frequently. There have been some purchases of power generation equipment in the past few years but the new investor will be required to upgrade capability further. Some estimates indicate that there is demand for as much as 125 megawatts of electricity while only one third of that is currently available. Transmission and distribution systems are similarly inadequate. The IDB plans to finance a study of needed transmission and distribution systems investments.

Mining and timber operations, by virtue of their geographic isolation from the GEC grid, will continue to use generators to meet their expanding power needs, creating a steady market for the supply and servicing of these products.

2. Agricultural Machinery and Equipment (AGM)

Agriculture plays a major role in the Guyanese economy. Sugar and rice are two of the country's largest exports. Both commodities have enjoyed record growth in recent years as the industries are modernized, although 1997 witnessed significant softening of overseas markets and 1998's El Nino conditions inflicted a short-term production drop. GUYSUICO, the state-owned sugar corporation, is managed under contract by the British firm Booker-Tate. It continues its multimillion dollar capital investment program funded by the World Bank and the Inter-American Development Bank (IDB). GUYSUICO plans to invest over US\$100 million retooling its factories over the next three to four years. Most of the factory equipment currently in use dates back to the 1920s and '30s; the boilers are from the 1950s. Guyana faces a significant challenge in upgrading its competitiveness, as its current cost of production is significantly higher than the world market price. The preferential treatment that has allowed Guyana's sugar to function at this uncompetitive level is widely expected to wane under pressure of increasingly liberalized world trading regimes.

The rice industry faces uncertain times. El Nino-related drought conditions cut rice production in 1997-98, although the industry's production seems to have bounced back well. Excess rice supply and stiff price competition in Jamaica, an important export destination, have pared profits in that market. Preferential trade agreements have come under pressure in this sector as well, further threatening rice prices. The government has proposed a rice board to regularize marketing. Still, only the most efficient growers, using modern technology and benefiting from economies of scale, will prosper in the long run.

To encourage continued investment in the agricultural sector, the government has zeroed out consumption tax on a range of agricultural inputs, including drainage and irrigation equipment, fertilizer spreaders, and agricultural and horticultural appliances. This should encourage continued demand for U.S. products.

3. Telecommunications Equipment (TEL)

The Guyana Telephone and Telegraph Company (GT&T), 80 percent owned by U.S.-based Atlantic Tele-Network (ATN), has a monopoly agreement for telephone service in Guyana (although it does not have a monopoly on wireless service). After disagreements with the government over contracts and rate increases, GT&T proposed an ambitious new expansion program in June 1996, although this plan has been jeopardized by a regulatory climate which has significantly undercut company revenue. The plan includes investment of US\$75 million over three years. The expansion will require nearly 20,000 new lines, digital switching for at least nine exchanges, mobile cellular augmentation, and use of wireless technology for the outlying areas. Other elements of the plan include a fiber ring for the capital city of Georgetown, a fiber link throughout the coastal region, a fiber link

from Guyana's southeast corner to the inland town of Linden, as well as debit card and data/Internet platforms. GT&T rates have once again been under debate recently, as the Public Utilities Commission granted a rate increase and then promptly suspended it in the face of consumer protest. Eventual approval of the rate increases should make more capital available for GT&T to continue its infrastructure investment, which should provide opportunities for U.S. suppliers.

4. Mining Industry Equipment (MIN)

Overall gold output is projected to remain steady at 360,000 ounces in 1998, although world prices deteriorated to around the cost of production in late 1997. Omai Gold Mines Limited, a joint venture by two Canadian firms, Cambior and Golden Star, is the largest open-pit gold mine in South America. Omai's large operations constitute a ready market for mining equipment. Another Canadian firm has been actively engaged in talks with the government about plans to open a similar operation. Golden Star has also recently signed an agreement with the Malaysian timber company, Barama, to begin prospecting for mineral extraction on some of Barama's property. Barama holds timber concessions for 4.4 million acres, many of which are believed to harbor significant diamond deposits. Golden Star will need new mining equipment to undertake this venture.

A U.S. company also has a large gold concession in Guyana's northwest, which the firm believes may eventually prove the equal of Omai in capacity, creating another large opportunity for mining equipment.

The bauxite industry also provides a market for U.S. mining equipment, although this industry has been struggling in recent years. For reasons of geography and geology, Guyana's costs of production of bauxite are relatively high, making profitable operations in the sector a challenging proposition. The government has announced plans to privatize the government's bauxite companies, Linmine and Bermine. If the sales are completed, the new owners will be faced with outdated, inefficient equipment and will need to upgrade. Reynolds Aluminum has invested approximately US\$100 million in Guyana's bauxite industry within the last decade to develop its Aroaima Mining Company joint venture with the government and its Green Mining Company mining services contractor.

5. Architectural, Construction and Engineering Services (ACE)

The Ministry of Public Works, which received a significant portion of the capital expenditure in 1997 (approximately US\$44 million), is expected to spend slightly less in 1998. The government will continue to emphasize infrastructure development including ongoing sea defense repair, road projects, upgrading of Cheddi Jagan International Airport, stelling (the local name for ferry landings) and wharves, water supply improvements, and housing developments, although, perhaps at a reduced rate. Most infrastructure projects are funded by international financial institutions such as the World Bank and the Inter-American Development Bank (IDB) at concessional interest rates.

6. Forestry and Woodworking Machinery (FOR)

Forestry products are a fast-growing sector of the Guyanese economy. Guyana has a variety of tropical hardwoods and softwoods that are currently being harvested and exported. In addition to numerous local operators, a large Malaysian firm, Barama, is now logging a four million acre concession and manufacturing plywood for export (mostly to the United States) from its factory in Georgetown. Another Malaysian firm, UNAMCO, was granted a concession for 350,000 acres of timberland and began construction of its facilities in 1997.

