CHAPTER VII
CHAPTER VII

OPPOSITION TO THE DECISION

The Government of Ghana went ahead with the process of awarding several major contracts in respect of the Volta River Project to firms in the United States, Britain, Italy, Japan and Nigeria. Some of the major parties who won contracts were the Kaiser Engineers and Constructors (US), Gruppo-Industrie Elettro meccaniche per Impianti all'Estero and Sedelmi S.r.e. (Italy), Hitachi Limited (Japan), International General Electric (Canada), Waagner-Biro Aktien Gesellschaft (Austria), Power Lines Limited (Nigeria). The Kaiser Engineers got a contract for more than $25,000,000 for preliminary reports, designing and engineering work. Of course, as has been pointed out, the biggest single contract had gone to Impregilo, the Italian Consortium in May 1961 for building the main dam and the powerhouse. The Italian Consortium had handed over the work of the dam on 11 October 1961 to its Ghana subsidiary, Impregilo and Company (Ghana) Limited.

On 22 January 1962 Nkrumah and Kaiser signed at a ceremony the Master Agreement on the V.R.P. embodying the basic obligations of the Government of Ghana and VALCO in connection with the Project. The agreement included a power contract, the smelter site lease, a water agreement and a power agreement.

---

finance agreement was also signed by the Swiss Bank Corporation, the GOG and VALCO. Signatories for Ghana Government included Nofi Asanti Ofori Atta, Minister for Justice, Frank J. Dobson, Chief Engineer and also H.F. Winful from VRA. The VALCO side was represented by D.A. Rhodes, Chad Calhoun and Ralph Knight. After the signature ceremony, Nkrumah and Kaiser hugged and congratulated each other. On the following day Nkrumah pushed an electric button setting in motion the huge multi-purpose project. On 9 February 1962 Ambassador W.M.Q. Helm signed the loan agreement of $84 million with the United States Government and the World Bank at the World Bank's headquarters in Washington. It was stipulated at the time of signature that the British loan would be made available through its Export Credits Guarantee Department and would be signed soon. With the agreements concluded, the financial picture of the VRP was as follows:

5. Source: Volta/Valco Hydroelectric and Aluminium Project, Status of Development Loan, Department of State, September 1968.
<table>
<thead>
<tr>
<th>Source of Finance</th>
<th>Volta dam (in million)</th>
<th>VALCO (in million)</th>
<th>Period (years)</th>
<th>Interest Rate (%)</th>
<th>Total (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Agency for International Development</td>
<td>27</td>
<td>55</td>
<td>30</td>
<td>3½</td>
<td>82</td>
</tr>
<tr>
<td>Export-Import Bank</td>
<td>10</td>
<td>55</td>
<td>25</td>
<td>5½</td>
<td>65</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>47</td>
<td>-</td>
<td>25</td>
<td>5½</td>
<td>47</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>14</td>
<td>-</td>
<td>25</td>
<td>5½</td>
<td>14</td>
</tr>
<tr>
<td>Government of Ghana</td>
<td>98</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>98</td>
</tr>
<tr>
<td>Private Companies</td>
<td>-</td>
<td>54</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>196</strong></td>
<td><strong>164</strong></td>
<td>-</td>
<td>-</td>
<td><strong>360</strong></td>
</tr>
</tbody>
</table>

As has been stated earlier, the Ghanaian Parliament in April 1961 had authorized the Government of Ghana to establish the Volta River Authority to plan, execute and manage the development of the Volta river, including the construction and operation of the dam, power station and transmission system.

Nkrumah became the Chairman of the VRA which had six other members in the Board. They were E.L. Quartey, F.J. Dobson, Chad F. Calhoun, Nene Azzu Mate Kole, J.V.L. Phillips, E. Ayeh Kumi. In December 1961 Frank Dobson had joined as Chief Executive of the VRA. Dobson had to his credit an impressive
list of major hydroelectric works behind him including the Chenauz and the Sir Adam Beck No. 2 (Niagara) Power Project and Toronto's Lake View thermal power plant. 6

SENATORS GORE AND DIRKSEN ATTACK DECISION.
TIMES AND POST ASSAIL NKRUMAH

It was mentioned earlier that at the meeting of the National Security Council held before the Presidential decision to assist the VRP, Secretary of State Rusk had raised the question of the advisability of consultation with Congressional leaders. Kennedy had decided against such consultation, taking the view that the Administration had to try its best to meet any criticisms that might emanate from Congress. The criticisms were not slow in coming. Senator Gore lost no time in proclaiming his opposition to the decision. Nkrumah should not receive American assistance since he was not only suppressing individual freedom in Ghana, but was oriented towards the Soviet Union, China and the Communist way of doing business, he asserted. "Our aid program is designed to strengthen friendly countries and to assist the efforts of free people to develop their economic resources and free economic institutions but the Volta Project fails on all these counts," Gore said. 7

Senator Everett M. Dirksen (Republican, Illinois) also attacked Kennedy's decision in an address before the Annual luncheon of the Women's National Republican Club in New York.

