IMPERIALISM AND NATIONALISM IN THE CARIBBEAN: THE POLITICAL ECONOMY OF DEPENDENT UNDERDEVELOPMENT IN GUYANA

by

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ABSTRACT

The present stage of the vast majority of the peoples of the third world is characterized as existing in various stages of underdevelopment. Beyond that, however, there does not appear to be any overriding consensus as to how they got there, or perhaps more importantly, what combination of policies are likely to obviate such conditions. Consequently, there has been a proliferation of theories and prescriptions that have resulted in varying degrees of success and failure, without succeeding in any major way to alleviate the conditions of poverty and oppression. The major problem with such attempts is in their "all-or-nothing" approach, characterized by the belief that specific changes are either all pervading in their effects or, on the other hand, are not significant enough to warrant any particular distinction.

The purpose of this study is to show that such an approach is misleading. First of all, underdevelopment is seen as the result of a specific form of development that has as its basis the relationship of the advanced capitalist and the underdeveloped countries of the third world. Since this relationship is characterized by a host of interlocking arrangements it is necessary to comprehend them in their totality, if the process is to be understood at all. It should
be immediately recognized, however, that though specific changes may not effect the structural contingencies of the relationship, they sometimes are of such significance that they constitute an important change. Such an articulation of the problem has the decisive advantage of noting and recording the specific changes within this relationship while recognizing the all pervasive effects of its totality.

The result of such an investigation led us to the following conclusions: (1) the recent change in the attitude of the advanced capitalist countries has resulted in greater flexibility in their dealings with the underdeveloped countries. Most important, in this respect, has been that the "enclave economies" have been largely relinquished. Multinational corporations, at the same time, have been willing and even calling for local government participation in their activities. (2) Governments of the third world have demanded and subsequently appropriated greater control of the local economy through participation and even nationalization of key sectors. This, in addition, allowed for greater maneuverability on the so called "inter-imperialist battlefield", with the result that they can now appropriately be described as junior partners of the system.

Thus, imperialism and development are not contradictory terms; it is simply that dependent underdevelopment is the new form of imperialist control.
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CHAPTER ONE:
INTRODUCTION: TOWARDS A DEFINITION OF IMPERIALISM

I: Imperialism: An Intellectual Problem

Lenin in his famous, but now somewhat dated, pamphlet *Imperialism, The Highest Stage of Capitalism: A Popular Outline*, characterized the process of capitalist expansion in the following terms:

"Imperialism is capitalism at the stage of development at which the dominance of monopolies and finance capital is established, in which the export of capital has acquired pronounced importance, in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed."

What is important to grasp in the above is that it is an attempt, a "relative and conditional" one at that, as Lenin himself recognized, to sketch the contours of the structural changes of capitalism as it emerged from the long depression of 1873-1896. However, the ensuing debate seems to have produced more obsfuscation, either as a result of fidelity to
Lenin or aversion to his theory, rather than clarity and precise formulation about the real meaning of the structural changes in capitalism.

Part of the problem is due, in large part, to the orthodoxy that characterized Marxist political economy for the better part of the first half of this century and which until the 1960's showed very few, if any, signs of change. As Mandel noted:

"... at the very moment when the bankruptcy of traditional bourgeois political economy becomes plain, and when bourgeois economic thought made its great pragmatic turn, Marxist economic thought, far from making a fresh leap forward, itself experienced a pragmatic transformation at least in the Soviet Union and every milieu dominated by the Soviet Union. From being an instrument of research into objective truth it was degraded to the role of justifying a posteriori the political and economic decisions taken by the government of the USSR."

However, sometimes we are apt, perhaps too often, to look for scapegoats rather than the social political and economic explanations for the process of history and the intellectual and other problems that arise from such developments. It should be recognized firstly, that academic institutions before and after the Second World War, were the prerogative of the few, with their attendant ideological persuasion; secondly, that left politics was dominated by the workers' movement, or more precisely trade unionism; and finally, that much of the political energy was sapped by the traumatic events of
the first half of this century: the First World War, followed a decade later by the crash of 1929 and the depression of the 1930's and immediately succeeded by the Second World War and then, perhaps finally, the vississitudes of the "Cold War." This is by no means an attempt to account for the development of Western intellectual history in the 20th century. Suffice it to say, however, that intellectual development is part and parcel of the process of social, political and economic development.

"(For) mankind always takes up only such problems as it can solve: since looking at the matter more closely, we will always find that the problem itself arises only when the material conditions necessary for its solution already exist or at least are in the process of formulation."

We are not, however, about to provide an apology for the failure of Marxism to keep pace with changing historical circumstances nor at the same time to find scapegoats for such failures. It is intended rather to locate the difficulties and shortcomings of certain intellectual developments, which on the one hand, provided the rationale for reformism, vulgar economism and platitudes about the inevitability of historical forces, and on the other suffered from the limitations of its own social, and historical circumstances.
II. Liberal Democracy and its Defenders

One of the major consequences of the above has been the proliferation of political and economic theories extolling the virtues of the liberal democratic state and its attempts to deal with the problems of development in colonial and post-colonial societies. Professor Walt W. Rostow for example, in his celebrated but now somewhat infamous publication, *The Stages of Economic Growth: A Non-Communist Manifesto*, claims that:

One extremely important version of the ploughback process has taken place through foreign trade. Developing economies have created from their natural resources major export industries, and the rapid expansion in exports has been used to finance the import of capital equipment and to service the foreign debt during take-off.⁴

If it were not for the intensity and ideological passion with which this view is held, in turn determining in so many respects the policy of governments of both the developed and the underdeveloped countries, the subsequent costs in social and human misery would, indeed, be the Archimedean point of the court jester.⁵

A cursory glance at the history of the relationship between developed capitalist countries and their economic appendages tells a completely different story. If as Professor Rostow claims, trade and export industries provide
the necessary capital for "take-off" towards self-sustained growth; then the economies of Peru and Mexico from the bullion that was "carted-off" by the Spanish; of the Caribbean, the north-east of Brazil and the Southern United States from the cotton, sugar and tobacco they supplied Europe; of India from the cotton splices and the riches of Akbar, the Moghul Emperor, siphoned off by the British; of Africa from the human cargo in slaves brought to labour in the plantation colonies of Europe and North America; etc. (the list is legion) should have made them some of the most developed and therefore, perhaps some of the richest areas of the world. However, quite the contrary is the case. While forming the organizing centre for that accumulation of capital which helped finance the industrial revolution, today most if not all of these areas suffer from what commentators of one ideological persuasion or another refer to as less developed, underdeveloped, and third world to designate a state of social, political and economic destitution. Following Professor Rostow's rationalization it would be the crowning irony of history that while the Kohinoor Diamond of Akbar, the Moghul Emperor, finally ended up in the Tower of London as part of the Crown Jewels, the Indians were abandoned to the slums of Bombay, Delhi and Calcutta, as a result of the total destruction of their indigenous way of life.
Many have claimed, as Professor Rostow does not fail to do, that the conditions alluded to in the above belong strictly to the era of colonialism and now that the vast majority of the areas once under colonial control have attained political independence and joined the family of nations, as independent political entities, underdevelopment is a product of their own making, or at least so in large part. It is their cultural heritage, their religion, social structure and general political attitudes that constitutes the stumbling block towards development. What is being denied of course, is the material dimensions of history and the permanent relationships that are a necessary accessory to the process of capitalist development. The economic relationships of the developed capitalist countries and the areas they penetrated in the heyday of colonialism are assumed to be temporary in nature and whatever negative consequences they produced are viewed merely as aberrations of good intentions the "white man's burden" misapprehended or the "civilising mission" gone astray.

Another staunch defender of establishment political and economic theory, Professor Joseph A. Schumpeter, maintains that:

(The) facts are scarcely in dispute. And since they fit into the picture and mode of life which we have recognised to be the necessary products of capitalism, since we can grasp them adequately from
the necessities of that mode of life and industry, it follows that capitalism is by its very nature anti-imperialist. Hence we cannot readily devise from it such imperialist tendencies as actually exist, but must evidently see them as alien elements, carried into the world of capitalism from outside supported by non-capitalist factors from outside.

We agree. "The facts are scarcely in dispute"; not surprisingly though, Professor Schumpeter does not provide any. What must be shown is that the industrialized economies no longer have need for the cheap products of India and Brazil, Saudi Arabia and Jamaica, Zaire and Chile, and that no manipulation results from the factors of industrial ownership. Further it must be demonstrated that investments from the industrialized nations do not unduly interfere with the process of development, in terms of creating structural dislocations, enclave economies, and general dependence of those economies upon which it so generously showers its blessings. It must show that the inequality and uneveness in development which exists, not only on a national scale but also regionally, is the product not of industrialization but of the dead-weights of colonialism. "These white washing sycophants of bourgeois economics", as Marx called them, would have us believe that "competition reduces the price of all commodities to the minimum cost of their production", when we know that the terms of trade, leaving aside the uneconomic manipulation of the factors involved, for the underdeveloped countries have
declined steadily, especially with the advent of capitalist forms of production.  

III  Communist Orthodoxy

The foregoing, however, should not be taken to be an endorsement of the obverse position which maintains that essentially, nothing has changed since the days of colonialism. Palme Dutt, for example, argues that:

"The characteristic feature of the new governments was continuity with the old imperialist regime. The entire administrative machinery of imperialism was taken over and carried forward. The same bureaucracy, judiciary and police of the old imperialist agents and servitors. The same methods of repression ... The vast assets, investment holdings and financial interests of imperialism in India were zealously protected, and the even flow of imperialist exploitation continued."

This "nothing-has-changed" attitude has its origins in two, not wholly unrelated, theoretical misconceptions that contain grave implications for the development of the third world. First, on the economic level, the process of imperialism is seen as "decadent parasitism", which has as its driving force the "extraction of tribute" from the areas it penetrate, because of superior military and productive capabilities. Much of the shortcomings of this analysis, stems from its uncritical allegiance and fidelity to Marx and Lenin; who were much more concerned with the process of capitalist
development as the increasing expansion of the reproduction of the means of production in its "pure form" (Marx), and its "imperialist stage" (Lenin), rather than the relationship of capitalism with its non-capitalist variant. But even so, a close reading of Marx and Lenin does not bear out the above claim. While it is certainly true that Marx had argued that capitalism "constantly throws in capital, thirsting after exploitation and "abstinence"; he never meant it as a one way process, as many of his more popular writings may seem to suggest.

The process is nevertheless inherently uneven since the means of production and reproduction gravitate towards the centre of capitalism, while reducing the peripheral areas to a state of ossified underdevelopment. The phenomenon can best be understood by a reciprocal interaction of the centre and the periphery in which the power constellations of the centre are predominant.

As a photograph of the world taken at a point in time, this model consists of a world metropolis (today the United States) and its governing class and its national and international satellites and their leaders ... that is, taking a photograph of the slice of the world we get a whole chain of metropolises and satellites, which runs from the world metropolis down to the hacienda or rural merchant who are satellites of the local commercial metropolitan centre but in their turn have peasants as their satellites.
The process is accomplished, as Marx had noted with regards to India, by a total and wholesale destruction of the indigenous way of life. The means was not simply British infantry or artillery, where and when the Indians resisted, but by the systematic inundation of the Indian market with the cheap cotton products of Manchester and Liverpool.

British steam and Science uprooted over the whole surface of Hindostan, the Union between agriculture and manufacturing industries ... social organizations disorganized and dissolved into their units thrown into a sea of woes, and their individual members losing at the same time their ancient form of civilization and their hereditary means of subsistence ... 

In other words, the British, by the destruction of the indigenous handicrafts and "home industries", did not simply effect the domination of the Indian economy and society as a result, but also produced the dependence of the Indian economy on Britain and the needs of British capitalism.

More generally the argument assumes that local political and economic forces are simply a function of imperialist manipulation and no amount of internal changes can produce any significant transformation. Part of the difficulty, for such simplistic characterization, is the complex and contradictory nature of the relationship between a capitalist centre and its periphery. As Rosa Luxemburg noted the relationship was far from assuming any precise
configuration.

"The general result of the struggle between capitalism and simple commodity production is this: after substituting commodity economy for simple economy, capital takes the place of simple commodity economy, non-capitalist organizations provide a fertile soil for capitalism, more strictly: capital feeds on the ruins of such organization, and although this non-capitalist milieu is indispensable for accumulation the latter proceeds at the cost of their medium nevertheless by eating it up. Historically the accumulation of capital is a kind of metabolism between capitalist economy and those pre-capitalist methods of production without which it cannot go on and which, in this light, it corrodes and assimilates."

The problem, or more precisely, a partial answer, is to see that while the evolution of internal political and economic institutions are historically and logically connected to the structural contingencies of the external economic and political situation, the failure to industrialize, diversify and thus bring about the development of a truly independent economy, results not simply from the exploitation and domination of the indigenous economy, but also from the dependence of that economy and the forces created and maintained by the exigencies of the local political economy.

Secondly, on the political level, nationalism is seen simply as a mechanism of obscuring the inherent interests of a national bourgeoisie and its imperial counterpart. Ascendant classes of colonial societies are a manipulated
Capitalist expansion amounts to simply "the export of social conflict of the capitalist countries;" where the social and political dimensions of capitalism are reproduced in toto, and the process of so called decolonization merely shifts the basis of control, if at all.

"The essence of neo colonialism is that the state which is subject to it is in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside."

Such a vulgar economism and crass Machiavellianism, however, negates the underlying consensus that is necessary for capitalist development.

"(Any) theory must recognize that imperialism was as much a function of its victims collaboration or non-collaboration of their indigenous politics, as it was of European expansion. The expansive forces generated in industrial Europe had to combine with elements within the agrarian societies of the outer world to make empire at all practicable ... domination is only practicable in so far as alien power is translated into terms of indigenous political economy."

More recently it is claimed that nationalism, because of the subsidiary roles it plays in international politics, is unable to effect any independent policies to extricate itself from the perennial oscillation of the machinations of super-power politics. The underlying assumption is a logical derivation of the economic analysis, which holds that it is the vagaries of imperialism that are ultimately
responsible for the economic formations in colonial societies, and therefore the social and political structure that result from such formations. There is no denying the fact that imperialism is in large part responsible for the political and economic institutions of colonial and post-colonial societies. But to deny those societies any political and economic autonomy is to deny the process of historical development. The fact of the matter is that the national and comprador bourgeoisie, as leaders of the nationalist movement, presented themselves as champions of national liberation while pursuing policies that were not always in direct collusion with imperialism.

Much of the confusion on the political level, arises from the much lauded, but dubious analytical approach, which argues that since imperialist control and domination is all pervasive and since the majority of the population of colonial societies live in the rural areas and suffer from religious superstition and political conservatism, political liberation is not likely to be forthcoming because of the lack of leadership and direction. Such changes become possible only through the introduction of social and political consciousness from outside, either through a proletarian vanguard or an intellectual leadership. But, since the proletariat constitutes only a small minority in colonial societies, and already exists as a
privileged class: (1) it is doubtful whether it is about to assume any such revolutionary leadership, since revolutionary change poses a direct threat to the privileged position it has acquired; (ii) leadership does not guarantee fundamental changes, since it can easily be led down the path of reformism, as we have seen in the vast majority of cases in Latin America; and (iii) leadership can easily be substituted for control and manipulation of the political process, since it is easy to assert the disappearance of classes after the revolution without the corresponding adjustment in reality. However, since there have been no revolutions, or very few, which in any case can be explained away by extraordinary circumstances, we ought not assume that there have been any significant changes in the structural composition of colonial societies. The necessary explanation, of course, is that the proletariat has failed to live up to its "historical mission". The problem, however, is not that there has not been any significant changes nor that the proletariat failed, but that the analysis itself leaves a lot to be desired.

IV: **Imperialism, "Unequal Exchange" and the Myth of Classlessness.**

Quite recently, the concept of "unequal exchange", as the theoretical foundations of a theory of imperialism,
has attracted much attention.\textsuperscript{29} It has as its basis the inequality that results from trade between the developed capitalist countries and the less developed countries of the third world. The argument, in its bare essentials, assumes that "if all the factors of production in a competitive economy" that have a claim on the final product are mobile, then their individual rewards would be the same wherever and whenever they were employed, i.e. each factor would be rewarded according to their quantative inputs and their relative values as established by a free competitive market.\textsuperscript{30} However, this is far from being the case and the two most important factors of production stand on opposite sides of the economic spectrum - immobile labour and mobile capital. Because of this immobility of labour, it is unable to compete, on the basis of available skills and resources, to secure its "natural" share of the final product, since capital is able to readily shift its resources to areas offering the most profitable returns. The mobility of capital, however, is not universal. Since capitals are nationally owned they would tend readily to shift from foreign areas of investment rather than their home base. Thus, labour in the home base would be able to extract its "natural" share, if not more, of the final product. The net result is a progressive tendency of the rising organic composition of capital\textsuperscript{31} in its home base, and a subsequent rise in the price of commodities
produced in those areas. On the other hand, given the
mobility of capital outside its territorial base and the
immobility of labour in those same areas, labour is unable
to demand and receive its natural share of the final product.
Thus we would have a stagnation or lowering of the organic
composition of capital and a consequent decrease or stag­
nation of the prices of commodities produced. Given these
differences in wages, based on the differences in the organic
composition of capital, in a capitalist centre and its peri­
phery, a natural inequality is inherent when products are
exchanged.

"It thus becomes clear that the inequality
in wages as such, all other things being
equal is alone the cause of inequality of
exchange." 32

When transformed to the level of international trade, the
differences in the organic composition of capital, based on
the inequality in wage rates, constitutes the central
mechanism in the whole process of the development of under­
development - "wages are the cause and external exploitation
the effect". 33 External exploitation, therefore, through
the medium of international trade is the crucial element in
effecting the continuous dependence of the local economy and
"All imperialisms", as a result, "are in the last analysis,
mercantile in character". 34
The solution for underdeveloped countries, therefore, rests in their ability to regulate their trading patterns and relationships with the advanced capitalist countries. The reason being, that the underdeveloped countries are unable to effect any immediate and drastic changes in their organic composition of capital and thus their wages rates, which would have the desired effect of raising the prices of their products in international trade. There are three possible courses of action open to underdeveloped countries: (1) The establishment of a world wide tax on imports from the underdeveloped countries entering the advanced capitalist countries. This would have the effect of raising the prices of such commodities above and beyond their "normal" price. The difference would then be returned to the underdeveloped countries in the form of a rebate earmarked for particular development projects, or the national government for its normal budgetary problems or special development funds. (ii) The removal, or at least a reduction in tariffs, and other indirect means of raising the prices of products from the underdeveloped countries, which would make such commodities much more attractive to consumers of the advanced capitalist countries. The functioning of both these mechanisms, however, is voluntary, and while the first may produce some positive results if and when instituted, the second in no way
guarantees a greater return to the underdeveloped countries. It also has the added disadvantage of making the vast majority of underdeveloped countries more dependent on a few export commodities and the fluctuations of an international market, since there are no guarantees of price levels.

The only other option open to the underdeveloped countries is in the imposition of an export tax on all commodities leaving their ports.

If wages cannot be raised, either in the country generally or selectively in the export sectors, the only means left to these countries for preventing the excess surplus value from draining away abroad through unequal exchange is to make up for the inequality in the rate of surplus value by imposing a tax on exports.

This is the only fool-proof scheme available to the underdeveloped countries, whereby they can improve not only their deteriorating terms of trade but also end the process of "unequal exchange". On the other hand, internal changes through nationalization and/or expropriation results in further deterioration since this would mean an end of royalty payments and competition among different nationalized enterprises would reduce the international price of commodities to the actual cost of production, thereby resulting in further erosion of the underdeveloped countries terms of trade, resurrecting the old process of "unequal exchange".
On the political level this argument reduces itself to (1) Imperialism is necessarily a relationship between and among nations where there is no room for different classes and groups. Political strategies, therefore, must assume a nationalist character, if it is to rid itself of the national exploitation to which it is subjected.

"The class is not a form of integration that takes precedence over the nation; this is proved by the fact that western working class appropriates to its benefit part of the profits of exchange with the underdeveloped countries".

(11) Marx lived an illusion in calling for the workers of all countries to unite. The working class of the developed capitalist countries are "objectively" tied to the exploitation of the underdeveloped countries.

"... the relative importance of the national exploitation from which a working class suffers through belonging to the proletariat diminishes continually as compared with that from which it benefits through belonging to a privileged nation, a moment comes when the aim of increasing the national income in absolute terms prevails over that of improving the relative share of one part of the nation over the other. From that point onward the principle of national solidarity ceases to be challenged in principle, however, violent and radical the struggle over the sharing of the cake may be. Thereafter a de facto united front of the workers and capitalists of the well-to-do countries directed at the poor nations, coexists with an internal trade-union struggle over the sharing of the loot".
First of all, Emmanuel's argument that exploitation occurs between nations and not classes is of dubious analytical and conceptual validity. The concept of exploitation to begin with is a designation of the economic relations between classes and their rewards on the "final product" of capital, labour and technology. "Exploitation" therefore, "expresses a production relation" and not an exchange one, though in this case the exchange relation is a necessary accessory to the production relation and as a result determines the particular form that it (exchange) assumes. How this is transformed to the level of the state is difficult to comprehend, since this would necessarily mean classifying colonial societies, indeed all societies, as homogeneous units with minor, if any, variations in social and political composition. Nationally, therefore, the concepts of class and power relationships are superfluous since they hide the inherent unity of interests of particular nationalities. If such assumptions are true one is left at a loss to account for the disparities in wealth, inequalities of opportunities, distribution of power, changes in occupational structure, social and economic composition of different groups and the general stratifications of society, not as differences between nations but within them.

Emmanuel, however, insists that "Exploitation is
not a fact of production but of appropriation," and goes on to argue with Gunder Frank, that this is so because there is not one, but in fact several capitals, which are involved in the process of production, circulation and exchange and which appropriate their individual share of the final product. It is difficult, however, to see several capitals in an age of multinational corporations (MNCs), where for all intents and purposes the process of production, distribution and exchange have all been vertically integrated.

