

THE ALUMINIUM INDUSTRY

AND THE THIRD WORLD

Multinational Corporations
and Underdevelopment

Ronald Graham

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List of Abbreviations

AIC	Aluminium Industries Commission
ALCAN	Aluminium Company of Canada
ALCOA	Aluminium Company of America
BAC	British Aluminium Company
CAB	Cabinet Papers
CIA	Central Intelligence Agency
CO	Colonial Office
CPP	Convention People's Party
ECG	Electricity Corporation of Ghana
FO	Foreign Office
FOIA	Freedom of Information Act
HEP	Hydro-electric power
ICA	International Cooperation Administration
IDA	International Development Action
MAP	Ministry of Aircraft Production
NAG	National Archives of Ghana
NLC	National Liberation Council
NRC	National Redemption Council
PRO	Public Record Office
RFC	Reconstruction Finance Corporation
VALCO	Volta Aluminium Company
VRA	Volta River Authority
VRP	Volta River Project
WAFAL	West African Aluminium Ltd.

Acknowledgements

This study of the development of the international aluminium industry, with particular reference to the Volta River Project in Ghana, is the final outcome of five years' research into the relationship between African history and international economics. As such, it must be considered as a work of political economy rather than as one of pure history or pure economics.

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The Aluminium Industry and the Third World

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This book is dedicated to the aluminium workers at Tema and the bauxite miners at Awaso in whose hands the future of Ghana's aluminium industry lies.

Ronald Graham
1981

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1. Introduction

It was not enough to declare a political commitment for or against capitalism. One had to declare one's theoretical commitment also. One had to choose; either to regard the whole history of society from a Marxist point of view, i.e. as a totality, and hence to come to grips with the phenomenon of imperialism in theory and practice; or else to evade this confrontation by confining oneself to the analysis of isolated aspects in one or the other of the specialised disciplines.¹

Social science has progressed so far that it is only its most primitive practitioners who still bother to debate the necessity of inter-disciplinary discourse.²

Fundamental Methodological Assumptions

In this study, certain fundamental methodological assumptions will be made which will structure the presentation of the empirical evidence. Together, these assumptions constitute a paradigmatic base within which all problems of development — political, social and economic — can be placed.³ The Marxist method will be employed to analyse changes in the international economic system and Marxist categories will be used to express these changes in the phenomenon of imperialism.

Taking our lead from Tsikata's remarks on bourgeois social science, we shall contend that history, as the foundation of all social science, must be problem orientated and must be prepared to cross disciplinary boundaries if these become obstacles to progress and understanding. In this study we shall be concerned with answering the question of why orthodox development theory has so far failed to solve the outstanding problems facing the under-developed countries of the Third World today.

The principal concept to be utilised will thus be that of totality, or the interconnectedness of all things in general, for it is patently obvious that the complexities of underdevelopment cannot be scientifically understood, and hence resolved, if economics is divided from politics and both are divorced

from history. In this respect, Lukacs observed that it is in the nature of capitalism to process phenomena, like underdevelopment, in 'ideal' ways:

But this tendency of capitalism goes even further. The fetishistic character of economic forms, the reification of all human relations, the constant expansion and extension of the division of labour which subjects the process of production to an abstract rational analysis, without regard to the human potentialities and abilities of the immediate producers, all these things transform the phenomena of society and with them the way in which they are perceived. In this way arise the 'isolated facts', 'isolated complexes of facts', separate, specialised disciplines (economics, law etc.) whose very appearance seems to have done much to pave the way for such scientific methods. . . . By contrast, and in the teeth of all these isolated and isolating facts and partial systems, dialectics insists on the concrete unity of the whole.⁴

What this means for our present purposes is that orthodox development theory has now become an ideological weapon of the international bourgeoisie which must be confronted by a theory capable of grasping the significance of diverse facts and appreciating their function in the totality to which they belong. Leys, in his classic study of underdevelopment in Kenya, thus came to the conclusion that Marx and Mannheim were essentially right in arguing that 'the "categorical apparatus" of social knowledge necessarily reflects and embodies personal and class interests. The researcher is free to choose which interests his concepts and methodology shall try to embody and reflect.'⁵

Marx traced the origins of the ideological constituents of the 'categorical apparatus' of bourgeois culture to the time when the bourgeoisie first conquered political power in France and England:

Thenceforth, the class struggle, practically as well as theoretically, took on a more and more outspoken and threatening form. It sounded the knell of scientific bourgeois economy. It was thenceforth no longer a question of whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested enquirers, there were hired prize fighters; in place of genuine scientific research, the bad conscience and evil intent of apologetic.⁶