"What profit is there for hundreds of million of dollars to be taken from the United States treasury and be given to Ghana, when that country is fast shipping down the road to totalitarianism as the 'grim fruit' of American aid," Dirksen asked.  

As has been stated earlier, Senator Core's Study Mission to Africa in September-October 1961 had visited Ghana on 15-17 October 1961. The other members of the mission were Democratic Senators Philip A. Hart of Michigan, and Maurine B. Neuberger of Oregon. In their report submitted to the Senate Foreign Relations Committee in January 1962, the members expressed disenchantment with the Administration's decision to support the Volta River Project.

The report contained references to the Volta dam, the details relating to the dam project, smelter and the financial arrangements concerning the VRP. It noted that the total planned aid to Ghana was itself half of the total aid to Africa.

The report then summed up adverse repercussions that might have followed American cancellation of its offer. "There should be no illusion but that the highest policy considerations were involved in this decision which in the final analysis had to be made by the President," the members stated. At the same time the Senators questioned the propriety of President's decision. The decision, they said, "may seem to many Americans


and to many Africans as a reward granted to a state and government not truly neutral in conduct and committed in recent months to the suppression and oppression of the basic right of free expression and political disagreement." The report spoke in harsh language of domestic policies of Ghana particularly the repressive policies perpetrated against opponents of Nkrumah regime. Such developments, the report said, "have raised in our minds serious doubts as to whether US aid for the Volta River Project will in fact promote independence and individual freedom for the people of Ghana. We hope, we are wrong." Speaking in general terms the report decried the tendency of permitting "strictly short term national security considerations to affect adversely to what seem to us our longer term interests." It indicated that if the Administration decided to assist in building a dam in Africa then in the United States it should insure that the act was true to the spirit of the Act for International Development which stated that "survival of free institutions in the United States can be best assured in a worldwide atmosphere of freedom." Any particular expenditure should therefore, be judged on the extent to which it would promote "worldwide atmosphere of freedom."

An article in the New York Times\(^{11}\) by Henry Tanner and an editorial in the Washington Post\(^{12}\) that appeared around this time were quite sharply critical of Nkrumah's domestic

---

policies. The New York Times itself, however, supported the President's decision and expressed its disagreement with a man like Senator Gore. The editorial said that the hearts of the Senators were there in the right place "but in this case not their judgement." It conceded that the United States should not go all out to help regimes who were committed irrevocably to dictatorial policies. Africa was in a flux and the newly independent countries of Africa were passing through a difficult transition from tribal life to modern independence. It would be erroneous to judge the character of such African regimes by weighing them by Western democratic standards. "The basic purpose of our assistance is not to compel the underdeveloped countries to accept our framework but as the President rightly stressed, to help them to maintain their own freedom and independence from foreign control," the paper stated.13

GORE'S SPEECH IN THE SENATE

On 7 February 1962 Senator Gore took the floor in the Senate to launch a scathing attack on the Administration. He challenged the Administration to come forward and defend the decision.14

Gore stressed that the objectives of the American foreign aid policy should be to support first of all, those who

were allies of the United States in the Cold War. Such support took various forms like, direct military assistance or economic aid. A second part of the American aid programme covered the underdeveloped countries. The purpose was to help these countries to achieve over the years what Americans had accomplished. The motivation was not simply humanitarianism. Self-interest also figured in assisting such countries, Gore said. The Foreign Assistance Act made clear that the object of the assisting country was to promote a worldwide atmosphere of freedom. A country to which aid was sought to be given should qualify under that test. Senator Gore posed the question as to whether large scale aid to Ghana for the Volta River Project could satisfy the test. His answer was firmly in the negative. "It is a wrong kind of aid. It is given under the wrong kind of considerations and is in the wrong place," he declared.

Gore acknowledged that while some leading American newspapers had carried reports in their news columns on the leftist tendencies of Nkrumah, they had argued in favour of American assistance to the VRP, on the ground that it could improve the economic condition of the Ghanaians. His own conclusion was that the Project would give little help to the Ghanaians. It would merely serve as a "prestige show-piece" for Nkrumah and his political clique and enable them to entrench themselves in power.