New legislation governing the sustainable use of forestry resources was passed in mid-1996. The government has granted exploratory leases to several companies, which is expected to lead to sustainable exploitation of large tracts in the interior. Expansion of the logging sector has been temporarily interrupted by a moratorium on new logging permits, pending the completion of a British development project that is expected to significantly increase the Government of Guyana's capabilities to enforce sustainable forestry regulations. Once this project is complete, development of the sector should continue apace, on an environmentally sound footing. Any expansion of logging will create a need for related machinery. The government may be willing to consider consumption tax concessions for the import of environmentally friendly equipment.

There is also a growing market in furniture manufacturing. Several companies have entered the market recently, some moving into export oriented production. The Guyana Export Promotion Council has identified furniture manufacturing as one of the promising new areas of growth in the nontraditional export sector. As more companies shift toward export production, they will need machinery to meet their goals.

7. Management Consulting Services (Environmental Engineering) (MCS)

With the passage of the Environmental Protection Act in April 1996, an entirely new market has been created. All new business ventures that will affect the environment will be required to conduct an environmental impact assessment. To meet this requirement, there will be a need for environmental consulting services capable of conducting impact assessments. Companies proposing new ventures will contract the assessments with a consultant chosen from a list of firms deemed acceptable to the government. There is currently little, if any, capability to provide this service in country.

8. Computers and Peripherals (CPT)

As Guyana's economy develops, businesses are taking steps to upgrade equipment and expand operations. Few operations were previously computerized primarily due to the relatively high cost of equipment and the unreliable power source. A number of small computer distributors have opened shop and several businesses and government agencies are beginning to computerize. Importers are aided by exemptions from duty on computers. Guyanese consumers gained Internet access in 1997, and demand has quickly expanded to nearly the extent of currently available capacity. Many international aid

programs include office automation as part of their institution-building efforts for both the government and nongovernmental organizations.

9. Used and Reconditioned Equipment (USD)

The used and reconditioned equipment sector is a well-established, significant reality in the Guyanese market. This is due partly to the low income levels prevalent in Guyana, and partly because the customs regime currently in place puts a high cost premium on brand new goods. Potential suppliers should be aware that most reconditioned items are now subject to checking by the Standards Bureau before being cleared through Customs.

10. Automotive Parts (APS)

All vehicles in Guyana are imported and are subject to a high tax regime, which often increases the price of a vehicle to more than twice its original value. Since the cost of new vehicles is prohibitive for most people and labor costs for vehicle repair are relatively quite low, cars and trucks have a much longer useful life than in the United States. Vehicles driven in Guyana often get hard use, many for business purposes, over poor roads in harsh climatic conditions. The economic need for people to maintain their vehicles for long periods of time results in a brisk trade in spare parts, many of which are imported from the United States by dealers who travel to the U.S. personally to source the goods. As more people are able to purchase vehicles, the demand for spare parts will continue to increase.

11. Packaged and Processed Food Products (FOD)

As Guyana's standard of living has risen over the last several years, American and other imported foodstuffs have become widely available in the local market. American processed food exports to Guyana reached record levels in 1997, at nearly US\$10.6 million. The leading sub-sectors are poultry meat, processed fruits and vegetables, and fruit and vegetable juices. Also prevalent are snack foods, condiments, cheeses and deli products, and breakfast cereals.

Market Size

Imports from the U.S. (Millions \$)

SECTOR	1997	1998
Agricultural Machinery	58	N/A
Mining Equipment	23	N/A
Electrical Generation Equipment	8	N/A
Motor Vehicle Parts	6	N/A

The above statistics are unofficial estimates, and are the latest available.

B. Best Prospects for Agricultural Products

The market for agricultural products is limited by Guyana's population and income levels. Few fresh agricultural products are imported. Most processed foods are imported, often by traders who travel to Trinidad or Miami, bringing back suitcases full of processed food to sell to stallholders in markets and small grocery stores. There has been an increase in the importation of larger amounts of processed foods with the opening and expansion of a few grocery stores that specialize primarily in U.S. food products. Assuming this trend continues, there will be a need for distributors who can more efficiently import bulk quantities.

Guyana exports large quantities of rice and sugar and smaller quantities of seafood and other nontraditional agricultural products. Its major agricultural import is wheat. Much of the country's wheat needs are currently met by a PL 480 Title I and/or section 416(b) concessional programs administered by USAID. The wheat is sold for local currency, which is then used to fund development projects. The remainder of Guyana's wheat, worth some US\$3 to \$4 million a year, is purchased commercially.

Chapter VI: Trade Regulations and Standards

Tariff Regimes

Guyana continues to take steps to liberalize trade regimes; however, the current tariff and tax burden on imports is punishingly high. In 1995, in accordance with Common External Tariff of the Caribbean Community (CARICOM), the external tariff was reduced from 30 percent to 25 percent. In addition to the tariff, most imports are subject to a consumption tax which is determined on a product-specific basis.

The tariff system is based on the Customs Cooperation Council Nomenclature (CCCN) and tariffs are in accordance with the Common External Tariff of CARICOM. Duties are levied on an ad valorem basis. The consumption tax is levied on the total CIF (Cost, Insurance, and Freight) cost of the goods plus the import duty. In other words, the government levies taxes on the money that the importer pays the government in tariffs. To encourage development, the government has exempted certain capital goods from consumption fees. The list of exceptions is available through local customs brokers or at the U.S. Embassy's Commercial Information Center. Other investors may apply to have exemptions granted for capital goods not specifically included on the list but such exceptions require the Minister of Finance's direct approval. Customs duties remain a primary source of government revenue.

