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The Plantation Economy and Guyana's Extractivism

Alyssa Nurse
Centre for Caribbean Studies
Faculty of Arts & Science, University of Toronto

Alyssa Nurse is a fourth-year undergraduate student at the University of Toronto completing an Honours Bachelor of Arts while double majoring in Economics and Political Science. She has been actively involved with the Centre for Caribbean Studies and is the incumbent Co-President as of 2021 of the Caribbean Studies Students' Union (CARSSU). She was born in Barbados but was raised in Guyana prior to moving to Toronto, which has significantly influenced her academic interests especially in the field of economic growth and development in the Caribbean region.

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ABSTRACT

The Plantation Economy school of thought has been somewhat absent from mainstream discourse surrounding development despite offering a critical lens to understand the Caribbean region's historical and contemporary economic conditions. This paper examines the extent to which Plantation Economy scholarship can explain the current production structure of Guyana's extractive oil and mineral industries. This is demonstrated through a historical recapitulation of the Plantation Economy's theoretical underpinnings, situates the pertinent particulars regarding Guyana's extractive industries and highlights the lack of inter-sectoral linkages, significant exploitative ownership agreements and skewed export dynamics that exist. The intention is to spark a resurgence in Plantation Economy scholarship, especially since its relevance remains as vital as ever in addressing the region's structural barriers to economic development.

In this critical reflection piece, I argue that the plantation economy school of thought effectively applies within the context of Guyana's oil and mineral industries. This is because the lack of inter-sectoral linkages, exploitative ownership agreements and skewed export dynamics plague the current state of these industries. All of these are commonly reflected and explained through the features of the Plantation Economy. This paper is structured as follows; I summarize the core characteristics that underpin the plantation economy school of thought and establish the modern-day applications of its usage. Afterwards, I present the relevant details about Guyana's oil and mineral industries. Lastly, using the Guyanese case study, I argue that the plantation school of thought explains the oil and mineral industries' extractive production structure by evaluating industrial linkages and examining ownership and export dynamics. My argument demonstrates the relevance of the Plantation Economy school of thought and some of the continued modern-day limitations on Guyana's economic growth and development.

1) Plantation Economy 101

Scholars like Lloyd Best and Kari Polanyi Levitt in the late 1960s pioneered the Plantation Economy school of thought in. It emerged as a critical theoretical perspective that challenged the conventional prescriptions and recommendations for countries to attain economic development, or as deemed by Girvan (2009), "one-size-fits-all" approaches. Countries tended to be categorized as either "underdeveloped" or "backward" without paying significant attention to their vastly different cultural, historical, and geographic circumstances. The Caribbean-centric theory asserts that economic policy decisions are influenced and sustained by institutions and historical legacies of slavery and colonialism.

During slavery, plantations were understood as self-sustaining economic enclaves and engaged in little to no exchange with other plantations. They utilized slave labour to specialize in producing and exporting crops like sugarcane. The relationship comprised the "metropole" or colonial power and the dependent colony or "hinterland." (Witter 2021, 469). These dynamics are considered to be so deeply entrenched that they have persisted over time, especially since Caribbean economies, from their inception, were tailored to serve the interests of the metropole (Best and Levitt 2009). Plantation Economy highlights how these Caribbean economies have been battling what appears to be a persistent dependence; "of growth without development, of adjustment without structural change, of diversification without transformation" (Girvan 2009). As such many Caribbean economies, today are still understood as economic enclaves.

There are roughly five central characteristics or "rules of the game" of plantation economies, as highlighted by Best (1968). These principles laid much of the institutional framework that explained the dynamics of dependency, which are the hallmark of the relationship between the hinterland and the metropole (Edwards 2017, 105). The first feature is navigation acts which establish exclusive spheres of influence for the metropolitan economy and the limits placed on the external intercourse of hinterland economies, e.g., the British Commonwealth. Such a phenomenon was dubbed *"Inter Caetera"* (Best 1968, 284). The second characteristic deals with the provisions regarding the division of labour between the hinterland and metropole. It is also known as the *Muscovado Bias*. This "rule" stipulates that the hinterland is subject to "either crude production or crude processing" (Best 1968, 284). At the same time, the actual valued added activities are left to the metropole to conduct. Thirdly, regarding the financial relationship, the metropole is the intermediary between the hinterland and the rest of the world. This is called the *Metropolitan Exchange Standard*. The fourth feature is commercial intermediation, which guarantees metropolitan intermediation in affairs regarding hinterland trading. It is also known as the *Navigation Provision* regarding the "origin, destination and carriage of trade" (Best 1968, 284). The fifth and final characteristic is *Imperial Preference*, which outlines the "general conditions under which hinterland producers are able to dispose of their output in the metropolitan market" (Best 1968, 284).