Gore pointed out that the first stage of the Volta Dam would generate about 512,000 kilowatts of electricity
which would be raised to one million kilowatts, whereas Ghana's annual need for power was only around 40,000 kilowatts. Thus, the VRP wouldsupply for a demand that simply did not exist. He could see little prospect for Ghana to absorb one million kilowatts of electricity economically in the foreseeable future. It was not the Ghanaian people but certain influential corporations that had developed a great appetite for electric power. It was the Kaiser Corporation and the Reynolds Metals who wanted that big loan should be given to Ghana so that their purpose could be served. They wanted to set up a smelter to process alumina from the United States. The whole picture looked like one in which certain interests sought to utilize foreign aid programme to further their own purposes. The two big Corporations had moved to "create a demand for power, to justify the need for foreign aid to build a dam in a country whose leaders flout and successfully suppress the principles of political and economic freedom which were enunciated in the declaration of policy contained in the Mutual Security Act," Gore remarked.

Gore argued that according to his own understanding, the cost of the Project might ultimately rise to $500 million. It was thus vitally important that Congress should examine the issue thoroughly before committing funds for the huge project.

Gore asserted that the Administration was wrongly trying to equate the Aswan dam situation with that of the VRP. According to him, there were three big differences between the two giant projects:
First, the Aswan Dam was designed to provide irrigation and water for the very life of the Egyptian people whereas the Volta Dam Project does not have any irrigational features. Secondly, in Egypt there is a great need for electricity. In Ghana there is no demand for the huge stock of electric power to be produced by this project, if constructed. Thirdly, I would question whether the Soviets would have rushed in to build this project, to provide electricity that is not needed, to supply a demand that is not in existence, to spend enormous amounts of money on a project which does not go to the needs of the people, but which could be utilized only by some vast industrial user of electricity. I would seriously question whether the Soviets would be tempted to move in if the United States were to decline to act in this situation even though Russia did move in in connection with the Aswan Dam.

Gore stressed that in order to make the aid programme successful, the United States must orient it in such a manner that it would improve the condition of the people rather than merely stabilize the position of the political regime which happened to be in power at the time. The needs of Ghana were elemental, like education, health, food and water. The Volta dam and the power generated would not satisfy these basic needs. The VRP would create little opportunities for employment and there was no indication whatsoever as to whether Ghana's bauxite could be developed at all. Gore went on to argue that another drawback of the agreement between VALCO and the Government of Ghana was that Kaiser would be the sole judge of whether or to what extent Ghanaian labour would receive employment in the smelter. The Administration's contention that the VRP would enable the shipment of aluminium to Europe and the United States earning foreign exchange for Ghana was not fully
convincing, Gore said. No indication had so far been offered as to how the foreign exchange would be utilized. On the whole, therefore, it appeared to him that the principal beneficiary of the project would be the two huge Corporations which had sponsored it and Nkrumah and his cohorts.

Gore noted that the Kaiser company would pay to VALCO a service charge or "tolling" fee to compensate it for the smelting process. Thus, American Corporations would be paying out dollars for a production process on a product for which capacity in the United States was not only adequate but was even in surplus.

Gore then took up the argument that a rejection of the assistance would have induced Nkrumah to whip up anti-American sentiment within Ghana. He said that Nkrumah had done it all along and it should not surprise any body in the United States if he continued to do so even if American aid was made available. Rather, American support to the project had aroused misgivings in the minds of those who were dedicated to the cause of individual liberty and democratic self-government not only in Ghana but elsewhere in Africa too. "It would certainly not escape the notice of other political leaders in Africa that the amount of aid from the United States to Ghana--$201 million--was half of the total amount to be disbursed to all of Africa," Gore stated.

Gore contended that the balance of payments situation might be adversely affected not only by the investment capital associated with the construction of the dam and smelter but by the operation of the project as well. VALCO might get a more
competitive edge over US producers of aluminium. Not only would VALCO get from the GOG a favourable power rate but the fact that Ghana was a member of the Commonwealth, would give VALCO access to the European Common Market (ECM) on more favourable terms than those available to aluminium firms based in the United States. The United States Corporation which promoted the VRP had also extracted enormous concessions from Nkrumah in the form of complete tax exemptions for the first ten years. Such advantages accruing to VALCO, the Consortium put together by Keiser, were the reasons why Keiser representatives worked so hard to promote aid for the Project. During his stay in Ghana, Gore said, he noted to his utter surprise that the representatives of Keiser had much readier access to Nkrumah than the American Ambassador over there. It revealed the intense interest, of a private interest and a close working relationship between that interest and the Ghanaian dictator.

Gore concluded his remarks by saying that in a continent like Africa where annual per capita income was less than £100, America should undertake projects which were simple in nature and whose benefits could go directly for the welfare of the people. It was not a proper task for the United States to prop up a regime in power or underwrite money-making projects for big American private interests. "We ought not to send bulldozers when hand tools are needed and we ought not to build gigantic hydroelectric power projects until the economy of the area involved is ready for them," Gore declared. 15

15. Ibid., pp. 1979-89.
Senator Jack R. Miller (Republican, Iowa) endorsed the sentiments voiced by Core. He noted that according to reports in the American press, the President had, after a comprehensive review of the issue, reached the conclusion that "on balance" the aid to Ghana should be looked upon favourably. He had been curious to know how the "balance" was struck and had written to the State Department for comments. The State Department, according to him, furnished the following information:

The loan should not be construed as an endorsement of all the policies of the Government of Ghana. That the project is a long term investment in the welfare of the Ghanaian people and that our participation in the project is a concrete evidence to the people of Africa that the United States genuinely desires to assist developing African nations in achieving economic stability and political freedom.