All shipments are inspected, both imports and exports. Since the Customs Department (like many government agencies) is extremely understaffed, the mandatory inspection often results in extended waits on the wharf. There are special provisions for perishable goods.

Customs procedures present problems relating to inconsistent valuations of imports by customs officials and delays in customs clearance. Some businesses have alleged that customs officers may delay processing in hopes of attaining inducements to expedite clearances. The Embassy is not in a position to confirm or deny these allegations. Guyana's Customs and Excise Department is slated to be subsumed into a new Revenue Authority, with technical advice and assistance from the international donor community. The new agency will feature a variety of civil service reforms and procedural changes, which may result in greater transparency and efficiency in the customs process. This reorganization is behind schedule, however; it was due to take place by July 1998. The plan is opposed by labor groups and individual customs employees have brought suit to block it, so it is unclear whether and when the government will be able to carry it through.

Customs Valuation

Customs valuation is based on invoice purchase price. Importers must provide Customs with one original and two copies of the commercial invoice and an original and one copy of the bill of lading. When requested, importers must also produce one original and three copies of the certificate of origin. A committee conducts valuations on a somewhat arbitrary basis and many exporters have complained about the ad hoc manner in which valuations are decided.

Import Licenses

There is limited use of import licenses for certain categories of goods, including firearms and pharmaceuticals.

Export Controls

There are limits on exporting wildlife, seafood, and gold. Export taxes range from 0.5 percent of value to 10 percent. All shipments are inspected prior to export. Often exporters are required to pay agents overtime for inspections in order to avoid lengthy delays. In some cases, on-site inspection is available.

Import/Export Documentation

In April 1996, Guyana introduced a computerized customs system, ASYCUDA. Local customs brokers are available to assist with document preparation. Many are still unfamiliar with the new system, sometimes making mistakes that cause lengthy delays.

Prohibited Imports

There are restrictions on importing firearms, pharmaceuticals, chemicals, wheat, and flour.

Standards, Labeling, and Marking Requirements

Labeling, marking and other consumer protection requirements are extremely limited in Guyana. Those that do exist are set by the National Bureau of Standards.

Free Trade Zones

There are currently no free trade zones in Guyana although there are indications that an American investor may soon be given permission to open an 80-acre gold export processing zone in the economically depressed area of Linden. Other proposals are under consideration.

Special Import Provisions

Goods are required to be cleared within 10 days. Goods not claimed within 30 days are forwarded to a government warehouse and sold at public auction after 90 days. Goods may be warehoused for three months upon deposit of 100 percent of the duty applicable to guarantee re-exportation.

Membership in Free Trade Agreements

Guyana is a member of CARICOM. Goods traded with fellow CARICOM countries are duty free as long as they satisfy origin rules criteria set out in the Treaty of Chaguaramas. Guyana is a signatory to the Summit of the Americas and is participating in talks regarding a Free Trade Area of the Americas. Guyana also enjoys preferential market access to the United States under the Caribbean Basin Initiative, to the European Union under Lomé IV, and to Canada under CaribCan. Guyana also has several nonreciprocal preferential agreements with Venezuela and Colombia.

Chapter VII: Investment Climate

Openness to Foreign Investment

The present administration recognizes the need for foreign investment to create jobs, enhance technical capabilities and generate goods for export. The shift from a mostly state-controlled economy to a primarily free market system began under former President Hoyte (1985-1992). In 1988, the government announced that it would permit foreign ownership of businesses operating in Guyana. Several large foreign investments were subsequently made, primarily in the mining and timber sectors.

After years of a state-dominated economy, however, the mechanisms for private investment, domestic and foreign, are still evolving. Much crucial legislation is outdated and is currently being revised, including laws pertaining to resource use, mining, and the formation of private companies and capital markets. This circumstance, combined with a small developing country's concerns that it may be taken advantage of by sophisticated multinationals, has produced extreme caution in approving new investment. The current administration has demonstrated this discomfort through its stated preference for joint

ventures between private investors and the government. While there is no "screening" of investment, the centralized process of decisionmaking and lack of transparency can result in delays and frustration for foreign investors.

Since mid-1993, Guyana has been considering a Bilateral Investment Treaty (BIT) with the U.S. Despite the delay in agreeing to formal investment rules, in practice, with very few minor exceptions, foreign and domestic investors are treated the same. Under the Hoyte government, some major foreign investors in export-oriented sectors were given preferential treatment in the form of tax holidays, duty free status and other fiscal incentives. The present government, after eschewing such incentives in its first term, has recently indicated its intent to reintroduce some such programs, although details are not yet available. Investors that import certain capital goods are granted concessions on the local consumption tax. There are significant incentives available for investors willing to open businesses in the economically depressed area of Linden and its surrounding communities - the site of the ailing government-owned bauxite company. Manufacturing and agricultural entities which choose to locate in Linden will receive consumption tax and duty free concessions on all plant, machinery, equipment, and spare parts, and tax concessions for vehicles imported for business purposes.

In general, foreign investors are treated equitably in Guyana. One exception is the special approval required for local financing. Any foreign borrower applying for a loan of over G\$2 million must be granted permission by the Minister of Finance. This requirement reflects the government's stated preference for foreign investors to bring capital into the country. In most cases foreign investors prefer to seek credit abroad in any case, since interest rates in Guyana are quite high.

One negative aspect has been the experience of Guyana Telephone & Telegraph with rate regulations. The company has had an ongoing series of disputes with the Public Utilities Commission (PUC), many of which have appeared to be ideologically motivated. Although the company has had good success in eventually resolving many of these issues in the courts, the continual confrontations have been quite costly for the company. There is still no final resolution, while the issues remain tied up in the courts.