Moreover, the evolution of this school of thought brought about three classifications representative of the Caribbean economy throughout successive stages. Model I is the "Pure Plantation Economy" best understood as the plantation system that arose as a result of European exploration, colonization and conquest (Best and Levitt, Essays on the Theory of Plantation Economy: a Historical and Institutional Approach to Caribbean Economic Development 2009, 13-14). It reflected slave labour as the mode of production and the plantation as the production unit. (Edwards 2017, 106) (Girvan 2006, 334). Model II is the "Plantation Economy Modified" and covered the post-emancipation period and extended until around independence. During this period, a national economy emerged and shifted to a free workforce that received wages, ultimately leading to a "residentiary sector." However, this period was still highly reliant on the demands and skills of the Pure Planation Economy (Model I) and the important exports were no longer demanded with the same level of intensity as before.

The third and final stage is Model III or "Plantation Economy Further Modified" which represents the modern period (Girvan 2006, 335). The most relevant model for this paper's analysis is the Plantation Economy Further Modified. The reason is that the scholarship developed on this Model incorporates the emergence of newer industries operated by multinational corporations (MNCs) (Edwards 2017, 106; Witter 2021, 472). Which “control decision-making, investment, technology, the supply of inputs, and the processing and disposal of outputs” (Girvan 2006, 335). In addition, this phase saw the shift of many plantation economies to mineral exporting economies. Scholars have argued that the plantation theory still applies in the context of the mineral and oil industries (Girvan 2006; Edwards 2017; Witter 2021). The reason is that the dependency relationships between the metropole and the hinterland persist and mirror the dynamics of the operation of the plantation (Girvan 2006, 335; Witter 2021, 472). In other words, the features from Model I are still reproduced in modern times.

2) Guyana’s Oil and Mineral Industry and the Realities of Resource Riches

After defining the theoretical specificities required for analysis, we can now examine the case study of Guyana and its mineral industries. Situated in the Northern section of South America, Guyana is the only country with English as its official language and is home to roughly 780,000 people (The World Bank 2020). The country is culturally a part of the Anglophone Caribbean and was a British Colony until 1966, when it gained independence. Like many other Caribbean countries, Guyana’s exports are predominantly agrarian and raw material oriented.

The country's mineral industry predominantly comprises gold, bauxite and, to a lesser extent, diamonds. In the gold industry, most of the output comes from artisanal, small and medium-scale (ASM) operations and is almost exclusively conducted by locals (Pasha, Wenner and Clarke 2017). Large-scale production, however, is predominantly done by two foreign-owned companies as of 2015; the Canadian company Guyana Goldfields Inc. and Australian company Troy Resources Inc (Pasha, Wenner and Clarke 2017). In more recent years, other foreign-owned companies have made investments but are yet to commence operations, such as Dream Hole Mining Company and GMV Minerals Inc. (Pasha, Wenner and Clarke 2017). It remains to be seen whether large-scale foreign-owned operations will surpass ASM mining in terms of output; regardless, there is no doubt of the significance of the industry since "gold production accounted for almost 10 percent of GDP and 56 percent of total exports in 2019" (Balza et al. 2020). Lastly, the mining industry has replaced the sugar industry in terms of economic importance and has been the leading contributing resource to economic growth, making the industry extraordinarily relevant and suitable for Plantation Economy analysis.

