



New Ghana — old VALCO

By Ronald W Graham

In January 1983 the Ghanaian government announced that it plans to seek a revision of the agreement concluded in 1962 with the Volta Aluminium Company, controlled by the US-based aluminium transnationals Kaiser Aluminum and Reynolds Metals. After a visit to Ghana late in 1982 Ronald W Graham sent this background report explaining the issues at stake.

The Volta Aluminium Company (VALCO), 90 per cent owned by Kaiser Aluminium and Chemical Corporation and 10 per cent owned by Reynolds Metals, has been the single most important investment made in Ghana since independence. By the same token, the Volta River Project, of which the VALCO aluminium smelter comprises the most profitable component, has potentially been the key to Ghana's industrial development throughout this period. The Volta Project clearly cannot continue to hold out the promise of industrial development to both US monopoly capital and the mass of the Ghanaian people. Since the American inspired overthrow of Nkrumah in 1966, Ghana has experienced a variety of military and civilian regimes more prepared to cooperate with than to confront the system of modern corporate imperialism. Whilst this situation has on the one hand produced an extremely unsteady Ghanaian state, it has on the other hand allowed the Volta Aluminium Company unparalleled freedom to expand to optimum capacity, so that today it operates as one of the most profitable aluminium smelters in the world.

Whilst this contradiction could persist at the very heart of the Ghanaian political economy during the years of neocolonial accommodation (1966-1982), it was clear that, given the seizure of state power by a regime committed to the development of the Ghanaian productive forces and to end the corruption of the Ghanaian state by imperialism and its local allies, the VALCO Agreement should be subjected to particularly close scrutiny. Therefore, when Fl. Lt. Jerry Rawlings intervened in the Ghanaian political process for the second time, on the 31st December 1981, it was not unnatural that the Americans, and VALCO in particular, should take a close interest in events.

The first direct evidence of VALCO's close interest in Ghanaian political de-

velopments appeared in March 1982 when it was revealed by the Secretary of the Interior that three "foreign agents", employed by VALCO, had been deported from Ghana for subversive activities. The public were informed that the three men had been gathering intelligence information and that this had been transmitted from the VALCO plant. Other individuals involved in these activities included the security coordinator and the private secretary of the deposed President Limann. According to the Secretary of the Interior: "These people had been engaged in systematic manouvres to crush the popular uprising and abort the revolutionary process going on in the country". VALCO, in a statement, of course denied these allegations.

The following week, on the 25th anniversary of Ghana's independence, Rawlings addressed the Ghanaian people in Accra informing them that:

"... the energy needs would have to be planned afresh, especially for the industrial sector... it was vital that a national energy commission examined the various energy sources available, especially alternatives to oil which took a substantial part of Ghana's revenue."

From this major policy statement it was clear that since Ghana was spending upwards of 50 per cent of her foreign exchange earnings on imported oil, while VALCO continued to utilise upwards of 60 per cent of Ghana's domestic energy resources a closer scrutiny would have to be made of the terms of the VALCO agreement.

VALCO's first response to this situation involved an announcement that the company was prepared to close down her operations in Ghana if it was felt that the company was no longer welcome in Ghana. This was a dramatic over-reaction. None of VALCO's many critics had ever suggested such a sensational solution to the problems of power production and distribution in Ghana. The most

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Since 1967 the power rates to aluminium producers have risen substantially. European and Australian rates are currently 20 mills/kWh (1 mill=0.1 US cent). In the US Kaiser pays 25.9 mills, but in Ghana only 6 mills!

sensible suggestions had centred on either a reduction of VALCO's demand, to release power to other sectors of the economy, or an upward revision of the tariff paid by VALCO to help cushion Ghana against the spiralling costs of imported oil.

Meanwhile, VALCO employees suggested that VALCO's response was a calculated bluff intended to intimidate the new revolutionary government. After all, why should the two American operating companies voluntarily close down one of their most profitable subsidiaries. A member of the government went on to add the obvious point, that if VALCO had operated within the framework of the original agreement to develop Ghana's bauxite resources and construct an alumina plant, many of these problems would not have arisen.