Perhaps, more importantly, circulation is not an independent variable but a dependent one and cannot exist, therefore, without the specific form of production, since it is the latter that calls it into being.

"The process of circulation is a phase of the total process of reproduction. But no value is produced in the process of circulation and therefore no surplus value ... if a surplus value is realized in the sale of produced commodities then this is because it already existed in them."

Secondly, it is becoming increasingly difficult to sustain the argument that "all imperialisms, in the last analysis, are mercantile in character", in light of recent developments. A recent study by the Social and Economic Council of the United Nations, on Multi-national corporations in World Development, showed that a substantial part of the
exports of particular commodities from underdeveloped economies originate from the foreign affiliates of MNCs. For example, in Latin America:

Their share in the total exports of manufacture from these regions, which was 12 percent in 1957 reached 41 percent in 1966. This share varies by country; thus in Argentina, between 1965 and 1968, exports of United States affiliates accounted for 14.5 percent of total exports. In Mexico, in 1966, United States manufacturing affiliates accounted for 87 percent of exports of manufactures and in Brazil they represented 42 percent.

Moreover, this is not trade between individual nation states, but represents to a large extent, trade between affiliates and parents of MNCs. A recent GATT study, for example, placed 30 percent of all world trading between and among affiliates of multinational corporations. Now, it is difficult to see how imperialism can be reduced to mercantilism when so much of world trade is controlled not by nations but by MNCs and their foreign affiliates. Consequently, one cannot speak in terms of "Unequal Exchange" and properly assess the values transferred, when a major portion of it is "transacted outside the sphere of any market".

"Now, since so much trade takes place within international firms, it may take place at bogus transfer prices. Where, as in the case of oil, for example, one branch of the firm sells goods to another branch in a different country, the prices of these sales can be manipulated in lieu of capital movements and the firm can locate its income
and so take its profits in whichever country it wishes. So charging a low transfer price for raw materials produced in one country and exported to another within the same firm, may be financially equivalent to charging a high price and then repatriating the profits. This is one reason why the theory of unequal exchange has to be incorporated into the aspects of the theory of imperialism which deal with investments.

Lastly, the UN study referred to above, estimated that

"International production, defined as production subject to foreign control or decision and measured by the sales of foreign affiliates of multinational corporations has surpassed trade as the main vehicle of international economic exchange ... international production reached approximately $330 billion in 1971. This was somewhat larger than total export of all market economies ($310 billion)."

Further, in the same study and elsewhere, it has been demonstrated that the production of subsidiaries of MNCs have increasingly been in the area of import substitution, in order to evade the imposition of tax on imports and other tariff barriers erected to protect local industries. The end result, of course, is a further decline in the volume of trade. The only conclusions to be drawn from this are (1) that imperialism is in decline, since trade is no longer the primary medium of obtaining and transferring goods and
services; or (11) all imperialisms are not mercantile in character, since surplus and profits can be extracted by other means, as well.

With regards to Emmanuel's solution, there is no doubt that the imposition of an export tax on all commodities leaving the ports of an underdeveloped country will raise the price of these commodities, and therefore increase the financial benefits accruing to the nation. The case of the Arab oil increases is, of course, the classic example. "But" as Johan Galtung noted, "this is only bargaining within an old pattern not a change of international structure." There are no guarantees that such financial gains would be used to diversify and develop the local economy nor be redistributed to benefit the majority of the people. As a matter of fact, the situation is not very different from that suggested by Emmanuel. While there is the transfer, of some U.S. and Eurdollars in the form of industrial plants to the Arab States, "the vertical division of labour survives." This has two distinct disadvantages. On the one hand, since the factors of industrial ownership can be easily manipulated, the dependency of the underdeveloped country is thereby further exacerbated and on the other, the economy of the underdeveloped country becomes increasingly integrated into the needs and demands of the foreign firms, which control the
necessary industrial factors for development. As Galtung noted, even if the Arab States were swamped with industrial plants, which in any case is highly unlikely, this would not radically alter the terms of exchange.

"... vertical division of labour is maintained, both in the field of capital (center provides investment, periphery provides market); in the field of labor (center provides know-how, research, periphery provides unskilled labor) some of it locally, in the periphery, some of it as Fremdarbeiter in the center; and in the "land" factor (periphery providing goods at a much lower level of processing than the center).

The transfer of such currencies, nevertheless, constitutes an important change. It not only allows for greater maneuverability by the underdeveloped country, within the framework of imperialism, but also means the further deepening and, therefore, strengthening of the process of capitalist development. This results on the one hand, in greater local autonomy, but, on the other, assures the continuity of the unequal partnership.

On the political level, we have already argued that imperialism, essentially an exploitive relationship, is not a relation between nations, but between competing social classes. The claim on the "final-product" is thus not only a material one, but a political-ideological one as well - the claim to all important political power. The recent history of decolonization has sufficiently demonstrated that nation-
alist movements are either unwilling or unable to effect the necessary changes for an independent nationalist development. The case of the Caribbean is very instructive. Political decolonization occurred precisely at the moment when radical nationalists, who opposed the stranglehold of their economies, were either made to compromise their nationalism or were forcibly subdued. Nationalism, or what was left of it, was thus not only a means of guaranteeing a continuation of the exploitive relationship, but, in addition, was used as a facade to obscure the inherent contradictions of colonial societies. The present crisis of underdevelopment shows only too harshly the limits of such nationalism. It has failed in every important respect to deliver the promised goods. This is precisely the shortcoming that Emmanuel's illusory solution hides.

"... the inequalities of development seem to be capable of 'correction' through manipulation of prices and wages, whereas only a revolutionary transformation of production relations with the subsequent development of the productive forces, can make it possible to end the poverty of the peoples of the dominated countries, who are exploited at one and the same time by imperialism and their own dominant classes."

The question is not simply one of correcting a certain imbalance, but of
changing the entire foundation of the relationship; a relationship which takes its cue not from a particular system of exchange but from a system of production already established.

V: **Imperialism and the Structural Changes in Capitalist Development**

The concept of imperialism however, has seen better days and much has been said recently to resurrect it from the dogmatism of party policy and the aversion of intellectuals.  

In addition to what has already been said let me record very schematically, what I consider to be the central features in the changing relationship between the advanced capitalist countries and the underdeveloped countries of the third world.

The very use of the term imperialism, when accepted as a valid conceptual and analytical category, conjures different dimensions of political economy to different people. The first task, therefore, is to articulate the necessary parameters of political economy encompassed by the use of the term imperialism. To begin with, the term implies three different, inherently and logically related, sets of categories and relationships, all relating to the development of capitalism and the states of levels of development of the productive forces in different areas of the world. This model was succinctly
stated by Bob Sutcliffe in his *Conclusion to Studies in the Theory of Imperialism*.

(a) The development and the economic and class structure of advanced capitalist societies (especially the factors which drive them towards geographical expansion of their economies) and the relations between them;

(b) the economic and political relations between advanced nations and backward or colonial nations within the world capitalist system;

(c) the development of economic and class structure in the more backward nations of the capitalist system, especially the roots of their domination and their failure to industrialize.

The first refers to what Marx described as "the expansion in the reproduction of the means of production" and what Lenin described as a special stage in the development of capitalism;

"Imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general." 59

In this process there are constant and continuous attempts by national capitals to dominate and gain control of the most lucrative sources of raw materials and resources for the extraction of surplus value. This enables such capital to gain ascendancy by further accumulation, while, at the same time, denying their competitors access to such sources. The resulting competition, as Lenin argued, constituted the fundamental contradiction in imperialism which would eventually lead to inter-imperialist rivalries. That this is no longer the case, has been sufficiently demonstrated by the experience
of history, especially after the Second World War with the formation of a "Socialist" bloc. However, this does not mean that capitalism operates in unity or that all national capitals are in alliance when confronted by crisis situations. Suffice it to say, at this time, that the so called "unresolvable contradiction" has been largely superceded and the relatively autonomous states of advanced capitalist countries have stepped in at crucial junctures to resolve difficulties involving different national capitals. There has been however, especially by the mid 1960's with the recovery of Europe and Japan, an intensification of competing capitals, but with an inherent compatibility of interests. 

The second relationship refers to that between the advanced capitalist countries and the areas of the third world it penetrates in its search for accumulative sources. This seems the most popular conception of imperialism, or, at least, what most commentators mean when the term is employed. It has as its basis the appropriation of surplus value through the medium of investments and the extraction of strategic raw materials at very minimal costs. Originally, most of this investment was in the area of raw resources, typified by oil and mineral ore deposits, where for all intents and purposes they existed as "enclaves" with few, if any, links with the rest of the economy. The term "enclave", however, is a misnomer, since it was precisely such investments that produced
structural dislocations in the local economy, by an increasing displacement of the traditional sectors without providing adequate substitutes. Such investments, at the same time, created the dependence of the local economy, since, in most cases, it was the only provider of long term "wage" employment and, perhaps, more importantly, the only source of foreign exchange. Much of this, however, has changed over the last decade and there has been a pronounced shift in investment patterns, allowing for greater local autonomy through partnership ventures and in cases outright nationalization by local governments. As already noted above, this does not result in a drastic change in the structural relationship between advanced capitalist countries and the underdeveloped countries of the third world. It is simply indicative of the changing nature of colonial societies. It is also reflective of the fact that the structure of dependent capitalist development has been finally and firmly established, leaving the advanced capitalist countries reasonably certain that such changes would not put an end to the supply of strategic raw materials, even if it means higher prices. What it means, simply, is a further deepening and, therefore, strengthening of the process of capitalist development.

The third point refers to the state of social, political and economic underdevelopment, in which the indigenous political economy necessarily finds itself, after the
process of domination and dependence have been firmly estab-
lished. The situation results from the economic drain of
its surplus, to which the underdeveloped economy has been
subjected. It, is also indicative of the extent to which
its development has been distorted by the implantation of
the subsidiaries of MNCs whose only concern has been the
mobilization of whatever local capital is available for its
own use.65

"The degree of mobilization of resources
by US owned subsidiaries is suggested by
the fact that for every dollar of
capital transferred from the United States
to these subsidiaries in the less developed
countries, about $4 more of capital were
collected by the subsidiaries from other
sources, including sougges internal to the
less-developed areas".56

This process increased the domination of the local economy
by cornering and monopolizing its limited capital market.
Further, it is estimated that while between 1960 and 1968 an
average of one billion dollars of fresh capital was being
transferred annually to the subsidiaries of US based MNCs in
the third world, there was a reverse flow of two and one half
billion dollars annually, in income alone.67 Internally
generated capitalist development, at the same time, literally
breeds a new class of petty and comprador bourgeoisie, whose
fortunes become more or less dependent on the capitalist forms
and whose defense, therefore, becomes paramount. This com-
bination naturally perpetuates and further deepens the process of dependent underdevelopment.

For our purposes, the most important feature in imperialism is the relationship between advanced capitalist countries and the underdeveloped countries of the third world. The most dramatic and far reaching change, to have occurred in this relationship has been in the area of foreign investments, through the medium of and in conjunction with, the rise of MNCs as the most important agency in determining the nature of such investments. The leader in this process of course, has been the US and US based MNCs; who after the Second World War emerged as the leading imperialist power, having uncontrolled dominance in the field of foreign investment, and at the same time assuming the role of global policeman. Much, however, has changed since the end of the Second World War, and with it the relative decline of the US as the world's leading imperialist nation. This resulted from three different factors: (1) The successful recovery of Japan and Europe by the 1960's enabled them to successfully compete with the US, to the extent that by 1972, for example, Japan was recording a trade surplus with the US of nearly three billion dollars. (ii) The "global strategy" of the US to contain communism and prop up insolvent governments of the third world was putting a severe strain on its economy; and (iii) the successful challenge of the US in Indochina and the rising tide
of national liberation movements in the third world have been sufficient warning that these nations no longer tolerate the strangle-hold of their societies. 72

"Under these conditions two things have happened: (1) the other imperialist powers have had fair warning that they can and must widen their margin of autonomy, both economically and politically. And (2) the dependent bourgeoisie and the national dependent states they control are beginning to understand that they have considerably greater freedom to maneuver on the inter-imperialist battle field, with the result that they are pressing for new advantages, for more flexible economic ties, and for new political alliances. 73

The result has been a greater accommodationist spirit on the part of MNCs and their subsidiaries in the underdeveloped countries, allowing for greater local participation and control. The Vice-president of the Chase Manhattan Bank, for example, addressing a group of African industrialists in 1971, called on US companies to accept "meaningful participation through government purchase of 51% of shares of the big corporation". 74 A year earlier, in Peru, after the military junta had systematically nationalized most of the foreign based subsidiaries of MNCs,

General Velasco announced that foreign investment would be allowed in Peru only in the form of investment contracts with the state, for a fixed term ranging from fifteen to twenty five years for recovering the investment and obtaining reasonable profits after which ownership of the respective companies would revert to the state. 75
In another instance, Bill Warren found that while only 8 percent of the 236 manufacturing subsidiaries of MNCs in Africa (except South Africa) Asia (Except Japan) and Latin America were minority owned before 1946, between 1958-1964 of the 1,013 subsidiaries established in the same areas, minority ownership had increased to about 20 percent or 189.76

In conjunction with this changing pattern of ownership, there has taken place a drastic change in the pattern of investments, from the traditional resource based sector to the more important manufacturing sector.77 This, as noted earlier, resulted from the need to evade import taxes and tariff barriers and at the same time, taking advantage of regional markets established through free trade associations (Caribbean Free Trade Area, Andean Pact, etc.) and low wage rates. Other incentives were provided by local governments, who in the absence of local investment capital, offered tax holidays, nominal rental charges for serviced industrial sites, guarantees of labour stability and uncontrolled repatriation of profits. In Jamaica, for example,

Under the terms of the Pioneer Industries (Encouragement) Law 1949 the investor is allowed during each of five years during the first eight years of operation to set off one fifth of permitted capital expenditures against income derived from pioneering manufacturing operations. In addition, the manufacturer is allowed to import free of customs duty and tonnage tax all building materials, tools, plant and machinery etc. used in construction,
Such inducements have been repeated countless times, with more alluring incentives, resulting, especially over the last decade or so, in a proliferation of manufacturing subsidiaries in the third world; to what extent such initiatives can lead to independent industrial development is altogether another matter. Because the underdeveloped nations continue to exist within the orbit of the imperialist market economy, they are forced to depend on:

(a) The market mechanism of the MNCs because of the monopolistic control they exercise over the markets, centres and means of distribution;

(b) Technology which must be purchased from the industrialized nations -- one that is more likely to be the exclusive domain of particular enterprises;

(c) Loans for the development and expansion of local national enterprises, which are only obtainable in the international centres of business and finance and controlled by the industrialized countries;

(d) Continued assistance in the form of aid, which is not likely to be made available if the local government were to prove recalcitrant;

(e) Trade for essential machinery, foodstuffs and energy, which can easily circumvent and strangle the local
economy by means of an embargo.

The list is by no means complete, but contains, I think, the core elements of the dependent development to which such industrialization leads. 79

Of greater immediate concern, however, is the extent to which MNCs have used their financial and organizational strength to manipulate key sectors of the economies of the underdeveloped countries. By strategically situating industrial sites away from the resource areas, they not only created further dependence on a regional basis but assumed the role of mediator and controller of regional development. At the same time MNCs have used particular countries, noted for their protection of foreign investments, as regional headquarters for their activities, thus producing what has been described as "sub-imperialism". 80
FOOTNOTES


5. No pun or play on words is intended as Professor Rostow was President Johnson's South-East Asian Advisor


11. Marx, Karl. *Capital*, Vol. 1. Chapter xxxi (International Publishers, New York, 1967), "The discovery of gold and silver in America, the extirpation enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalized the rosy dawn of the era of capitalist production ... the colonial system ripened, like a hot-house, trade and navigation. "The
Societies' monopolia of Luther were powerful levers for concentration of capital. The colonies secured a market for the budding manufacturers and, through the monopoly of the market, an increased accumulation. The treasures captured outside Europe by undistinguished looting, enslavement, and murder, floated back to the mother country and were there turned into capital." op. cit. pp. 750-754.


18. My argument here does not include a critique of "economic parasitism" as a conceptual fallacy, which amounts to nothing more than "rentier imperialism" nor, and perhaps the much more important claim, that it was the exports of capital which was responsible for industrial stagnation. For such a critique see Kemp, T. The Theories of Imperialism, (Dennis Dobson, London, 1967), pp. 114-120.


20. See, for example, Marx, K., and Engels, T., the Manifesto of the Communist Party, in Marx, K., and Engels, F., Selected Works in Vol. 1. (International Publishers, New York, 1968). "The bourgeoisie by the rapid improvements of all instruments of production, by the immensely facilitated means of communication, draws all even the most barbarous nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down Chinese walls, with which it forces the barbarians intensely obstinate hatred of foreigners to capitulate. It compels all nations, on the pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e. to become bourgeois themselves. In other words, it creates a world after its own image". op. cit. p. 39.


24. Zeitlin, I.M. Capitalism and Imperialism, (Markham Publishing Co., Chicago, 1972). "... imperialists vastly outnumbered by the colonial population in every colony, sought allies among them. Typically the most important of these allies were the landlords. By bolstering the privileges of this class and fostering its development even where it was weak, the imperialists gained the support of a powerful class of rich landlord proprietors who were vitally interested in imperialism and capable of controlling the popular masses. This alliance made mass poverty the normal condition of the people. For, on the one hand, their misery was perpetuated by industrial stagnation and, on the other by an imperialist landlord alliance that made anything but the most superficial of agrarian reforms unthinkable." op. cit. p. 97. This statement is remarkable for the number of contradictions it embodies. First, while it affirms the necessity of alliance between an indigenous landlord class and the imperialist bourgeoisie, it categorically denies the former any autonomy in effecting any policies of independent, though subservient development. Secondly, it is questionable whether it was the landlords, of the local population or the comprador bourgeoisie, who were much more interested in trade and commerce, that provided the strongest link between the local economy and imperialism. Third, "industrial stagnation" is of questionable historical validity in accounting for the "development of underdevelopment" and dependence, since it could be argued that diversified agricultural production is a much sounder base for development rather than industrialization, based on borrowed technology and capital, which places undue pressure on available resources. For a psycho-political analysis of the unchanging character of imperial political manipulation see Memmi, Albert: The Colonized and the Colonizer (Beacon Press, Boston, 1965). Also, Fanon, Frantz: The Wretched of the Earth, (Grove Press, Inc., New York, 1963).

25. Nkrumah, K. op. cit. P. xii, See also Frank, A.G. op. cit. "... the impregnation of the satellites domestic
economy with the same capitalist structure and its fundamental contradictions". op. cit. p. 10.


28. Lenin, V.I. State and Revolution, (International Publishers, New York, 1969). "Only the proletariat by virtue of its economic role in large-scale production - is capable of leading all the toiling and exploited masses, who are exploited, oppressed, crushed by the bourgeoisie not less, and often more, than the proletariat, but who are incapable of carrying on the struggle for their freedom independently". op. cit. p. 23.


231. See also Hodgson, G. The Theory of the Falling Rate of Profit, *New Left Review*, No. 84, March-April 1974. Marx, K. *Capital*, vol. iii (Lawrence and Wishart, London, 1962). "This mode of production (Capitalist) produces a progressive relative decrease of the variable capital as compared to the constant capital, and consequently a continuously rising organic composition of the total capital. The immediate result of this is that the rate of surplus value, at the same time or even a rising degree of labour exploitation is represented by a continually falling rate of profit... The progressive tendency of the general rate of profit to fall is therefore just an expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labour. This does not mean to say that the rate of profit may not fall temporarily for other reasons. But proceeding from the nature of the capitalist mode of production, it is thereby proved a logical necessity that in its development the general average rate of surplus-value must express itself in a falling general rate of profit". op. cit. p. 208-209. Quoted in Yaffe, D. *The crisis of Profitability: The Glyn-Sutcliffe Thesis*, *New Left Review*, No. 80, July-August, 1973.


33. op. cit., p. 189.

34. op. cit., p. 187.


37. op. cit. p. 228.

38. op. cit. p. 183.

40. Bettelheim, C. Theoretical Comments Appendix I to Emmanuel A., Unequal Exchange, op. cit. p. 301.


42. Emmanuel, A. Reply to Charles Bettelheim in Unequal Exchange, op. cit. Appendix II, p. 329, (author's emphasis)


44. Emmanuel, A., op. cit., p. 328.


50. Sutcliffe, R. Conclusions op. cit. p. 325.


52. The classic example of this, of course, is Canada. See Levitt, K., Silent Surrender, (Macmillan of Canada, Toronto, 1970).

54. op. cit. p. 73.


63. For the most succinct statement yet to be made on the changing relationship between the advanced capitalist countries and the underdeveloped countries of the third world, see Quijano, A. Nationalism and Capitalism in Peru: A Study in Neo-Imperialism. (Monthly Review Press, New York, 1972).


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73. Quijano, A. Nationalism and Capitalism in Peru, op. cit. p. 5.


75. Quijano, A., op. cit. p. 72.


77. op. cit. p. 12.


