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The socio-political implications of bauxite mining in Guinea: A commodity chain perspective

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ABSTRACT

For more than 60 years, the everyday lives of Guineans have been shaped by the decisions of a few multinational companies engaged in aluminum production. This sector – the country's most important – is highly concentrated, vertically integrated, capital-intensive and strongly interconnected. Focusing on two historical "crises of chain governance" (the 1970s and 2000s) which temporarily increased the political clout of many resource rich countries, this article identifies the policy options facing Guinea's decision makers and describes the structural basis for corporate influence, namely infrastructural power, capital relations and corporate chains of command. To improve living conditions in Guinea, changes will be needed to be made throughout the commodity chain for aluminum, solutions which also involve consumer countries.

1. Introduction

This article critically examines the political and social consequences of industrial mining in Guinea (Conakry). The findings reported here were gathered from the library of the *Institut pour l'Histoire de l'Aluminium* in Paris, which holds the company archive of the former French aluminum giant, Pechiney (now Rio Tinto), as well as during visits to Guinea in 2012 and 2014.

This paper is structured as follows. First, it compares the current scramble for resources and the connected rising "self-confidence" of raw material producers with similar developments in the 1960s and 1970s. During both periods, the global consumer goods industry and generally consumer countries faced – and reacted to – "crises of chain governance" or raw material shortages induced by changes in and distortions to their supply chains. This secular change in power relations between raw material providers and consumers has been described by the dependency theorist Arrighi (2002). The term "chain governance" is derived from a body of research on global commodity chains (GCCs) (see e.g. Gereffi, 1997; Bair, 2010). These two related schools constitute the theoretical basis of this article.

Both crises of chain governance could be regarded as windows of opportunity for Guinean politics to sustainably increase scope for action, for example, by increasing its royalties or pressuring the multinationals to develop an integrated aluminum industry in Guinea. The failure of successive Guinean governments to do so will be highlighted by sketching the structural basis of corporate influence, namely infrastructural power,[1] capital relations[2] and corporate chains of command.[3]

In the conclusion, options for facilitating change will be discussed. The current foci on fighting corruption and corporate social responsibility (CSR) are discussed, and alternative interventions presented, from the perspective of industrialized countries. Rather than increasing the policy scope of the aluminum majors, the most effective measures to sustainably improve living conditions for the Guinean population are those which aim to limit these companies' power. A wide range of instruments are available for this undertaking.

2. A new chain governance crisis

In the 2000s, an unprecedented boom in raw material production, surpassing even that which occurred in the 1970s

[1] Infrastructural power can be derived from control over the built environment such as roads, power lines and water pipelines, as well as from de-territorialized infrastructure such as "currencies, systems of measure, trading networks, educational provision [and] welfare services" (Agnew, 2005, 443). Agnew (2005) borrowed the concept from Mann (1984, 188).

[2] See the section Mining towns, CSR and local capital relations below.

[3] The latter terms was popularized by Henry Fayol, a director of a French iron mining enterprise during the turn of the last century. In his work of reference, he defines the scalar chain or chain of command as the "the chain of superiors ranging from the ultimate authority to the lowest rank" (Fayol, 1929).

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(cf. Hönke, 2009, 278; Husband et al., 2009, 51), occurred. It brought with it considerable room for maneuverability on the part of the elites in capital poor *and* resource rich countries. Around the world, the political leaders of these countries reviewed their mining contracts, formed alliances, threatened to nationalize assets (and then mostly entered private-led joint ventures) and – in some cases – invested revenues sustainably in education and social services (see e.g. Lee et al., 2012; Rojas-Kienzle, 2012). However, with the sub-prime and the following debt crisis, raw material prices have fallen considerably and have yet to recover. Fifty years ago, a wave of independences of former colonies and reconstruction in Europe sparked a similar resource boom that was highly amplified by most OPEC countries' reaction to the Yom-Kippur-War. The atmosphere of change at the turn of the millennium was similarly a consequence of high economic growth in connection with particular political decisions that can be regarded as both reactions to and triggers of the crises: most recently, it has been China's economic growth in connection with Beijing's decision to restrict its exports of raw materials that has caused a new wave of "resource nationalism" (for the last ruling of the WTO, see WTO, 2013). China's central place in the resource boom of the 2000s is evidenced by its share of global primary aluminum production: in 2000, this figure amounted to a little more than one tenth, but by 2005 was one quarter, and today, it accounts for almost half of the world's primary aluminum (USGS: Various issues).

Together with other countries, China has ignited what is often called a "war game" (République française, 2008, 293), a "second cold war" (Grillo, 2007) or in Africanist terms "a new scramble for Africa".[4] By applying the terminology of global commodity chain theory (Gereffi, 1997, 113), one could call this event a "crisis of chain governance". Applied to the raw materials sector, such a crisis could be defined as a situation in which actors from resource-rich and capital-poor countries succeed in (temporarily) improving their bargaining power vis-à-vis actors from consumer countries. This normally results in significant changes in the governance of commodity chains (e.g. shifts in state participation, resource rents and trade regimes). The most important indicators of such crises were the steep rises in raw material prices in both the 1970s and 2000s. However, the gist of the matter lies in the cyclical nature of power relations and the political constellations behind prices. In the aluminum sector, the first price peak accompanied the formation of the International Bauxite Association in 1974, following the path of OPEC, with its nationalizations and the formation of joint ventures. The response from aluminum companies and aluminum-consuming countries was to reduce risk, predominantly by redeploying production to OECD member states. Similar "mutinies" took place across the raw materials sector, prompting the European Commission to call on mining companies to halt investment in high-risk regions, in the fear of losing geopolitical ground.

