CHAPTER III
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NKRUMAH, THE EISENHOWER ADMINISTRATION
AND THE ROLE OF THE KAISER CORPORATION

NKRUMAH'S OFFICIAL VISIT TO THE UNITED STATES

Nkrumah visited the United States on President Eisenhower's invitation, from 22 July 1958. In Nkrumah's mind the trip was crucial from the point of view of getting an indication of support for the Volta River Project from the United States. That required, first of all, the winning of the solid support of the Black Community in the United States for US assistance to Ghana's economic development. It also meant that he had to present a good personal image of himself to other groups of Americans in order to draw their attention to the VRP. Finally, the support of the Administration was of decisive importance.

During the trip Nkrumah made several gestures to dramatize his presence in the country and the "sobriety" of his views. The timing of the trip was also appropriate. A few months back, in April 1958 he had played host to the First Conference of Independent African States in Accra, and just before his journey to America he had toured Africa almost in a whirlwind fashion. All these were intended to project an image of Nkrumah as the leader and "emissary of free Africa".1

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The Blacks in the United States gave the Ghanaian leader a "hero's welcome". They had watched Nkrumah's political exploits in Ghana with tremendous enthusiasm and admired the example of political statesmanship he had set for Africa in Ghana. They were proud of the fact that he belonged to their own race. He represented to them a symbol of "Black Pride" and a bold "African Personality".

The tremendous Black enthusiasm for Nkrumah was nowhere better displayed than at Harlem in New York where he addressed a big gathering under the auspices of an all-party Citizens' Committee. The hall where he spoke was stormed by an excited crowd of over 10,000 Blacks who cheered and hailed him as a "Returning Hero". Some Black organizations in the city like the National Urban League, the National Association for the Advancement of Coloured People (NAACP) and the American Committee on Africa also arranged a dinner in his honour.

In Chicago, while Nkrumah was driving through the southern side of the city which was predominantly Black, crowds lined up along the streets to welcome him. Subsequently, the Black organizations in the city held a number of receptions and dinners in his honour.

Nkrumah took care not to antagonize or annoy the whites of the country by raising or highlighting the colour

3. Ibid., 27 July 1958, p. 3.
4. Ibid., 31 July 1958, p. 3.
issue in his speeches. He was shrewd enough to realize the repercussions of any such posture to his efforts to mobilize support for the VRP from political and business circles in the United States. His tone and language throughout the trip were quite mild and reasonable. While addressing a gathering of Blacks he said that there could be "no peace until relations with colored people are put on the basis of freedom, equality, mutual respect and dignity". He quickly went on to add that significant progress had been made in the United States in the area of race relations. Citing measures that were being taken to end racial segregation, he urged the audience to acknowledge the fact of progress in America. 5

Nkrumah emphasized that his country would welcome American assistance for its economic development. The climate for investment was attractive in Ghana, he asserted. Addressing a luncheon meeting of the National Foreign Trade Council at the Waldorf Astoria hotel in New York he said that Ghana was willing to guarantee protection for American investors against loss from expropriation. He announced that he planned to introduce reforms in the tax structure of the country to attract foreign investors. 6

During his stay Nkrumah met important political leaders of both the major American political parties. He was accorded the distinction of being invited to address the Senate on __________

5. Ibid., 30 July 1958, p. 4.
6. Ibid.
24 July 1963 and the House of Representatives on the following day. He utilized the opportunities very skilfully. He tried to convey the impression that his commitment to "positive neutrality" and non-alignment were not motivated by any anti-American sentiment and that Americans should regard him as a sensible and reasonable leader from the Third World, whose political neutrality did not mean pro-Communist proclivities or hostility to American interests. Nkrumah also sought to dispel the view of a critical section of the American opinion which had charged that he had turned his country already into a dictatorship.

Nkrumah spoke very cautiously when he touched on foreign policy issues. He avoided taking positions that might appear to be contradictory to those of the United States. On certain issues concerning which differences were known to exist, he adopted a "constructive" tone which created an impression that he was taking a position not significantly different from that of the United States. On a few ticklish issues he tried to project the picture of himself as a "balanced" neutral.

Nkrumah had prepared the ground by a few statements calculated to please American ears. He was quoted as having told Kingsley Martin, editor of the New Statesman (London) that Nasser should exercise more restraint in dealing with the West.

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Further, Nkrumah showed his acumen by an effort that he made that had the object of not merely neutralizing the possible hostility towards him from the powerful Southern bloc in the Congress but turning it into a source of support. For instance, apart from the restrained views that he expressed during the tour on the race issue, attention was also drawn to the fact that he had opened a dialogue with South Africa after the Commonwealth Conference of 1957.  

The views that he chose to express on the West Asian crisis were intended to placate American goodwill. He did not condemn the landing of American troops in Lebanon, but spoke of the value of UN peace-keeping efforts. He promised to make available a battalion of Ghanaian troops for a UN peace-keeping force. 11 With an eye on the influential Jewish and Zionist elements, Nkrumah also highlighted his friendly relations and economic co-operation with Israel.