80. Marini, R.M. Brazilian Sub-Imperialism, Monthly Review, Vol. 23, No. 9, February 1972, pp. 14-24. The recent Bauxite deal in the Caribbean is very instructive. The agreement by the Governments of Jamaica, Trinidad, and Guyana to set up the first aluminum smelting plant in the Caribbean by 1977. The smelter is to be strategically located in Trinidad because of the availability
and access to energy sources, with Guyana and Jamaica supplying the raw ore. Under this arrangement neither of the Governments have absolute control, leaving the MNCs (Alcan, Alcoa, Reynolds, Kaiser) in the position of maintaining further control of their command over technology and capital. Further, Trinidad, with the single largest volume of foreign investments in the Caribbean, has had unsavoury reputation of being one of the strongest supporters of the theory of foreign investments as the necessary road to development. Of course, the presence in Trinidad of the US Omega Navigation Facility with VLF transmitters for use by US aircraft and vessels to determine their position, makes it all so much safer. Bauxite producers put heat on foreign owners, Last Post, October-November, 1974, vol. 4, No. 3, p. 18.
CHAPTER TWO:
THE LIMITS OF NATIONALISM

I: The Caribbean: An American Lake

Perhaps the most lasting and far reaching change to have occurred in the Caribbean, after the Second World War, was the replacement of Britain by the United States as the world's leading capitalist country. For West Indians and Latin Americans it meant the replacement of a dying capitalism with the young and vigorous American Empire. An empire that was taking shape as early as the middle of the 19th century and under the aegis of the Monroe Doctrine was able to intervene at will, persuading their 'captives' of American 'good intentions'. The acquisition of the remnants of the Spanish Empire was an example par excellence of American intentions and the lengths to which she was prepared to pursue the policy of 'manifest destiny'. In addition, as one noted establishment historian recognized, with regards to the "Roosevelt Corollary" of the Monroe Doctrine", 
"The Corollary ... provided that in order to prevent the intervention of European creditor states, in the Caribbean, the United States would, if necessary, regulate the financial and other conduct of Caribbean nations in their relations with European powers. It was a doctrine whose imperialist implications were soon evident."

Such interventions, of course, are legendary, in American foreign relations, especially with its Latin American and Caribbean neighbours. A few examples will suffice — Cuba in 1901 and through the Platt Amendment until 1934, the Dominican Republic in 1915, Haiti, 1915-1934, etc. 4

That the Caribbean was now an American lake, Great Britain characteristically recognized by coming to terms in 1901 over the long pending question of the isthmian canal. Not only did the United States get all that it wanted in the matter of ownership and control of the proposed waterway ... but it got the implied right to garrison the canal and fortify it at its own discretion...
The United States now had a blank cheque to treat the region of the Caribbean as its exclusive sphere of influence ...
This meant that whatever independence (or 'Self-determination') was enjoyed by the local republics situated on the islands and along the littoral of the Caribbean Sea was henceforth mortgaged to the foreign policy of the United States.

Not only militarily, but also economically, the United States was to play an increasingly important role in the Caribbean. But for the sugar and tobacco plantations,
owned by colonial interests since the days of slavery
United States and Canadian capital was rapidly invading the
region, and in cases displacing traditional sanctuaries of
European investments; monopolising such important areas as
raw resources development and manufacturing. The greater
competitive ability of US industries gave them a distinct
advantage over their British and European counterparts, with
the result that the US was quickly becoming the main supplier
of goods and services to the region. At the same time, the
larger US market and its proximity to the Caribbean made
reciprocal trading arrangements much more attractive. 6

The crowning irony of American takeover in the
Caribbean, came in 1940, when for fifty antiquated destroyers,
the United States received from Britain 99 year leases of
naval bases in Trinidad, Guyana, Antiqua, St. Lucia, Jamaica,
The Bahamas, - as well as in Newfoundland and in Bermuda. 7
The British war effort, however, was not helped in any signif-
icant way, as most of the destroyers were soon put out of
commission. For the Americans, it was the deal of the cent-
ury. As then US Attorney General Robert Jackson, noted to
President Roosevelt in a letter of 1940, it involved the

"transfer to Great Britain of the title
and possession of certain over-age ships
and obsolescent military materials ... and certain other small patrol boats
which, though nearly completed, are al-
ready obsolescent".
The American view of the Caribbean, should be seen against this general background to which the US has become accustomed to treating its southern neighbours. Commenting on issue of the bases President Roosevelt in a letter to his Secretary of State, Cordell Hull, in January, 1941, characteristically voiced American opinion:

There is always the possibility of their putting up their sovereignty to and over certain colonies. Such as Bermuda, the British West Indies, British Honduras and British Guiana I am not yet clear in mind, however, as to whether the United States should consider American sovereignty over these islands ... as something worth while or as a distinct liability. If we can get our naval bases why, for example, should we buy with them two million headaches consisting of the number of human beings who would be a definite drag on this country and who would stir up questions of racial stock by virtue of their new status as American citizens.

Needless to say, much has changed since President Roosevelt uttered those fateful words, and while American officialdom is willing to take a different view towards its southern neighbours, it is not one that is premised on a mutual respect of integrity and independence. The overthrow of the Arbenz Government in 1954, the Bay of Pigs incident in 1961, the massive infusion of capital and men in Guyana between 1961-1964, the invasion of the Dominican Republic in 1965 etc., attest to the fact that far from assuming a
neutral role in the internal political situation of its hemispheric partners, American involvement is as real and disruptive as it ever was. In addition the maintenance of several military installations and bases throughout the Caribbean and Latin America\(^{13}\) are not signs of a changing partnership for hemispheric security, but of a continuing ideology of 'cold war' hysteria and of the need to prop up insolvent governments, making them safe havens for American investments.

In characteristic style, President Kennedy announced in 1961, the Alliance for Progress, "... a vast cooperative effort unparalleled in magnitude and nobility of purpose ... a plan to transform the 1960's into a historic decade of democratic progress."\(^{14}\) We were to soon learn however, what Kennedy meant by "democratic progress". The Alliance for Progress was introduced with much fanfare and enthusiasm, but it soon became apparent that while the official title maintained the word "Progress" it would have been much better or more to the point, to dub the whole scheme "Alliance for Stability through anti-communism". At the same time revelations in the press and congressional hearings in 1964 and 1965 revealed that the Special Operations Research Office (SORO) of the US Army was involved in a massive research program,
"to obviate the need for insurgency through programs for political, economic, social and psychological development. Military support for such programs can be a significant factor in the nation-building process. Responsibility for conducting counterinsurgency operations must rest with the indigenous government. Carefully applied assistance and advice by US governmental agencies, can however, materially influence the outcome."

The Alliance for Progress, it would seem, had its military counterpart and should not have left any illusions as to its final outcome. Though it is not certain to what extent both programs, Alliance for Progress and Project Camelot, were inter-related, or if at all, by the end of the decade it was clear that far from being an instrument of economic progress and political stability the alliance had succeeded in becoming a potent weapon of anti-communism.

The Alianza was also hobbled by its preoccupation with communism. When the chips were down, the oligarchies and the generals who backed them up knew that Washington's fear of communism was even greater than its desire for reform. If reform could be connected with communism and social stability made to seem a bulwark against communist penetration, then structural reform could be quickly dropped by the wayside. The lesson was easily drawn, and in the wake of the Bay of Pigs, it was soon applied. Encouraged by Washington's fear of Communism and its preference for verbally anti-communist regimes, would-be caudillos—usually trained and equipped by the United States—moved in to depose a number of legally elected governments. Their charge: civilian reformers were soft on communism:
Between 1962 and early 1970 Army coups toppled ten of Latin America's twenty-four governments, some twice. If we were to add to the list Chile and the numerous other governments propped up by American aid and military assistance, the proportion becomes phenomenal indeed. It must be recognized, however, that while the US maintains control through the proliferation of military bases and installations, it has allowed or more precisely been forced into the position of accepting political and economic partnership. Though this is not necessarily on equal terms, it allows for greater local autonomy once it is reasonably certain that changes would not alter the pattern of imperialist domination - dependence created and maintained by American capital with "assistance" from the indigenous bourgeoisie. As will become clear later, "assistance" here does not simply mean passive acceptance of American corporate policy but in alliance with the continuing efforts of a national and comprador bourgeoisie seeking a "more independent" development, one that allows for greater local participation and control.

In 1948 the Organization of American States (OAS) was formed with the intention of "guiding hemispheric action". The declaration of the OAS specifically stated that non-intervention in either the domestic or foreign affairs of member states was its founding principle. It seems that this would,
once and for all, limit United States action in hemispheric politics and at the same time lay the basis for independent partnership among member states. But such noble intents, the United States soon found out, flew in the face of an "abhorring reality"—international communism. The ominous signs from Korea and the accession of Arbenz to the Presidency of Guatemala in 1954 rendered the principle of non-intervention a dangerous precedent for United States interests.

"The trouble with non-intervention, from Washington's point of view, was that it failed to deal with the problem of communist government's coming to power. If such a thing happened it would not come by Russian invasion—which, despite all the military equipment the United States was funneling into Latin America, nobody took seriously—but by a seizure of power from inside: a communist coup d'état, a take-over of a legally elected government or perhaps even a communist victory in the free elections".

Thus, John Foster Dulles was able, in Caracas in 1954, to persuade the OAS to drop the clause of non-intervention as far as the "international communist movement" was concerned. The founding declaration was then amended to read as follows:

"The domination or control of the political institutions of any American State by the international communist movement ... would constitute a threat to the sovereignty and political independence of the American States".
This would not only provide the necessary rationalization for intervention, but henceforth anyone branded a communist would find it almost impossible to lay claim to political power, legitimate or otherwise, in the area. Such invective of course, was the natural outcome of a country steeped in 'Cold War' hysteria and the machinations of McCarthyism.

American ascendancy to world predominance marked a significant departure from the former colonial empires of Europe and Britain. While the former colonial empires evoked imperial protection as the since qua non of their existence, United States global policy became increasingly identified with free trade and the freedom of access to traditional sanctuaries of colonial investments for the resources and agricultural raw materials of the third world. In order to penetrate and displace these havens of imperial protection, American foreign policy actively supported local nationalism, pointing to its own revolutionary experience as the most exemplary case of anti-colonialism. This progressive attitude of American foreign policy, of course, coincided with the aspirations of nationalist, who saw the spectre of national independence as their only hope. Through this support of nationalist movements the United States was able to secure important guarantees of trade and investments from nationalists in return for economic and military aid and arbitration.
with colonial powers for greater local autonomy. As the Kolkos noted, however, increasing United States involvement in colonial politics while providing a powerful impetus for nationalist aspirations, it at one and the same time helped sustain imperial authority and turned into an obstacle for an independent nationalist development. In addition,

The Americans did not care initially to assume all the political and military overhead changes that befell imperialist nations, but Britain's inability to sustain those inherited obligations meant that it would now welcome some greater measure of American assistance in this sphere - and attempt to tend its restricted area with less cost. Moderate nationalism, therefore, became a useful tool to the United States insofar as it helped ease out England, but a danger to it when it opened the door to Russia or also designated the United States as the major obstacle to autonomous economic development.

This meant, of course, that while United States policy was supportive of local nationalism, the partnership contained the seeds of its limitations. For awhile the United States was prepared to support local nationalism as a means of offsetting established privileges it was not about to allow the free development of an independent nationalism.

On the economic front this meant that local nationalism could now assume active participation in the economic life of the nation. But while this alliance allowed for
greater local participation and control it at the same time assured the increasing integration of strategic areas of the third world into United States corporate strategy. The process of integration was accomplished by the United States through the crucial role it played in supplying the necessities of economic development, e.g. the Marshall Plan, the Alliance for Progress, etc. The result was not only a subservient dependency by the local economy but the entire process of development was subjected to a distorted development. Thus, while United States policy was willing to accept and willingly support greater local autonomy, it was by no means open to an independent nationalist development. For this reason, it greatly differed from the former colonial powers who were content to keep the natives as natives while the United States was willing to pursue a policy of greater accommodation.

Of course, it could be argued that nationalism was a direct outgrowth of the vicissitudes of the 1930's and the Second World War and its own agitation, and American presence was, therefore, a mere spectator to its successes, as exemplified by the Indian Congress Party. Further, it is argued that national independence for the colonial territories of the third world was a direct result of the demise of imperial authority and American involvement merely acceler-
ated the process. True as it may be, the logic of such arguments is part and parcel of the "vacuum theory," which holds that the retreat of imperial powers after the Second World War created a power vacuum which the United States simply proceeded to fill. But, as we attempted to show with the case of the Caribbean and Latin America, American foreign policy far from being a passive spectator pursued an active policy of intervention to the detriment of colonial powers - a direct outgrowth of its global policy.

II: Anglo-American Interests and Guyanese Nationalism

It is against this general background that the Caribbean must be viewed. American policy makers, however, were not overly concerned with the Caribbean, for while Britain maintained control of her colonial possessions, Caribbean complacency in hemispheric political and economic arrangements was assured. The "uneasy peace" of British Colonialism was maintained by: (1) the autocratic institutions of Crown Colony Government, and (2) the arbitrary bifurcation of economic spheres along racial and ethnic lines the classic - "divide and rule" strategy which the British had employed so successfully in Asia and Africa. Crown Colony Government came to the Caribbean in the 19th Century for two specific reasons. In the first place, it was a means
of forestalling any independence movements patterned after
the American Colonies; secondly, to deny the franchise to
free blacks who began to exceed the number of whites and
thus prevent the development of black states modelled after
the Haitian Revolution. As it turned out it was the latter
that occupied the interest of the British Government. With
few modifications the system of Crown Colony Government
remained unchanged until the late 1940's and early 1950's
when universal adult sufferage was granted to the Caribbean
territories. Universal adult sufferage, however, was a
change only in the formal structure of Crown Colony Govern­
ment and not a substantive realignment of political institu­
tions. The Waddington Constitution granted Guyana in 1952,
for example, reserved the essential powers of policy forma­
tion, and important portfolios to nominated members of the
Governor's Executive Council,

"... although recommending universal adult
sufferage and the ministerial system ... it nevertheless retained extensive powers
in the hands of the Governor and the
British Government. Besides presiding
over the Executive Council, the Governor
was granted unlimited powers of certific­
ation and veto. The Executive Council
was merely advisory to him and was to have
a delicate balance of six elected minis­
ters from the lower house, one nominated
member from the upper house and three ex­
officio members ... The three ex-officio
members, the Chief Secretary, Financial
Secretary and Attorney General, hold the
important portfolios of foreign affairs,
police, defence, finance, law and order;
for these 'cannot' yet be transferred with
confidence to elected members".
What is important to see is that while the 1939 Moyne Commission recommended greater local participation as a necessary first step towards political emancipation, Britain was not about to issue a carte blanche to her West Indian colonies. Nor was she, at the same time, prepared to allow the free development of political forces in a colonial polity. For this reason British Colonial policy at its most progressive moment represented the meagrest of constitutional reforms and even the grandest scheme to have been devised, was nothing more than a constitutional manipulation - the ill-fated West Indian Federation. It was not surprising therefore, that colonial policy

"concentrated almost exclusively on political institutions ... It lacked something, as Sir Ralph Furse noted, of the Greek spirit, and in that sense was far inferior to French colonial administration. It prided itself on its imperial manners, the moral code of the English gentleman, as idealized in Burke and Newman, and, indeed, imparted the code to the small groups of educated West Indian classes, the West Indian gentleman as he is known, of the 'Old school'. But that simple meant in the political sphere, the incorporation of those groups into the local colonial establishment, struggling for their own limited political rights and leaving the popular social base relatively untouched".

Thus, it was that British colonial policy was able to achieve its objective by creating a sort of West Indian counterpart of the English gentleman, uniting once and for all the imperial bourgeoisie and its colonial appendage. It was
precisely this period, the 1940's and early 1950's that saw the mushrooming of such middle class organizations in Guyana as the League of Coloured Peoples and the East Indian Association, to take advantage of the new spirit of "representative government".

Perhaps the most debilitating aspect of British colonial policy in Guyana has been its strategy of "Divide and Rule". The process began in the 1830's when slavery was abolished and labour was needed on the sugar estates to fill the vacuum created by the migration of the freed blacks. Subsequent immigration to the colony brought several immigrant groups, who, coincidentally (?), came to represent different economic spheres of the national economy. A breakdown of ethnic divisions and economic employment reveals the following scenario:

<table>
<thead>
<tr>
<th>ETHNIC DIVISION</th>
<th>ECONOMIC EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAST INDIANS</td>
<td>Landlords, peasant proprietors, rural proletariat and urban merchants - this latter group makes up the majority of local merchants.</td>
</tr>
<tr>
<td>AFRICANS</td>
<td>Industrial and waterfront workers, junior civil servants and farmers.</td>
</tr>
<tr>
<td>PORTUGUESE</td>
<td>Merchants (Wholesale trade) and commissioners for foreign businesses.</td>
</tr>
<tr>
<td>CHINESE</td>
<td>Retail trade (mainly in food) laundries and restaurants.</td>
</tr>
<tr>
<td>EUROPEANS (including North Americans)</td>
<td>Big business, banking, insurance, services (shipping and airlines),</td>
</tr>
</tbody>
</table>
Senior Civil Servants and higher echelon business management.

**AMERINDIANS (Indigenous Indians)**

Considered superficial to the workings of the economy. Caught between a dying indigenous culture and the intrusions of western civilization which, at one and the same time, neither annihilates nor readily assimilates them.

The most important groups in terms of potential political power are the East Indians and Africans who constitute about 50 percent and 30 percent respectively of the national population. With the exception of a small number of East Indians who migrated to the cities, these two groups have been kept apart with a rigidity singular even within British colonial policy. British policy from time immemorial - early colonization - was occupied with the business of sugar, and for that single reason Caribbean Colonies were profitable to Britain. As Eric Williams noted in his seminal study, *Capitalism and Slavery*,

"in colonies ... land and capital were both useless unless labor could be commanded. Labor, that is, must be constant and must work; or be made to work, in co-operation".

The Emancipation Act was only a ready reminder of the fragility of the planters existence and his dependence on a docile labor force. Thus, when the end of East Indian inden­turship came in 1917 the planters took every precaution to secure his labor, either through a "hand-to-mouth" existence
or a precarious dependence on the seasonal employment on sugar estates. In addition as J.B. Jenkins noted, the East Indian Community was totally alienated from any other section of the larger community of which it was a part.

"The great community ... lives by itself, is shut in with itself, must find its news and amusement as well as its tasks out of itself. Take a large factory of Manchester, Birmingham, or Belfast, build a wall around it, shut its working people from all intercourse, save at rare intervals, with the outside world. Keep them in absolute heathen ignorance and get all the work you can out of them, treat them not unkindly, leave their social habit and social relations to themselves, as a matter not concerning you who make money out of their labour, and you will have constituted a little community, resembling in no small degree a sugar estate village in British Guiana."

The policy of Crown Colony Government, at the same time, made life difficult for an independent peasantry by providing the bare minimum of drainage and irrigation. This may not seem an important undertaking for peasant agriculture under ordinary circumstances, however, it is of paramount importance when it is realized that the coastal plain of Guyana (where the population is concentrated) is actually below sea level and the majority of the people are only able to eke out a precarious existence by a series of sea walls, makeshift dams and natural barriers.

Of course, the interests of sugar barons and colonial
politics were often so intertwined that the differences were only separated by titles and moments of the day, and not by individuals or individual interests.

"In addition to their legal powers in the Combined Court, the sugar and commercial interests possessed considerable influence born of certain other factors. They, for example, because of the administrative structure of their organizations, were able to bring pressure on the U.K. Government. In most cases local estates were managed by attorneys for absentee planters residing in the U.K. The owners of estates included members of Parliament, which places them in an advantageous position of access to British Government. In many instances, too, members of important mercantile firms were numbered among the owners of plantations and these groups combined effectively to safeguard and promote their interests. There were also examples of Governors and other officials with financial interests in the sugar industry which must surely have gone a far way towards colouring their attitudes.28 to the various groups in the society".28

The combined power of Crown Colony Government and sugar interests was thus able, not only to maintain a docile and "co-operative" labour force, but succeeded in its more important task of erecting social and political barriers among the two most important ethnic groups. The result was not only a mutual distrust of each other, but the development of intra-group cohesiveness that was the natural reflection of "self" and intergroup competition that was to result in the conflagration of the 1960's, aided and abetted by the machinations of imperial politics.
Guyana's complacency in hemispheric politics, however, was rudely awakened in 1953. Under the first national election of universal adult suffrage, the radical nationalist People's Progressive Party (P.P.P.), under the leadership of Dr. Jagan, swept the polls and emerged with a victory that surprised even its most optimistic supporters. The PPP emerged with eighteen out of a possible twenty-four seats, only one other party (the National Democratic Party—NDP) was able to obtain more than one seat, in the newly constituted legislature. The subsequent events in Guyana, however, are so much a part of the history of the Cold War and the debate is so steeped in the hysteria that is characteristic of that phenomenon that it is often difficult to delineate fact from fancy. However, it is not too difficult to see, after the rhetoric and name calling has subsided, that Jagan was certainly not the villain of the piece—the role in which he was cast by both critics and official British reaction. The PPP far from being a "red menace" was nothing more than "a broad national front, led by Marxists but embracing all strata, including native patriotic capitalists who were prepared to oppose colonialism and imperialism", as Jagan himself has argued on several occasions. Even so, as it turned out, it is not difficult to see that the self-proclaimed Marxists of the party were anything but Marxists. They were simply mouthing the appropriate phrases of "an increasingly
old-world blend of Marxist-Leninist language". 32 As one journalist quite aptly noted:

The People's Progressive Party was Jagan's brainchild and modelled after the British Labour Party and just about as revolutionary. 33

It was precisely because of its social democratic tendencies, despite its radical promulgations, that the party found it increasingly difficult to function after 1968.

What happened in Guyana in 1953 was simply (1) a local nationalism seeking to come into its own; (2) "the new American global imperialism taking over the defence of the western social order from a bankrupt British imperialism"; 34 and (3) the new "Churchillian-Elizabethian Commonwealth" seeking to re-structure the once 'Glorious Empire'. The suspension of Guyana's Constitution in 1953, therefore, did not result from an attempt by the PPP to communize Guyana, as official British publications has it, but from the inevitable collision of an anti-colonial nationalism seeking to democratize the autocratic institutions of a colonial society, and a British officialdom seeking to maintain the final vestiges of Empire.

They inevitably collided, then, with the unwritten rules of colonial cricket in which the native political class enters into partnership with a benign officialdom which means, in effect, partnership on imperial not local terms, that is, terms envisaging not a socialist elimination of the colonial enclave economy but its con-
tinuing existence with minimum modifications.