Guyana's oil industry dates back to the 1930s when the first oil prospection license was issued to Trinidad Leaseholds Company Ltd. (Ministry of Natural Resources: Petroleum Management Programme 2021). Throughout the 1960s to 1990s, the country encountered issues procuring sufficient funding from investors and mainly experienced unsuccessful offshore and onshore projects. (Ministry of Natural Resources: Petroleum Management Programme 2021) . However, the country has seen a significant reversal of fortune in the past seven years. In 2015, the American multinational corporation ExxonMobil discovered oil reserves roughly 120 miles offshore Guyana's coastline. The company reported 1.4 to 2 billion barrels of recoverable oil and gas (Whitlock 2017). By 2016 the first official petroleum agreement was signed between the cooperative Republic of Guyana and three multinational oil corporations: Exxon Mobil, Hess Corp, and CNOOC Ltd. This agreement stipulated the terms and conditions regarding cost recovery and production sharing, taxation and royalties, import duties, etc. (DPI 2019). December 20th, 2019, marked the "first oil." The Liza Phase 1 within the Stabroek Block was where the first commercial batch of crude oil was produced for export (Blackmon 2019).

As of 2022, there have been five additional oil discoveries within the Stabroek Block, bringing the total number of oil discoveries to thirty-one (Kulovic 2022) (Reuters 2022). Consequently, the estimated barrels of recoverable oil have increased to 11 billion (Kulovic 2022). Moreover, in February 2022, ExxonMobil began producing at Guyana’s second offshore development, the Liza Phase 2, bringing the total production capacity to roughly 340,000 barrels per day (ExxonMobil 2022). It should come as no surprise that the country is speculated to become one of the top oil-producing nations by 2025 (Bajpai 2020). Lastly, Guyana was also projected to be one of the fastest-growing economies despite the catastrophic effects of the Covid-19 pandemic that ravaged the Caribbean and the rest of the world (Bajpai 2020). Based on the current state of the mineral and oil industries, they are ideal for assessing the validity of the Plantation Economy theory.

3) How The Plantation School of Thought explains the current production structure of Guyana's Oil and Mineral Industry

After familiarizing ourselves with what the political economy school of thought entails and what Guyana's oil and mineral industry looks like. We can examine multiple metrics and paradigms to test the theory's applicability. These are ownership, industrial linkages, and lastly, export dynamics.

The first paradigm of evaluation takes place in the form of ownership. Edmonds (2017) states, "the natural resource sector across the Caribbean has been dominated by high levels of foreign ownership – and the rip and ship extraction model has not contributed much in terms of meaningful economic development either." These sentiments are accurate in both the mineral industries and oil industries and mirror the Model III stipulations of the Plantation Economy as well as the more general characteristics of the school of thought.

In the context of the mineral industry, Best and Levitt (2009) point to the role played by international actors and agencies in influencing the asymmetric terms of company-country ownership agreements. These include institutions like the IMF and World Bank. Girvan and Girvan (1971) cite instances where the World Bank's "recommendations or aid have coincided with the interests of the corporations." One such example occurred in the early 1970s when the Canadian-owned company Alcan Aluminum Limited sought to promote the usage of World Bank money to resolve the dispute it had with the Guyanese government (Girvan and Girvan 1971, 384). The contractual agreements between aluminum companies and bauxite countries reinforce asymmetric bargaining power, promote exploitative ownership agreements and designate spheres of influence ultimately to advance MNC interests.

Similarly, in the oil industry, the operation of the Stabroek block is divided among three oil companies. Exxon is the chief operator with a 45% share, followed by U.S-owned Hess Corp with 30%, and China's CNOOC Ltd. Holds 25% (Valle 2022). To make matters worse, the agreement terms between Guyana and Exxon are abominable and were the source of significant controversy. Per the 2016 agreement, Guyana is stipulated only to receive 52% of all the oil revenues from the Stabroek bloc, with the remainder being split amongst the three companies mentioned above. The issue is that Guyana is being blatantly exploited and robbed of billions of dollars since most oil licensing deals involve the host country receiving anywhere from 65-85% (Carpenter, Scott; Forbes 2020). The Plantation Economy Further Modified (Model III) explains why this happens; "when a new natural resource is discovered, or an old one is revived, the national economy has neither the capital nor the entrepreneurship nor the international experience to organize production" (Best and Levitt, Essays on the Theory of Plantation Economy : a Historical and Institutional Approach to Caribbean Economic Development 2009, 27). As such, we see Guyana accepting deals and offers out of dependence on foreign capital and expertise. In addition, these trade deals regarding ownership and revenue allocation encompass the third and fourth features of the Pure Plantation Economy, the Navigation Provision and the Metropolitan Exchange Standard, respectively, as seen by the metropole or MNCs in this context being directly involved in setting Guyana's terms of trade and how fiscal earnings from the industry are distributed.

