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THE POLITICAL ECONOMY THAT AFFECTED THE USE OF NATURAL RESOURCES

A Comparative Study of Mining in Suriname with Reference to Guyana, Jamaica, Indonesia and Botswana

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by

Cedric Nelom
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PREFACE

Suriname is undoubtedly rich in potentially exploitable natural resources, which are playing an eminent role in the development of the country and its people. At the centre of the exploitation of natural resources are the mining of bauxite, gold and crude oil. Nevertheless, if compared to countries such as Norway and Botswana, one can conclude that the management of our natural resources can be improved to sustain development of Suriname and its people.

Several questions have motivated this study, but the one that stood out was whether and how the political environment, namely policies and decisions, and the institutions established by subsequent governments to manage the natural resources contributed to the overall development of Suriname. In this case, the focus was on bauxite mining that commenced since the early 1900s until present.

It is believed that the findings of this study can lead to improvements in the policy and decision making processes for the management of natural resources in Suriname.

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1 Introduction

1.1 Short Overview of the History of Bauxite Mining in Suriname

As is the case in many developing countries endowed with a wealth of natural resources, large scale mining, specifically bauxite mining has been an important economic activity in Suriname since the beginning of 20th century. Bauxite mining has not only changed Suriname from a plantation economy into a mineral economy, but it has also influenced the development of the country and its people enormously. Since around 1900 until 1940, the dual impact of the American influence in bauxite mining and the *laissez faire* policy of the Netherlands towards its colony have been substantial. Both these factors laid the foundation for transforming Suriname into both a periphery of the American aluminum industry and into a mineral economy (Lamur, 1985:85 – 110). In the abovementioned period of time, the local colonial government with limited support from the motherland, established policies focusing mainly on employment and tax revenues in order to support the struggling national economy. Through legislation initiated in 1919, the colonial government tried to get a grip on the determination of the Americans to build a bauxite stronghold in Suriname around the period of World War I (Lamur, 1985:3 & 84). After World War II, and also as a consequence of the emergence of Self-Government in the colony, the local government wanted greater involvement and benefits from the exploitation of bauxite (Chin and Buddingh', 1987:119 – 120 and Stichting Planbureau Suriname, 1965:167 – 169). Therefore, policies were set to have more distributional implications into the local economy. The signing of the Brokopondo Agreement in 1958 between the Government of Suriname and ALCOA would mark the beginning of a concept that the mining of bauxite should spearhead development in Suriname. The most significant outcome of this Agreement was the construction of a hydropower plant in the Surinameriver, which resulted in the displacement of local communities and the loss of land as well as biodiversity and other natural resources. From 1970 until 1990 the need for direct State involvement was required in the exploitation of bauxite, monitoring of bauxite mining and in the international setting of the bauxite industry (Aluminium-Comité, 1970:57 – 58). In this regard, the establishment of the State Mining Company, N.V. Grassalco, the Bauxite Institute Suriname and the International Bauxite Association can be mentioned. During the period of 1990 until the present both in the local and international context more emphasis has been placed on the relation between mining and sustainability, thereby focusing on economical, social and environmental dimensions. Worth

mentioning during this period is the signing of the Bauxite Agreement of 1993¹, which would lay down the basis for investments by both Suralco and Billiton Company Suriname (Lie A Kwie and Esajas, 1996:208 – 209). Starting around the end of the 1990s renewed interest would be shown for the bauxite deposits in the Bakhuis Mountains in the western part of Suriname. This first resulted in 2000 in a Memorandum of Understanding for a feasibility study between the Government of Suriname and Pechiney, a French mining company (Rusland, 2006). Based on a Memorandum of Understanding in 2003 signed between the Government of Suriname and BHP-Billiton, negotiations for the exploitation of the deposits in the Bakhuis Mountains were concluded without the signing of a final agreement. Subsequently, BHP-Billiton announced the termination of their activities in 2010 in Suriname. Currently, Suralco is the only active bauxite mining company in Suriname.

1.2 Objectives of Thesis Research

Given this history, among others, politicians, scholars, government officials and economists, have for decades recognized that mining, namely bauxite mining, is the “life-line” of the economy in Suriname. Bauxite mining not only changed the Surinamese society from a plantation economy into a mineral economy, but mining also impacted profoundly the developmental trajectory that the country followed. When analyzing the processes, one can conclude that the regulation of the bauxite mining sector went through three eras each with its own characteristics and corresponding to the nature of the Suriname state as a whole, namely: 1) the colonial era, which was 1900 – 1950; 2) the era of self-government from 1954 – 1974; and 3) the era of Independence from 1975 – 2010. Aside from the regulation of the bauxite mining sector, these periods are distinctive of each other by the governing and legislative systems, the type of the policy actors, and both local and international socio-economic circumstances. Although they are distinct on the aforementioned elements, this research will discuss these three periods that have become interdependent based on the overlapping nature of policy measures taken in successive periods. For example, the Bauxite Ordinances of 1919 was amended on one

¹ During the 1980s and early 1990s, business between the bauxite mining companies and the Government of Suriname was based on an official exchange rate of US\$ 1 for Sf 1,80 (Sf = Surinamese guilders). Investments in new mines were urgently needed during the early 1990s, because the existing supply was depleting. The Bauxite Agreement of 1993 subdued the differences between the parallel market exchange rate and the official exchange rate and made it possible for the companies to invest in exploitation of bauxite in new mines (Lie A Kwie and Esajas, 1996:207 – 209).