Internal opposition was based on the PPP's introduction of a Labour Relations Bill patterned after the National Labour Relations Act of the United States, known as a Wagner Act, hardly a revolutionary piece of legislation. For the British, however, the PPP had committed the ultimate sin by repealing the Undesirable Publications Ordinance, a classic tale of Macarthyism, and lifting the ban on West Indian leaders, noted for their anti-colonial sentiments. The PPP had simply taken for granted the British Government's promise of greater local autonomy as a necessary first step toward political independence. They were simply prepared to exploit the promise to its constitutional limits. There was never an occasion on which the elected members acceded to the demands of extra-parliamentary opposition, advocated by young radicals of the party. All that they were willing to demonstrate was the inherent limitations and restraints imposed by constitutional Crown Colony Government. As the noted Anthropologist, R.T. Smith, observed,

There was absolutely no occasion where the elected ministers stepped outside the boundary of constitutional legality. The crisis they wished to provoke was one which showed what they considered to be the inherent weakness of the constitution and not one which would involve violence or illegal acts.

The suspension of the constitution was nothing more than an
attempt to forestall the development of a nationalist momentum within the country, and at the same time to smash the remarkable unity displayed by Guyanese, in spite of British attempts to keep them apart and in ignorance of each other.

Jagan's victory at the polls again in 1957 and 1961 demonstrated that the 1953 victory was hardly a blind flurry of enthusiasm. Rather, it was the case that for the first time Guyanese were presented with organization willing to battle on their behalf. Even Burnham's 1955 split with Jagan failed to upset the PPP's electoral strength. In the 1957 elections out of a possible 14 seats (constitutional boundaries were manipulated to reduce Jagan's parliamentary strength) the PPP won 9 with three going to Burnham's section of the PPP and one each to the National Labour Party and the United Democratic Party. The extent to which the British had gone in manipulating the constitutional boundaries, is demonstrated by the fact that Jagan's personal victory of 23,443 votes was more than the combined total of all votes received by the five elected members of the opposition. The PPP showed its strength again in 1961 by winning twenty of the thirty-five seats. What rationalization was behind the change from 14 to 35 seats is hard to explain. Moreover, it would be a monumental task for a mathematical genius to find any logical correlation between 24, 14 and 35 seats. The fact that there was no logical
correlation in the distribution of electoral districts in the three elections, nor was there any drastic change in the demographic distribution of the population, only adds to the evidence that the British were not about to allow the PPP to govern. In the 1957 election, for example, one electoral district, Eastern Berbice (a PPP stronghold) numbered 31,947 registered voters while in another, north west District (controlled by missionaries, and the Catholic Church) there were only 3,450 registered voters.39

Burnham in the meantime had already taken his cue from the British and in 1955 formed a separate PPP with himself as the leader. The split, as Burnham saw it, resulted from the extremist policies of Jagan which he could no longer tolerate. Surprisingly, this was precisely British sentiment. As the Robertson Commission (sent to investigate the "disturbances" that led to the suspension of the constitution) noted:

We would hope that the contrast presented by the rapid progress towards self government elsewhere would lead the people of British Guiana to realize that, not withstanding the exceptional difficulties of the country, the extremist leaders of the PPP and the policies for which they stand are the sole barrier for constitutional progress.40

A few pages later the coup de grace was presented to Burnham:

We ... are driven to the conclusion that so long as the PPP retained its present leadership and policies there is no way in which any real measure of responsible government can be restored without the
certainty that the country will again be subjected to constitutional crisis.\textsuperscript{41} Even the anti-communist Clarion got into the act and flatteringly appealed to Burnham as "the young man with character and decency" led astray by Marxists and communists.\textsuperscript{42} But, as we have already indicated, "the young man with character and decency" was unable to make any sizable inroads on the PPP's strength. The most that the People's National Congress (PNC - the name given to the Burnhamite faction of the PPP after its defeat in 1957) could boast after two elections was that its electoral strength was greater than its parliamentary representation.

The British, after 1961, realized that it was getting increasingly embarrassing for them to forestall Jagan any longer and deny independence to Guyana. African and Asian leaders began wondering aloud in the halls of the United Nations about imperial responsibility, and questioning Britain's colonial policies. The United States, at the same time, was becoming increasingly concerned over the course of events in Latin America, especially after the Cuban Revolution. What shattered United States nerves was Castro's announcement that Cuba would embark on a communist program of planned development. The end of Cuban-American relations in 1961 and the subsequent trade embargo was the natural result. The dangers
posed by the Cuban Revolution was not that something extraordinary had occurred in the hemisphere, after all Latin American revolutions were a regular occurrence, but that for the first time the masses of the people had a material stake in it and for that reason alone success was almost guaranteed. According to Robin Blackburn:

Perhaps the most dangerous aspects in the development of the revolution was that ... policies were not just announced and decided from above but were accompanied by an awakening and mobilization of Cuba's impoverished and oppressed masses on an unprecedented scale. All in all, it is surprising that a Bay of Pigs venture was not organized sooner. The instant attempt to suppress the Dominican uprising showed that the lesson was not wasted. That "the lesson was not wasted", has become a truism of American foreign policy. The massive infusion of men and money, to aid the Trades Union Council's strike in Guyana in 1963, was poor excuse for United States involvement in local politics. As Robert Willis, General Secretary of the London Typographical Society, one of the conduits of CIA and AFL-CIO funds into Guyana, noted, "The strike was wholly political". The extent to which American policy makers and even the President was involved demands lengthy quotation:

On 29th June 1963, it was stated in The Times that Dean Rusk had urged Lord Home and Colonial Secretary, Duncan Sandys, to suspend the constitution. Then in 10 July the New York Times, reported that President Kennedy had been assured that the British were no longer contemplating
independence for Guyana: it added, that Dean Rusk had suggested the imposition of proportional representation ... Drew Pearson, in a syndicated article published on the 22nd March 1964, went so far as to claim that the 1963 strike had been fermented and financed by a combination of the CIA and the British intelligence bent on forestalling independence under Jagan ...

... The Sunday Times, on April 16th, 1967, gave a detailed analysis of CIA operation, based on information from the ex-president of the union used, on his own admission, as a front by the Agency. Throughout the strike this union had been passing on CIA funds to Guyana through the representative there of Public Service International ...

... And a week later the Sunday Times added that according to a senior British security officer this was done with the complicity of the British Prime Minister, Colonial Secretary and head of security. 45

That none of the reports were even denied by those personally implicated nor by any official organization was tantamount to admission of their occurrence.

Burnham, in all of this, was in the ideal position of having no direct relation with either the local union or international bodies they represented. It is not idle conjecture, however, to suggest that he knew what was happening, given the stakes involved. In the first place the strike involved much more than the meagre resources of the local Trade's Union Council: reportedly $1 million in strike pay alone. 46 Knowing that the strike had to last as long as was politically necessary, Burnham was certainly concerned about the necessary financial support for such an undertaking. Secondly, the PNC
was discovered to have detailed plans of an "insurrectionary plot" to overthrow the government. Burnham, at the same time, openly courted the Americans, and keenly aware of their interests, played on their anti-communist sympathies. After the PNC's defeat in 1961, Burnham realized that the electoral system was against him, arguing that though he had obtained more than 40 percent of the votes cast the PNC had only 11 out of a possible 35 seats: a little more than 30 percent parliamentary representation on more than 40 percent electoral strength. The PPP, on the other hand, with only 42 percent electoral strength had a 57 percent parliamentary representation. After Burnham visited the White House in May 1962 and consulted with the President's aide, Arthur Schlesinger, Jr., it was reported to Kennedy that:

Burnham's visit left the feeling as I reported to the President, that 'an independent British Guiana under Burnham (if he will commit himself to a multi-racial policy) would cause us fewer problems than an independent British Guiana under Jagan'. And the way was open to bring it about, because Jagan's parliamentary strength was larger than his popular strength: he had won 57 percent of the seats on the basis of 42.7 percent of the votes. An obvious solution would be to establish a system of proportional representation. This after prolonged discussions the British Government finally did in 1963 ...

The final defeat of the PPP under the system of proportional representation in 1964 was thus the final British
act of restoring Guyana to the Anglo-American fold. Burnham formed the new government by a coalition with his friend and confidante of the 1962-64 disturbances Peter D'Aguiar, head of the United Force (a reactionary alliance of big business and the Catholic Church). Not surprisingly, two years later Guyana was granted independence. That accomplished Anglo-American interests were reasonably assured of Guyana's future role in hemispheric politics. But, as they were to find out later, Burnham was certainly not the easiest client to deal with.

III: Nationalism and Guyana's Economy

National independence bestowed certain nominal powers in the hands of the local government. But, that such powers do not allow for an independent nationalist development is readily recognized when it is noted that it was precisely against such a development that the shibboleth of anti-communism was evoked. Indeed, as Fanon noted:

... the national middle class constantly demands the nationalization of the economy, and of the trading sectors. This is because, from their point of view, nationalization does not mean placing the economy at the service of the nation and deciding to satisfy the needs of the nation. For them, nationalization does not mean governing the state with regard to the new social relations whose growth it has decided to encourage. To them, nationalization quite simply means the transfer into native hands of those unfair advantages which are a legacy of the colonial period.48
As I will attempt to show in the next chapter, although the Government of Guyana saw fit to nationalize the bauxite industry, its subsequent actions indicate that it had no intentions of radically altering the structure of the economy based on the nationalized bauxite industry. It is necessary to add, however, that there were other factors that militated against the development of an independent economy. Very briefly, because of the network of commercial relations into which the local economy is drawn, it becomes inextricably tied to the needs and demands of the industrialized market economies. The imbalance and inequalities in the ownership of industrial factors, at the same time, relegates the local economy to the crudest forms of import substitution and resource extraction. The object of total integration is achieved by an internalization by the local economy of the needs and demands of the foreign firm, which has the effect, thereby, of structuring and further integrating the local economy into the metropolitan market. (These points will be discussed in greater detail in the next chapter).

To record the economic program undertaking by the Government of Guyana after independence in 1966, is to immediately recognize the inherent limitations and the subsidiary role it plays in the larger interest of metropolitan political economy. As will be noted in the next chapter, the
government, upon immediate nationalization of the bauxite industry, was quick to assure business interests that it was not bent on nationalization as a means of restructuring the economy, but was simply interested in partnership, with fair and adequate return to foreign capital. The retention of the services of the Conell Rice and Sugar Company, with the exclusive right to sell surplus Guyanese rice, outside the traditional West Indian market, and Philipp Brothers as the sales representative of Guyana's bauxite, firmly place two of Guyana's most important export commodities under United States control. The readiness of Chase Manhattan Bank to lend the government $8 million (Guyana) to carry it over the period of nationalization shows the light in which U.S. interests viewed such an undertaking. At the same time, the United States representative on the World Bank who finally approved another loan of $10 million, which was turned down earlier, must have been informed as to the real meaning of nationalization. The readiness of the United States Government to renew Guyana's sugar quota is indicative of the assurances that were given to warrant a willingness to trade. The sugar quota in addition, completed the dependence of Guyana on American goodwill, since in 1971, sugar rice and bauxite accounted for over 90 percent of Guyana's domestic exports. If such indices are trivial in the consideration of the extent to which Guyana became increasingly a part
of the United States corporate strategy, witness, for example, the behaviour of the United States Government and corporations towards the nationalizations undertaken by Allende. In addition, through the External Trade Bureau the government placed a 10 percent import surcharge on all goods entering Guyana from the Communist countries.\textsuperscript{49} The intent is obvious: reserving the Guyanese market for the west, and more specifically the industrialized economies of Europe and North America.

The most ambitious internal reform program undertaken by the government so far is the much publicized "Co-operative Republic". As the Prime Minister saw it:

"... the co-operative movement should become the main sector of the nation's economic life ... It will be an independent sector of a mixed economy and will be fully recognized and assisted as such".\textsuperscript{50}

The social and economic base for the envisaged Co-operative Republic was the villages and outlying communities, who, hopefully, would see the need for co-operation in labour, given the small size of farms. This, in addition would necessarily result in an economy of capital expenditure, greater productivity, better planning and thus one better able to fulfill the needs of the community. The shortcoming of the scheme, however, quickly made their appearance. In the first place, the necessary political power for the running of autonomous and independent co-operatives was lacking. By adopting
the scheme of "co-operative" the government placed at the
disposal of the Ministry of Co-operatives, funds for the
organization and reorganization of villages and other small
communities. Theoretically, co-operatives would be able to
apply for such funds on the basis of the projects undertaken.
These projects, of course, had to be approved by the ministry.
As it turned out, the ministry was nothing more than a patronage
society, geared to serve political hawks of the party.

"Even the Minister of Co-operatives here
has a co-operative. His name is
Hamilton Green; and he happens to be
Birnham's cousin; his co-operative,
the Greenland Co-operative Society,
apparently serves the family nicely
as a conduit for government contracts". 51

But the co-operative scheme failed for other immediate reasons.
While it publicly claimed its intention of reorganizing
Guyanese society on a different basis, the planning and economic
wherewithal for such an undertaking were all but absent. In
the first place the rural proletariat and tenant farmers were
mostly East Indians and supporters of Jagan who saw co-operatives
as a means of ensuring greater control of their social and
economic lives. Thus from its very inception the co-operative
movement had to exclude the largest segment of Guyanese popu-
lation on whom it depended if it were to succeed. Secondly,
it is doubtful that the government could have done anything
more than pay economic lip service to the scheme, given the
monumental economic undertaking involved, especially when the
government was caught in a situation of mounting inflation and spiralling deficit spending. Finally, from a review of some of the projects undertaken, it seems that the entire scheme was nothing more than a gigantic propaganda effort. As one journalist quite crisply commented:

"Too much propaganda and too little planning went into the co-operative movement. The best that can be said for the experiment is that the inevitable disasters have given the Guyanese something to joke about. A co-operative dairy college was established with so much fanfare and ribbon cutting that no one noticed that there was no grazing land anywhere in the area, and now a truck leaves the college every morning carrying eight workers who buy grass, cut it and bring it back by four in the afternoon".

It is not hard to see, that such efforts ultimately cost more than they can ever hope to produce.

At the same time, the government has been boasting of its achievements in organizing CARICOM (Caribbean Common Market formerly the Caribbean Free Trade Association), stating that its a brain child of the government. As the "attending pediatricians" we must pronounce a deformed baby. In the case of the bauxite industry, the only major change that the government has been able to point to so far has been the replacement of wheat flour with Cassava flour (a locally grown "ground provision") as the flocculent in the processing of alumina. However, it seems that the Government has much more ambitious
projects in mind. Upon immediate nationalization of DEMBA in 1971, the government announced that much of the bauxite research traditionally reserved for North America, would now be undertaken in Guyana. However, given the costs associated with such research it is doubtful that any extensive and, therefore, beneficial research can be undertaken locally.

In regards to the control of the economy the government's most substantive undertaking so far has been the nationalization of several affiliates of MNCs, in addition to DEMBA. These included: (1) the other bauxite mining company, Reynolds Metals; (2) Sandbach Parker and Company, an affiliate of Oliver Jessel's holdings, with 62 percent shares in Diamond Liquors, and 20 percent in Demerara Sugar Terminals; and (3) Timbers Limited, an affiliate of the Commonwealth Development Corporation. Though these nationalizations warrant more than cursory dismissal as a political gesture, their actual value is negligible when compared to the takeover of DEMBA. Moreover, their value in terms of Government control of the economy is quickly underscored, when it is noted that the government accepted an investment package of $20 million (Guyana) from the Commonwealth Development Corporation. What it does signify, is the changing character of foreign investments, based on the assumption that (1) government control of the extractive and primary sectors would stop the
flow of values transferred abroad; and (2) the investments in import substitution and other manufacturing create more jobs and the natural "multiplier effects" benefits the entire economy. It is questionable, however, whether such investments can lead to an independent capitalist development. As a matter of fact, it results in further dependence since a high ratio of such crucial inputs as technology, energy, skilled manpower, etc. must still be obtained from the metropolitan centres.

In the foregoing, I have attempted to demonstrate that the staunch anti-colonial nationalism of the PPP was forcibly subdued and supplanted by the machinations of metropolitan politics. Further, that precisely because of this reason, the attempt of the succeeding government to reorganize the economy is not a radical elimination of the dependent-underdeveloped colonial economy, despite its nationalization policies. Rather, it is an inherently limited attempt, since all it seeks to do is to reform the economy, based on the substitution of the imperial bourgeoisie with its own local national and comprador counterparts. However, this represents an important ideological break with the so called "colonial mentality", and has a number of implications for the underdeveloped economy. These can briefly be categorized as:

(1) nationalism is seen as an embodiment of the whole people,
where workers and capitalists alike must forego their particular interests to the general interest of the state; (2) assures greater maneuverability of the post-colonial state in international politics; (3) a bourgeois elimination of the colonial "enclave economy", by increasing ownership and control of the primary sectors of the economy; and (4) changing pattern of foreign of investments, from the traditional extractive resource sector to the manufacturing and technologically advanced sectors, including technology itself. But as I will attempt to show, with the nationalized bauxite industry of Guyana in the next chapter, such reforms are incapable of leading to an independent nationalist development.
FOOTNOTES


2. Williams, W.A. The Tragedy of American Diplomacy (Dell Publishing Co., New York, 1962). "American leaders went to war with Spain as part of, and as the consequence of, a general outlook which externalized the opportunity and the responsibility for America's domestic welfare; broadly in terms of vigorous overseas economic expansion into Latin America, and Asia; as ... and the separate but nevertheless related necessity of acting in Asia to prevent the exclusion of American interest in China". op. cit. p. 37.

3. Crassweller, R. The Caribbean Community: Changing Societies and US Foreign Policy (Praeger Publishers, New York, 1972) p. 52. See also Blanshard, P. Democracy and Empire in the Caribbean. (The Macmillan Co., New York, 1947). "It was 'Teddy' Roosevelt who had sounded the keynote for this period of American expansion in the Latin America by creating in 1904 a new variation of the doctrine of international police power as a corollary to the Monroe Doctrine. Under this corollary the US had the right to intervene in any Latin American Country ..." op. cit. p. 312.

4. Williams, E.E. From Columbus to Castro: The History of the Caribbean 1492-1969 (Andre Deutsch) London, 1970. The Case of Haiti is perhaps the most interesting and instructive in showing how brute force was employed to exact large economic concessions, See Lowenthal, D. West Indian Societies, (Oxford University Press, New York, 1972) "... the National City Bank of New York, having bought up the outstanding French loan to Haiti, revised the constitution and ran Haiti in its own interests. Land was opened up to foreign ownership, freedom of speech curtailed, marital law imposed, and virtual slave-labour reintroduced under the United States Marines, who killed thousands of Haitains in order to pacify the country, build a few roads, and collect customs receipts". op. cit. p. 235.


7. Williams, op. cit. p. 426

8. Quoted in Williams, op. cit.


17. op. cit. p. 200.

18. op. cit. p. 201.


30. Gordon Lewis noted: "The charges brought against the movement's short-lived government of 133 days to justify
the British suspension were pitiably unconvincing...

... It is difficult not to read the white paper and not become aware of a serious decline in the traditional veracity and fearless respect for the facts usually associated with British official documents, not least of all in the field of the colonial empire." op. cit. p. 271-272. For the opposite view see Halperin, E. Racism and Communism in British Guiana Journal of Inter-American Studies, Vol. VII, No. 1, January 1965, and Simms, F. Trouble in Guyana, (George Allen and Unwin, London, 1966).


34. Lewis, op. cit. p. 273.

35. op. cit. p. 273.


39. op. cit. p. 182.

40. Quoted in Thakur, op. cit. p. 76.

41. op. cit. p. 76.

42. Thakur, op. cit. p. 76.


44. Quoted in Henfrey, op. cit. p. 70.

46. op. cit. p. 70.


52. op. cit. p. 117.


54. op. cit. Research to be Done in Guyana, 20 March, 1971, p. 2.