In the twentieth century, the supportive ideology of modern imperialism came to be characterised, particularly in the English academic tradition, by a refusal 'to put society as a whole in question',⁷ and by the shunning of theory, even its rejection. The concept of totality, so central to any scientific understanding of imperialism, was thus neglected and eventually blotted out by the 'chloroforming ideology of academic orthodoxy'.⁸

Yet, particularly after World War Two, this 'academic orthodoxy' was increasingly unable even to explain, never mind resolve, the fundamental

problems facing the Third World. Indeed, one of the central features of this new orthodoxy, namely the close correlation between bourgeois economic theory and bourgeois economic practice personified by such eminent theoreticians as Sir Arthur Lewis, Walt Rostow and, more recently Milton Friedman, was the facility with which it exacerbated the plight of the underdeveloped countries.

In relation to African history, one writer found it difficult to deny 'that there is a connection between the relations of production and specific productions of history . . . more specifically, the most outstanding feature of the last four centuries of African history having been the continuous process of economic and political subjugation by international capital, it stands to reason that the particular language which will be used by social scientists and historians cannot claim to be innocent or divorced from this larger historical process.'⁹

But what exactly is this 'larger historical process' to which social scientists must refer in their analyses? The failure of many orthodox social scientists even to consider this larger process and, consequently, their failure to implement the correct development strategy, stimulated numerous attempts to define more precisely the historical determinants of the last 400 years and from there develop a more scientific approach to the problems of economic development. Fortunately, most theorists have now agreed that this 'process', producing on the one hand the impoverishment and underdevelopment of the Third World, and on the other the extended accumulation of capital in the 'core' countries of the West, can be reduced to the internationalisation of Euro-American capitalism, or imperialism:

Underdevelopment is not just a sign of backwardness or stagnation but, on the contrary, is the product of a specific development — closely connected with the rise of the world economy and is a direct result of it. Therefore it is only the analysis of the development of the capitalist world economy that can provide the key to an understanding of the present state and growth problems of the underdeveloped countries.¹⁰

Thus, in our attempt to understand the present problems of the Third World, and to develop a strategy for resolving them, we are obliged, by embodying the concept of totality in our presentation, to place at the very centre of our analysis the historically most important external aspect of economic underdevelopment — the development of the multinational corporation.

This study will pay as much, if not more, attention to the development of the international aluminium industry and its objective requirements as it does to the particular configuration of the Ghanaian political economy which led to the establishment of the industry in that country. In this respect, Girvan observed that: 'It is precisely the access to Third World resources which has facilitated the consolidation of mature industrial systems in the central capitalist countries.'¹¹

In our effort to understand the problems confronted by the mineral

exporting economies of the Third World, we have organised this study in a way that corresponds with the dynamics of the phenomenon of corporate imperialism. The study therefore falls conveniently into two distinct but dialectically interrelated parts — the first dealing with the development of the international aluminium industry from the early period of national monopoly to the contemporary period of international oligopoly, and the second dealing with the consequences of this specific development on a particular Third World country, Ghana. The study will therefore be organised along the following lines.

Scope of the Work

Chapter Two outlines the historic growth of the aluminium industry in the mature industrial economies of France, the UK and the US. In each instance, the development of the industry was characterised by national monopoly and the division of markets by producer cartels. Chapter Three continues with an analysis of the post-war industry as each leading company left its national redoubt to function on an increasingly international basis — an expansion largely determined by the appearance of a number of new producers, a growing Western dependence on imported raw materials and energy, and, finally, by the militarisation of the developed economies.

Chapter Four introduces to our analysis of this new international model of capitalist accumulation, a consideration of the consequences of this aggressive and expansionist policy on the pattern of economic development in the rest of the world, particularly on Guyana and Guinea, two of the world's leading bauxite exporters. In each case it will be argued that, while many general features of the relationship between the multinational mining companies and bauxite exporting countries do have a similar impact on the bauxite producing countries, it still remains the case that, 'class struggle in peripheral societies is often dominated by particular contradictions originating in the specific character of their integration into the capitalist world market.'¹² Mandel is, therefore, essentially correct in stating that, 'in reality, division of the world into "rich" and "poor" nations can be explained only by historical and social reasons and to a large extent by the history of capitalism itself.'¹³

A central feature of this section will be an analysis of the role of the USA in the break-up of the European colonial empires and the consequent co-option of Third World nationalism by international capitalism. More specifically, this chapter will seek to explain why, in the context of the internationalisation of the capitalist mode of production, only certain countries have benefited from the creative side of capitalism while other countries experienced only its disintegrating effects. By focusing on the relationship between development at the centre and underdevelopment at the periphery, we will attempt to provide a comparative analytic framework for the detailed exposition of the development of a dependent aluminium industry in Ghana.