Senator Miller said that the State Department's arguments had not convinced him at all.\(^16\)

THE ADMINISTRATION'S COUNTER-ATTACK

No other Senator spoke on the theme at the point Senator Miller had merely put a note of the views of Core. The Administration could see that Core was likely to be the principal source of opposition to the President's decision. There was probably more relief over the fact that Core had not been promptly joined by a powerful group of Senators and Congressmen. Nevertheless, in view of the known tenacity of the Senator from

---

16. Ibid., p. 1382.
Tennessee and the possible impact of adverse press reports on Nkrumah among members of Congress, the State Department sought to take preparatory measures to safeguard aid to Ghana incorporated in the Foreign Assistance bill. The Department prepared a document whose object was to influence individual members of Congress. Assistant Secretary of State Mannen Williams and his deputy, Wayne Fredericks, were probably involved in the preparation of the memorandum.\footnote{Interview.} The document has so far not been published but it was made available to the present writer by a high Congressional source. The document furnished rebuttals to the various arguments set forth by Senator Gore. Gore's argument was briefly stated first and the rebuttal of the particular argument followed under the heading "Facts".\footnote{Source, Congress.} It was the recollection of some Department source interviewed by the present writer that the document was actually circulated among members of the Congress.\footnote{Interview.} But the format indicates that it might have been made available to friendly members of Congress and might have been used as the basis of presentation by the State Department's liaison men on the Hill in their meetings with uncommitted and potentially hostile members of the Congress.

The document is given below in full:

---

17. Interview.
18. Source, Congress.
19. Interview.
The Ghana subsidiary may have a decided competitive advantage over the United States producers of aluminium. It will pay to the Government of Ghana about 2.65 mills per kilowatt hour of Volta electricity, whereas comparable amount of power obtainable in the United States under currently negotiated contracts would be at the rate of approximately four mills per kilowatt hour.

Facts: (1) Power rates for American Aluminium producers in the Pacific North-West where a major portion of United States primary aluminium production facilities are located are significantly lower than the rate VALCO has contracted to pay to the VRA. The basic industrial rate charged by the Bonneville Power Administration for "firm" power (power which Bonneville power is obligated to supply) is 2 mills per kilowatt hour for all power actually taken by the purchaser. Furthermore, unlike VALCO, Bonneville purchasers of firm power have a certain curtailment right, permitting them to take less than their commitment at charges of one half to two mills per kilowatt hour depending on the degree of curtailment. Such contracts are available for periods as long as twenty years subject to review every five years by Bonneville, with Bonneville reserving the right to increase the rates if the Federal Power Commission approves.

(2) Bonneville also sells power at an industrial rate of two mills per kilowatt hour on an "interruptible" basis. (Bonneville reserves the right to curtail deliveries if power is not available). The purchaser of uninterruptible power pays no penalty for curtailment.

(3) Bonneville recently instituted a new industrial rate for prime interruptible power which has first priority after firm power customers are served. The rate is again two mills per kilowatt hour, with a more liberal curtailment arrangement than that available to the firm power purchaser.

(4) Bonneville has a fourth class of industrial power, the "at site" rate. This rate is substantially lower than 2 mills, but is available only to industrial consumers located within fifteen miles of the dam site.

(5) During fiscal year 1961, the actual cost of power to Kaiser Aluminium at its main Spokane
aluminium reduction plant was 2.16 mills per kilowatt hour, the cost to Reynolds Metals averaged 2.02 mills per kilowatt hour, at its Longview and Troutdale plants and the power cost to ALCOA at Vancouver and Wenatchee facilities averaged 2.05 mills per kilowatt hour. The power cost for other industrial customers of Bonneville ranged from 2.64 mills per kilowatt hour to 2.03 mills per kilowatt hour. (Source: Bonneville Power Administration, Generation and Sales Statistics for Year 1961, p. 6).

**Senator Gore:** "The project will create but few jobs for the Ghanaian people....Kaiser will be the sole judge as to whether and to what extent Ghanaian labour will be employed in the smelter."

**Facts:** Article 22 of the Master Agreement between VALCO and Ghana provides: "VALCO undertakes to employ and train Ghanaian to the greatest extent feasible bearing in mind and having regard to the efficient operation of its facilities provided that the criterion for employment and promotion shall always be that of competence and efficiency determined entirely by VALCO management."