CHAPTER THREE:
IMPERIALISM AND ECONOMIC NATIONALISM

I: Changing Character of Foreign Investments

Our object, in this the main chapter, is to show how through their affiliates, MNCs produced the "development of dependent under-development" in the Caribbean while governments in the area were sorting out the rubrics of constitutional democracy. Further, as stated in the chapter on imperialism, it will be shown that the recent wave of "participatory development schemes" and even nationalization that allowed for greater local control does not, in the least, put an end to the domination-dependence which exists in the Caribbean. Rather, it represents changes in the structural relationship between the advanced capitalist countries and the underdeveloped countries, within the framework of imperialism. As characterized by Fred Halliday:

"This transition from direct to indirect control and, in some cases, to an interdependence did not necessarily involve an overall weakening of capitalist power."
In so far as the economies of the formerly backward countries expanded, the advanced capitalist countries were able to derive benefits from them; they acquired more raw materials, they controlled key sections of the new expanded financial and manufacturing sector, and they had larger export markets. In return, they conceded greater political autonomy to the ruling classes in the formerly colonial states.¹

What it amounts to, simply, is a further deepening and therefore strengthening of the process of capitalist development on a global scale, with the added dimension of incorporating junior partners into the system.² The increasing proliferation of import substitution and the spread of industrial and manufacturing concerns in the under-developed countries provided the economic basis for this change.³ The crucial point of divergence is not only in the pattern of investments but also in the ownership and control of such investments. Thus, it is of dubious theoretical accuracy to speak of a "continuing colonialism", "neo-colonialism", or any other form of colonialism for that matter, which stresses continuity in the old colonial relationship rather than the changing contingencies of capitalist development.
Table 1

DIRECT AMERICAN INVESTMENTS IN LATIN AMERICA
BY SECTORS
1897-1929, IN MILLION OF U.S. DOLLARS

<table>
<thead>
<tr>
<th>ECONOMIC SECTOR</th>
<th>1897 TOTAL</th>
<th>1908 TOTAL</th>
<th>1919 TOTAL</th>
<th>1929 TOTAL</th>
<th>1950 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>56.5</td>
<td>18.6</td>
<td>158.2</td>
<td>21.1</td>
<td>500.1</td>
</tr>
<tr>
<td>MINING</td>
<td>79.0</td>
<td>26.0</td>
<td>302.6</td>
<td>40.4</td>
<td>660.8</td>
</tr>
<tr>
<td>OIL</td>
<td>10.5</td>
<td>3.5</td>
<td>68.0</td>
<td>9.1</td>
<td>326.0</td>
</tr>
<tr>
<td>RAILROADS</td>
<td>129.7</td>
<td>42.6</td>
<td>110.0</td>
<td>14.7</td>
<td>211.2</td>
</tr>
<tr>
<td>UTILITIES</td>
<td>10.1</td>
<td>3.3</td>
<td>57.5</td>
<td>6.9</td>
<td>101.0</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>3.0</td>
<td>1.0</td>
<td>30.0</td>
<td>4.0</td>
<td>84.0</td>
</tr>
<tr>
<td>TRADE</td>
<td>13.5</td>
<td>4.4</td>
<td>23.5</td>
<td>3.1</td>
<td>71.0</td>
</tr>
<tr>
<td>OTHERS</td>
<td>2.0</td>
<td>0.6</td>
<td>5.0</td>
<td>0.7</td>
<td>23.5</td>
</tr>
</tbody>
</table>

a: Included in trade and other industries

Source: El Financiamiento Externo de America Latina, Cepal, United Nations, December 1964

Table 2

PRIVATE INVESTMENTS FROM THE UNITED STATES
IN LATIN AMERICA BY PRINCIPAL SECTORS
1951-1962, IN MILLIONS OF U.S. DOLLARS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>1,751</td>
<td>100</td>
<td>100</td>
<td>616</td>
<td>100</td>
</tr>
<tr>
<td>OIL</td>
<td>348</td>
<td>20</td>
<td>46</td>
<td>7</td>
<td>1,912</td>
</tr>
<tr>
<td>MINING</td>
<td>339</td>
<td>119</td>
<td>9</td>
<td>46</td>
<td>7</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>613</td>
<td>35</td>
<td>23</td>
<td>370</td>
<td>60</td>
</tr>
<tr>
<td>TRADE &amp; OTHERS</td>
<td>451</td>
<td>26</td>
<td>22</td>
<td>207</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: United States Department of Commerce, Balance of Payments, Statistical Supplement to Survey of Current Business (1963) and Survey of Current Business (Several numbers from 1963 and 1964)
Tables 1 and 2, show that United States private investments in Latin America took a decisive turn between 1929 and 1950. In 1929 investments in manufacturing accounted for only 3.3 percent of total US investments, while in 1950 it amounted to more than 17 percent. The subsequent rise has been even more phenomenal, while manufacturing averaged 35 percent between 1951 and 1955, by 1961-1962 it had reached the staggering figure of 60 percent of total US private investments in Latin America.

This change, however, does not mean an independent capitalist development, but one fraught with the vagaries of dependence based on the crudest forms of import substitution and production for a world market.

"Such modern production as was developed in the colonized areas was primarily for the world rather than the local market. The growth of the seaport is evidence of this, as is the absence of interior communication networks ... In all colonial areas, the contribution of the local peoples to industrial development has mainly taken the form of labour".

The combined effect of both, import substitution and production for a world market, results in further dependence since the local market becomes increasingly integrated into the market demands of the advanced capitalist countries. This dependency has become particularly pronounced in recent years with the change of investment patterns from raw materials and agriculture
to industry. The high technological content of such investments further reinforces the dependency structure because: (1) there is a monopolization of technology; and (2) monopoly prices must be paid for such technology; and thus increasing the debt burden which already exists.

"Payments by these (underdeveloped) countries for fees, amounted to approximately 7% of their combined exports and to a little more than half of 1% of their combined gross domestic product. The total cost for such payments for 13 developing countries, representing 65 percent of the total population and 56 percent of the total gross domestic product of developing countries, is estimated at approximately $1.5 billion, which amounts to more than half of the flow of direct private foreign investments to developing countries. These payments are growing steadily at a rate which is estimated by UNCTAD Secretariat at about 20 percent per annum on the average and are absorbing an increasing proportion of the export earnings of developing countries".

In addition, the new arrangement provides the MNCs with a number of crucial guarantees: (1) Guarantees against nationalization or outright expropriation with "fair" and "adequate" compensation; (2) an expressed portion of profits - usually as part of the participatory scheme - with free repatriation of such profits and tax concessions; (3) Guarantees of minimal losses through labour disputes. Since it is only the local governments that have the wherewithal to participate in such schemes its fortunes become more or less dependent on
the increasing productivity of such ventures, with the result that labour stabilization becomes the sine qua non of its existence; and, (4) assured supplies of raw material and resources and a safe market for technology and other industrial goods of the advanced capitalist countries.

II: Foreign Capital and the Caribbean Economies

The historic association of the Caribbean with colonial empires, has made it a safe haven for foreign investors; first by individual British planters and then later, with the fall of the "planter class", by British financial firms that inherited the interests of the "planter class". By the turn of the 20th Century the process of monopolization of the West Indian sugar industry was almost completed, when firms like Booker Brothers McConnell and Company and Tate and Lyle had successfully outmaneuvered their competitors to take effective control. The discovery of commercial quantities of oil in Trinidad in the 1850's saw another invasion of foreign investors and speculators. The close proximity to North America and growing interests of the United States allowed for continuous surveillance by American capital of investment opportunities in the region. British Empire trade and tariff agreements saw an early interest by Canadian banking and insurance companies in the area. The discovery of
bauxite deposits in Guyana in 1910 saw another wave of foreign investors eager to cash in on the new found wealth. The end result is that by the 1960's the major sectors of Caribbean economies were foreign owned.

TABLE 3

VALUE OF DOMESTIC EXPORTS OF SPECIFIED
COMMODITIES (FOREIGN OWNED) SHOWING PERCENTAGE OF
TOTAL DOMESTIC EXPORTS FOR 1961

(Value of F.O.B. in thousands of West Indian (W.I.) dollars:
$2 W.I. equals $1 U.S.)

<table>
<thead>
<tr>
<th>COMMODITIES</th>
<th>AMOUNT JAMAICA</th>
<th>%</th>
<th>AMOUNT TRINIDAD</th>
<th>%</th>
<th>AMOUNT GUYANA</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALUMINA</td>
<td>81,048.9</td>
<td>27.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAUXITE</td>
<td>62,682.7</td>
<td>21.5</td>
<td></td>
<td></td>
<td>28,475.0</td>
<td>19.4</td>
</tr>
<tr>
<td>SUGAR</td>
<td>68,298.2</td>
<td>23.5</td>
<td>42,376.2</td>
<td>7.3</td>
<td>56,846.3</td>
<td>38.8</td>
</tr>
<tr>
<td>RUM</td>
<td>5,269.9</td>
<td>1.8</td>
<td>1,853.0</td>
<td>0.3</td>
<td>3,056.8</td>
<td>2.1</td>
</tr>
<tr>
<td>MOLASSES</td>
<td>4,532.2</td>
<td>1.6</td>
<td></td>
<td></td>
<td>2,698.2</td>
<td>1.8</td>
</tr>
<tr>
<td>PETROLEUM AND PETROLEUM PRODUCTS</td>
<td>493,917.7</td>
<td>85.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>221,831.9</td>
<td>76.2</td>
<td>538,146.9</td>
<td>92.8</td>
<td>91,076.3</td>
<td>62.1</td>
</tr>
</tbody>
</table>


As the above table shows for Jamaica in 1961 bauxite, sugar and their by-products accounted for more than three-quarters of the domestic exports, while for Trinidad in the same year
sugar, petroleum and their by-products amounted to more than 90 percent of domestic exports. The importance of these sectors in the export of these countries naturally places a heavy reliance on them for foreign exchange, and necessarily means their increased importance if the economy is to generate the much needed capital for internal development. However, in the absence of controls, which experience has demonstrated is difficult to institute and police, if and when applied, such investments can and do produce structural dislocations, a drain on the economy and general dependence on the foreign sectors. As the West Indian economist, Lloyd Best, noted investments by MNCs

"... form parts of wider international systems of resource allocation. This is true of the mining corporations, the sugar companies, the hotel chains, the banking, the hire purchase and insurance houses, the advertising companies, the newspapers, and television and radio stations ... Insofar as there is harmonization among these concerns, it is for the most part achieved within the context of the metropolitan economies where they are based and not in the peripheral economies of the countries where the companies actually operate. Moreover, the policies of the corporations are determined by their parent companies operating somewhere in the northern hemisphere and not by local need to integrate industries and to increase interdependence between different sectors of the economy. The economy is therefore hardly more than a locus of production made up of a number of fragments held tenuously together by government controls - themselves often
borrowed from elsewhere. In other words
... it seems inherent in the structure
of international corporations which
operate in the region that the Caribbean
economies remain fragmented and unin-
te grated."

This is not meant, however, to underscore the relative
growth that took place in these economies as a result of
investments in import substitution and manufacturing. These

"created new and growing demands for
imports: first, for capital and
intermediate goods for the industrial
sector itself, second for consumers
goods needed to satisfy the new diver-
sified demands from the groups whose
incomes had grown".10

What it does mean is that the growth that has taken place in
the underdeveloped economies is a dependent one, relying
mainly on a few MNCs for essential goods and services.

"Thus monopoly capitalism and develop-
ment are not contradictory terms;
dependent capitalist development has
become a new form of monopolistic expan-
sion in the Third World".11

III: Bauxite, Alcan and Guyana's Economy

Bauxite was first discovered in Guyana by two
government geologists, Sawkins and Brown, in 1868 and 1873
respectively.12 Unfortunately, or perhaps fortunately, the
"reddish dirt" was not recognized as the precious ore it was
later to become. The first sample of bauxite deposit was
analyzed by Sir John Harrison, the Government's Director of
Science and Agriculture, in 1910 and confirmed the earlier
suspicion that the "reddish dirt" sample from Christianburg, six miles up the Demerara River from Georgetown, was indeed bauxite ($\text{Al}_2\text{O}_3\cdot3\text{H}_2\text{O}$). It was found that the alumina content of the bauxite deposits was very high, and though the extractive process would be very costly, because of a heavy overburden, the high alumina content would more than compensate for any major undertaking. The average chemical content of Guyanese bauxite is as follows: Combined water 30 percent, Silica 6 percent, Titania 2.5 percent, Iron Oxide 2.5 percent and Alumina 59 percent. This compares favourably with Jamaican bauxite where the alumina content ranges from 49-51 percent.

The Aluminum Company of America's (ALCOA) President, at the time Arthur V. Davis, because of his international contacts and surveillance of corporate activities for investment opportunities, soon learned of the new found deposits. In 1912 ALCOA's chief engineer, G.B. Mackenzie, was dispatched to Guyana to investigate the extent of the new findings, under the guise of obtaining land for citrus-fruit farming. But ALCOA was not alone in this scramble for bauxite laden Guyanese land, and soon found itself in a head on collision for the rich deposits of the Christianburg-Wismar district. But lawyers for the United States, in an anti-trust suit brought against ALCOA in 1939 and continued in 1945, noted:
The story of ALCOA's bauxite acquisitions in British Guiana evidences its inflexible determination to allow no potential competitor to obtain a foothold in the aluminum industry through the possession of desirable bauxite deposits. ALCOA's supremacy in British Guiana was threatened twice. In each of these instances, it acted promptly and effectively to remove any threat of competition.

The first intrusion on ALCOA's monopoly in Guyana's bauxite came from Merrimac Chemical Company, a close associate of Southern Aluminum Company, which was about to enter the aluminum industry in the United States, in competition with ALCOA.

"It would appear that Merrimac's agents and Mackenzie practically collided with one another on the banks of the Demerara River in the summer of 1914 in their eagerness to capture British Guiana's bauxite. Title to certain properties was disputed by both parties. Then they agreed to split the spoils between them ... and to acquire additional property just as fast as it can be had at a reasonable price."

ALCOA, however, was not pleased with the partnership and six months later bought off Merrimac's 50 percent interest. As part of the deal, Merrimac was guaranteed thirty years supply of aluminum from ALCOA. Merrimac out of the way, ALCOA set about acquiring the rest of the bauxite laden land, reportedly 20,000 acres at two dollars and fifty cents per acres and an additional 3,500 acres leased from the colonial Government of British Guiana. This gave ALCOA control of about 95 percent
of the then known reserves of bauxite deposits. In 1916 ALCOA established its subsidiary in Guyana, the Demerara Bauxite Company (DEMBA).

"... for the purpose of acquiring title to several parcels of bauxite-bearing, freehold land along the Demerara River between Christianburg and Akyma. In the same year DEMBA was granted Crown and Colony mining leases covering additional areas of bauxite-bearing land in the same district."

ALCOA's undisputed claim to Guyanese bauxite was, however, short lived. In 1919 another competitor, the Uihlein family, challenged ALCOA's claim to the deposits of the Demerara River. The ALCOA-Uihlein affair reads like a suspense novel, with all the intrigue and backstabbing that goes with it. Uiblein started its attack on ALCOA by hiring away a number of ALCOA's experts, including the "former local Manager and Managing Director of DEMBA". In 1919 they succeeded in purchasing two separate sections of ore laden land amongst ALCOA's holdings in the Christianburg-Wismar district. ALCOA, of course, was incensed by this intrusion into what it considered to be its private domain and so brought a suit against Uihlein, alleging that one of its agents had already obtained an option for the property purchased by Uihlein. The local court, however, was unimpressed by ALCOA's claim and dismissed the case on grounds that:
"... ALCOA's representative had once been attorney for Mrs. Hubbard, the same person to whom the land had originally belonged, and from whom the option had been acquired". For the next four years ALCOA continued the legal battles, first taking it to the West Indian Court of Appeals, where it was thrown out and then to the Privy Council where it was again decided in favour of Uihlein. ALCOA's main argument seemed to be that it wanted the Uihlein property, according to its President, A.V. Davis;

"... for sanitation purposes in the area in which we were operating ... the climate and temperature (are) tropical ... I remember the first day I went to the mines the thermometer was 125 degrees in the mine ... It is very low and marshy ... You can sum it all up by saying it is a very unhealthy country. ... Disease of every nature is very hard to combat and is very prevalent".

If that was the case, ALCOA may not have had much of a legal claim on the land in question, but it certainly had a strong moral case - one that might have carried it a long way in its suit against Uihlein, especially in a local court. But, the courts knew better and rendered their decisions accordingly.

In the process of the court battles a number of interesting side issues were cropping up. Uihlein in spite of ALCOA's suit, was still trying to obtain concessions on other bauxite-laden land in British and Dutch Guiana's. The appear-
ance of a third competitor, Sprostons Limited, a British Shipping and Timber Company, made matters somewhat uneasy. Much of ALCOA's fear stemmed from the fact that Sprostons had a number of outstanding applications for ore-laden land in the vicinity of the Christianburh-Wismar district, which if obtained by Uihlein might either equalize their interests or even give Uihlein an edge over ALCOA. ALCOA, fearing the worst, that Uihlein might try to acquire an interest or even buy over Sprostons, acquired 99 percent of Sproston's shares in 1919. ALCOA, at the same time, through pressures on the local governments, made it difficult for Uihlein to obtain concessions for its other claims on bauxite deposits in British and Dutch Guianas. Twenty years later, in the anti-trust suit brought against ALCOA, the extent of its holdings and pressure on local governments was made clear. According to Joseph Uihlein:

"We found a maze of corporate interests controlled by the Aluminum Company (ALCOA) we found the Demerara Bauxite Company ... we found Canadian Companies, we found the interlocking situation, the mainspring of which seemed to be in New York in the office of Arthur V. Davis. That main-spring had its tentacles in England, in Canada - it was world-wide".

The extent of ALCOA's power was made clear when Uihlein was further questioned.
Question: (Mr. Smith, for ALCOA) Do you mean to say that the Aluminum Company had such control over the British Guiana Government that it was able to prevent and did prevent your company from acquiring the Christianburg deposits?

Answer: (Mr. Uihlein, for the U.S. Government) I do decidedly. (Later) ... They had such a hold upon Dutch Guiana upon the provincial authorities, that it was impossible to acquire bauxite there ... such a stronghold, that if the Uihlein's received deposits, it might actually result in war difficulties for Holland.

Q: What?
A: That is my statement.
Q: War?
A: War difficulty in Holland.
Q: W-a-r - War?
A: W-a-r The Dutch Government was afraid of the power of the strength, of the bigness of the Aluminum Company, to give deposits to a likely competitor. There was such a fear of the Aluminum Company and such respect that I left Holland with empty hands ... the gentlemen I talked to in Holland feared that there might be a rupture, an actual rupture between two friendly nations, this being one and Holland the other".

The Colonial Government of British Guiana by this time was rather irritated by the continuing legal battles and embarrassed over the fact that both companies were American owned, and so in 1920 called a halt to further bauxite exploration in the colony. But it was a trifle late. ALCOA in 1919 had already acquired the major portion of the known deposits. In the same year ALCOA divested the stocks of DEMBA and Sprostons to
its wholly owned Canadian subsidiary, Aluminum Limited (formerly Northern Aluminum Company) to make it appear an all Empire "affair". DEMBA went to great lengths to show that its head office was in Georgetown, the majority of its directors were British subjects, including the Chairman Mr. Joseph A. King (a Guyanese) and that DEMBA was indeed a British company, owned and operated by British subjects.

In the meantime, Uihlein's energies and resources were spent trying to fight off ALCOA. It was not surprising, therefore, when ALCOA in 1924 offered to purchase Uihlein's outstanding claims in British and Dutch Guianas that Uihlein readily agreed and sold the Republic Carbon Company, the American parent of the subsidiaries in British and Dutch Guianas, to ALCOA. ALCOA, was, thus, able to capture as early as 1924, the major portion of the known bauxite reserves in British and Dutch Guianas.

"It should be emphasized here that this strategy was not the result of personal idiosyncrasies of the men who happened to be in charge of ALCOA, or of some peculiar propensity to conspiracy on their part. Nor was this kind of policy peculiar to ALCOA amongst Aluminum Companies or to Aluminum Companies as a group. The strategy of vertical integration and control of strategic natural resources was the characteristic strategy of metropolitan enterprise in that phase of metropolitan economic development. Companies such as those in the oil, copper and food industries went through precisely the same phase as
ALCOA - indeed many of them had undergone these changes before ALCOA did. The strategy followed was a perfectly natural, rational and logical response to the needs of the firm for long term survival and growth.

By the end of 1925 Guyana's bauxite became totally integrated into the corporate holdings of Aluminum Limited and through it to ALCOA's global corporate holdings.

"Under normal conditions the Colony's (British Guiana) output goes to the United States where the nearest refining plant is situated, the manufacturing companies in Great Britain preferring to draw their raw material from France and Dalmatia owning to the lower cost of transport, but the bulk of the cargo imported into the United States is re-exported to Canada in the form of Alumina for manufacture into Aluminum and so finds its way ultimately into the British market."

Thus, no one was really taken in by ALCOA's ploy of divesting its shares of DEMBA to Aluminum Limited. In the meantime, DEMBA had already started production in Guyana, beginning in 1917 with 2,037 tons of raw ore. By 1925 production had already reached the phenomenal figure of 174,999 tons, most of it going to ALCOA in the United States (see Table 5 - where it is not specifically indicated data on bauxite production relates to this table). The impetus for increased production came from the relative cheapness of Guyanese ore for ALCOA's smelters in the United States and Canada. In addition the
TABLE 4

ALCAN ALUMINUM LIMITED

Principal Operating Subsidiaries and Affiliates

31 December 1968

LATIN AMERICA

ARGENTIA

Camea S.A.I.C.

CANADA

BRAZIL

Alumínio Minas Gerais S.A.

COLOMBIA

Aluminio Alcan do Colombia, S.A.

MEXICO

Alcan Aluminio, S.A.

URUGUAY

Alcan Aluminio del Uruguay S.A.

VENEZUELA

Alcan de Venezuela, S.A.

EUROPE

BELGIUM

Alcan Aluminum Raeren S.A.

DENMARK
**Aluminord A/S

**Dansk Aluminum Industri A/S

FRANCE

Aluminum Alcan de France

Alcan-Schwartz, Gilage et Oxydation

S.A. des Bauxites et Alumines de Provence

GERMANY

*Alcan Aluminumwerke Gmbh

*Aluminum Norf GmbH

IRELAND

*Unidare Limited

ITALY

Alcan Aluminio Italiano S.p.A.

**Angeletti * Ciucani Fonderia

Laminatoio S.P.A.

UNITED STATES

Alcan Aluminum Corporation

**Alcan Cable

**Alcan Metals Powders

**Fabral Corporation

BERMUDA

**Alcan (Bermuda) Limited

CARIBBEAN

GUYANA

Demerara Bauxite Company, Limited

Sprostons (Guyana) Limited

JAMAICA

Alcan Jamaica Limited

Alcan Products of Jamaica Limited

Sprostons (Jamaica) Limited

TRINIDAD

Caguaramas Terminals Ltd.