But by June 1982 it was obvious to all that problems did exist and that Ghana was no longer prepared to countenance a situation whereby over 60 per cent of her domestic energy resources were consumed by a foreign company to produce a metal which was entirely exported. Moreover, this was only one aspect of the problems posed by the VALCO smelter. The monopoly position enjoyed by Kaiser and Reynolds with regard to the development of Ghana's bauxite was also holding up the full integration of the industry within the country. Already, Japanese, Iranian and Hungarian interests had been prevented from proceeding with an alumina plant due to the non-cooperation of Kaiser. The new Minister of Lands and Mineral Resources spelled out the precise significance of the construction of a Ghanaian alumina plant:

"If Ghana could get an alumina plant, it would be in a strong position to attract finance once it could sell half the production, with VALCO as a ready buyer for the rest."

Such pressure, coming from various quarters, began to tell on VALCO. In late

June, without previously informing the government, the Company announced its intention to close down one of its five potlines. VALCO workers, supported by the students and the Press, remonstrated that this was a "...naked political challenge to the PNDC and the people of Ghana, given that VALCO is the most profitable unit in the Kaiser empire". Workers at Tema demanded a renegotiation of the original agreement and full nationalisation if necessary.

Rawlings himself later picked up the same theme by explaining how VALCO's decision to close down one of the potlines "...was aimed at creating socio-political problems in the country". Unlike the first Rawlings government of June 1979, the new revolutionary government would now concentrate on the "big cheats" rather than on the "small cheats". Ghana's problems, he added, stemmed from the activities of foreign multinationals and it was now the intention of the government to cut off the stranglehold they had established on Ghana.

Meanwhile, without retracting their earlier statement about closing down a part of their production capacity, VALCO issued another statement expressing concern over recent criticisms and assuring the government that the company's intention was "...to cooperate with the PNDC as it had done with previous governments". Ghanaians were fully justified in wondering just what exactly this cooperation amounted to. Two months later the company clarified their position. They would now not close down the fifth potline. The American aluminium companies had attempted to bluff Ghana twice in the space of four months in an attempt to break the solidarity of the Ghanaian people and to divert attention away from one of the most inequitable agreements ever signed between company and country. The Ghanaian government understood that VALCO's threats represented the familiar iron fist of American imperia-

lism, but by this time the velvet glove was extremely threadbare.

By July 1982 the price of aluminium stood at 43.3 c per lb or approximately 866 USD per ton. With VALCO operating at maximum capacity the value of the total ingot produced would be somewhere in the region of 190 M USD. Therefore the decision to close down one potline, or a fifth of capacity, would amount to a loss of 38 M USD — quite a substantial amount when it is recalled that the shareholders had originally only invested 32 M USD of their own capital in the project.

Nevertheless, the Ghanaian government welcomed the decision not to reduce the plant capacity although they did object to the "whimsical manner in which VALCO made the decision and the insulting utterances of the VALCO team during negotiations". This time the boot was on the other foot and Ghana demanded compensation for all expenses incurred.

However, what is clear from this update on Ghana-VALCO relations is that the more the government of Ghana represents the interests of the mass of the people the more likely is the revision of the existing VALCO agreement. Ghana urgently requires a more balanced use of her domestic energy resources, whilst it is clear that the aluminium industry will remain export orientated until such time as the bauxite mines are linked to an alumina plant and Ghana produces her own aluminium. Consequently, it must be appreciated that such a dramatic restructuring of the Ghanaian economy cannot be considered to be a short term aim of the revolution. It is only in the long term that Ghana will be able to confront US imperialism and thereby come to terms with the forces which have for so long undermined the development of the country's productive forces. The efforts of Ghana as she moves along this path will be of great interest to other countries caught in similar traps. ■