The government has made good progress in recent years with privatization initiatives, and other state enterprises are slated to be sold. Foreign investors have equal access to privatization opportunities and, for some of the larger operations, foreign investment is openly preferred. Privatization is generally viewed favorably by those outside of government. Employees of state-owned firms are anxious that their jobs be protected, although the empirical evidence in the case of the phone company (privatized since 1992) has been that of increased employment opportunities.

Visa, residence and work permit requirements do not pose undue burdens on foreign investors.

Most large-scale government projects are financed by international lending institutions, with the IDB as the largest donor. U.S. firms are generally given equal access to these

projects. Unfortunately, the projects are very often too small in scale to interest U.S. bidders.

By and large, foreign investment is viewed favorably by nongovernmental groups. Most Guyanese recognize the significant contributions made by foreign firms to the Guyanese economy in terms of jobs, taxes, and social services. There is some concern that Guyana is not adequately equipped to monitor the environmental impact of operations by either domestic or foreign firms in the mining and timber sectors. Presently, most of these firms are self-monitoring with little government oversight, although Guyana's fledgling Environmental Protection Agency is building its capacity toward an appropriate level of regulation. Some Guyanese have also expressed the view that Guyana's resources should be reserved for Guyanese, but this does not seem to be a majority opinion.

Right to Private Ownership and Establishment

Foreign and domestic firms have the right to establish and own business enterprises and engage in all forms of remunerative activity. However, in some cases, licenses are required. Private entities may freely acquire and dispose of interests in business enterprises, although some newly privatized entities have limits on the number of shares that may be acquired by any one individual or entity (domestic or foreign). Similarly, the articles of association of some firms prohibit the issuance of more than a certain number of share transfer forms to any one individual or company in an effort to prevent attempts to gain control of such companies in the secondary market. In practice, the government can limit competition with state-owned companies by denying private firms the required licenses to operate. Investors should be aware that getting all the licenses required to operate in Guyana can be a time-consuming task.

The right of foreigners to own property in Guyana is specifically protected under law.

Protection of Property Rights

Guyana adopted British law on patents and copyrights upon independence. This outdated legislation is now being revised to conform to global norms. Guyana joined the World Intellectual Property Organization (WIPO) and acceded to the Bern and Paris Conventions in late 1994. WIPO officials visited Guyana in early 1995 and conducted a seminar on intellectual property rights. At present, there is no enforcement mechanism to protect intellectual property rights. Patent and trademark infringement is also common. Pirating of TV satellite signals is widespread and takes place with impunity. Guyana has not ratified an Intellectual Property Rights agreement with the U.S., and negotiations are proceeding very slowly.

Performance Requirements/Incentives

While there is no set policy regarding performance requirements, they are, in some cases, written into contracts with foreign investors. Some contracts require a certain minimum level of investment, as in the case of the U.S.-owned telephone company. Investors are

not required to source locally. They do not have to export a certain percentage of output. Foreign exchange is not rationed in proportion to exports. There are no national ownership or technology transfer requirements.

Transparency of the Regulatory System

Guyana has no antitrust legislation. Historical factors, Guyana's small population, and economies of scale have led many sectors to be dominated by one or two firms. Only one public utility, the Guyana Telephone and Telegraph Corporation (GT&T), is privately owned at this writing. The government-owned power company is slated to be turned over to private control in early 1999. Capital markets are still evolving and the allocation of investment takes place without any well-organized market. Bureaucratic procedures are cumbersome. Investors often receive conflicting messages from various officials and have difficulty determining where the authority for decisionmaking lies. In the current absence of adequate legislation, much decisionmaking is centralized and an extraordinary number of issues are resolved in Cabinet, a process that is not open to public scrutiny and which often results in long delays. Attempts at reform of bureaucratic procedures have not succeeded in limiting red tape.

Corruption

There are few instances of documented corruption in Guyana today; however, allegations of corruption are common. The government has recently acted to reduce this problem with legislation requiring public officials to disclose their assets prior to assuming office. Current tender procedures for many government contracts do not offer transparency, resulting in an environment with a high potential for corruption. Such corruption as may exist is thought to be relatively small scale.

Offering or receiving a bribe is a criminal offense in Guyana, punishable by incarceration. The law is not applied extraterritorially. The government has periodically prosecuted officials for corruption, with mixed success.

The Commercial Section at the U.S. Embassy has received complaints from businessmen that government officials have solicited bribes as a prerequisite for the granting of licenses and permits needed to operate their businesses.

Labor

Guyana has a plentiful supply of low-skilled labor. However, years of emigration have produced a severe shortage of skilled workers. Many U.S. businesses have experienced difficulty in finding and retaining skilled employees. Union representation and recognition battles are a major cause of labor strife. In recent years, no major company has successfully resisted the unionization of its work force, and the U.S. Embassy advises investors to plan for early and orderly unionization. The Trade Union Recognition Bill was passed by Parliament in 1997, and as a result all businesses operating in Guyana must recognize and collectively bargain with the trade union selected by a majority of its

workers. Guyana adheres to the International Labor Organization (ILO) Convention protecting worker rights.

Efficient Capital Markets and Portfolio Investment

Until 1994, Guyana had only one private bank. Since then, through privatization of state-owned banks and the issuance of new licenses, Guyana's roster of private commercial banks has expanded to seven, with both foreign and domestic ownership. The introduction of private banks has provided much-needed competition and helped to bring down interest rates which are prohibitively high for many borrowers.

Notwithstanding this improvement, Guyana's banking system is still far from fully developed. Inefficiencies and delays periodically plague the foreign currency exchange market. Businesses report that currency shortages can result in delays of up to three or four weeks to convert Guyana dollars to U.S. dollars at some banks. Since Guyana has yet to develop an effective inter-bank trading system, some banks may be short of foreign exchange while others have currency available. There is an unusually high spread between buy and sell rates, as well as a surprisingly high level of variation between exchange rates at different banks.