Sprostons (Trinidad) Ltd.
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<thead>
<tr>
<th>NETHERLANDS</th>
<th>ASIA</th>
</tr>
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<tbody>
<tr>
<td><strong>N.V. Nederlandsche Aluminium Maatschappij</strong></td>
<td>INDIA</td>
</tr>
<tr>
<td>NORWAY</td>
<td>JAPAN</td>
</tr>
<tr>
<td>*A/S Ardal og Sunndal Verk (ASV)</td>
<td>*Nippon Light Metal Company, Ltd.</td>
</tr>
<tr>
<td>***A/S Norsk Aluminium Company</td>
<td>*Toyo Aluminum K.A.</td>
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<td>***A/S Nordisk Aluminiumindustri</td>
<td>MALAYSIA</td>
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<td>*Det Norske Nitridaktieselskap</td>
<td>Alcan Malayan Aluminum Co. Ltd.</td>
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<tr>
<td>SPAIN</td>
<td>Southeast Asia Bauxites Limited</td>
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<tr>
<td>Alcan Aluminio Iberica, S.A.</td>
<td>Johore Mining &amp; Stevedoring Co. Ltd.</td>
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<tr>
<td>SWEDEN</td>
<td>SOUTH PACIFIC</td>
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<tr>
<td><strong>A/B Syvenska Metallyerken</strong></td>
<td>AUSTRALIA</td>
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<td>SWITZERLAND</td>
<td><strong>Queensland Alumina Limited</strong></td>
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<td>Alcan New Zealand Limited</td>
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<td>Alcan Industries Limited</td>
<td>Aluminium Conductors Limited</td>
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<td>*Alcan Enfield Alloys Limited</td>
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<td>Alcan Africa Limited -- Africa</td>
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<td>Alcan Wire Limited</td>
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<td>*James Booth Aluminum Limited</td>
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<td>Ghana Aluminium Products Limited</td>
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<td>Caribbean and Latin America</td>
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<td>Magnesium Company of Canada, Ltd.</td>
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<td>NIGERIA</td>
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<tr>
<td>Alcan Aluminum of Nigeria Limited</td>
<td>**Company owned less than 50%</td>
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<tr>
<td>**Company owned 100% by AXV</td>
<td>Flag Aluminum Products Limited</td>
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<td>Alcan Aluminum of South Africa Limited</td>
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**SOURCE:** "Alcan Aluminum Ltd., 1968 Annual Report", p. 29
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<th>VALUE $ PER TON</th>
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<th>ROYALTY</th>
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Source: *British West Indies Yearbook*, various issues from 1925-1973
maintainance of a low profile by DEMBA and the absence of any visible links with the rest of the Guyanese economy allowed for a continuous flow of high profits. This has led a number of commentators to dub DEMBA as the classical "enclave economy". Philip Reno, for example, claims that:

"Yet for all its dominant position in British Guiana industry, DEMBA maintains only minimal relations with Guianese affairs. Typical of extractive operations by imperialist companies, DEMBA functions in an economic enclave, closely tied to the international market but with little relation to the internal market".

Such an analysis, however, does not go far enough in explaining the negative internal dynamic that the absence of any visible link produces. By its silence it condemns itself to an illusion, by assuming that linkages, or more precisely the absence of linkages, are the conditions of existence of the foreign firm. What it fails to see is that the growth and consumption patterns of the local economy are internalized and dictated by the needs and the demands of the foreign firm.

The most immediate fact of the presence of DEMBA in Guyana is its overwhelming predominance in the economy. Though it does not have the all pervading effect of sugar, its potential as a dollar earner and employer are far greater. In 1960, for example, the sale of 2,471,190 tons of bauxite brought in a total of $29,495 thousand which represented 23.6
percent of all domestic export earnings and 8.57 percent of gross domestic product. In Jamaica where the capital investment is much higher,

"The industry provided 47 percent of the value of merchandise exports in 1965, 9 percent of the gross domestic product and 15 percent of Government's general revenue".

These figures, however, represent only the mining activities of these companies and not their overall contribution to the economy. In Jamaica for example, the Aluminum Company of Canada also engages in cattle and citrus fruit farming. The company farms about 10,000 acres in forestry and another 20,000 acres are leased out in small plots to about "4,000 Jamaican families for a maximum of seven years". Similarly, in Guyana until 1971, the Aluminum Company of Canada (ALCAN) engaged in several other activities, besides the mining of bauxite. In addition, ALCAN's other major subsidiary in the area, Sprostons Limited, engages in such diverse activities as engineering, ship building (building the first all aluminum vessel in 1966 - the S.S. Independence), lumbering, export-import trade and a retail outlet. The most visible aspect of outside mining activity are the investments in the company town of Mackenzie (site of DEMBA). Here the company either owns or controls most of the fixed capital investment.

"The Company participates directly or indirectly in the control of the church and the school, quite often
running both and subsidizing the salaries of teachers and ministers. A company store is also provided which very often is an all purpose store (department store) and indeed is the only store in the area. Monopoly control over the distribution of goods thus gives rise to more power for the company. Finally, the company runs and controls its own police force which is used to keep out "undesirables" and "agitators" from other areas and inevitably to enforce normative regulations prescribed by the company.

In addition, the company built and maintained its own housing project for workers, furnished social and recreational facilities and provided its own medical care through the company owned hospital. As a result of government pressure and the need to economise on transport costs, DEMBA constructed an alumina plant which started production in 1961. In 1967 a bridge was built across the Demerara River to facilitate mining on the west bank. The accumulated total of all these investments would certainly amount to much more than the official figure of $100,000,000 given by both the company and Government as total fixed assets. The importance of such contributions, which in this case may not amount to more than $10,000,000 may not be readily apparent. On closer examination, however, we find that such investments are part and parcel of corporate activity to control in much the same manner the human resources as it does the natural resources. To minimize conflict and assure labour stabilization through a host of social activities, is standard corporate practice.
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<tr>
<td></td>
<td></td>
<td>TOTAL</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14,892.8</td>
</tr>
</tbody>
</table>

Source: Kundu, Inter-Industry Table
TABLE 7
PURCHASES BY MINING FROM OTHER INDUSTRIES - 1959
(IN THOUSANDS OF GUYANA DOLLARS)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Amount (in thousands of Guyana dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>---</td>
</tr>
<tr>
<td>Livestock</td>
<td>---</td>
</tr>
<tr>
<td>Mining</td>
<td>118.8</td>
</tr>
<tr>
<td>Food Processing</td>
<td>8.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>628.5</td>
</tr>
<tr>
<td>Engineering *</td>
<td>2,151.6</td>
</tr>
<tr>
<td>Other Manufacturing</td>
<td>1,421.4</td>
</tr>
<tr>
<td>Fuel</td>
<td>244.5</td>
</tr>
<tr>
<td>Distribution</td>
<td>288.1</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>385.8</td>
</tr>
<tr>
<td>Banking</td>
<td>7.3</td>
</tr>
<tr>
<td>Professions</td>
<td>505.9</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>2.1</td>
</tr>
<tr>
<td>Rent of Dwellings</td>
<td>---</td>
</tr>
<tr>
<td>Government</td>
<td>2,174.1</td>
</tr>
<tr>
<td>Household</td>
<td>6,839.1</td>
</tr>
<tr>
<td>Foreign Countries</td>
<td>117.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,892.8</td>
</tr>
</tbody>
</table>

* Foundry, repair and maintenance of machinery and ship building, etc. (Provided by Alcan's Other subsidiary in Guyana - Sprostons Ltd.

Source: Same as Table 6
There is, of course, the obverse argument which maintains that though these subsidiary investments may be real their total contribution to the economy remains negligible. It is pointed out that integration means "forward and backward linkages" with the rest of the economy in terms of demands and outputs by the foreign firm to the local market. As tables 6 and 7 show for the demands and contributions of DEMBA to the local economy this on the surface seems to be the case, but there is more to this than readily meets the eye. Because of its size, the foreign firm has the effect of structuring the development process to which other sectors must correspond. As Clive Thomas noted, the phenomena can best be explained by seeing the absence of any visible links as precisely the mechanism that structures the process of dependent underdevelopment.

"When dynamically applied and expressed in terms of objective, material phenomenon, this consists of the fact that the conjunction of production relations and productive forces is of such a character that the measure of structural dependence, underdevelopment, and the economic backwardness of the process of production which is important above all others is on the one hand, the lack of an organic link, rooted in an indigenous science and technology, between the pattern and growth of domestic demand, and, on the other, the divergence between domestic demand and the needs of the broad mass of the population ... the crucial elements in the functioning of an economic system qua economic system (i.e. the linkages between: labour-
resources-technology-production-demands) are of such a character and organized in such a way that these communities have internalized through their social relations of production and the use of their productive forces, a pattern of consumption that does not represent the needs of the community and a pattern of production not oriented to either domestic consumption or domestic needs.

Because of the high technological bias (low organic composition of capital discussed in chapter 2), the mining aspect of DEMBA's operations is a very minimal employer. It is estimated that in the 1950's and the 1960's between 75 and 80 percent of DEMBA's investment in mining operations was made up of fixed capital, thus leaving only 20-25 percent for all other activities. This resulted in a capital-labour ratio of about $22,000 which is nearly four times the national average. Thus, employment in bauxite mining amounted to only 3,700 skilled and unskilled individuals or about 3 percent of the total employed labour force in 1963. In 1968 this figure had risen to 4,500 representing a little less than 4 percent of the total employed. These figures, however, do not tell the whole story, and may actually represent an overestimation of the real contribution of DEMBA in terms of numbers employed and salaries and wages paid. Because of the need to rationalize and integrate production and distribution on a global scale in a vertically integrated corporation such as ALCAN, top management personnel and technical advisors are sent from
ALCAN's head office in Montreal. Though their actual numbers may not be very significant, their wage rates represent a substantial portion of wages and salaries paid to DEMBA employees, since they are paid by metropolitan standards and in metropolitan dollars. Thus, the real contribution of the bauxite industry in terms of the number of Guyanese employed and inputs of salaries and wages is less than it is actually made out to be.

DEMBA's most immediate and visible contribution to the economy of Guyana, besides its foreign earnings contribution, is in taxes and royalties. Because of minimal inputs in these areas DEMBA has been under heavy fire recently and was one of the main reasons for nationalization. DEMBA's internal organization is dictated by the need to produce as cheaply and efficiently as possible the raw bauxite ore of Guyana for shipment to United States and Canadian smelters. As such it has as its basis the formation of arrangements with the local government that allows for minimum inputs and maximum benefits. Because of the absence of detailed information it is difficult to determine the exact extent of DEMBA's contribution in taxes and royalties to the Guyanese economy. However, through the availability of some sketchy information along with official publications we are able to piece together a fairly accurate, if not exact, picture of DEMBA's operations and contributions.
to the Guyanese economy. The exact terms of agreement between DEMBA and the Crown Colony Government of British Guiana is not known. Statistical data released afterwards, however, show that the agreement, if anything, was a simple give away of Guyanese bauxite. In 1930, for example, of 119,616 tons of bauxite produced at an average value of $5 (Guyana) per ton and amounting to a total value of $598,080 (Guyana), DEMBA's combined taxes and royalties were only $17,291 (Guyana).

Taxes were paid on the basis of 1½ percent ad valorem, while royalties to the government was 10 cents per ton. Royalty, however, was not across the board, on all bauxite mined, but only on ore mined on land leased from the government. A breakdown of taxes and royalties for that year was as follows: royalties $8,320 and taxes $8,930. In 1939 of 476,013 tons of bauxite produced, royalties amounted to a pitiful $3,679 while taxes paid netted $29,069. If royalties were charged across the board on all bauxite mined it would have amounted to more than the combined total of taxes and royalties.

TABLE 8

ACTUAL PAYMENTS FOR 1939

<table>
<thead>
<tr>
<th>Bauxite Produced</th>
<th>Total Value</th>
<th>Taxes</th>
<th>Royalties</th>
<th>Total Taxes and Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>476,013 tons</td>
<td>$2,889,368</td>
<td>$29,069</td>
<td>$3,679</td>
<td>$32,748</td>
</tr>
</tbody>
</table>

Source: British West Indies Yearbook, 1940.
TABLE 9
HYPOTHETICAL PAYMENTS IF ROYALTIES WERE CHARGED ACROSS THE BOARD AT 10 CENTS PER TON - 1939

<table>
<thead>
<tr>
<th>Bauxite Produced (tons)</th>
<th>Total Value</th>
<th>Taxes</th>
<th>Royalties</th>
<th>Total Taxes and Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>476,013</td>
<td>$2,889,368</td>
<td>$29,069</td>
<td>$47,601</td>
<td>$76,670</td>
</tr>
</tbody>
</table>

The actual payments amounted to $32,748 while the hypothetical payments amount to $76,670. Beside the ridiculous royalty of 10 cents per ton, the net loss of royalty to government would have netted an additional $43,922 in revenues. Jagan commenting in the local Legislative Council in 1948, in addition to drawing attention to the unchanged structure of royalty payments, noted the incredible losses suffered by the national treasury.

"From 1937 to 1947 there was produced in this country 9,823,389 tons of bauxite. If we had imposed a royalty at the rate of ten cents per ton, which is charged on some of the bauxite mined here, we would have collected during that same period $982,339. But we collected only $234,639. In other words, during that period of about 11 years we have lost approximately $748,700. That is because the Demerara Bauxite Company owns a large amount of land in this country."

In contrast, the Berbice Company, a subsidiary of the American Cyanamid Company, operating some 90 miles up the Berbice River was paying royalty at 24 cents per ton. It is obvious that DEMBA's influence was indeed overwhelming, not only
economically but politically as well.

Some measure of the relative value of 10 cents per ton of royalty charged on Guyanese bauxite, mined on crown lands, is obtained when compared to the duty payable to the United States Government on crude bauxite entering the American market.

"This (the royalty) compares favorably with the import tax levied in the United States where the Tariff Act of 1922, crude bauxite is dutiable at the rate of $1 per ton, and alumina hydrate or refined bauxite at half a cent a pound".

Jagan returned to the attack on royalties again in 1950 and noted that if the government's application of its royalty schedule was the same for DEMBA as it was for the Berbice Company then the national treasury would have gained considerably. Of the nearly 1.5 million tons of bauxite produced by DEMBA in 1950 the company had paid only $68,500 in royalty fees. If the Berbice Company's schedule of royalty payment was applied this would have netted approximately $363,000, which would have represented a gain of nearly $300,000. The Colonial Government subsequently yielded to Jagan's frequent attacks and in 1951 established a new export tax of 45 cents on crude ore and $1 for calcined ore. But these changes did not represent changes in the royalty structure of DEMBA, rather it resulted from the increased price of Guyanese bauxite by some 50 percent as a result of the "revaluation
upwards of Canadian and American currencies" in 1950.32

By 1964 the taxes and royalties paid by DEMBA to the government were: (1) royalty: 25 cents per ton or bauxite mined on crown lands; (2) export tax: 45 cents per ton on all bauxite exported; and (3) income tax: 45 percent on all profits.33 In the meantime, Reynolds Metals Company, an affiliate of the U.S. giant which had entered the aluminum industry in the United States immediately after the Second World War, purchased the Berbice Company in 1953. The suspension of the Guyanese constitution that year and the removal of the PPP Government from office gave Reynolds the much needed breathing spell before coming to any long term agreement. By the time the PPP had returned to office in 1957, Reynolds was already granted "pioneer status" by the interim Colonial Government. Subsequent attempts by the PPP to negotiate a formula for collecting back taxes failed. In 1965 the PNC-UF Coalition Government dropped the issue altogether. Reynolds argument was that it was continuously operating on a deficit and, furthermore, it was a pioneer industry and should be granted the privileges of "pioneer status". The end result was that Reynolds did not pay any taxes between 1953 and 1964.34

In addition, in 1957 DEMBA negotiated with the interim government the building of an alumina plant for the processing of bauxite ore into alumina. The new plant was
granted "pioneer status" giving it "investment allowances" and a five year tax-free period. This resulted in further deterioration of royalties and taxes since not only the raw bauxite ore could not be taxed, but also the processed alumina. Nathaniel Davis, the head of ALCAN, commenting on the differences in taxes paid to the Jamaican and Guyanese Governments by ALCAN's subsidiaries in both countries said,

"The basic reason why our taxes in Guyana have been relatively lower than our taxes in Jamaica in recent years is we have been running through the period of financial incentives (sic!) granted by the Guyanese Government to assist development of many of our recent capital projects including a tax free period. We have received investment allowances, and a five year tax free period for the Alumina plant, and we have been running through a resulting period of low tax revenue".

Further erosion of tax and royalty revenues were accelerated in 1966 when the PNC-UF Coalition Government made further concessions to DEMBA and Reynolds. Norman Girvan calculated that the tax structure of the bauxite industry in the Caribbean had not changed appreciably since the aluminum giants moved into the area. The establishment of processing plants with their tax holidays and duty free importation of building material and machinery resulted in further losses. Table 10 shows the tax structure of the Caribbean bauxite industry and the relative position of Guyana in 1967.

To measure the full extent of revenues lost to the
local economy, it is necessary to amplify also the parent-subsidiary relationship. Because of the vertical integration of DEMBA into the international diversification policies of ALCAN and ALCOA, the Guyanese economy has suffered immeasurably.

"The control relationship between the subsidiary and the parent are far stronger and more significant than the regulation and revenue relationships between the subsidiary and the national government. This follows naturally from the fact that the subsidiary is an organic part of an institution with highly structured relationships between its component parts, and with a centralized control apparatus."

As a result of this highly structured relationship between parent and subsidiary, the entire output of Caribbean and Guyanese bauxite is "sold" in a monopolized market. This allows for various forms of price fixing by the metropolitan enterprises in order to minimize cost in terms of tax, royalty and other payments made to local governments and import duties paid to the importing country. This results in various degrees of incalculability of the price of bauxite on the international market and therefore, of revenues lost by local governments. However, some semblance of relative value can be obtained by using United States prices as an index - See Table 11.

As noted earlier (see table 10) income tax on the bauxite industry is determined by "sales income" minus local
### Table 10

**TRANSFER PRICES AND TAXES ON EXPORTS OF UNPROCESSED (DRIED) CARIBBEAN BAUXITE**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>TRANSFER PRICE</th>
<th>PROFIT</th>
<th>INCOME TAX</th>
<th>ROYALTY</th>
<th>EXPORT DUTY</th>
<th>TOTAL TAXES</th>
<th>DURATION</th>
<th>TOTAL REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamaica</td>
<td>£2,625 (Fixed price negotiated in 1957 between Government and companies). £4.10 average company valuation for U.S. tax purposes, 1957-64 £5.018 company valuation 1964.</td>
<td>£1,375 assumed 50 per cent varying with price of aluminium pig.</td>
<td>40 per cent (0.55 basic) maximum 45 per cent</td>
<td>£0.2 1st Million: 1st &amp; 2nd Million: 0.15 3rd million and over: 0.15 50 per cent varying with price of ingot</td>
<td>none</td>
<td>£0.704 basic average, subject to escalator clause in income tax royalty and regression</td>
<td>25 years</td>
<td>£8.5m. (1965/66)</td>
</tr>
<tr>
<td>Surinam (Brokopondo Agreement)</td>
<td>£4.171 for ore with 56 per cent iron and 3 per cent silica. Adjusted according to composite price index of iron and steel, aluminium pig and 6 major aluminium mill products, and according to chemical composition by actual higher or lower cost of production, with absolute minimum of £3.575</td>
<td>Price minus cost</td>
<td>£0.605 absolute minimum adjusted according to composite price index.</td>
<td>£3.196 general 10:100 on ore mined beneath 5 metres</td>
<td>none</td>
<td>£0.892 minimum income tax plus general royalty subject to price index, quality of ore and depth mined. Average £1.05 inclusive of all taxes and fees.</td>
<td>75 years</td>
<td>£1.7m. (1966)</td>
</tr>
<tr>
<td>Guyana</td>
<td>Varies according to company’s valuations of quality of ore. £1.746 (1954) to £2.271 (1964) average £2.232</td>
<td>Cost deducted from price. In 1952 £0.576 1966 £0.261</td>
<td>45 per cent of estimated profit in 1962 £0.261</td>
<td>£0.020 from Crown Property none if mined on private property</td>
<td>£0.1</td>
<td>£0.407 varying</td>
<td>Royalty £1.07m. to £1.73m.</td>
<td>21 years</td>
</tr>
<tr>
<td>Haiti</td>
<td>£5.232 (1957) to £5.089 (1964)</td>
<td>Price minus minimum cost £1.56</td>
<td>40 per cent of net profit £0.625</td>
<td>1st 100,000 tons: 0.102, 2nd 100,000 tons: 0.07, Over 200,000: 0.053</td>
<td>none over L0.679</td>
<td>£0.407 varying</td>
<td>Royalty £1.07m. to £1.73m.</td>
<td>25 years</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>£4.46 varying with price of aluminium ingot</td>
<td>Price minus cost in 1965 £3.1</td>
<td>30 per cent of profits in 1965 £0.689</td>
<td>1965 £1.1</td>
<td>25 years</td>
<td>£0.09m. (1965)</td>
<td>25 years</td>
<td>£0.09m. (1965)</td>
</tr>
</tbody>
</table>

£ = Pound Sterling

SOURCE: Girvan: THE CARIBBEAN BAUXITE INDUSTRY
cost of production. The difference is then taxable at the rate of 45 percent.

"This method of determining profits is highly prejudicial to the producing countries, because the price that is "paid" for the bauxite is not set on the open market, but by the parent company. This price need not permit profits by the subsidiary; the only matter of consequence to the industry owners is that the total operation make money. The lower the bauxite price, the lower taxes to the primary producing country, and the higher the profit on the total operation. As a result, bauxite prices have been kept down with a rigidity singular even within the controlled price mechanism of American monopoly".

It has been estimated that, as a result of this process, the value of Guyanese bauxite "imported" into the United States remained at the same level of $6.85 (U.S.) between 1939 and 1959, while the United States price for locally produced bauxite increased from $5.36 (U.S.) in 1939 to $12.09 in 1960. It is obvious that if Guyana's bauxite was valued at the United States price DEMBA would have been liable for more taxes and the bauxite entering the United States would have had to pay increased duties, resulting in an overall loss to metropolitan enterprise. It does not seem, however, as if this scheme was universal corporate policy, by the North American Aluminum giants.
TABLE 11
PRICE OF GUYANA BAUXITE IN RELATION TO UNITED STATES AND OTHER CARIBBEAN PRODUCERS - 1960
(value $US f.o.b.)