The number of non-Ghanaian employees which VALCO is permitted to have is strictly limited under an immigration quota granted by Ghana Government. VALCO and its construction contractors have permission to employ up to 500 expatriate employees during the construction of the smelter. This maximum limit is reduced in stages to a maximum of 250 expatriate employees beginning ten years after the commencement of production at the smelter.

**Senator Gore:** "The project will provide little aid to the Ghanaian people."

**Facts:** (1) Initially the construction of the dam will provide jobs for several thousand workers who will be receiving on-the-job training by American and European technicians in engineering and construction skills. Once the dam is completed, these trained and experienced workers will be available for other projects designed to improve the economic and social conditions of their fellow citizens.

(2) the VRP will provide electricity almost to the entire country.
(3) Consideration is being given to dozens of ancillary industries that can be developed as a result of the available power and pig aluminium (e.g. small steel plant, vehicle assembly plant, aluminium fabrication plant, chemical plants etc.) These will provide jobs for a sizeable working force.

(4) Improvement of health and food condition in Ghana,

a) The deep still water lake will eliminate many of the river rabids which are the breeding places of the small fly which transmits the bread disease of river blindness.

b) The large lake (3200 square miles) will provide thousands of additional tons of fish to supplement the protein-deficient diet of the people of Ghana.

(5) Some 650 square miles of land will be made productive by the creation of the lake above. In addition, the dam provides for a source of irrigation for rice and other important crops.

(6) As a result of the same there will be 230 miles waterway which will provide cheaper transportation, particularly to end from northern part of the country. Among other things, this will permit cattle from the north to be transported to southern markets by boat.

Senator Gore: "The project ultimately will cost in the order of £500 millions."

Facts: (1) The cost of the dam was initially estimated at £196 million, but bids have been submitted below this estimate which might bring down the final cost substantially.

(2) The cost of the smelter is currently estimated at £123 million. This figure includes £25 million for cost escalation but provision has been made for an additional £42 million escalation.

(3) The total cost of the project will thus be at most £366 million, but more likely £324 million.
(4) Gore's estimate may be based upon the cost of the project including the Tema port. This port cost approximately $150 million which was paid entirely by Ghana.

Senator Gore: "It is contemplated that shipment of aluminium to Europe and the United States will generate foreign exchange for Ghana but there is no indication as to for what or where this foreign exchange will be used."

Facts: A considerable amount of the foreign exchange generated by VALCO for Ghana will be used by Ghana to pay interest on and repay the principal amount for the loans Ghana has obtained for the VRP. Such foreign exchange is not required by Ghana for this purpose will undoubtedly be used by the Government of Ghana for other basic capital projects. Ghana has given assurance to the World Bank that it will not dissipate its resources on projects which the World Bank consider as unsound.

Senator Gore: "On the basis of presently available evidence, I must conclude that the principal beneficiaries of this project will be the huge corporations which have sponsored it, Nkrumah and his political group."

Facts: (1) The principal beneficiaries will be the people of Ghana. The Volta River Project will attract industry, furnish power facilities to towns, create a huge water reservoir, provide water transportation, fishing industry, flood control, irrigation, disease control. The smelter will provide jobs and much needed foreign exchange.

(2) VALCO shareholders hope to benefit, but they do undertake significant business risk. They have agreed to make payments to VALCO whether they require VALCO's production or not.

Senator Gore: "Indeed, some may justifiably regard Volta as demonstrating that dictatorial methods with a strong leftist slant, pave the way to Fort Knox."

Facts: (1) Volta was not an instance of singling out Ghana specifically for an important multi-year commitment. Rather Ghana became independent several years earlier than other African countries and interested a project more advanced in planning than similar projects elsewhere in the continent.
(2) With the exception of a few very conservative leaders, in some of nearby countries who do not really reflect public opinion even in their own countries, there is a general consensus among the African nations as reported by our field posts that failure to proceed with the VRP would have been regarded as a blatant example of neo-colonialism.

(3) At the time of the Volta decision, the Department instructed the American Ambassadors in Africa to take all means necessary, including conversation with the Chief of State if appropriate to ensure that all the friendly countries clearly understood the reason for participating in this project. Among other things they were asked to point out that the approval of the VRP in no way affected United States willingness to support other well-conceived projects.

(4) In view of these and subsequent discussions which the United States mission had with a number of countries, we do not think that United States aid to the VRP will "encourage other countries to go communist to get money."

Senator Gore: "It will not surely go unnoticed by other political leaders in Africa that the amount of aid from United States sources—$201 million—is approximately one half of total amount of aid to all of Africa during current fiscal year."

Facts: (1) $201 million is not the amount "earmarked for this one project," but rather the total possible United States exposure in the event all possible adversities do come about. The United States expects to put out only $127 million for the project. The difference comes from over-run contingencies and the maximum possible cost in the event of a pay-out on the investment guarantee. If Gore's figure include the amount to be invested by private companies, he should also include private investments in Africa on the other side of the balance sheet.