Nkrumah met several officials of the United States Government, the Secretary of State, and finally the President. At the end of his discussions with the President a joint communiqué was issued from the White House on 26 July 1963. 12

The communiqué briefly described the progress that had been made to improve the relations between the two countries since Ghana's independence in 1957. With regard to the Volta

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10. See Thompson, n. l, pp. 44-45.
River Project, the joint statement stated:

The United States expressed its appreciation of the contribution this project could make to the development of Ghana. It agreed to continue to explore with private American interests like the aluminium manufacturers and to consider how it might assist with loans if the required private financing were assured. The United States expressed its willingness to examine any proposals the Government of Ghana might advance for the use of power from the Volta River for purposes other than manufacture of aluminium. The two Governments agreed that it would be desirable to bring to up-to-date the engineering reports which were prepared in 1955 and to share the cost of the assessment. 13

On international problems the communique emphasized the wide areas of agreement between the two countries, especially with regard to the situation in Lebanon and measures to strengthen the UN. The statement expressed gratification over the growing importance of Africa's role in the future in the realm of international affairs. 14

The visit received favourable comments in the national newspapers. They described Nkrumah as a champion of African freedom and a model for other African nations to emulate. In its editorial on 27 July 1958, the New York Times depicted Nkrumah as the outstanding spokesman of Africa, the hope of the emerging as well as the subjugated nations in Africa and an apostle of

13. Ibid.
14. Ibid.
the peaceful Pan-African liberation in that continent. The Christian Science Monitor gave a similar picture in an editorial on 25 July 1958. It described Nkrumah as a spokesman for national freedom and a symbol of democratic freedom in the non-Communist world. The paper declared that Nkrumah did not subscribe to anti-Western rhetoric and would maintain a neutral position for Ghana in the "cold war". Finally, the paper added that Nkrumah's own background as well as the interests of his country tended to make him even if a neutral, at least a "neutral for freedom".

The Economist (London) writing under the title "Successful Mission" stated that not only did Nkrumah make himself heard as the voice of independent west-Africa but that "he has evidently done a shrewd stroke of business for Ghana." It noted that while the economics of aluminium still looked unfavourable, the "political conjuncture" was propitious for Ghana.

During his stay Nkrumah also met the officials of the Ghana Corporation in Chicago. As has already been pointed out earlier, the Corporation was interested in a Ghanaian venture and on the initiative of Horace Mann Bond had sought the good offices of Claude A. Barnett, Director of the Associated Negro Press (ANP) and a friend of Nkrumah, for their effort. Barnett had joined the Board of Directors of the Corporation and it was

he who hosted a meeting with Nkrumah for the Corporation. 18

Nkrumah held Barnett in high esteem as he held Horace Mann Bond. He valued and appreciated their support and he, as pointed out earlier, recognized the usefulness of the support of the Black community. At the same time he was shrewd enough to understand the very definite limits to the influence of Black groups and individuals in respect of so big a matter as assistance for the VRP. Even the presence of a representative of Anaconda Corporation on the Board of the Ghana Corporation did not serve as an adequate incentive to Nkrumah to place his reliance on the latter. What he wanted was a link-up with a major aluminium interest that would have the kind of links with the United States Government to be able to obtain the latter's support. Anaconda was a giant in the field of copper but it was not one of the Big Three in the field of aluminium. These factors, along with certain other moves that Nkrumah had made, apparently without the knowledge of Barnett and Bond, induced him to a non committal attitude in respect of the Ghana Corporation. Apparently, Nkrumah wanted to keep this channel open when he politely informed Barnett and his colleagues to discuss the Ghana's proposals with Ghana's Ambassador in the United States and then forward these proposals to him. 19 All these were despite his feeling and appraisal that the Ghana initiatives might not turn out fruitful.


19. Ibid., p. 352.
The final and foremost reason for Nkrumah's reluctance to make any firm commitment to the Ghana Corporation was the indication he received that the Kaiser Industries Corporation located in Oakland, California, was likely to evince interest in a Ghanaian venture. During his visit to the United States Nkrumah had a meeting with Edgar Kaiser, son of Henry J. Kaiser, the founder of the Kaiser Industrial empire. The meeting was to have important consequences for the VRP.

THE ENTRY OF KAISER

With enormous vigour and dynamism Henry J. Kaiser had built his Kaiser Industries Corporation located in Oakland, California, into one of the largest and most diversified US companies operating overseas. The Kaiser empire included the Kaiser Aluminium and Chemical Corporation, the Kaiser Engineering Corporation, and Kaiser Steel etc.

Henry's son Edgar Kaiser, started his career first by using Rio de Janeiro as an outpost for the Company's South American operation in construction and engineering works. Later, he undertook the design work for the 170 million, 500,000 ton COSIPA mill near Sao Paulo. He established auto truck plants in Brazil and Argentina and in 1953 took his biggest overseas job, the $1 billion Snowy Mountains hydro-electric project in Australia.

Keiser Aluminum had depended heavily on Aluminium Company of America's (ALCOA) properties in Surinam (Dutch Guiana) for bauxite. Later they staked out rich deposits in Jamaica and with the help of Keiser engineers converted those Jamaican areas into full-scale bauxite mines.21

Keiser's interests in aluminium were far-flung. Keiser Aluminum had in the United Kingdom a fifty per cent control in James Booth Aluminium Ltd. In Australia and New Zealand, with Consolidated Zinc, it formed Comalco Industries Ltd. on a fifty-fifty basis. In India it held a twenty seven per cent interest in Hindustan Aluminium Ltd. In Argentina Keiser had a forty-nine per cent interest in Industrias Manufactueres de Aluminio and in Spain it shared four ventures with the French Pechiney Company.22

To maintain the tempo of aggressive expansionism, Keiser Aluminum began to take an active interest in developing bauxite and hydroelectric resources in different countries and setting up aluminium smelters. There were three main reasons for this upsurge in international activity. Firstly, bauxite resources in the Western hemisphere were getting depleted. The demand for aluminium expanded in North America and consequently there was the need to ensure continued supply of bauxite. Secondly, Keiser realized that the market for aluminium overseas might grow at a faster rate than in the United States.