The mining companies responded with a list of demands concerning the protection of foreign investment which, as Ravenhill (1985) explains, was promptly incorporated into the agreement of Lomé III. In the 2000s, the decision of the Chinese Government to restrict its exports of raw materials similarly prompted the European Union to develop a Raw Materials Initiative and to considerably militarize its discourse on raw materials (see e.g. Custers and Matthysen, 2009; European Commission, 2010), again in close cooperation with the European – and in particular, the German – industrial lobby (see e.g. Custers and Matthysen, 2009). During the same time, the US boosted its military spending Africa (Abramovici and Stoker, 2004, 685) and started a trade offensive similar to the European Partnership Agreements (Department of Commerce of the USA, 2013; cf. Melber, 2009, 63–68). As the term "Scramble for Africa" already signifies, this sable-rattling also led to a comeback of theories on imperialism and neocolonialism (see Southall, 2009). However, these terms do not seem to apply to the case of Guinea: behind the public-private black box of industrial networks are no hegemonic interests comparable to those of the old colonial powers. After World War II, the French Government had concrete plans to erect a fully integrated aviation industry in Guinea (see Pré, 1951). By contrast, the current "rulers" cannot even seem to manage to coordinate the construction of a railroad line between the various new mining projects and the coast, the so-called *Transguinean.*[5]

Since 2004, virtually all of the heavyweights in the global mining sector have lined up for exploration and mining permits in Guinea.[6] Like most other resource-rich and capital-poor countries, Guinea thereupon reviewed all existing mining contracts, announced the formation of a national mining company and developed a new mining code that demanded far higher royalties than before (cf. Campbell, 2009a, 1f). Mining projects must now hand over 15 per cent of their stakes to the Guinean state, with an option for the state to increase its stake up to 35 per cent through acquiring additional shares. Royalties were increased and custom duties almost doubled. According to Rusal, Guinea's royalties on bauxite were to rise from US$1–3 per ton to more than US$14 per ton. Based on Rusal's numbers, more than one-third of the profit from each ton would have gone to the Guinean Government (Garvey, 2011). The initiative for this largely came from the concerned population itself. The review of the mining contracts had already started under the IMF-friendly government of Lansana Conté following a general strike in Spring 2007 (see Campbell, 2009b, 66).

Probably the most important change in the Guinean mode of regulation in recent years has been the introduction of the Extractive Industries Transparency Initiative (EITI) by presidential degree in 2012, which made the disclosure of payments from mining companies to the government mandatory (EITI, 2013b). The EITI was founded in 2003 and could also be regarded as a response to the last crisis in supply chain governance. It aims to strengthen "accountability, good governance, as well as promoting greater economic and political security", and presents itself as a win-win solution for both "implementing countries" and "companies and investors" (EITI, 2013b). In Guinea, as in many other institutionally weak countries, it is implemented with the help of the "Revenue Watch Institute", a "non-profit policy institute and grantmaking organization" initially founded "through the generous support of the Bill and Melinda Gates Foundation, the William and Flora Hewlett Foundation, and the Open Society Institute, along with several other donors" (Revenue Watch Institute, 2013). The Open Society Institute is a grantmaking operation founded by George Soros, while the William and Floar Hewlett Foundation derives its name from the cofounder of Hewlett-Packard.

[4] See Southall and Melber (2009), Carmody (2011), Abramovici and Stoker (2004), Arnold (2009), GRAIN (2007), and Klare (2012). All of these publications use the term in their titles. Similar titles can also be found in literature published in the 1970s: see Nyerere (1975) and Tarabrin (1974).

[5] In February 2012, a spokesperson for the GIZ in Guinea stated that Rio Tinto was contemplating transporting iron ore from the high plains of Beyla to a harbor near Conakry by truck, over a distance of 700 to 750 km, despite the fact that various other mining projects in the area could easily be linked to a shared railway. In an *Accord Transactionnel* in April 2011, Rio Tinto had bought the mining title Beyla for US$700 million, almost a second Guinean budget, pledging to seek a logistical solution. A few months later, it sold half of its stake to state-owned Aluminum Corp. of China Ltd. According to recent information, the project will start at the earliest in 2018, three years later than planned (see Yun and Behrmann, 2013). Similar problems, albeit on a considerably smaller scale, arose with a project of the Australian company Alliance Mining Commodities in the Boké region (see Diallo, 2013).

[6] All of the five largest mining multinationals (BHP-Billiton, Rio Tinto, Vale, Glencore, Anglo American) have had stakes in Guinea since the turn of the century.