While foreign investors have some access to local capital markets (in local currency only), the cost of capital in Guyana is not attractive. The Minister of Finance must give permission for a foreign investor to borrow over G\$2 million in Guyana (approximately US\$12,500 at current exchange rates). There are efforts underway to establish a new merchant bank with the aid of an international financial institution, which should help to improve the situation.

The government sells treasury bills at auction to finance the public debt, and other government-controlled rates move with the treasury bill rate. Private attempts at bond financing have not proven successful. One large Guyanese company offered a bond issue in early 1995 in an attempt to raise US\$10 million. The issue was not successful and no subsequent large bond offers have been made.

Equity financing is sometimes used by large and well-established companies. Offering shares is also the government's preferred privatization strategy, thereby bringing more stock onto the market. However, this method of raising capital is extremely limited due to the absence of an active secondary market. A call exchange existed at one time, but shares are generally not traded publicly and prices are not easily identified, limiting the ability to recognize capital gains. The government has announced plans to set up a securities exchange in the near future, but concrete plans are not yet available. While Guyana has no antitrust legislation, the government has intervened in share markets previously to prevent certain groups from gaining control of firms. Legislation was passed in 1996 to limit the ability of banks to expand and develop an oligarchy in the banking system. Privatization deals sometimes attempt to limit the number of shares purchased both in the initial offer and in the secondary market.

While data on state-owned banks is not readily available, most local private banks are judged to be sound and conservative in lending practices.

Regulations regarding mergers and acquisitions do not discriminate against foreigners.

Conversion and Transfer Policies

The Guyana dollar is fully convertible and there are no limits on inflows or outflows of funds, although there are spot shortages of foreign currency. After devaluation in 1991, the exchange rate has remained relatively stable. There is no bar to the acquisition of foreign currency, although the government limits the percentage that a number of state-owned firms may keep for their own purchases. The government recently eased restrictions on the establishment of foreign currency bank accounts in Guyana, a step which has significantly simplified the process of moving money. Funds can now be wired in and out of the country electronically without having to go through cumbersome exchange procedures.

In practice, however, many large foreign investors in Guyana export primary products -- timber, gold, or bauxite -- the sale of which is handled by subsidiaries outside of Guyana who retain the hard currency earnings offshore. Their local entities are then advanced funds to cover operating expenses.

As of December 1998, the average exchange rate used by the Embassy is G\$159 to the U.S. dollar. The exchange rate is commercially determined according to market demand. This rate has held relatively stable over the last several years, but has experienced a slow erosion of value. In January 1998, the Embassy's average exchange rate was G\$143 to one U.S. dollar. Political uncertainty in late 1997-early 1998 put pressure on the currency, due to lowered consumer and investor confidence. The government intervened judiciously to support the Guyana dollar during this period, with some success.

Expropriation and Compensation

There have not been any recent expropriation actions in Guyana. Under current policy, expropriation of property for public purposes occurs in conformance with the principles of international law, with due process, transparency, and adequate compensation.

Dispute Settlement

There are several pending investment disputes involving U.S. firms.

The first category involves U.S. firms, including two well-known multinational corporations, that did business with the now-defunct state-owned bauxite firm, Guymine. The government dissolved Guymine in 1992 and assumed all of its obligations. In addition to firms owed money for goods and services rendered, the largest creditor was blocked by Guyanese courts when it attempted to repossess its equipment. The government offered creditors 12-year bonds at concessional interest rates as

compensation, which was deemed unacceptable by the U.S. creditors. The United States Government supports the position of the U.S. creditors that the Government of Guyana has a contractual obligation to pay these debts promptly. The Embassy hopes that Guyana's courts will soon uphold this position and award the U.S. firms the payments they are owed.

There are several cases related to this matter pending in the judicial system. Although the courts have moved with glacial slowness on these cases, the U.S. creditors seem generally to be winning their substantive claims once finally heard. One U.S. creditor attempted to collect on its Overseas Private Investment Corporation (OPIC) insurance. OPIC denied the claim and arbitration proceedings were instituted, which concluded in May 1995 that the company had not yet exhausted other remedies available to it. When negotiations with the Government of Guyana went to arbitration in June 1996 and September 1996, the ICC panel issued an arbitral award dismissing the company's claim against Guyana. The company brought a second claim against its OPIC insurance on April 30, 1997. These cases are still unresolved. The Embassy understands that OPIC is unwilling to approve any further financing in Guyana until this matter is settled.

The other main group of creditors whose claims have not been satisfied are those whose moneys were frozen in the External Payments Deposit Scheme (EPDS), an IMF-mandated mechanism put in place to conserve scarce foreign currency and shore up Guyana's balance-of-payments position following the 1991 devaluation of the Guyanese dollar. The government argues that it cannot afford to pay off creditors at the new exchange rate. The IMF, which is assisting the government in resolving the EPDS debts, has urged the government not to negotiate a separate settlement with any individual creditor out of the many involved in the EPDS. The government is currently in negotiations to settle these disputes.

In addition, the U.S. firm which owns 80 percent of the local telephone company is in dispute with the Public Utilities Commission (PUC) over the interpretation of a number of provisions in its purchase agreement. Areas of dispute include service and use rates and implementation of a previously agreed upon expansion plan.

Guyana is a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. International arbitration decisions are enforceable under Guyana's (then British Guiana) Arbitration Act of 1931. The country is also a member of the International Center for the Settlement of Investment Disputes (ICSID). Guyanese commercial law is currently being updated.