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21. Ibid., p. 53.
Finally, the Kaiser group shrewdly calculated that the cold war considerations could be exploited to enlist the support of the United States Government. It sought to reinforce the view that foreign investment in underdeveloped countries, with appropriate help and safeguards from the United States Government, could be a powerful weapon in the cold war.

The Volta River Project naturally attracted Kaiser's interest. Investment in Ghana might be a gamble, but there was a reasonable chance that it might "pay off". The first order of business was for the Company to win Nkrumah's interest. Edger Kaiser was a shrewd businessman and it was not his style to promise anything in a big way to start with. His tactic with Nkrumah was to begin in a modest way and point to the carrot in the distance. He could then offer Nkrumah such additional doses as may be necessary to sustain Nkrumah's interest. As a business man his principal objective was profit. The course he followed and the proposals he made to Nkrumah were in line with his overall strategy to arouse interest but also to avoid making big commitments to start with. Once the other party was ready to deal, Kaiser's effort was to be directed towards winning the former's acceptance for arrangements that would safeguard Kaiser's investment and improve the profitability of the venture. As a commercial enterprise, Kaiser was interested in producing aluminium as cheaply as possible and selling it as profitably as possible. It had no desire to get involved

28. Ibid.
beyond what was relevant for its own purposes. This definitely did not fall in line with Nkrumah's vision of vast economic development for Ghana under the aegis of the Volta River Project.

Keiser had friends inside the State Department who informed him about Nkrumah's approaches to the United States Government. It is also quite possible that Nkrumah himself have received tips from his source in the State Department that Keiser was the best businessman to work with.

A senior Keiser executive told the present writer in an interview that Keiser Aluminium first became interested in the VRP in response to a direct request from the United States Government. That the State Department had some interest in getting Keiser involved in a Ghana venture could be seen from the fact that among industry representatives who attended the meeting sponsored by the Department, it was to Keiser that the State Department made a concrete suggestion to the effect that Keiser Industries should undertake a fresh study. The Department subsequently mentioned to Nkrumah during his visit the desirability of making an engineering study and of Keiser being entrusted with the responsibility. Nkrumah's ready acceptance of these recommendations was embodied in the joint communique he

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24. Interview.

25. Letter from Timothy Conlon, Public Affairs Co-ordinator, Keiser Aluminium to the present writer.

26. Source: State Department.
issued with President Eisenhower which specifically referred to the proposed study whose cost was to be shared on a fifty-fifty basis by the two Governments.

Two days after his arrival in Washington, Nkrumah had his first meeting with a senior representative of Kaiser Company — Chad Calhoun. "Chad", sixty-one years old at that time, occupied a key position in the Kaiser empire, serving as Vice-President in charge of its Washington office. An engineer by training, he had been discovered by Henry J. Kaiser while he was working at the Boulder Dam in the 30s. In the early 40s Calhoun was posted in Washington as a Personal Assistant to Henry Kaiser and had steadily risen in position and influence in the organization. In the 50s it was he who urged Edgar Kaiser to get involved in foreign ventures. Calhoun was Kaiser's key "contact man" with the Executive Branch of the United States Government. 27

It is likely that Nkrumah recognized the fact that his meeting with Calhoun might bring important results. The very next day Calhoun brought Edgar Kaiser along to meet Nkrumah who was lodged in the luxurious "Presidential suite" in the Waldorf-Astoria. Apparently it was a cordial and successful meeting. Nkrumah invited Kaiser to make an early visit to Accra. Kaiser promptly accepted the invitation and wanted to know what kind of clothing he should bring with him to Ghana. "A dinner jacket would be fine," was Nkrumah's jocular reply. 28


Three significant developments in connection with his cherished Volta River Project had materialized during Nkrumah's visit to the United States. Firstly, he had obtained from President Eisenhower a public statement indicating American interest in aiding the project. Secondly, he had authorized an engineering study to be made by a major American Corporation that had good contacts with the United States Government. Thirdly, he had arranged for a visit to Accra by a top representative of an Aluminium giant.

THE KAISER REASSESSMENT STUDY

The idea of an engineering study was satisfactory from the point of view of Kaiser's overall strategy and also from that of the United States Government. For Kaiser it meant no investment whatsoever and the strong possibility that Nkrumah would "cool off" towards proposals from other interests as, for instance, the Chemus Corporation. For the United States Government it provided additional time to keep Nkrumah and his activities under observation before any major American commitment overseas was made.