Moreover, Guyana's oil and mineral industries suffer from a lack of inter-sectoral linkages. In Guyana, this would look like raw bauxite ore being used as an input in the aluminum industry or gold as an input in the local jewellery industry. In doing so, considerable cost savings can accrue, and both industries can benefit from economies of scale once the volume of production increases. In examining, the second feature of the plantation economy or the Muscovado Bias is that it requires a simple production structure and leaves the actual value-added activities to be conducted by the metropole. This is evident in Guyana's oil and mineral industries; their production structures are simple and entirely extractive of raw materials with minimal opportunity for developing industrial linkages.

Unfortunately, when Guyana sought to enact change, the country was met with exploitative conditions. For example, First Bauxite LLC (FBX) has stated that they will only bring an aluminum smelter to the country if given access to offshore natural gas from the oil industry (Aluminium Insider 2020). These statements were made after the newly commissioned bauxite mine at Bonasika in the Upper Demerara region was opened, and Guyanese were advocating for a local aluminum plant to establish inter-industry linkages. The company cited excuses such as needing affordable and competitive rates for their production process to justify their claims (Aluminium Insider 2020). Although this arrangement was never formalized due to a change in governance, the reality is that it is a ploy to garner greater access to Guyana's natural resources. Ultimately with the intent of furthering the capitalist agenda that is at the heart of many foreign-owned companies operating in the Caribbean.

Additionally, regarding export dynamics, countries like Guyana "had become structured around the export earnings and fiscal revenues generated by the exploitation of mineral resources by foreign companies, characterized as mineral-export economies" (Girvan, Caribbean Dependency Thought Revisited 2006, 335). It is evident that asymmetrical export dynamics exist since Guyana does not refine the hundreds of thousands of barrels of crude oil it exports, nor does it manufacture aluminum products from the bauxite ore it exports. The country is considering "more than 10 proposals from foreign companies to build and operate an oil refinery" (James 2021). However, the government is extremely cautious about accepting offers, and in 2021, incumbent President, Irfaan Ali stipulated that any attempts to institute a refinery “will have to be done by private-sector investors and not the government” (James 2021). Until the first refinery is in operation, the country has virtually no say in where the crude oil it exports gets refined. For example, Trinidad has expressed interest in refining Guyana's crude oil, which can mutually benefit both Caribbean economies (Guyana Standard 2020). However, depending on the terms and conditions of the proposals by foreign MNCs, the Trinidad-Guyana refinery agreement is unlikely to materialize. Ultimately, these relationships parallel the fifth characteristic of the Plantation economy, Imperial preference, which stipulates that the hinterland producers have no say in how their exports are utilized in the metropolitan market.

In conclusion, the Plantation Economy school of thought does an excellent job of establishing how the legacies of slavery and colonialism shaped the structure of Caribbean economies. The theory also coincides with the sentiments echoed by scholars like Dr. Walter Rodney (1972), "others exploit all of the countries named as "underdeveloped" in the world; and the underdevelopment with which the world is now preoccupied is a product of capitalist, imperialist and colonialist exploitation." Critical theoretical perspectives like Plantation Economy address the Caribbean's unique history, and the exploitative relationships that followed suit impact how its political institutions operate and function under such conditions. We see these same patterns perpetuating in Guyana, with foreign MNCs' predatory capitalism reinforcing what is deemed “extractive imperialism” (Fischer 2019, 551). The lack of inter-sectoral linkages, significant exploitative ownership agreements and skewed export dynamics are barriers that reinforce dependency-esque relationships and impede internally driven growth. For these reasons, many scholars are weary of the resource curse repeating itself in the oil sector, especially since the mineral industries like gold and bauxite have not brought about substantial economic transformation (Balza et al., 2020; Edmonds, 2017). The country still leaves much to be desired concerning its oil and mineral industries, or as Edmonds (2012) states, “everything that glitters isn’t green.”

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