<table>
<thead>
<tr>
<th>Country</th>
<th>Price ($US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED STATES</td>
<td>12.09</td>
</tr>
<tr>
<td>DOMINICAN REPUBLIC</td>
<td>12.59</td>
</tr>
<tr>
<td>JAMAICA</td>
<td>9.48</td>
</tr>
<tr>
<td>HAITI</td>
<td>8.90</td>
</tr>
<tr>
<td>SURINAM</td>
<td>7.72</td>
</tr>
<tr>
<td>BRITISH GUYANA</td>
<td>6.85</td>
</tr>
</tbody>
</table>

Source: Reno: Aluminum Profits and Caribbean People

As table 11 shows Guyana was receiving far less for its bauxite than Jamaica, even though Guyana's bauxite was of higher Alumina content. By 1963 the new prices were as follows:

TABLE 12

<table>
<thead>
<tr>
<th>Country</th>
<th>Price ($US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED STATES</td>
<td>$12.15</td>
</tr>
<tr>
<td>DOMINICAN REPUBLIC</td>
<td>12.89</td>
</tr>
<tr>
<td>JAMAICA</td>
<td>13.82</td>
</tr>
<tr>
<td>HAITI</td>
<td>9.59</td>
</tr>
<tr>
<td>SURINAM</td>
<td>10.28</td>
</tr>
<tr>
<td>GUYANA</td>
<td>8.98</td>
</tr>
</tbody>
</table>

The changed prices resulted from a number of factors that affected the aluminum industry in the late fifties and early sixties. The first of these was the United States regulations governing Western Hemisphere Trade Corporations. According to this statute,

"Instead of a 52 percent corporate income tax, Western Hemisphere Trade Corporations pay the US only 25 percent. By raising the price of bauxite, US companies could now reduce their total income taxes."  

Guyana, however, was exempt from this tax concession, since its bauxite was officially mined by a Canadian subsidiary. The other price changes, specifically Surinam and Jamaica, resulted from re-negotiation between the Governments and the aluminum companies. If Guyanese bauxite was valued at the same price as Surinam was receiving, which was of the same alumina content, the Guyana Government would have received an additional two million dollars in taxes.

An examination of tables 13 and 14 indicates that Reynolds and DEMBA used two different price structures for Guyana's bauxite between 1953 and 1961. On the one hand there was a higher price for bauxite entering the United States while a lower figure was quoted in Guyana.

"It is commonly believed that the United States Government over the years 1948 to 1959 has in most instances paid more for Surinam and Guyana ore purchased for stockpile than the price used by Reynolds
### Table 13

**AVERAGE F.O.B. PRICE OF Bauxite IMPORTED INTO THE UNITED STATES**

*(per long ton)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1953 = 100</td>
<td>100</td>
<td>119</td>
<td>118</td>
<td>119</td>
<td>121</td>
<td>122</td>
<td>122</td>
<td>119</td>
<td>126</td>
<td>160</td>
</tr>
<tr>
<td><strong>Surinam</strong></td>
<td>$6.51</td>
<td>6.62</td>
<td>6.75</td>
<td>6.77</td>
<td>7.84</td>
<td>7.85</td>
<td>8.04</td>
<td>7.72</td>
<td>9.32</td>
<td>9.86</td>
</tr>
<tr>
<td><strong>Guyana =</strong></td>
<td>100</td>
<td>114</td>
<td>98</td>
<td>100</td>
<td>99</td>
<td>113</td>
<td>112</td>
<td>115</td>
<td>113</td>
<td>129</td>
</tr>
<tr>
<td><strong>Guyana =</strong></td>
<td>100</td>
<td>130</td>
<td>108</td>
<td>108</td>
<td>134</td>
<td>135</td>
<td>136</td>
<td>138</td>
<td>131</td>
<td>137</td>
</tr>
<tr>
<td><strong>Haiti</strong></td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>9.05</td>
<td>8.71</td>
<td>8.72</td>
<td>8.90</td>
<td>9.41</td>
<td>9.39</td>
</tr>
<tr>
<td><strong>Guyana =</strong></td>
<td>100</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>131</td>
<td>125</td>
<td>125</td>
<td>130</td>
<td>130</td>
<td>103</td>
</tr>
<tr>
<td><strong>Dominican Republic</strong></td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>12.73</td>
<td>12.59</td>
<td>13.21</td>
<td>12.38</td>
</tr>
<tr>
<td><strong>Guyana =</strong></td>
<td>100</td>
<td>182</td>
<td>184</td>
<td>182</td>
<td>182</td>
<td>135</td>
<td>135</td>
<td>135</td>
<td>135</td>
<td>135</td>
</tr>
</tbody>
</table>

*Source: United States Bureau of Mines, Mineral Year Books (44)*
### Table 14

**F.O.B. Export Prices of Dry Bauxite in Guyana**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BWI$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$</td>
<td>4.77</td>
<td>4.89</td>
<td>4.85</td>
<td>6.01</td>
<td>6.80</td>
<td>6.76</td>
<td>7.14</td>
<td>5.79</td>
<td>6.33</td>
</tr>
<tr>
<td>1953 = 100</td>
<td>100</td>
<td>103</td>
<td>102</td>
<td>126</td>
<td>143</td>
<td>142</td>
<td>150</td>
<td>122</td>
<td>133</td>
</tr>
<tr>
<td>US$</td>
<td>4.94</td>
<td>5.00</td>
<td>5.32</td>
<td>5.44</td>
<td>5.84</td>
<td>6.32</td>
<td>6.09</td>
<td>5.96</td>
<td>7.15</td>
</tr>
<tr>
<td>1953 = 100</td>
<td>100</td>
<td>101</td>
<td>108</td>
<td>110</td>
<td>118</td>
<td>128</td>
<td>123</td>
<td>121</td>
<td>145</td>
</tr>
<tr>
<td>Total</td>
<td>BWI$</td>
<td>8.21</td>
<td>8.43</td>
<td>8.45</td>
<td>10.16</td>
<td>11.29</td>
<td>11.46</td>
<td>11.81</td>
<td>10.03</td>
</tr>
<tr>
<td>US$</td>
<td>4.79</td>
<td>4.92</td>
<td>4.93</td>
<td>5.93</td>
<td>6.59</td>
<td>6.68</td>
<td>6.89</td>
<td>5.85</td>
<td>6.70</td>
</tr>
<tr>
<td>1953 = 100</td>
<td>100</td>
<td>103</td>
<td>103</td>
<td>124</td>
<td>138</td>
<td>140</td>
<td>144</td>
<td>122</td>
<td>140</td>
</tr>
</tbody>
</table>

**Source:** GUYANA ANNUAL ACCOUNTS RELATING TO EXTERNAL TRADE (45)
and DEMBA for inter-company transactions ... When the bauxite producing companies are selling bauxite to the United States government they are not usually threatened by competition and thus are more interested in obtaining the highest price possible than in avoiding local taxation by lower prices".

The bauxite companies, thus were able to obtain the maximum possible returns. On the one hand, a lower price was quoted for tax purposes while on the other, a higher price was being charged to the United States government. How much increased revenue the bauxite companies derived from such schemes is difficult to ascertain. What is certain, however, and comes across clearly, is the fact that the companies were out to maximize profits and countries, whether host or home, were going to be manipulated in the process.

Finally, it has been estimated that of the total of over 60 million tons of raw bauxite calcined ore and processed alumina exported from Guyana between 1917 and 1969 at an approximate value of one billion dollars the government received only 21 million dollars in the form of royalty and export duty. This represented a meagre 1.6 percent of the total value of bauxite exports.

But the drain in royalty and export taxes represented only the visible aspects of losses suffered by the local economy. Perhaps the most important dispossession
incurred, by the Guyanese economy in particular, and the Caribbean economy in general, is in: (1) value transferred as a result of the export of raw and semi-processed ore; and (2) jobs lost through such transfers. Table 15 shows the input-output ratios for a ton of aluminum from mining to semi-fabricating and the value added at various stages. The total cumulated value added by mining and drying of 4.074 long tons of bauxite amounted to $37.69. Labour's share in the value added is $7.59, while others contributed $30.10. A cursory investigation of the "others" category show that this hides a number of very important inputs, which obscures the real magnitude of value added. As table 16 indicates, for the regional distribution of the various stages of benefication, the Caribbean's share of the value added was restricted to mining and drying. Because of the high capital-labour ratio and the technological content, all of which is imported and subject to various forms of concessions, investment allowances and free import duty, the value added in table 16 is a gross overestimation of Caribbean inputs. On the other hand the fabrication of raw bauxite ore into aluminum, a process which takes place in North America, netted a cumulated value of $1,130,88. As we can see from these figures the contribution of bauxite to the Caribbean's gross domestic product is indeed minimal. Tables 17 and 18 show the actual contribution of bauxite to the gross domestic product of the Caribbean. If we
Table 15

INPUT-OUTPUT TABLE FOR TON OF ALUMINIUM
MINING TO SEMI-FABRICATING

<table>
<thead>
<tr>
<th>Process</th>
<th>Quantity</th>
<th>Value (£)</th>
<th>Value Cumulated (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Inputs</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(i) Labour</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(ii) Other</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Gross value:</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Bauxite</td>
<td>4.074 long tons</td>
<td>10.70</td>
<td>51.36</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Beneficiation</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Inputs: Bauxite</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total Inputs</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(i) Labour</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(ii) Other</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Gross value:</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Alumina</td>
<td>1.9 short tons</td>
<td>44.00</td>
<td>211.20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Smelting</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Inputs: Alumina</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>12488 kwhr</td>
<td>44.00</td>
<td>211.20</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total Inputs</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(i) Labour</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(ii) Other</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Gross value:</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Aluminium</td>
<td>1 short ton</td>
<td>159.78</td>
<td>766.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Semi-fabricating</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Inputs: Aluminium and Alloys</td>
<td></td>
<td>163.78</td>
<td>786.14</td>
</tr>
<tr>
<td>Fuel</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total Inputs</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(i) Labour</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>(ii) Other</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Total value added</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
<tr>
<td>Gross value</td>
<td></td>
<td>Mining and drying</td>
<td></td>
</tr>
</tbody>
</table>

Table 16

VERTICAL INTEGRATION OF FOUR INTERNATIONAL COMPANIES
OF CARIBBEAN BAUXITE, 1964

<table>
<thead>
<tr>
<th>Process and country</th>
<th>Mining</th>
<th></th>
<th></th>
<th>Alcoa</th>
<th>Reynolds</th>
<th>Kaiser</th>
<th>Alcan</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dried bauxite (ooo long tons)</td>
<td></td>
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<tr>
<td>Total mining</td>
<td>3,710</td>
<td>2,800</td>
<td>4,200</td>
<td>4,100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Caribbean</td>
<td>3,310</td>
<td>2,196</td>
<td>4,200</td>
<td>4,100</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Haiti</td>
<td>640</td>
<td>396</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>640</td>
<td>396</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Surinam</td>
<td>2,470</td>
<td>200</td>
<td></td>
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<tr>
<td>Jamaica</td>
<td>200</td>
<td>1,600</td>
<td>4,200</td>
<td>1,800</td>
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<tr>
<td>Beneficiation</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Total beneficiation</td>
<td>2,155</td>
<td>1,679</td>
<td>1,230</td>
<td>1,270</td>
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<td></td>
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<td>United States</td>
<td>2,155</td>
<td>1,679</td>
<td>1,230</td>
<td>2,572</td>
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<tr>
<td>Canada</td>
<td></td>
<td></td>
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<tr>
<td>Alumina (ooo short tons)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>United States</td>
<td>878</td>
<td>691</td>
<td>599</td>
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<tr>
<td>Total smelting</td>
<td>878</td>
<td>691</td>
<td>599</td>
<td>740</td>
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<td>22</td>
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<td>22</td>
<td>22</td>
<td>15</td>
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<td>Assets</td>
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<td>367</td>
<td>327</td>
<td>364</td>
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<tr>
<td>Net Sales</td>
<td>370</td>
<td>221</td>
<td>184</td>
<td>158</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income after tax</td>
<td>22</td>
<td>13</td>
<td>10</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income % own capital</td>
<td>16.3</td>
<td>15.6</td>
<td>19.6</td>
<td>20.1</td>
<td></td>
<td></td>
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</tr>
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<td>Smelting</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Number of Countries</td>
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<tr>
<td>Europe</td>
<td>N/A</td>
<td>118</td>
<td>44</td>
<td>27</td>
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<td></td>
</tr>
<tr>
<td>Australia and Latin America</td>
<td>230</td>
<td>44</td>
<td>358</td>
<td>632</td>
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<tr>
<td>Beneficiation</td>
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<tr>
<td>Europe</td>
<td>N/A</td>
<td>118</td>
<td>44</td>
<td>27</td>
<td></td>
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<tr>
<td>Australia and Latin America</td>
<td>230</td>
<td>44</td>
<td>358</td>
<td>632</td>
<td></td>
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<td></td>
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<tr>
<td>Smelting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>N/A</td>
<td>115</td>
<td>192</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia and Latin America</td>
<td>30</td>
<td>20</td>
<td>115</td>
<td>192</td>
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<tr>
<td>Other International Operations:</td>
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<td>11</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Africa-Asia</td>
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<td>3</td>
<td>4</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia and Latin America</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1964 Annual Reports of Alcoa, Kaiser, Aluminium and Chemical Corporation
Reynolds Metals Co., and Aluminium Ltd.
I.M.F. Steel and Aluminium Workers' Conference: Aluminium industry Throughout The World.
Table 17

| LOCATION OF G.D.P. CREATED BY PROCESSING OF CARIBBEAN METAL-GRADE BAUXITE, 1964 (£1 MILLIONS AND SWL MILLIONS) |
|---|---|---|---|---|---|---|
| G.D.P. Created by: | Mining | Beneficiation | Smelting | Semi-fabricating | Total |
| | LM | $M | LM | $M | LM | $M | LM | $M | % |
| G.D.P. created in | | | | | | | | | |
| Caribbean | 32 | 154 | 12 | 57 | -- | -- | -- | -- | 43 | 211 | 6 |
| North America and Rest of World | -- | -- | 43 | 206 | 204 | 979 | 401 | 1,925 | 648 | 3,110 | 94 |
| Total | 32 | 154 | 55 | 263 | 204 | 979 | 401 | 1,925 | 691 | 3,317 | 100 |


Table 18

| LOCATION OF INPUT DEMAND GENERATED BY PROCESSING OF METAL-GRADE BAUXITE, 1964 |
|---|---|---|---|---|---|---|
| Inputs Demanded by: | Mining | Beneficiation | Smelting | Semi-fabricating | Total |
| | LM | $M | LM | $M | LM | $M | LM | $M | % |
| Inputs demanded in: | | | | | | | | | |
| Caribbean | 9 | 43 | 8 | 38 | -- | -- | -- | -- | 17 | 82 | 4 |
| North America and Rest of World | -- | -- | 29 | 139 | 136 | 653 | 242 | 1,162 | 407 | 1,954 | 96 |
| Total | 9 | 43 | 37 | 178 | 136 | 653 | 242 | 1,162 | 424 | 2,036 | 100 |

SOURCE: Same as Table
were to go back a few years, however, prior to the establish-
ment of the alumina and other processing plants, and the
production of calcined ore the figure of 6 percent would be
even lower. In addition,

"Of this share (of 6 percent) net profits,
dividends and some interest is lost to
the national income of the Caribbean so
that the real Caribbean share is more
likely to be in the region of 4 percent".50

It is estimated that as a result of this transfer
of value of Caribbean bauxite to the North American economy,
there is a transfer of more than 42,000 jobs from the region.51
This figure, however, seems to be a gross under-estimation,
since it only deals with direct jobs and not, in addition, to
the necessary service industries for fuel, machinery and other
direct inputs needed to transform the bauxite into aluminum;
not to mention, at the same time, normal service industries
and the general "multiplier effects" that results. Some
relative value can be obtained by using United States statistics
as an index.

"In terms of employment, if we use the
US labour coefficients, for smelting
and semi-fabrication, the total gener-
ated outside the area (Caribbean) in
processing its bauxite was around
123,000 in 1964 with average earnings
of 2,429 per annum".52

The usual non-committal reply, that these countries do not
possess the necessary energy potential to engage in smelting
or further processing, is in this case a clear rationalization
of metropolitan Machiavellian politics. A United Nations team in 1962, after a study of the hydro-electric potential of Guyana, indicated that an aluminum smelter could be built and would be able to pay for itself out of its own profits, in ten years. The year is 1975; give five years for construction delays of one kind or another, and miscalculations for payment, Guyana in two years would have had its own aluminum smelter.

IV: Guyana's Economy and the Nationalization of DEMBA

In 1971 the contribution of the bauxite industry to the Guyanese economy had increased to about 50 percent of exports from its 40 odd percent in 1966. However, because of the high leakage ratio in profits and revenues accruing abroad, the industry was obviously not contributing its share, relative to its size, of national growth. At the same time, because of its technological bias and higher wage rate it tended to draw into its service the most technologically skilled segment of the work force, thus denying other sectors of the economy the services of publicly educated individuals. In addition, other sectors of the economy were experiencing serious downturns.

"Indeed, the gross domestic product is estimated to have declined by around two per cent in real terms, bearing in mind that domestic prices increased by 4.6 percent."
Agricultural production, it seems, suffered the most, registering a total decline in output of 4.3 percent. Much of this drop in agricultural production can be attributed directly to government policy towards the rice industry. Upon immediate assumption of power in 1964 the coalition PNC-UFP government terminated the Guyana-Cuba trade agreement signed by the previous government of Dr. Jagan. A substantial portion of Guyanese export to Cuba under the agreement was rice, at higher than world prices. The consequent fall in prices placed a severe burden on farmers since it made it difficult to meet payments on machinery purchased for and because of increasing cultivation; both of which were undertaken on the basis of the retention and even expansion of the Cuban market. The government in an attempt to locate alternative markets, retained the services of, "A US trading company, the Conell Rice and Sugar Company ... (with) the exclusive right to market rice abroad for which it will be paid a free of $300,000 and a commission of one cent per pound of rice sold". These payments, of course, had to be met by farmers themselves, through the Rice Marketing Board, which they neither controlled nor were adequately represented. In addition, severe impediments were placed on the rice industry by the denial of such elementary guarantees as drainage and irrigation, minimum prices, pest control, credit facilities, etc.
As a result of this and other government policies a general malaise developed in the agriculture industry (not sugar) with the end result that the Guyana was forced into the increasing importation of food. Food imports in 1961 for example, amounted to $25.8 million by 1970 this had increased to $37.3 million. If we were to add to the 1970 imports the cost of animal and vegetable oils and fats the total would be more than $60 million. The CARIFTA (Caribbean Free Trade Area) agreement, at the same time, did not produce the desired effects in Guyana.

"Jamaica and Trinidad have benefited from CARIFTA provisions, because they have more manufacturing activities, and have been able to take advantage of the drop in manufactured goods imports from outside the Caribbean. However, these manufacturers now cost Guyana more to import than before, because costs are higher in Jamaica and Trinidad than in developed manufacturing countries whole exports have now been replaced. In May 1973 Mr. Ramkarran of the opposition People's Progressive Party produced a bagful of high priced items now imported into Guyana from CARIFTA countries, which he claimed were actually manufactured in the United States or Britain, and therefore benefitting from free trade provisions, but were tinned or packaged in Jamaica or Trinidad."

Because Guyana receives no less than 30 percent of its revenues from import duty, the CARIFTA agreement has the effect, thereby of producing a further drain on government revenues.
"With free trade the estimated duty foregone was $0.8 million in 1968 but would reach $6 million in 1973. Between 1968-1973, it is estimated that the government will have to recover almost $25 million. This figure is about $5 million less if a growth element based on marginal propensity to import with a 5 percent annual increase in the national income is taken into consideration.

In order to offset these imbalances the government devalued the Guyanese dollar by eight percent in 1971, following the American devaluation of the same year. In 1972 the government was forced into another de facto devaluation after the "floating of the pound sterling". But this, in itself, was not enough to result in a resurgence of the economy. As a matter of fact, it worsened the situation and increased the dependence of West Indian economies on the metropolitan centers. It is the crowning example of the extent to which the Caribbean economies are integrated into the economies of the advanced capitalist countries. Further,

"It is an incorrect procedure to have exchange rate determined in this way (devaluation) and then to adjust our objectives in such a way as to make it consistent with this limitation. The correct procedure is to fix one's objectives and then to determine by what combination of internal and external policies might best be promoted simultaneously."

At home, the government was caught in an increasingly embarrassing situation. It seems that large amounts of
capital expenditures were being "made" without any proper accounting.

"In 1967, the Minister of Finance disclosed in the National Assembly that $1.5 million was illegally spent on the East Coast highway and not properly accounted for. The Director of Audit in his report for 1967 disclosed that no vouchers were available for $19.5 million of government expenditure. The report claimed that during 1966, the year of independence some $4 million was spent, for which no vouchers had been submitted". 65

To cover such expenditures and provide the necessary capital for development projects outside capital had to be sought. It is estimated that development plans depend for 75 percent of its capital from foreign sources. 64 The situation is further heightened by the fact that the financial institutions of the country are foreign owned. As the Minister of Finance noted in 1969,

"It is an incongruous situation when the savings of a foreign country are in practice used to finance foreign development, because so much of the funds of our financial institutions are controlled by foreign interests". 65

The natural result was that the public debt increased by leaps and bounds. It is estimated that between 1968 and 1972 the amount increased two and a half times from a sum of $199 million in 1968 to $509 million in 1972. This necessarily means that increasing amounts of government revenue must be
set aside to service these loans. Government expenditure for debt servicing and repayment of matured loans in 1971, for example, amounted to $20.1 million which was "approximately 11 percent of planned expenditure". It is estimated that by 1974 these figures had increased to $813 million in public debt requiring nearly 23 percent of all planned expenditure. Since there are no means within the present structure of the economy capable of generating sufficient capital to offset such deficits the borrowing cycle starts all over again at an accelerated pace, ad infinitum.

That the economy was in a total state of disrepair and may go "belly-up" at any time was obvious. That action was needed and immediately was imperative. That such action should also serve to deflect and dispell mounting criticism of governments fiscal and monetary policies was a necessity. In other words action had to be substantive if it was going to, or at least seem to, succeed. The stage for such action was already set as early as April 1970, when the Prime Minister announced the government's intention to participate in any future attempts to exploit the country's natural resources. It does not seem, however, from a reading of the announcement that it was part of a general strategy developed by the government to reorganize the economy. At the 13th annual Congress of the PNC, on the 5th of April 1970, Burnham stated:
"The hinterland as we know it contains the greatest part of the natural resources especially forests and minerals. In the exploitation of these, especially the latter, we are prepared to work in consortia with foreign investors, but only on certain conditions; and one such condition henceforth will be that government alone or government and Co-operatives hold in each case not less than 51 percent of the equity".