Whatever Nkrumah's own private appraisal might have been, his public posture was one of confidence and cheerfulness. Then, on 6 August 1958, Ghana signed an agreement with Kaiser Company relating to the re-assessment of the engineering aspect and cost of the Project. Nkrumah told his Parliament: "This agreement offers some hope that at long last the power
aspect of the Volta River Project has a chance of being realized. 29

Shortly thereafter Keiser engineers arrived in Accra and in March 1959 seven months after Nkrumah's meeting with Edgar Keiser, the company submitted its report to the Ghanaian leader. The study itself was fully in accordance with company's basic strategy. Its basic objective remained the cheapest possible production of Aluminium and minimum possible commitment to aspects that had no direct relation to such aluminium production. Such a package must be made palatable to Nkrumah by having a much smaller "price tag" attached to it than the one that had been presented in 1955 by Robert Jackson's Preparatory Commission. Keiser's hope apparently was that even if Nkrumah might not be very happy with the scaled-down programme suggested by the study, he would go along with it in view of the absence of a better offer from any other competing source. Keiser also apparently was confident that its approach would prevail in view of the support it continued to get from the United States Government.

The Keiser study endorsed the idea of building a dam and the power-house at Akosombo gorge on the original site suggested by Kitson. It mentioned that two smaller hydro-electric projects might be constructed at Kpong and Bui to meet future requirements. Tema was recommended as the place for the location of the aluminium smelter instead of Kpong as proposed

29. For Nkrumah's speech see Kinsey, n. 18, p. 287.
by the Preparatory Commission. All these components, according to the Kaiser study, could be completed at a cost forty per cent lower than what had been suggested by Jackson Commission, that is, instead of £652 million, Ghana would have to find £313.7 million if the Kaiser recommendations were accepted. Further, with the larger power-generating stations recommended by the Kaiser study, it was stated that the power available would be 768 megawatts as against only 564 megawatts contemplated under the more expensive proposal made by the Jackson study. These were "sweeteners" that the Kaiser study offered. The dam, the aluminium plant, and much more electricity -- all this for forty per cent less!

There was a "little" matter that the Kaiser study spoke about that had implications for Ghana. It did not envisage mining and refining of bauxite into alumina. On the other hand, it recommended that alumina should have to be imported until revenues for the industry made local mining and refining possible. This was an approach that well-suited to safeguard the interests of the company but to a backward step in regard to the goal of economic development of Ghana. Even more pertinent was the fact that the scaled-down programme suggested by the Kaiser study also meant a scaling down of Nkrumah's dream of the scope, range and of social and economic functions of the VRP.

Ghana did not have much room for manoeuvre. If they did not accept the recommendation of the Kaiser study, what

other options were available? The predicament of Ghana at that time is indicated obliquely in a study of the VRP published subsequently by the VRP:

The new (Kaiser) proposals represented, of course a drastic pruning back on the original concept, especially in relation to the mining and refining into alumina of the local bauxite. But it had important advantages to offset this....

Not surprisingly, therefore, the report gave fresh impetus to the project, but there was still a long way to go. Ghana could not provide 313 million Ghanaian cedi (£130 million) from its own resources any more than it could have provided the original 552 million cedi (£230 million) and the process of trying to secure outside participation began once again.

Shortly after the report was submitted Edgar Kaiser visited Accra and according to a writer in Fortune, he found Nkrumah "excited and impatient" to get moving. Even at this point Kaiser did not indicate any willingness to come into the project in a big way. He was interested simply in getting his foot in and making Nkrumah understand the difficulties involved in securing the needed finances. Kaiser naturally calculated that increased awareness of this aspect would eventually make Nkrumah amenable to reasonable terms when and if Kaiser itself was ready to set up the aluminium smelter. Till such time

31. Ibid.
Keiser was willing to get business for another unit of his company, namely the engineering unit. His recommendations were that Nkrumah should give the company an engineering contract to prepare plans for the project. While that task was being performed, Nkrumah could, Keiser indicated, continue his efforts to obtain funds and find a suitable party to put up the aluminium smelter. 32

Nkrumah had no other alternative except to accept Keiser's recommendation in the hope that an initial small step might subsequently lead to bigger developments. He signed a $5 million engineering contract with Keiser. Nkrumah asked whether Keiser company could not itself assume responsibility for the construction of an aluminium smelter. Edger Keiser was not willing to give any positive response at this stage.

THE EMERGENCE OF VOLTA ALUMINIUM COMPANY

Edger Keiser was apparently aware that a few months earlier, the Alcan had got into touch with Nkrumah and indicated some interest in organizing a consortium for the creation of the smelter. 33 The present writer is unable to share the opinion of some American writer as for instance Sickman that Keiser's unwillingness to respond positively to Nkrumah's invitation was due to his desire not to "tread on the Canadian companies' toes". 34 Sickman's article seems to have been largely based

32. See Sickman, n. 28, p. 200.
33. Ibid.
34. Ibid.
on interviews with Calhoun of the Kaiser's Company. On the basis of Siekman's own reportage it appears to the present writer that Kaiser Company maintained contacts with ALCAN and was quite anxious to get ALCAN out and have the field for itself. Siekman quotes Edgar Kaiser telephoning Calhoun after a final talk with ALCAN's President, Nat Davies; Kaiser reportedly told Calhoun: "Nat called, we have got the ball."35 This does not appear to be the dejected statement of a man who has an undesirable opponent on his hands. On the other hand, it looks like the excited reaction of an aggressive captain of industry who had succeeded in getting an important rival out of a field where he sees attractive prospective for itself.