Political Violence

The political climate in Guyana, which had been stable since democratic elections in 1992, was disrupted by street demonstrations and rioting following the national elections of December 1997, and again in June 1998. Both major outbreaks of street violence were successfully eased by effective diplomatic initiatives of Caribbean Community leaders. However, significant differences still remain unresolved between the two major political

parties. There have been no recent incidents of violence directed toward foreigners or American-owned businesses.

Bilateral Investment Agreements

There has been discussion regarding a U.S.-Guyana Bilateral Investment Treaty since 1993. The initial round of negotiations took place in October 1995. At the end of 1998, there has been no meaningful progress. Guyana has similar treaties with Germany and the United Kingdom, both negotiated during the Hoyte Administration.

OPIC and Other Investment Insurance Programs

Although Guyana is eligible for OPIC insurance, OPIC has said it will not consider applications for new investment insurance or financing in Guyana until an investment dispute between the Guyanese government and an OPIC client involved in the bauxite industry has been resolved. The EXIM Bank resumed limited coverage in Guyana, offering insurance and short-term loans for the private sector at the beginning of 1994.

Foreign Direct Investment Statistics

There was a surge in foreign direct investment from 1989 to 1991 which has fueled the healthy growth figures in the early - mid 1990s. In recent years there have been some smaller scale investments but none of the desperately needed larger foreign investments have developed. The relative absence of new foreign investors may be due to a lack of clarity in investment policy and the need for an investment code.

Following is a list of major foreign investors in alphabetical order with dates of agreements with the government in parentheses:

Aroaima Bauxite Company (1989) is a 50/50 joint venture between the U.S. firm Reynolds International and the Government of Guyana. Reynolds' total investment in Guyana is \$100 million, including amounts it has invested in building a deepwater port facility at the mouth of the Berbice River.

Barama Timber Company (1991) is a South Korean/Malaysian joint venture which is logging a 4.4 million acre concession in the northwest region and exporting plywood manufactured at their Georgetown plant. Barama has invested \$88 million in Guyana.

Caribbean Resources Limited (1989) is a timber concern owned by the Trinidad-based Colonial Life Insurance Company (CLICO), which bought the assets of the state-owned Guyana Timbers. CRL's total investment in Guyana is \$15 million.

Demerara Timbers Limited (1991) is owned by a consortium of European banks which took over the assets of the original purchaser of the state-owned Demerara Woods. The firm's total investment in Guyana is \$20 million.

The Guyana Telephone and Telegraph Company (1991) is 80 percent owned by the U.S. firm Atlantic Tele-Network (ATN) with the remaining shares held by the government. ATN has invested \$118 million in Guyana.

Omai Gold Mines Limited (1991) is 95 percent owned by the Canadian firms Cambior and Golden Star, with the remaining five percent owned by the government. Omai's mine is the largest open-pit gold operation in South America. The company has invested \$243 million in Guyana.

UNAMCO/Case Timbers (1997) is a Guyanese/Malaysian plywood venture. It has been granted timber concessions for 400,000 acres and has invested approximately \$49 million for its operations.

Cummings Group (1997) now controls the Teperu/Itabu under the name Mazaruni Granite Company, which was previously Guyana Granite Products Ltd.

Chapter VIII: Trade and Project Financing

The Banking System

There are now seven commercial banks in Guyana. The one remaining state-owned bank is Guyana National Co-Operative Bank (GNCB). There are three foreign-owned banks--the Bank of Nova Scotia (Canada), the Bank of Baroda (India), and the recently privatized National Bank for Industry and Commerce (NBIC), which was bought by Republic Bank of Trinidad. There are three private Guyanese banks: Citizens Bank, the Guyana Bank for Trade and Industry (GBTI), a previously government-owned bank which was privatized in 1994, and Demerara Bank, which is partly U.S.-owned. Guyana's central bank is the Bank of Guyana. Both banks and private concerns called "cambios" run foreign exchange operations, although the latter deal strictly in cash notes.

Foreign Exchange Controls

There are no prohibitions on importing or exporting foreign currency beyond statutory declaration requirements. However, recently some companies have reported a persistent problem relating to delays in gaining access to foreign currency. Firms seeking to convert Guyana dollars to U.S. dollars may sometimes have to wait anywhere from several days to a few weeks for their local bank to make U.S. dollars available. These delays have been attributed to bank inefficiencies and an underdeveloped inter-bank trading system. There is also a surprising degree of variation in the currency exchange rates offered by the various banks. Firms are advised to develop business relationships with several banks in order to maintain alternative avenues for currency exchange.

Financing Availability

Guyana has a small capital market which is restricted by the Central Bank's liquidity requirements. In past years, banks have loaned very conservatively, preferring to invest in

high yielding government treasury bills instead. The treasury bill rates have declined slightly and the introduction of new banks has led to some improvement in lending practices.

Obtaining local financing is made even more difficult for foreign borrowers by the Central Bank's preference for investors to bring capital resources into the country. Any foreign investor seeking to borrow over Guyanese \$2 million (approximately US\$12,500) must obtain permission from the Minister of Finance. Exceptions are made for secured loans and projects funded by the international donor community.

Many Guyanese seek financing outside of the country due to prohibitively high interest rates. Commercial lending rates are currently between 15 and 19 percent.

The opening of a hoped-for merchant bank, partly financed with international development funds, may improve the availability of investment capital in Guyana.

How to Finance Exports/Methods of Payment

While some U.S. exporters offer credit terms, the U.S. Embassy recommends that exporters obtain payment in advance or an irrevocable letter of credit before shipment.

Export Financing and Insurance

Several of the private banks have recently launched export financing programs. Most of these operate by advancing a percentage of expected export revenue and require an irrevocable letter of credit or some other fairly secure instrument. In 1994, EXIM Bank resumed limited private sector coverage in Guyana. Although OPIC nominally provides coverage in Guyana, it is effectively suspended because of a disputed OPIC claim which remains unsettled. Puerto Rican 936 funds have been limited by the refusal of local banks to offer credit guarantees.