This mild remark at such a relatively obscure moment went unheeded until November 1970, when the government announced its intention of acquiring an interest in DEMBA. ALCAN, of course, greeted the announcement with shock. In other quarters it was received, with a welcome sigh or relief, because of the air of expectancy, that something crucial was about to give, that existed in the country.

The immediate concern was that DEMBA should be made to contribute more than it was accustomed to. The government was particularly frustrated in its attempts to regulate and police the activities of DEMBA. In addition, it was rather peeved at the fact that while it made numerous concessions to DEMBA after 1966, ALCAN did not see fit to increase its processing and semi-fabricating activities in Guyana. By acquiring an interest in DEMBA, the government hoped that it might be able to pressure ALCAN into further processing and perhaps even the manufacture of aluminum in Guyana. This would also allow for closer monitoring of the financial
transactions of parent and subsidiary. On the 28th of November 1970 the Prime Minister wrote to Nathaniel Davis, President of ALCAN, informing him of the Government's decision to acquire an interest in DEMBA. The Government's proposal was:

1. Government's participation shall be a majority one.

2. The participation would be by purchase of a share of the assets of the company.

3. The value of such assets shall be no greater than that given by the company as the written down book value for income tax purposes on the 31st of December 1969, with additions to value during 1970 not by revaluations or reappraisals.

4. The Government will pay for its share of the assets out of future profits of the joint undertaking after tax.

5. The Government's majority holding shall confer on Government the control which inheres in such majority holding.

6. The agreement finally arrived at between the Company and Government shall be deemed to take effect from 1st January, 1971."

These were what the government defined as its non-negotiable terms, all others including the majority holdings were negotiable.

ALCAN, as was to be expected, replied in characteristic style, of what it considered a clear breach of faith on
the part of the Guyanese Government. The company knowing
the extent to which the government depended on bauxite
revenues, assumed an uncompromising position from the out-
set, hoping by this action to force the Government into
retreat, since any further demands would play into the hands
of the opposition PPP. ALCAN's counter proposal was:

1. The company would be capitalized at
   $100 million, 51 percent to Guyana
   and 49 percent to ALCAN.

2. The entire amount of DEMBA's assets
   would be contributed as a loan.

3. The Company and its shareholders
   would not be subject to any Guyana
   tax of any kind - i.e. income corpor-
   ation, property, withholding, import or export duty, royalty or
   any impost, or any exchange control
   restriction with respect to interest
   dividends or fees for its share
   holders.

4. The Company's profits, after meeting
   a small amount of fixed capital
   additions and repayment and interest
   charges on its debts would be alloc-
   ated 70 percent to Government and 30
   percent to ALCAN.

The acceptance of this proposal would mean that ALCAN would
be able to recover its entire investments in DEMBA, "at a
commercial rate of interest". The effect would be that
ALCAN "during and after the recovery" of its investment
would maintain 49 percent of a much larger enterprise to which
it had only contributed a loan of $100 million. In addition
the 30 percent profit before taxes represented as much as
50 percent of profits after taxes. ALCAN's appointment of the Chief Executive officer would give it management control of the enterprise and would fit in very nicely into its world wide corporate strategy. This was not only an insult to Guyanese, but to any one with an iota of intelligence.

As one government negotiator commented:

"As far as the DEMBA/ALCAN negotiators were concerned, they were dealing with natives for whom they had a fundamental contempt; some of them made no attempt to hide this while others made heroic efforts which only wore thin under stress, fatigue and provocation."

The Government thus, found itself in the very precarious position of either backing down or calling ALCAN's bluff and nationalizing DEMBA. Both alternatives it seemed would result in loss of political face. Backing down would confirm Jagan's claim that the government was merely a tool of vested interest; and nationalization would play into the hands of the PPP and the Ratoon group of the University of Guyana, who were advocating a "tek all" (take all) policy. A closer examination of the situation, however, reveals that Burnham was in the best position possible. On the one hand he had international sympathy on his side. As the leader of a poor underdeveloped country, attempting to wrest control of the country's most profitable resource from a giant multinational, it was a clear case of a David confronting a Goliath. Jagan's
"tek all" policy placed Burnham in the most liberal of traditions, he had not only given ALCAN ample opportunity to bargain its claim, but assured international public opinion of his good intentions by guaranteeing an orderly transfer of whatever assets the government was to acquire from DEMBA and assuring fair and adequate compensation. On the other hand, opposition support was a foregone conclusion. Jagan's lifelong advocacy of nationalization placed him in the uncompromising position of either supporting the government or going down in history as the man to have blocked nationalization.

The government, of course, called ALCAN's bluff and announced its intention to nationalize DEMBA after ALCAN refused to modify its proposals for "meaningful participation" by the government. As was to become clear later, however, nationalization was never part of a general strategy to reorganize the economy. Indeed, nationalization was only embarked upon as a result of ALCAN's recalcitrance, and a refusal to accept participation on the government's terms. The very terms of the final agreement indicates that the Government did not seem to be in absolute control, as it claimed on several occasions. The joint press release at the conclusion of the agreement reads:
"The Government of the Co-operative Republic of Guyana and ALCAN Aluminum Limited of Canada have reached a negotiated settlement in their discussion concerning the quantum of compensation to be paid as a result of the government's decision to nationalize the operations of the Demerara Bauxite Company (DEMBA), an ALCAN subsidiary.

Under the terms of the agreement the Government will pay to ALCAN a sum of approximately US: $53.5 million over a period of no less than 20 years, with interest at six percent per annum subject to withholding tax".

In the first place the $53.5 million (US) paid as compensation represented more than the actual book value of $100 million (about $50 million US) as the stated total assets of DEMBA. One can only speculate as to the reasons for the extra $3.5 million. On the one hand, it may have been that the real value of DEMBA was purposely under valued to evade income tax. On the other, it may have represented the concession paid by the government to ALCAN for its final approval of the nationalization. Unilateral action by the Government would not sit well with "international public opinion", especially American, on whose good favors the government became increasingly dependent. Secondly, what or who is ultimately held responsible for payment is very conspicuous by its absence from any official publication. On this basis it is not idle conjecture to suggest that ALCAN refused to
accept the Government proposal for payment out of the profits of the nationalized enterprise. It can be said, with reasonable accuracy, that ALCAN foresaw difficulties by the government, in addition to the pressures that ALCAN would try to apply if the government attempted to radically reorganize the nationalized enterprise (Guyana Bauxite Company - GUYBAU). The only other alternative for payment, of course, is from general government revenues. Though this may not seem a crucial issue on first sight, in a world of increasing inflation and mounting deficit spending it becomes particularly important for ALCAN. The case of Haiti earlier this century is particularly instructive on this point. The National City Bank of New York after "buying up" an outstanding French loan to the Haitian Government "revised the constitution and ran Haiti in its own interest". It is doubtful that ALCAN has any such grand schemes in mind, but it would not be stretching the truth to suggest that such thinking is the logical outcome of the refusal to accept payment from the profits of GUYBAU. In other words, the entire economy is held ransom for GUYBAU's debts.

ALCAN's envisioned fear, however, of a radical reorganization of GUYBAU were ill founded. The government's immediate concerns were: (1) management, (2) markets and (3) working capital. On all three issues it was demonstrated
that, as Galtung noted with oil and the OPEC nations, it
was simply a change in bargaining strategy, not a change in
international structure, though in the case of Guyana it
represented a further step. Besides the appointment of the
Board of Directors, which in any case were political
appointees, the government retained the full complement of
the "senior management structure" of DEMBA. With the exception
of the Finance Controller and Administrative Co-ordinator the
other appointments were DEMBA employees.

"Mr. Thomas M. Templeton, Scottish born
Mining Engineer and at present General
Superintendent of Mines at DEMBA, for
the over-all Co-ordination in the Mining,
Bauxite and Alumina divisions. The new
Company's (GUYBAU) Finance Controller
will be Mr. A.A. Krishnan who had been
recruited on secondment from the Govern-
ment of India ... Appointed as Services
Co-ordinator to the new company is Mr.
Claude A. Saul, Electrical Superintend-
ent at the Demerara Bauxite Company
DEMBA) Mr. Malcolm M. Johnson until
recently the General Manager of the
Greater Mackenzie Development Thrust
will take over as Administrative Co-
ordinator.

Heading the company's six divisions will
be Mr. James Blackman, presently Super-
intendent General Engineering Department
to be General Superintendent - Services;
Mr. Campbell McKillop Howie, General
Superintendent designate Bauxite Plant and
presently Mines Technical Superintendent
with DEMBA; Mr. Clarence E. London, at
the moment acting Chief Engineer at DEMBA,
to be Superintendent-Alumina Plant; Mr.
Victor Smith to be Superintendent -
Engineering and presenting Superintendent
The obvious result of such appointments was the continuation of the organizational structure of DEMBA with the same projection of output quotas and market demands. In addition worker-management relationship was assured maintenance of its traditional form. One does not have to look too hard to find the reason for such a policy. Since the government's fortunes became more or less dependent on the success of GUYBAU, labor stabilization was a necessary corollary.

The silt laden Demerara River creates a perpetual sand bar across the mouth of the river, which makes it impossible for ocean going vessels to enter. To tranship Guyana's bauxite to American and Canadian smelters, therefore, ALCAN very early on in its operations had to construct an entrepot port in Trinidad, Chaguaramas Terminals Limited, as a storing depot where the bauxite could be loaded onto ocean going vessels. After the nationalization of DEMBA, however, ALCAN maintained control of the port thus forcing GUYBAU to depend on ALCAN's facilities for the marketing of its bauxite.
Indeed, ALCAN attempted to deny the use of the facilities of Chaguaramas Terminals Limited to the nationalized enterprise. The Government of Trinidad and Tobago had to intervene to assure the Government of Guyana that the port facilities would be made available to GUYBAU for the transshipment of its bauxite.

GUYBAU, however, had no such luck in its search for markets. While it is true that ALCAN obtained 9 percent of its alumina grade ore from GUYBAU in 1971, with a further promise to purchase 50 percent of the metal-grade ore produced by GUYBAU, the contract was only for the period 1971-1972, because of ALCAN's previous commitments to its customers. The Government, however, was making much political yardage out of the fact that it had found new markets for GUYBAU's bauxite in Eastern Europe and Asia, specifically Yugoslavia, Japan and the People's Republic of China. The sale of calcined ore to Japan and Yugoslavia are not, however, new markets but traditional customers of DEMBA retained by the Government. One does not have to look very far to see the obvious political overtones which such agreements contain. In addition it is doubtful whether the Government would have encountered any difficulties in obtaining markets for calcined ore, since it has a virtual monopoly on the "free world" of that particular grade of bauxite ore.

It soon became apparent, however, that it needed
much more than political gamesmanship to sell bauxite. The government it seems, either as a result of ALCAN's denial of traditional outlets, or of its own failure, was finding it difficult to market all of Guyana's bauxite. As a result, it took what many consider a retrograde step, by retaining the services of an American marketing firm.

"By the appointment of Philipp Bros., the US subsidiary of the giant South African octopus, the Anglo-American Corporation, as the sales agent of the nationalized Guyana Bauxite Company (GUYBAU), the PNC regime placed Guyana's Bauxite firmly under US control. At the same time it exposes its posturings as a critic of apartheid and a supporter of the African liberation movement". 80

The problem of capital financing was solved even before the government took effective control of DEMBA. Through negotiations the Government was able to convince Chase Manhattan Bank that GUYBAU would not radically depart from its traditional structure to render it a financial liability.

"Mr. Hoyte (Minister of Finance) explained that in the circumstances of the takeover the present owners of DEMBA would be unwilling to continue placing orders for inputs for which they would be liable when operations at Linden (formerly Mackenzie-Wismar-Christianburg) were no longer theirs. It is vitally necessary that orders continued to be placed so that smooth operations should continue at Linden.

As a result, an arrangement has been made with ALCAN to continue ordering
the required inputs with the government giving the assurance that ALCAN would be reimbursed through $4.4 million (US) credit through the Chase Manhattan Bank.

A few months later the Government was able to sign an agreement with the World Bank for an additional $10 million (Guyana) loan, which the Americans had previously refused. That it was not just a matter of applying pressure on the Americans through international public opinion was demonstrated by the fact that the United States readily approved a renewal of Guyana's sugar quota.

In addition to these developments, which had the effect of reassuring North American interests of the continuation of GUYBAU within the traditional framework established by DEMBA, ministers of the government were quick to dispel any notion of Guyana as an investment risk. The Minister of Mines, Hubert Jack, for example is reported to have told New York Times (31 November 1972) Correspondent Richard Severo that "Our position was always one of participation not nationalization". On another occasion the Minister of State and Foreign Affairs, Shridath Ramphal, was reported as saying:

"We have got to disabuse the investors mind about ALCAN. Enlightened businessmen should be more happy than fearful at what we are doing ... What we want are relationships on agreed partnership. This is what provides security for the investor."
Even the Prime Minister, as early as April 1971 when negotiations for the final take over of DEMBA were still in progress, voiced in characteristic style, the government's guarantee of foreign investments.

"We appreciate that our would-be partners, will want, in fact in the world in which we live, will be entitled to fair returns on profits on their investment in capital equipment skills and technology.

These we are prepared to guarantee and ensure. But we shall not have another DEMBA with all that entails and connotes in terms of economic extra-territoriality." 85

No doubt Mr. Burnham means what he said about not having another DEMBA. But is it enough to begin the process of an independent development? Even the Government owned GUYBAU at this stage has shown that it is not likely to proceed in that direction. As a matter of fact, taking ALCAN's statistics at face value, we see that 36 percent of all DEMBA's expenditures were in the crucial areas of Supplies and Services. 86 We know, however, that even this amount is a gross underestimation since large quantities of machinery and building material had been imported duty free and tax free. It would not be idle conjecture, therefore, to assume that this figure for GUYBAU would necessarily increase, commensurate with its status as independent entity. We also know that very little of this is spent in the local economy and because of the high technological content that characterizes the industry most of
this is spent for a borrowed technology. To what extent this will be held over the government's head is, of course, not known. What is known, however, is the fact that because of the monopoly of technology, countries of the third world are being made to pay increasingly exorbitant prices for such technology.

"These payments are growing steadily at a rate which is estimated by UNCTAD Secretariat at about 20 percent per annum on the average and are absorbing an increasing proportion of the export earnings of developing countries".

Of course, the retention of DEMBA's "senior management structure" by the nationalized enterprise insures the continued reliance on Canadian indeed ALCAN's technology for the mining of Guyana's bauxite. This necessarily, further exacerbates the dependency of GUYBAU and through it, the rest of the economy on the North American market.

2. op. cit., p. 498-499.


5. op. cit., p. 97.


14. op. cit.


16. Girvan, op. cit. p. 44.

17. Davis, A.V. Evidence Given Before the District Court of the United States for the Southern District of New York. The United States of America vs. The Aluminum Company of America, 1939, quoted in Girvan op. cit. p. 44.

18. Uihlein, J. Quoted in Girvan, op. cit. p. 44.

19. op. cit. p. 45.


"While the agreement relates to the establishment of an alumina plant and a smelter, there is no provision for pricing the alumina and aluminum to be produced, although by the late 1960's these products were contributing far more to total export value than metal-grade Bauxite. Also there was no provisions for checking on the values used for exports of calcined and chemical-grade bauxite." This, the Brokopondo agreement, was claimed to be the most advanced company-country agreement yet devised (sic!). In the same article, in a footnote the author relates; "It was also suggested to me in these conversations that the company had been undervaluing alumina and aluminum exports as a result of the freedom allowed them". op. cit. p. 409.


38. Girvan, N. The Caribbean Bauxite Industry, op. cit. p. 6. "The bulk of Caribbean Bauxite is transferred from one branch to another of the same company and the producers cannot be taxed in the normal way by deducting cost from actual revenue. Naively Caribbean governments at first simply accepted the corporations valuations with the result that while the average price of US aluminum rose by 20 per cent between 1939 and 1956, the value of domestic bauxite by 80 percent the price set on imports from the Caribbean hardly changed. op. cit. p. 6. See also Reno, P. The Ordeal of British Guiana, op. cit. "From 1938 to 1959, the general US price level rose nearly one and one half times. During these years, the price of bauxite produced in the United States doubled (from $5.36 to $11.17)- R.T.). Yet the price of bauxite imported from Surinam and British Guiana was almost the same in 1959 as it had been in 1938. But the fact that the companies were holding the price of imported bauxite at a deal level did not prevent them from raising the price of Aluminum, which went up 78 percent between 1948 and 1959". op. cit. p. 100.


44. Quoted in David, W. op. cit., p. 215.
45. op. cit., p. 216.
47. Grant, C.H., Company Towns in the Caribbean, op. cit. p. 48.
48. Girvan, N., op. cit., p. 3.
49. op. cit., p. 7.
50. op. cit., p. 11.
52. Girvan, N. op. cit., p. 11.
56. op. cit. p. 98.
60. Sukdeo, P. op. cit., p. 18.
61. op. cit., p. 27.

64. Sukdeo, F., op. cit., p. 8.


71. Girvan, N., op. cit., p. 46.


73. Girvan, N., op. cit., p. 45.


CONCLUSION

This thesis attempted to outline the changing relationship between the advanced capitalist countries and the underdeveloped countries of the third world. As I tried to point out, the relationship is far from assuming any precise configuration, because of the complex network of ties that exist between and among the developed and the underdeveloped countries. Given the nature of the underdeveloped economy, subject to sudden changes and political upheavals, the intervening mediator between the underdeveloped economy and its metropole must employ a series of strategies, if it is to be successful in producing the desired results. In a highly competitive situation such as this, success demands flexibility. As a result, imperialism has assumed different forms in different periods of history, either as a result of the changing demands of capitalist development or by the people of the underdeveloped economy who attempted to break the vicious circle of poverty into which they were trapped. Thus, it would be difficult to speak of imperialism as an unchanging conceptual historical category, and at the same time, be able to maintain any semblance of historical or theoretical validity. Rather, it is more appropriate to speak of the changing character of imperialism as it emerges from the changes in the power constellations of a capitalist centre and its periphery. Further, it is not simply a question of
"economic parasitism" or "unequal exchange", though both may have some economic validity in particular instances, but rather the case that the entire gamut of relationships of a capitalist centre and its periphery must be brought under the scrupulous eyes of the analyst. It is only such an approach that can lead to the understanding of imperialism in all its political and economic ramifications.

As we tried to point out in the second chapter, the political forces of nationalism has brought a lot to bear, especially over the last decade, on the relationship between the advanced capitalist countries and their periphery. As a result, the advanced capitalist countries have relinquished control of key sectors of the underdeveloped economy to local participation and control. Such changes by themselves, however, do not put an end to the dependent-underdevelopment to which the local economy has been subjected. As a matter of fact, the dependency is further exacerbated by the fact that the advanced capitalist countries withdraw to such safe areas of manipulation as technology, patent rights, energy, etc. The nationalism seeks only to replace the imperial bourgeoisie with its own local national and comprador counterparts; without attempting in any systematic manner to break the circle of poverty into which the underdeveloped economy is drawn. The shift in investment patterns, nevertheless, signifies an important change in the structural relationship
between the advanced capitalist countries and the underdeveloped countries of the third world. The rising tide of nationalism and national liberation movements have been fair warning that (1) "the advanced capitalist countries must widen their margin of autonomy, both economically and politically"; and (2) the local bourgeoisie must be given greater freedom to maneuver the choices available to the underdeveloped economy. What it all means is that (1) the reproduction of the capitalist process on an "increasingly progressive scale" has resulted in the further deepening and therefore strengthening of the process of capitalist development; and (2) the incorporation of junior partners, albeit dependent ones, into the global network of imperialism. Thus, the process of imperialism is not simply the result of the Machiavellian politics of the advanced capitalist countries, but must also cope with the changing demands of nationalism, as is exemplified by the OPEC countries.

Last, but by no means the least, MNCs, as the strongest and sometimes the only tentacles of monopoly capitalism, have been the foremost intervening mediator between the advanced capitalist countries and the underdeveloped countries of the third world. From their vantage point of Europe and North America and their global surveillance of corporate activities, MNCs have, from the very early development of capitalism, been able to capture and control the key
sectors of the underdeveloped economy. As we attempted to show, in the case of the bauxite industry of Guyana, this was by no means a premonition on the part of MNCs, nor an inherent propensity to conspire, but was the logical outcome of corporate strategy for vertical integration of all facets of the process of production. The result has been that today a mere handful of MNCs account for the bulk of resource extraction and development in the underdeveloped countries. Because of the lack of investment capital in these areas, MNCs took undue advantage of their predominant position by demanding and receiving large economic concessions, that resulted in the free repatriation of profits and other economic benefits through a host of manipulative practices. The obvious result is that the underdeveloped economy is subjected to a stunted growth. The anger of nationalism and national liberation movements have been aimed at precisely such practices; the ubiquitous violence directed at MNCs was the logical outcome. Even "respectable" governments have gotten into the act, criticizing the role of MNCs and attempting in various ways to police, restrict and generally control their activities. Canada, for example, as early as 1968, came up with the "Watkins Report" (Task Force on the Structure of Canadian Industry, Foreign Ownership and the Structure of Canadian Industry), and in 1973-74 went so far as to enact a bill, Foreign Investment Review Act, to restrict
the activities of MNCs. Even a mild mannered organization such as the Social and Economic Council of the United Nations, has produced several lengthy reports, *Multi-national Corporations in World Development*, criticizing the role of MNCs. The Social and Economic Council went as far as setting up a special Commission to survey and report on the activities of MNCs. The result of all this adverse publicity has been that MNCs have been willing and, recently, even advocating the participation of local governments in their activities. This does not, however, as we try to argue earlier, mean the beginning of an independent development for the underdeveloped economy, but simply that MNCs can retreat to such safe areas of manipulation as patent rights, technology, energy, etc., which further exacerbates the dependency of the underdeveloped economy.
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