(2) The amount loomed i.e., $127 million will be drawn down by the borrowers over the next six years, at an average of $25 million per year, which is even less than the $25 million per year we have committed to Nigeria over the next five years."
Senator Gore: "The Kaiser Company will pay to its Ghana subsidiary a service charge or "tolling" fee to compensate it for the smelting process. Thus American Corporation will be paying out dollars for foreign exchange for the performance of production processes on American produces for which our capacity in the United States is not only fully adequate but which even now provides a surplus."

Facts: It is unlikely that the customers of VALCO will pay dollars for its tolling services. The Government of Ghana has agreed that payment will be made in one of the following: (a) US dollars, UK pound, Swiss Francs, (b) any currencies borrowed by the Government of Ghana for the VRP up to the annul debt service on such borrowing in each year, (c) currencies certified by Swiss Bank Corporation as readily convertible in general world trade.

The VALCO customers intend to sell the aluminium totalled by VALCO in the world market and anticipate receiving many of these foreign currencies in return.

(2) It is not correct to describe VALCO's tolling services as production processes on American produce. The basic raw material of aluminium is bauxite which is exclusively mined outside the United States, while the intermediate processing of the bauxite converting it to alumina will be carried on in the United States, this represents no more than 25% of the value of the delivered aluminium.

Senator Gore: "Ghana is a member of the Commonwealth and as such, it will likely have access to the Common Market on terms much more favourable than firms based in the United States. Thus Kaiser may have a decided advantage over American producers of aluminium."

Facts: The installed capacity in Ghana will be a small portion of Kaiser's total capacity, most of which is located in the United States. Despite the possible adverse effects of United States production resulting from a preferential market in Europe, most of the studies show that aluminium demand is growing at a much rapid rate.

(2) The representatives of Britain and the Common Market are presently discussing tariffs on a selected group of commodities including
aluminium. British are pressing the Common Market to adopt a tariff rate of Zero for this group of commodities. If successful, this would open the Common Market area to United States aluminium.

**Senator Gore:** "The United States Corporation which owns VALCO stand to gain tax-free profits and there is no way almost by which they could lose. Upto 90% of any funds actually invested by the consortium and upto 90% of any unrepatriated profits will be guaranteed against political and business risks by the United States Government."

**Facts:** (1) The VALCO shareholders have no guarantee whatsoever with respect to "business risk." The political risk contract only covers certain defined political risks (Ghana's failure to perform the terms of its contract with VALCO expropriation, war and risks are examples of covered risks). Moreover the shareholders have no right to recover under the political risk guarantee until they have suffered because of defined political risks, substantial damages which in no case are less than $24.5 million in one year.

(2) The shareholders are not protected against loss of unrepatriated profits the amount of compensation to which they are entitled, because of specified political risks can never be more than the amount they have initially invested, in the smelter project and this compensation will be reduced to the extent it is greater than 90% of the book value of their interest in VALCO.

**Senator Gore:** "The Consortium has obtained from Nkrumah an agreement to enjoy complete tax exemption at least for first ten years and for that ten year period, the smelter will be a 100% tax-haven operation."

**Facts:** (1) The Government of Ghana has declared that the production of aluminium is a pioneer industry under its Pioneer Industries and Companies Act. As a Pioneer Company VALCO is entitled to relief from income tax for a period of five years or such longer period up to ten years, as will enable VALCO to earn free of tax the lesser of the investment by VALCO's shareholders.
(2) Such incentives to attract new capital investment are not unusual in the developing countries.

**Senator Gore:** "The United States Treasury has agreed in advance not to question as a tax-avoidance device an arrangement whereby the major portion of the money actually invested by the consortium could be withdrawn out of operating profits of their subsidiary without United States tax liability."

**Facts:** The companies have employed a plan which enables them to receive in return for a credit to repayments services for the VALCO smelter corporation without United States tax concessions. The same end result is often reached by shareholders of domestic corporations who arrange the capital structure of their closely held corporations so that a small portion is allocated to equity while the major portion of the investment is termed a loan to the corporation. In such cases the repayment of the loan has no tax consequences to the investor.

**Senator Gore:** "Undoubtedly the Ghanaian people will take pride in this project initially but after passage of a few years they might view this as an operation under which a United States Corporation is the principal beneficiary. We have heard cries of dollar imperialism before and we will likely hear them again."

**Facts:** (1) The VALCO shareholders are undertaking major business risks which will be understood and appreciated by the people and the Government of Ghana.