Project Financing

Most large projects are financed by international lending institutions. The Inter-American Development Bank (IDB) and the World Bank both have large development programs, primarily in infrastructure rehabilitation and expansion. The U.S., the U.K., Canada and the European Union all have bilateral aid programs.

Banks with Correspondent U.S. Banking Arrangements

All commercial banks operating in Guyana offer correspondent U.S. banking.

Bank of Baroda, 10 Avenue of the Republic, Georgetown

Tel: 592-2-64005 through 64006

Bank of Nova Scotia, Regent and Hincks Streets, Georgetown
Tel: 592-2-62633, Fax: 592-2-57985

Citizens Bank, 201 Camp and Charlotte Streets, Georgetown
Tel: 592-2-61705, 61706, Fax: 592-2-61719

Demerara Bank, 230 Camp and South Streets, Georgetown
Tel: 592-2-50610 through 50619, Fax: 592-2-50601

Guyana Bank for Trade and Industry (GBTI), 47-48 Water Street, Georgetown
Tel: 592-2-68431 through 68439, Fax: 592-2-71612

Guyana National Co-Operative Bank, 1 Lombard and Cornhill Streets, Georgetown
Tel: 592-2-57810 through 57819

National Bank of Industry and Commerce, 38-40 Water Street, Georgetown
Tel: 592-2-64091 through 64095

Chapter IX: Business Travel

Travel Advisory and Visas

Business travelers are urged to consult the Department of State's Consular Information Sheet on Guyana for more detailed information and advice before traveling to Guyana.

Visas are not required for Americans who wish to visit Guyana for less than 90 days. Travelers need a valid passport and a return ticket or proof of sufficient funds for onward passage. Yellow fever immunization is required for travelers coming from most African and Latin American countries. Inoculation against typhoid, hepatitis and malaria is recommended for travelers who plan to spend more than a few days in the interior.

Security: Travelers should use caution to minimize risk of street crime. Foreign business travelers may be perceived as wealthy targets by the criminal element in Guyana. Maintaining awareness of your surroundings and using common sense precautions appropriate to visiting a strange city will do much to reduce the risk of becoming a victim. U.S. businessmen desiring more detailed security information are welcome to contact the Embassy's Regional Security Officer (RSO) for a security briefing.

Health: Medical care is inadequate in Guyana. Travelers requiring more than cursory medical care should seek help outside of Guyana. Malaria is endemic in many areas outside of Georgetown, and malaria suppressants should be taken on extended visits to the interior. Water is not potable, so all drinking water should be boiled or distilled.

Food: There is a wide variety of tropical fruits and vegetables in Guyana. Chicken, beef, and excellent seafood are available. Increasing amounts of U.S. food products are available on the local market. There are two American fast food franchises (KFC and Pizza Hut) in Georgetown. There are several reasonable local restaurants.

There is an assortment of hotels of acceptable quality in Georgetown, with single room rates ranging from US\$85 to US\$145 per night plus 10 percent tax. Some frequently used hotels include:

Cara Lodge Tel: 592-2-55301, Fax: 592-2-55310

Cara Suites Tel: 592-2-61612

Le Meridien Pegasus Tel: 592-2-52853, Fax: 592-2-60532

Hotel Tower Tel: 592-2-72011, Fax: 592-2-56021

Main Street Plaza Tel: 592-2-57775, Fax: 592-2-57666

Holidays

The U.S. Embassy is generally closed for all U.S. federal holidays and for all of the below-listed Guyanese holidays, except for those marked with an asterisk.

Most local establishments are closed on the following Guyanese holidays:

January 1 New Year's Day

February 24 Republic Day

*March 24 Phagwah

March 28 Good Friday

March 31 Easter Monday

May 1 Labor Day

May 26 Independence Day

July 7 CARICOM Day

August 1 Freedom Day

*October 23 Deepavali

December 25 Christmas

December 26 Boxing Day

There are also two Muslim holidays, Eid-UI-Azah (approximately APRIL 18) and *Youmun-Nabi (approximately August 9), the exact dates of which are not determined until a few days in advance. The observation dates for some holidays may differ slightly based upon the day of the week on which they fall.

Working hours are Monday through Friday from 8:00 a.m. to 4:00 p.m. for most government offices. Business dress is relaxed befitting Guyana's tropical climate. Work attire usually consists of guayabera (shirtjac) or shirt and tie for men and light business suits for women.

The U.S. Embassy is open Monday through Friday from 7:00 a.m. to 3:30 p.m. A duty officer is available 24 hours a day in case of emergency.

English is the primary and official language of Guyana. Guyanese Creole, a dialect of English, is spoken in most parts of the country. Most Amerindians speak English, but in a few remote parts of the interior, only Amerindian languages are spoken.

Business Infrastructure

Traffic moves on the left. In Georgetown, small inexpensive minibuses are the principal means of transport for most Guyanese. Minibuses are not recommended for business travelers, as they are generally overcrowded and tend to drive recklessly. Taxi service and auto rentals are widely available, including service to and from Cheddi Jagan International Airport - Timehri, which is 23 miles from Georgetown.

Telephone service is available in Georgetown and throughout the settled coastal areas, but generally not in the interior. Many firms operating in the remote interior locations access satellite telephone links or communicate by radio. Telegraph service is available to the U.S. International mail is generally adequate and reasonably timely for letter mail, but is not recommended for shipping packages or valuables, as these items may be prone to theft. Several express cargo services operate reliably in Guyana, including FedEx, DHL, and the local Laparkan Group.

Residential and business leases are relatively expensive due to a shortage of high quality housing and office space in Georgetown.