Kaiser, of course, was in no hurry to get things moving. Once the first engineering contract was in his pocket, he felt that other such contracts were reasonably going to follow. All he had to offer Nkrumah was an exhortation that he had to try "to secure outside support for participation in the VRP". The agony of Nkrumah over the ensuing delay is reflected in the report submitted years later by the Volta River Authority: "That process [securing outside participation] was to continue for next eighteen months before it reached fulfilment."36

Kaiser's moves apparently evoked some hostility on the part of other American aluminium producers. They made some

35. Ibid., p. 204.

efforts to oppose any commitment of American government funds to the VRP. The President of the Export-Import Bank received a number of calls from these interests and he sent a report to the State Department conveying their point of view. It is noteworthy that the aluminium companies were particularly emphatic that no government money should be invested in Africa to process and refine bauxite. Their argument was that "adequate facilities were available in the United States itself". Sickman who describes this development interprets this as showing the somewhat unattractive status of a major venture in Ghana. He indicates that Keiser had problem on his hands to induce other companies to join with him.

The present writer is somewhat doubtful if this represents a correct picture. It could well be that Keiser sought to interest other companies to join it because it was and one to neutralize their opposition which might endanger the possibility of government funds for the construction of a dam. No dam of course meant no smelter and no opportunities for Keiser or anyone else in the aluminium field. Keiser certainly could have been anxious to hedge its bets by having one or two companies to share the risk. However, in the opinion of the present writer, the Keiser company had no doubt about the advantages that would accrue to it, if it succeeded in establishing a smelter on advantageous terms in Ghana. Thus, Keiser's

37. See Sickman, n. 28, p. 200.
approach to other companies was a tactic in pursuit of its longer term strategy.

However, Kaiser was able to bring together a consortium of five companies in the Fall of 1959. Apart from Kaiser itself ALCAN, ALCOA, Olin-Methiesen and Reynolds Metals joined to set up on 4 November 1959 a new organization known as the Volta Aluminium Company Limited (VALCO). 38

Despite its imposing name and the giant corporations that had given birth to it, VALCO at this point was a pretty puny baby. Each participant in VALCO invested only a paltry sum of $50,000. The setting up of VALCO did not at all mean any concrete steps towards the construction of a smelter in Ghana. None of the companies including Kaiser, would have had any interest in putting money on a smelter unless two vital matters were settled to their satisfaction. The first related to procuring of United States Governmental funds for the construction of the dam, the second was acceptance by Ghana of as low a rate as possible for electric supply to the smelter so as to ensure its profitability. In regard to the first issue, Kaiser, as already indicated, hoped that the formation of VALCO would have a constructive effect in eliminating the total hostility of other American aluminium companies. The latter question was to be deferred till a suitable opportunity presented itself to bring measures to bear on Ghana to accept a "reasonable" power rate. These significant aspects were generally overlooked in

contemporary reports concerning the project and subsequent writings by some Americans.

The consortium that had set up VALCO was totally opposed to any participation to it by the Government of Ghana. The present writer can vouch for this on the basis of information that he received from senior officials of the State Department who asked to remain unidentified. According to them when at a meeting held on 16 December 1959 at Accra attended by Nkrumah, Obote, Scripter, Chad Calhoun and Donald A. Rhodes, President of the Kaiser Aluminium and Chemical Corporation, Nkrumah pleaded for a fifty per cent share in VALCO for the GOU. The Kaiser group firmly refused to accede to the request and eventually Nkrumah had to withdraw his request.39

US GOVERNMENT ROLE: "CATALYZING THE PROJECT QUICKLY"

The United States Government was apparently well-satisfied with the progress that had been made. It welcomed the signing of a document embodying certain "Principles of Agreement" between the GOU and VALCO on 16 December 1959. The signing of the document was widely acclaimed in Ghana40 but that document itself had nothing concrete to offer to Ghana immediately. It merely indicated in very broad terms the principles that should govern the establishment of a smelter.

39. Interview.

No details were spelled out on the ground that they were to be negotiated in details subsequently. All that it represented was VALCO's telling Ghana: "You go around and get the money to build the dam, then we shall be ready to talk about our building a smelter."

The American Government took the view that expectation of American governmental funds was likely to ensure reasonably good behaviour on the part of Nkrumah. The developments leading up to the signing of the document between VALCO and the GOC and Ghana's acceptance of possible participation of American Companies in aluminium project, recorded favourable comments in the course of hearings conducted by the Sub-Committee on Africa of the Committee on Foreign Affairs of the House of Representatives. Relevant in this connection is a testimony of Donald A. Fitz Gerald, Deputy Director for Operation, ICA, and the Congresswoman Barratt O’Here, Chairman of the Sub-Committee:

Donald A. Fitz Gerald:

We are trying to encourage and facilitate private capital investment in this area. I refer to one instance that we seem to be having some luck on and that is the Volta River Project. This large power and water control is dependent on or will be economic only if there is a large requirement in the years ahead for the power produced. The manufacture of aluminium, the processing of bauxite will take a great deal of power from Volta River dam, using either Ghana or Guinean bauxite which is of somewhat higher quality. We have been trying to catalyse this project quietly for eighteen months now. We are quite hopeful that we will have this package.
Barrett O' Hara:

I am very happy that the change in attitude toward the project came about. A couple of years ago it was being discouraged. Unless this project was developed there might be other efforts in that area.