Chapter Five will therefore consist of an introduction to our study of the

Volta River Project in the Gold Coast, outlining why the country was particularly well suited to the development of an integrated aluminium industry and why, in the light of the conclusions arising from Chapters Two and Three, the scheme failed to come to fruition during the colonial period.

Chapter Six will then proceed with the analysis of the complex negotiations of the 1950s between Ghana, then moving rapidly to full independence, and the North American aluminium companies, then anxiously scouring the world for additional bauxite supplies and the new cheap energy resources necessary for its processing.

Chapter Seven will complete the empirical investigation by, first, examining the 1962 Master Agreement between Ghana and two aluminium companies; secondly, outlining the international political context of this agreement; and, finally, analysing the consequences of this agreement both for Ghana and the aluminium companies.

The final chapter will attempt to draw a number of conclusions from the experiences of bauxite and energy exporting countries in order to develop the appropriate theoretical guidelines for self-sustaining industrial growth in countries for which the material base for heavy industrialisation is limited to the existence of a vertically integrated aluminium industry. For only after the correct theoretical framework for development has been established, can we move on to the most important task — the formulation of an industrialisation strategy capable of resolving the problems of underdevelopment in small dependent economies.

The Importance of Aluminium as a Leading Sector under Capitalism

There are a number of very good reasons why we have selected the aluminium industry as the basic unit of analysis. From humble beginnings in the 19th century, the industry grew rapidly, with production doubling every decade until, by the 1970s, aluminium was the second most widely used metal in the world. By this time, aluminium had become, in terms of direct overseas investment, the world's third largest industry with by far the fastest growth rate amongst non-ferrous metals. With production increasing rapidly, new economies of scale could be introduced which, together with certain other technological refinements, led to a drop in production costs enabling the industry to make vast inroads into the markets of other metals. By mid-century, the aluminium industry had established itself as one of the most dynamic sectors of the modern industrial economies.

It has been argued that government regulation, particularly in the USA, was responsible for far-reaching structural changes in the industry, particularly in terms of encouraging and creating competition. This view holds that after the Second World War, the American industry was successfully deconcentrated to allow for the full play of free market forces. We have not found this to be the case. Within the last hundred years, the industry has moved from

a period of pure monopoly where the conditions of competition were not even approximated, to one of international oligopoly where restrictive practices continue to predominate. This is particularly so in relation to the control of technology and the ability of the six major producers — ALCOA, ALCAN, Kaiser, Reynolds, Alusuisse and Pechiney — to control investment, prices and end markets.

Thus, throughout the period, the aluminium industry represented one of the purest examples of capitalism in its monopoly phase, a capitalism 'of the age of artificial restriction of production, share-out of markets, division of the whole world conquered by capital'.¹⁴ In this phase, capitalism became more and more a fetter on the development of the productive forces, particularly, as we shall see, in those countries of the Third World best suited to the production of aluminium.

As a rapidly expanding sector of the industrial economies, and given its intrinsic qualities — lightweight, non-corrosive and easily fabricated — aluminium quickly became one of the most strategic industries in the world, finding large and reliable markets in the arms industry and the durable consumer goods industry. Consequently, despite numerous government attempts to deconcentrate ownership in the industry, the industry retained many of its monopolistic tendencies. Certain elements of competition were introduced in the immediate post-war period, notably in the physical search for raw materials and the technological search for new applications of the metal, but overall, given the state's strategic reliance on the aluminium companies, regulation of the industry was kept to a minimum.

Indeed, one of the outstanding features of the industry was the degree to which it could rely on the host Western governments for financial, political and even military support, as in the case of the Dominican Republic, to protect its overseas investments and expand its area of operations. Historically, only the oil and uranium industries have enjoyed so much overt government support in the pursuit of profit under monopoly conditions.

It is, perhaps, therefore surprising that the aluminium industry has not yet received the kind of comprehensive treatment accorded to the oil industry, particularly since the aluminium industry has become one of the few truly global industries with world-wide sourcing and markets in virtually every country in the world. The existing literature on aluminium has been characterised by a failure to examine the growth of the industry in the core capitalist countries *in relation* to the obstacles which this development has placed in the way of the industrialisation of the Third World. Thus we have at our disposal several studies of the aluminium industry in the West¹⁵ alongside numerous case studies of the industry in the Third World¹⁶ but, with the noticeable exception of the work of Norman Girvan,¹⁷ very few attempts to bring out the structural relationship between the two. Very few of these 'specific productions of history' questioned the material basis for the growth and expansion of the aluminium companies, for like all other bourgeois social scientists the authors of these studies seemed to be more concerned with purely economic analysis, seeking to answer such questions as how could the

industry be made more profitable? how could it be made more competitive? and to what extent should the state actively intervene to regulate a highly strategic industry in the name of national security? The Third World was thereby relegated to its traditional role of supplying raw materials for the continuing accumulation of capital in the West, with little or no theoretical comment on the destructive impact of this development on a number of Third World societies.