(2) Moreover the shareholders of VALCO and the Government of Ghana have voluntarily entered into an agreement that it will negate any charge of dollar imperialism that may arise in the future. It has been agreed that VALCO will share its profit on a 50-50 basis (after allowance for a return of its capital cost and compensation for its management services) with a special fund to be established in Ghana for educational and social betterment purposes. 20

---

20. Source, Congress.
WHY GORE’S ATTEMPT FAILED TO WIN SUPPORT IN CONGRESS

Looking at the tussle, argument, and the counter-arguments between the Administration and Senator Gore, one might be led to believe that the Volta aid bill contained in the Foreign Assistance Act of 1962 must have had a hard time at the hands of the Congress. But surprisingly it did not. Let me try to explore some of the reasons for this behaviour of the Congress.

One view says that while the Volta bill was being debated upon, Sylvanus Olympio of Togo arrived in the United States on an official trip. In an informal session with some members of the Congress, he was asked to react to the American aid for the Volta River Project. Olympio had the distinction of being the worst enemy of Nkrumah. But he surprised everybody by a statement that this aid bill should not be blocked in the Congress, irrespective of what Nkrumah was doing in Ghana. This surprising gesture turned the attitude of many members in favour of the project. 21

Apparently the State Department’s efforts to acquaint members of the Congress with its version of "Facts" relating to the Volta River Project were successful. It is quite likely that lobbyists for Kaiser also played a role in averting the emergence of significant support in Congress for Senator Gore’s position. As a result, the proposal for aid to Ghana contained

21. Interview, A. Senior Staff of the Senate Committee on Foreign Relations who wished not to make his identity public.
in the Foreign Assistance Bill of 1962 did not encounter stormy weather in the course of hearings before the Senate Committee on Foreign Relations. Gore was once again virtually the sole critic of aid to Ghana.

The Administration's position was set forth before the Committee in a detailed statement by Edmond C. Hutchinson, Assistant Administrator, Bureau of Africa, AID. Gore once again raised various questions relating to the VRP and to Nkrumah's policy, virtually on the same lines as his earlier discourse in the Senate. One new point that he made represented a new criticism directed at Kaiser. He said that Kaiser had not properly reassessed the engineering aspect of the project. He thus sought to counter Hutchinson's earlier statement that Kaiser's report had been scrutinized by three agencies, the World Bank, Export-Import Bank, and the Development Loan Fund. The Senator referred sarcastically to the intimate relations that Kaiser appeared to have established with Nkrumah. 22

Senator Frank Lausche (Republican, Ohio) made a passing reference to Ghana. He commented that Ghana, Mali and Guinea were "much in the same category regarding their orientation to Moscow". Assistant Secretary of State Williams responded: "They were at one time more than now." 23


23. Ibid., p. 138.
Republican Senator Homer E. Capehart of Indiana inserted in the *Congressional Record* an editorial from a Richmond (Virginia) newspaper entitled "Loyalty not for Sale." The editorial criticized the Government of Ghana as "pro-Red" and asserted that the report submitted by a group of Senators, including Gore, after their visit to Ghana should be regarded as a valuable document. The United States should not fall "for every bit of bait offered by foreign politicians who follow the way of dictatorship", the editorial noted. 24

In the House of Representatives, Steven B. Derouin of New York described Nkrumah as a dictator and warned the Administration to look for American national interests before giving aid to Ghana. 25 In another speech on the floor of the House, he urged the Americans too not to be misled by the Administration's contention that Nkrumah was the last African hope to achieve democracy. 26 Representative Charles Bray of Indiana stressed that though assistance to the Volta Project for the current fiscal year was small, its approval would commit the United States to millions of dollars in order to complete the Project. The construction of the Project, Bray felt, would strengthen the hands of the Soviet Union which was already influential in Ghana and would be detrimental to the interests of the United States and its friends in Africa. 27

27. Ibid., p. 13139.
Hutchinson, of the AID, and Assistant Secretary of State Williams again appeared before the House Committee on Foreign Affairs in connection with the Foreign Assistance Bill of 1962. Representative Wayne L. Hays (Republican, Ohio) posed the question to Hutchinson whether an average Ghanaian was better off now than he was before Nkrumah's advent to power. Hutchinson was non-committal on the issue, but stressed that Ghanaians had made "real progress" in making their government operative. Many had not expected that they would be able to do so. 28

Williams submitted an illustrative list of American private companies operating in Africa. The list showed Kaiser Aluminium's investment in Ghana. No question was posed by the members in respect of Kaiser's activities. 29

It may be appropriate at this point to discuss briefly the reasons why the aid to Ghana encountered relatively little opposition in the Congress. The fact that the President had considered various options including cancellation of American offer of assistance and had finally decided that the national interest would be best served by aid to the VRP probably had significant effect on the Congress. No arguments had been presented to indicate that the Project was not technically feasible. Even Gore could not argue that implementation of the Project would not mean significant benefits for the people of


29. Ibid., p. 657.
Ghana. Members of Congress, by and large, were probably convinced that rejection of aid to the project at such a late stage would have adverse implications for the short and long term interest of the United States in Ghana in particular and Africa in general.