Donald A. Fitz Gerald:

Kaiser report gave the impetus. What we like about it is that we hope to get a consortium of aluminium companies to make big investment rather than the government doing so. 41

The United States Department of Commerce sent a trade mission to West Africa which among other countries in the region visited Ghana from 30 January 1960 to 3 March 1960. In its report the mission was full of praise for Ghana. It described Ghana as an exceedingly alive country vigorously pursuing its economic development programme in both the private and public sectors with full of optimism for the future. The report maintained that due to removal of dollar import restrictions in Ghana, there would be greater prospect for expansion of the United States exports to Ghana in the form of sale of heavy equipment to the Government of Ghana for projects coming under the Second Development Plan and the Volta River Development programme. 42

With the signing of the "Principles of Agreement" between Ghana and VALCO and general expressions of interest in


Ghanaian development by representatives of the United States Government Nkrumah was still left with the unsolved problem of arranging financial support for the VRP. To demonstrate its willingness to raise internal resources to the maximum extent possible, the GOG announced that it would meet half the cost needed for the construction of the hydro-electric project. It indicated that it hoped to receive additional funds needed from the World Bank and the Governments of the United States and Britain. Finance Minister Obedemeh was deputed to conduct the necessary discussions with the parties concerned.

INDUCING NKRUMAH TO LOWER POWER RATE

The first approach was made to the World Bank which responded by deputing a team to Ghana to report on the economic feasibility of the project and its impact on the country's economy. Ghanaian officials had thus to undergo yet another study by yet another body. Following its visit, the World Bank Study reported in July 1960 in terms that were not overly enthusiastic. According to a writer in Fortune, the report concluded with the following statement: "Even taking all the intangible benefits into account, the over-all balance of cost and benefits is on the positive side to only a modest extent." The report was of the view that the cost of the first stage of the project was likely to run somewhat higher than that indicated in the engineering study that had been made by Kaiser. To assure repayment by Ghana of the possible loan that Bank would
make 6½ per cent interest, the report recommended that Ghana should charge per k.w.h. at an appropriate rate. 43

From an interview that the present writer had with a person who was an aide of J. Burke Knapp, the Vice-President of the World Bank, an indication was given by the Bank team to the GOG that the power rate would have to be fixed at a high enough level so as to enable repayment on the World Bank loan. Such a rate would possibly be resisted by the Aluminium companies whose main interest was to get power at cheap—preferably cheaper than what they were paying elsewhere. If, in order to get the companies to come in, Ghana were to be constrained to reduce the rate, then they should try to use it as a bargaining point to induce aluminium companies to give a written assurance that they would also undertake to develop and refine Ghanaian bauxite. 44

The power rate was to prove to be a thorny issue. VALCO was now ready to apply its screws. The President of the Kaiser Aluminium and Chemical Corporation, Donald A. Rhodes and Vice-President Calhoun arrived in Ghana to discuss the issue. The Ghanaian indicated that they expected a price of 4.5 per k.w.h., whereas VALCO indicated its willingness to pay only 2.5 mills per k.w.h. The discussion ended in a

43. See Siekman, n. 23, p. 204.

It is not clear as to what the World Bank's ultimate recommendation was with respect to the power rate for VALCO. Siekman says it was 4.5 mills per k.w.h., while Business Week reports that it was the view of the World Bank that Ghana should set the rate between 2.5 mills and 3.5 mills per k.w.h. See Business Week, 27 August 1960, p. 36.

44. Interview, World Bank.
Edgar Kaiser at this point wrote a long letter to Nkrumah which, despite its polite language and description of difficulties involved, constituted a virtual ultimatum to Ghana to accept VALCO's terms or face the prospect of its withdrawal. Calhoun reportedly prepared three telegrams to be dispatched to Nkrumah conveying news of VALCO's withdrawal and the cancellation of the agreement between VALCO and Ghana. The Ghanaians were in a very tight corner. The United States Government had told them that it would be appropriate for them to have an arrangement with Aluminium producers. VALCO had told them after signing of the "Principles of Agreement" that it could proceed only after Ghana had secured strong assurance of final support from the World Bank and the United States Government. Now, the United States Government made a move in such a fashion as to make it impossible for Ghana to resist VALCO's demand. In August 1960 the State Department informed the Government of Ghana that the United States Government would be prepared to give £30 million from the Development Loan Fund (ILF) on condition that Ghana first reached a satisfactory arrangement with VALCO.

45. See Sickman, n. 28, p. 204. This was confirmed by an aide of J. Burke Knapp, Vice President of the World Bank whom the present writer had interviewed.


Kaiser also reportedly contacted the World Bank to canvass its support for VALCO's demand for a lower power rate. Probably, the State Department also intervened in favour of Kaiser to suggest to the World Bank that it should induce Ghana to accept VALCO's demand. While documentation in this connection is lacking, it is possible that the Bank also indicated to Nkrumah the desirability of taking note of VALCO's position. After further negotiations Ghana had to come down from its earlier stand and accept the rate of 2,625 mills per k.w.h. Apparently Ghana could not succeed in persuading VALCO to undertake responsibility for the time-being of mining and developing of Ghanaian bauxite.

THE MASTER AGREEMENT, 17 NOVEMBER 1960

Further complications lay ahead. The first related to the emergence of the so called "Congo Crisis" in which Nkrumah felt compelled to take up positions that evoked sharp criticisms in the United States.