This study attempts to combine these two areas of investigation to provide the historical and theoretical context for an assessment of the prospects of developing an integrated aluminium industry in the Third World. For it is only by analysing the phenomenon of corporate imperialism in its totality that we can fully understand the working out of this process in each of the system's constituent parts.

This study lays one other claim to originality – a claim stemming from the existence of a major lacuna in the treatment of the industry in the Third World. A great deal has been written about the problems of the bauxite exporting countries of the Caribbean, most notably Jamaica and Guyana.¹⁸ Similarly, research conducted by IDA has laid bare the workings of the aluminium companies in Australia and the Far East.¹⁹ However, similar studies of the development of the industry in Africa, and the incorporation of a number of West African countries into the political economy of international aluminium production, are few in number and generally only deal with the development of a local industry in Guinea, Ghana, Nigeria, Sierra Leone and Cameroon.²⁰ In most cases there has been no attempt to relate these developments to the 'larger historical process'.

The Case of Ghana: Its Significance

This study will attempt to fill this analytic gap by providing an exceptionally well-documented case study of one of the most paradoxical of all West African countries – that of Ghana under the leadership of Kwame Nkrumah and his successors. This has been made possible by the release of over 200 documents, hitherto classified, by the US State Department, under the Freedom of Information Act of 1977.²¹

The experience of Ghana, the first fully independent Sub-Saharan African country, has attracted a great deal of attention from both radical academics and Third World leaders, largely because few African leaders emphasised so strongly as Nkrumah the need to decolonise economically as well as politically.²² By 1961, Nkrumah had realised that the orthodox development strategy suggested by Lewis and orthodox development economists, and uncritically accepted by the ruling CPP, had failed.²³ Furthermore, by this time, the construction of the Volta River Project – the very heart of this development strategy – was well under way. Western commitment to the project temporarily permitted Ghana a more flexible policy in relation to overseas trade, foreign investment and development planning. In this context,

the Volta River Project was, and remains, particularly instructive in several respects.

In the first place, the scheme had for many years been the subject of intense international speculation and rivalry. For not only was potentially cheap hydro-power available, but Ghana also possessed large deposits of bauxite which could be exploited to create a low-cost, fully integrated aluminium industry to relieve the country's structural dependence on agricultural exports.²⁴ These resources comprised the material base from which Nkrumah hoped to develop a national political economy which, as Green correctly observed, would have to consist of 'both directly productive and infrastructural investment policies being led by a sector which is basically closed, national government directed and, in Africa, at least substantially publicly owned'.²⁵

The Volta River Project thus embodies two of our main concerns — the search for and acquisition of monopoly control over Third World minerals and the exploitation of Third World energy resources. Indeed, so great were the potential profits to be made from Ghanaian aluminium and so well did the project reinforce existing American strategic concerns in Africa, that the aluminium companies, the US Government and the international banks were prepared to mobilise vast resources for its development. However, their interests and those of Ghana finally proved to be not just incompatible, but actually antagonistic as Nkrumah steered Ghana in the direction of state socialism and the reimposition of national sovereignty over the natural wealth of the country.

The American-inspired overthrow of Nkrumah in 1966 and the reimposition of Western hegemony in Ghana guaranteed that the Volta River Project, and with it the development potential of Ghana, would be subordinated to the accumulation model of corporate imperialism. Thereafter, with no sustained ideological challenge to the status quo by the succession of accommodationist neocolonial regimes, both civilian and military, Ghana became characterised as an 'unsteady state'²⁶ in which foreign capital, while continuing to profit from its domination of the Ghanaian economy, 'failed to establish a stable state and state policy capable of guaranteeing and stabilising its domination'.²⁷

Throughout the 1970s Ghanaian society moved perilously from one crisis to another — crises stemming directly from the different attempts to mediate between local and foreign capital in the distribution of the surplus value created by the Ghanaian economy. Even the short-lived 'people's revolution' of June 1979 did little to unite the nation as a whole against foreign capital. As Hutchful observed, the position of successive regimes remained essentially that of compromise with foreign capital (most notably American capital in aluminium, rubber and now oil), rather than confrontation.²⁸ And it is in this context that the Volta River Project has remained perhaps Ghana's strongest structural attachment to the system of corporate imperialism.

Conversely, the full nationalisation of the Ghanaian aluminium industry, its complete vertical integration and its forward linkages with the proposed