Appendix A: Country Data

Population: 750,000

Population Growth Rate: 0.1 percent

Religions: Christian 50 percent, Hindi 33 percent, Muslim 9 percent, others 8 percent.

Government System: Parliamentary Democracy. Attained independence May 26, 1966.

Executive Branch: Executive President (Chief of State and Head of Government), who in turn appoints a Prime Minister and other ministers.

Legislative Branch: Unicameral National Assembly (53 elected directly by nationwide proportional representation, 12 elected indirectly through regional bodies).

Political parties and seats in Parliament as of February 1998:

Peoples' Progressive Party (PPP) - 36, Peoples' National Congress (PNC) - 25, Working Peoples' Alliance (WPA) - 2, The United Force (TUF) - 2.

Languages: English (official and business). Many Guyanese speak a dialect known as Creolese, which is derived mainly from English with some Hindi influence. In the interior, several indigenous languages are spoken by indigenous tribes (commonly referred to as Amerindians).

Work Week: Government Agencies Monday through Friday, Private Sector Monday through Saturday (to 12:30).

Appendix B: Domestic Economy (in millions of U.S. dollars except where noted)

	ACTUAL 1997	PROJECT 1998
GDP Growth Rate (percent)	6.2	3.2
GDP Per Capita (US\$)	803.3	N/A
Government Expenditure (percent of GDP)	43.1	39.9
Inflation (percent)	4.1	5.5
Unemployment (percent) (est. in 1992)	11.7	N/A
For. Exchange Reserves (in mil. of US\$)	315.0	338.0
Average Exchange Rate (Guyana \$= 1 US\$)	142.0	160.0
Ratio Debt Service to For. Exch. Income	22.1	22.0
US Econ Assist. (Mil. US\$) (USAID/PL480)	16.7	8.5

Source: The Guyana Statistical Bulletin, December 1997

Bank of Guyana Research Dept.

Appendix C: Trade (in millions of U.S. dollars except where noted)

	1997	1998
Total Guyana Exports	594	N/A
Total Guyana Imports	642	N/A
*U.S. Exports	143	34 (1stQtr98)
*U.S. Imports	112	38 (1stQtr98)

Source: National Trade Data Bank, U.S. Department of Commerce

Export Products

	1997	1998
	(volume)	(value, in mil. US\$)
Sugar (thousands metric tons)	248	138.0
Gold (ounces)	N/A	140.0
Rice (thousands metric tons)	285	78.0
Bauxite (thousands metric tons)	2,326	92.0
Shrimp (thousands metric tons)	5.523	27.8
Timber (cubic cm)	163,990	37.8

Sources: Bank of Guyana Statistical Bulletin 1997

* Source: US Trade Data, US Department of Commerce

Appendix D: U.S. and Country Contacts

U.S. Embassy: 100 Duke and Young Streets, Kingston, Georgetown, Tel: (592)(2)54900,
Fax: (592)(2)58497.

Ambassador: James F. Mack

Deputy Chief of Mission: Sheila Peters

Chief, Political and Economic Section: Greg Thome

Economic/Commercial Officer: Steve Banks (through 2/99)

Tom Carroll (from 2/99)

Commercial Assistant: Farah Vinnedge

Consul: Vincent Principe

Washington-based U.S. Government Country Contacts

U.S. Department of Commerce/Caribbean Basin Division

Michelle Brooks, Desk Officer for Guyana
14th Street & Constitution Avenue.
Washington, DC 20230
Tel: 202-482-1648; Fax: 202-482-0464

U.S. Department of State

Joseph Pomper, Desk Officer for Guyana
ARA/CAR
U.S. Department of State
2201 C Street NW
Washington, DC 20520
Tel: 202-647-4757; Fax: 202-647-4477

Associations

Guyana Manufacturer's Association (GMA), 157 Waterloo Street, Georgetown, Tel: 592-2-74295.

Berbice Chamber of Commerce, PO Box 57, New Amsterdam, Berbice,
Tel: 592-03-2452 or 2875

Consultative Association of Guyanese Industry (CAGI), 157 Waterloo Street,
Georgetown, Tel: 592-2-64603, 57170, Fax: 592-2-70725.

Georgetown Chamber of Commerce and Industry, 156 Waterloo Street, Georgetown, Tel:
592-2-55846, Fax: 592-2-63519.

Georgetown Private Sector Commission, 157 Waterloo Street, Georgetown, Tel: 592-2-55339/50977, Fax: 592-2-50978

Government Offices

Customs and Excise Department, 34 Main Street, Georgetown, Tel: 592-2-56932 through
56938, Fax: 592-2-70964.

Guyana Office for Investment (Go-Invest), 190 Camp Street, Georgetown, Tel: 592-2-70653.

Guyana Forestry Commission, 1 Water Street, Georgetown, Tel: 592-2- 72807

Guyana Geology and Mines Commission, Upper Brickdam, Georgetown, Tel: 592-2-52862

Ministry of Health and Labor, Homestretch Avenue, D'Urban Park, Georgetown, Tel: 592-2-64021/64022/64023

Ministry of Human Services and Social Security, 1 Water and Cornhill Streets, Stabroek, Georgetown, Tel: 592-2-66115

Ministry of Legal Affairs 95 Carmichael Avenue, Georgetown, Tel: 592-2-62616 through 62618.

Ministry of Public Works- Oranapai Towers, Wight's Lane, Kingston, Georgetown, Tel: 592-2-71511 through 9.

Ministry of Trade, Tourism and Industry- 229 South Road, Lacytown, Georgetown, Tel: 592-2-63182, Fax: 592-2-54310.

Office of the President- Presidential Office Complex, Vlissengen and South Roads, Georgetown, Tel: 592-2-51330 through 51339, Fax: 592-2-63395.

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