The crisis began on the advent of Congo's independence in July 1960. Army units mutinied in Leopoldville and other places. The Katanga province declared its secession from the Republic and a political battle for supremacy ensued between President Joseph Kasavubu and the staunchly nationalist and militant Prime Minister, Patrice M. Lumumba. Kasavubu dismissed Lumumba and was himself later overthrown by Colonel

48. Interview at World Bank.
Joseph Mobutu. The United States did not look favourably on Lumumba. He was regarded as erratic, emotional and highly undependable. American policy-makers were worried when the Soviet Union extended support to Lumumba in a bid to stabilize his position. They were relieved when he was ousted by Kasavubu and Mobutu. The United States Government supported Kasavubu and Mobutu as against Lumumba while the issue of "legitimacy of power" was being debated in the UN.

Lumumba regarded Nkrumah as his political mentor. He was introduced to Africa by Nkrumah at the All Africa People's Conference held at Accra in December 1958. Both believed in "Pan-Africanism", and in August 1960, according to Nkrumah, both agreed to a union between Ghana and the Congo as a step toward the ultimate achievement of the United States of Africa.

Nkrumah fought vigorously for the immediate release of Lumumba and the restoration of legitimate power to him. When Lumumba was in confinement, his deputy, Antoine Gizenga, fled from Leopoldville and established a Lumumbaist regime at Stanleyville. Nkrumah supported this regime and channelled to it the aid that the Soviet Union provided. The United States did not view these actions with favour. Nkrumah, on his part, suspected that


the Central Intelligence Agency of the United States had probably deliberately propped up Mobutu and foisted his regime on the Congo to eliminate Lumumba. During the UN General Assembly discussions on the Congo crisis in September 1960, Nkrumah made a fervent appeal for restoration of Lumumba to power. He was followed by the Soviet Premier, Nikita Khrushchev, who attacked Belgium and the United States for the atrocities in the Congo. Immediately after Khrushchev finished his speech, Nkrumah approached the Soviet leader and congratulated him warmly. 61

The American Secretary of State Christian A. Herter was angered by Nkrumah's conduct.

Herter later chose to launch a public attack on Nkrumah in a speech to the Foreign Press Association. Replying to a questioner Herter declared that Nkrumah's speech "sounded as though he were very definitely making a bid for the leadership of a left wing group of African States." The Secretary claimed to find a very close relationship between Nkrumah's utterances and those of Khrushchev. "Whether that was his intention or not, whether it was pre arranged or not, I do not know, but I think he was marked himself to be leaning toward the Soviet bloc." Nkrumah responding to Herter's remarks said that he had simply reiterated the views that he had been publicly expressing for a decade. Dismissing the Secretary's remarks almost with an air of contempt he said that Herter was "in fact

the person from whom I would expect such a remark." Herter responded through an aide that he preferred to stick to his opinion that Nkrumah's speech demanding support for Lumumba deserved to be condemned. Further irritants following the incident were Herter's fraternization with certain West African delegates hostile to Nkrumah and Nkrumah's hour-long meeting with Fidel Castro of Cuba.

One consequence of the incident was Herter's decision to recall the United States Ambassador in Ghana, Wilson C. Flake. The present writer was informed by a source that was very close to Flake at that time that Herter was sharply critical of the Ambassador's appraisal of Nkrumah to the State Department. In such a context Herter was not disposed to evince further interest in helping Nkrumah on the VRP. He was prepared to file away the whole matter and let the next Administration reopen it if it so desired.

A second complication was due to the pessimistic appraisal by three VALCO members with regard to the prospects of investment in Ghana. The crisis in the Congo and the attitude of Nkrumah raised doubts concerning the climate for investment in Ghana. A dispatch from the correspondent of the

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52. Ibid., 24 September 1960, p. 10.
53. Ibid., 25 September 1960, p. 36.
54. Ibid., 23 September 1960, p. 19.
55. Interview with Dr. Francis C. Green, Deputy Chief of Mission, U.S. Embassy, Accra.
New Chronicle in Accra stated that Nkrumah was contemplating nationalization of all industries from 1 May 1961.56

Sir Robert Jackson told the author in an interview that during this time Kaiser himself once confronted Nkrumah with a long document, listing on one side all of Nkrumah's declarations welcoming foreign investment and on the other side the statements made by Amosko Atta, Chairman of the Planning Commission and Joseph Tettegah, Secretary General of the Ghana Trade Union Congress, denouncing foreign investment.57 While Kaiser himself still remained hopeful, other companies did not share his optimism. In the context of the deteriorating relations between Ghana and the United States they did not feel that they should plan any major investment in Ghana.

Kaiser and Calhoun tried to impress upon their VALCO associates the importance of sticking to the Ghanaian venture on the ground that it would be in the best interests of the United States.58 The three dissidents could not, however, accept this evaluation, and in addition, they probably were getting somewhat tired of Kaiser's acting as the principal figure in VALCO. ALCAN withdrew from VALCO in December 1960, and was followed by ALCOA in April 1961 and Olin-Methieson in July 1961.

56. Interview.
57. Interview, Robert Jackson.
This left Kaiser and Reynolds as the only two partners in VALCO.

The third complicating factor was the fact that the United States was in the throes of a Presidential campaign. Vice President Richard M. Nixon was the Republican nominee and had been challenged by Democratic Senator John F. Kennedy of Massachusetts. Even if differences had not cropped up over the Congo issue, a lame duck Administration in its last stretch might not have been willing to make any large scale commitment of financial aid for a project like the VRP. Nkrumah understood the situation quite correctly. He believed that the prospects of American support might be better if the Democratic candidate won the Presidential election.