One person who could possibly have turned more members of the Congress against aid for the Volta River Project was Komla A. Gbedemah, a Ghanaian political exile, who, earlier had been a confident and Finance Minister of Nkrumah and had also been a familiar figure in Washington. According to a Congressional source, some members of the Congress who disliked Nkrumah for his policy contacted Gbedemah in order to obtain his reactions. Gbedemah reportedly argued strongly in favour of approving assistance to the Volta River Project. 30

A veteran member of the staff of the Senate Committee on Foreign Relations told the present writer in an interview that there had initially been much greater opposition within the Executive Department to the issue of aid to the Volta River Project, before the President's decision than there was in the Congress after the President's decision was announced. The source pointed out that one unexpected factor that probably had some effect on members of Congress was the position taken by President Sylvanus Olympio of Togo, who was then on an official visit to the United States. Olympio was known to have been critical of Nkrumah. At an informal meeting that

30. Interview, Senior Staff, Congress, n. 21.
Olympio had with a few members of Congress, he was asked for his reactions to the American aid for the Volta River Project. The President of Togo, according to the source, was firmly of the opinion that, irrespective of implications of Nahum's policies, the United States should help in the construction of the Project so that the people of Ghana could be benefited. He appealed to the gathering not to block the proposed aid in the Congress. 31

The same source belonging to the staff of the Senate Foreign Relations Committee told the present writer that Senator Gore had expected to receive support for his position from labour circles and particularly from the Aluminium Workers Union. Gore's critical remarks on Kaiser and VALCO were also intended to highlight the implications for labour of big new overseas ventures by American Corporations. Major expansion of aluminium production overseas would mean less jobs for American workers at home. The same analogy would hold good for other sections of American workers too. However, no organized opposition to the proposal emanated from the Aluminium Workers Union or the American Federation of Labour (AFL) and Congress of Industrial Organization (CIO). The general position of AFL-CIO was one of support of economic aid to underdeveloped countries. The labour organization was not particularly perturbed over the prospect of American labour being adversely...

31. Ibid.
affected by the construction with American assistance of a dam and a smelter in Ghana. 32

Andrew J. Bemiller, Director, Department of Legislation, AFL-CIO, testified before the House:

For us in the AFL-CIO, as far as for all concerned Americans, assistance to the developing countries is a key element in the overall foreign policy of our country. It is not just a humanitarian effort, although we would be last to deprecate our obligation to help those less fortunate than ourselves to eliminate hunger, disease and illiteracy.

...For the United States, our assistance to the African nations may well be viewed as a timely investment in political stability and a boost to human aspirations in an important region of the world. 33

Were there any special reason why Senator Gore was so persistent in his opposition of American aid to the VRP? No evidence has been encountered to link the Senator to any particular American entity that might be hostile to Kaiser.

One possible explanation was given to the present writer in an interview by Francis C. Green, Deputy Chief of Mission at the American Embassy at Accra. Green said that during his visit to Ghana along with other members of the Senate Study Mission, Gore had inspected the Volta dam site and had commented favourably on the project's potential value to the country. Subsequently, Gore had visited the Parliament House in Accra and had observed the proceedings for a while. It so happened that while they were all present in the House, Obademia was on

32. Ibid.

the floor describing his own earlier role in connection with
the VRP and vigorously criticizing Nkrumah for his dictatorial
tendencies. After delivering his speech, Obodemeh had fled from
the country. The speech and the aftermath had made a great
impact on Senator Gore and had aroused grave misgivings in his
mind on the prospects of extending assistance to a country
that was led by a man like Nkrumah. A personal meeting that
Gore and other members had with Nkrumah not only failed to
dispel his misgivings but served to reinforce them.34

The present writer corresponded with Senator Gore in
order to obtain further light on the reason for his opposition.
Gore replied to the effect that the precise reasons for which he
had opposed assistance to the Project escaped his memory. All
that he could recall was that he had elaborated his views on
the floor of the Senate. That speech had already been described
earlier. Even though Gore said that he was not all alone in
harbouring reservations concerning aid to the VRP, he could
not cite a single other Senator or Congressman who actively
supported his point of view. The only name that Gore mentioned
in his letter to the present writer was that of Attorney General
Robert Kennedy. The Senator said that Robert Kennedy was
opposed to aid to Ghana on more or less the same grounds as
those presented to the Congress by himself.35

34. Interview, Francis C. Green.

35. Letter, Senator Gore to the author.
One final point that may be mentioned is the fact that the provision for Ghana in the Foreign Assistance Bill for that particular year was a small amount of $7 million which was a mere fraction of the total requested in the bill. Core was thus unable to get other members of Congress to be greatly exercised over it.