More than a year earlier Claude A. Barnett of the Chenus Corporation had written to Nkrumah about the possibility opened up by the coming Presidential election. He had suggested capitalizing on the crucial importance of negro vote, and of efforts that should be made to induce the two major political parties to include in their platform a promise to help emergent African countries "because of their tremendous potential in the East-West balance." Barnett described his own Chenus Corporation as the best group to lay the groundwork of developments advantageous to Ghana. He spoke of his Corporation's contacts—Senator James H. Duff, a prominent Republican, and Senator Joseph Davis Tydings who according to Barnett, "was one of the important leaders of the Democratic Party." Barnett had gone on to say:
Ghana, of course, would have to be responsible for stimulating the costs involved in such a program. You would have to have exceptionally qualified public relations counsellors etc., but the whole could be arranged by the many faceted law firm of Davies, Richberg, Tydings, Lands and Diff of Washington. There would, of course, be other dividends to be gathered from such a program for it should make it easier in contacts in other specific fields. 59

Nkrumah had not responded favourably to Barnett's suggestions. He probably doubted whether even a substantial outlay by Ghana in the form of a fat retainer to the Washington law firm and heavy fees to public relations consultants would bring about the endorsement by either political party of aid to Africa in their platforms. He was of the opinion that Kaiser could, in his own interest, probably swing more weight on Ghana's behalf than could be achieved by the Ghana Corporation and its public relations project. He was aware that while Kaiser himself was known to be close to the Democratic Party (which had a majority in the Congress at that time), he was not without influence among a many Republicans. Subsequently, with the emergence of his differences with Herter and withdrawal of the United States Ambassador in Ghana, Nkrumah probably concluded that the prospect of his getting American assistance would be better if Kennedy were to become the President.

Towards the end of 1960, even though no firm assurances of financial support had been received from the United States Government, the Government of Ghana invited tenders for the

construction of the dam on the Volta to be ready by July 1964
and power generating unit to be commissioned in September
1965. 60

While not making any firm commitment regarding aid,
the Eisenhower Administration was willing to let the Kaiser
Corporation to make the best possible use of the fluid situa-
tion inducing the Government of Ghana to accept a Master
Agreement. The satisfactory resolution of the power rate issue
had removed an important obstacle from the point of view of
VALCO. The Administration apparently did not want the record
to show that it had by its inaction allowed an opportunity for
strengthening American influence in Ghana and leaving the door
open for major thrust by the Soviet Union. The interesting
moves that the Soviet Union made shortly after the signing of
the Master Agreement will be described in the next chapter.

On 17 November 1960 the GOG and VALCO initialled a
Master Agreement with regard to the proposed smelter. It was to
come into effect after the fulfilment of the following condi-
tions:

(1) Ghana should prepare and get legislative approval for
appropriate legislation embodying the assurances it had
given to VALCO;

(2) that the financial arrangements for the Volta dam and
VALCO should be completed;

(3) VALCO should obtain ICA's investment security guarantees, and

(4) tax treaties between the United States and Ghana should be executed and ratified. 61

VALCO extracted a number of concessions from the Government of Ghana. The GOG gave a written promise that the smelter would not be expropriated and special exemptions would be given to the company in respect of duties and taxes on imports and exports. The GOG promised VALCO a ten-year tax holiday on the aluminium exported and gave almost a free hand to it to conduct its business. Further, the agreement waived VALCO's import of materials and equipment for the construction of the smelter from any duty for thirty years. The GOG also gave VALCO, a "Pioneer Status" in its industrial policy which stipulated that the company would be exempted from all taxation of its income for at least five years and beyond that up to ten years if profits were seen not to have reached a specific minimum. 62

In return, VALCO agreed to sign a thirty-year agreement to buy predetermined amounts of power (after a six year start period) of 300,000 kw around the clock or $6,898,500 worth a year. 63

It was further stipulated that the American aluminium companies participating in VALCO would supply alumina in proportion to


63. See Siekmann, n. 28, p. 204.
their ownership and would buy the aluminium ingots in sufficient quantity to enable VALCO to meet its power commitments. VALCO would not process Ghanaian bauxite at first but after ten years it would get a special tax incentive for doing so. 64

The agreements of 17 November 1960 promised much less contribution to Ghana's economy than was originally hoped for when foreign collaboration was envisaged by the Preparatory Commission. What originally was a plan to develop a multi-purpose economic development project for Ghana became scaled down to a revenue gathering power complex for the country. The irrigation, fisheries and the public utilities components of the scheme were omitted from the much narrower VALCO agreement. Ghana was responsible not only for developing a dam and power station but also to find out source of finances for them. Ghana's integrated aluminium scheme based on its own bauxite was deferred to an unknown later date. Further, according to the contract VALCO had assured availability to it for thirty years supply of power at an advantageous rate. It would thus be possible for VALCO to use alumina from its own sources elsewhere and not be in any great hurry to exploit local bauxite in Ghana. In any case the concession on taxes, facilities for the VALCO personnel which combined with the low cost of power made Ghana's potential earning of revenue much less than what some Ghanaians had anticipated. 65 Perhaps an

64. Ibid.
65. See Killick, n. 62, p. 404.
Indication of Ghana's weak bargaining position was the GOG's inability to get a firm commitment from VALCO to instal an alumina plant to process Ghanaian bauxite.