issue, as stated in by Resolution of 9th May 1953 No. 1130 (*G.B. 1953 No. 57*), namely that only Dutch citizens or companies, residents of and firms residing in the Netherlands, Dutch-India (now Indonesia), Suriname or Curaçao could hold permits for bauxite reconnaissance/research activities. Then again, with the approval of the Mining Decree 1986 (*S.B. 1986 No.28*) four previous laws and their related regulations would be annulled, namely the Mineral Law of 1952 (*G.B. 1952 No. 28*), the Law of 1st December 1894 concerning the exploitation of mineral resources in navigable creeks and streams (*G.B. 1952 No. 29*), the Law of 23rd December 1952 (*G.B. 1952 No. 120*) concerning the research for the Government on the presence of minerals on land, for which permits for either research or concessions for the exploitation was issued, and article 11 clause 3 of the Agrarian Law (*G.B. 1950 No. 87*) that regulates the issuance of public land. Another example is the Brokopondo Agreement, which was signed in 1958 and still has implications to date. What these examples show is that policy measures taken would to be amended on some issues or at some point be replaced by other legislation or remain as it is in successive periods. The distinctions and the link between the three periods will be discussed further below.

It is within this context that the political economy of natural resources has been determinant in the development of Suriname. “Political economy understands the economic process as socially and politically driven. It examines the way in which power and authority are derived, transmitted, and channeled through economic processes. A political economic perspective explores the way in which multiple and often conflicting interests are activated and impacted differentially by economic transactions. Such a perspective attempts to “situate” an exploration of policy in a dynamic context of evolving material and ideological interests” (Hessing, et.al, 2005:25).

The overall research objective is to analyze factors that influenced policy making in and related outcomes for the mining sector as this sector spearheaded development in Suriname with reference to cases in Guyana, Jamaica, Indonesia and Botswana. This thesis research will focus on a set of factors that is perceived crucial to the outcome of mineral policy making in developing countries such as:

- the top-down versus bottom-up approach to policy development;

- the role of a colonial power in setting up the initial conditions under which policy and industrial development have occurred;
- the endogenous processes and institutions, such as local political parties and mechanisms for community involvement, which contribute to the policy and decision-making process; and
- the local elements or factors that determine State involvement in natural resource management.

By studying these set of factors, the thesis research shows that their extent of presence in developing countries influence the political economy of natural resources. For better policies to emerge, the cases studied in this research show that these set of factors should not be neglected by political economic studies. In order to complement the abovementioned focus of the thesis research and to analysis the case of Suriname against developments elsewhere in the world, four countries, namely Guyana, Jamaica, Indonesia and Botswana, have been selected as comparative cases. These comparative cases have been selected based on several criteria or issues that they have in common. Firstly, World Bank (2001) stated that “the relevance of mining² for the exports between 1990 and 1999 in Suriname, Guyana, Jamaica, Indonesia and Botswana were respectively 48.3, 35, 51.3, 6 and 70 percent, and therefore indicating the importance of mining to the respective economies” (p17). “The mining sectors in these countries were or are home to several multinational companies, for example ALCOA and Billiton in Suriname, Reynolds Metals Company and ALCAN Aluminum Limited both in Guyana and in Jamaica, Billiton and Newmont Mining Corporation in Indonesia, and De Beers and Anglo American Corporation in Botswana” (Lamur, 1987:1, Girvan, 1971:20, Roberts, 1971:41, UNCTC, 1981:32, ICSG, 2002:9, and Jefferis, 2009:64 – 65). The second criterion is that these five countries are all classified developing countries. A list of 152 developing countries from 2008 produced by the World Bank includes Suriname, Guyana, Jamaica, Indonesia and Botswana. Thirdly, all five countries were former colonies. Suriname and Indonesia were colonies of the Netherlands, Guyana, Jamaica and Botswana have been colonized by England. As will be discussed below for each cases, “the colonial powers would have control over the policy and decision-making

² For World Bank (2002) “the definition of mining includes metals and minerals, but not oil and gas. Mining operations are both open-pit and underground as well as large scale operations and small scale and artisanal miners” (p1).

processes prior to the independence of the five countries” (Lamur, 1985:2 – 7, Smith, 1962:163, Palmer, 1968:19 & Robinson and Parsons, 2006:116). After the independence of Suriname, Guyana, Jamaica, Indonesia and Botswana, an increased involvement of local politicians and the establishment of local institutions for the management of natural resources took place (Dew, 1996: p50 – 71, Girvan, 1971:85 – 86, Powell and Lewis, 2009:171, Temple, 2001:4 and Maipose, 2008:5). Table 1 shows in schematic format the selection criteria for the cases.

Although the focus of the thesis research remains the ultimate objective, emphasis will be given to:

- 1) their approach to develop natural resources and the related outcomes; and
- 2) the constraints and opportunities that surfaced as mining began to spearhead development;

By making use of these comparative cases, the thesis research also aims to seek explanations for similarities and differences or gain awareness and a deeper understanding of political economy of natural resources in different national context.

Table 1 Selection Criteria for Comparative Cases

Similarities	Suriname	Guyana	Jamaica	Indonesia	Botswana
Developing Country	x	x	x	x	x
Former Colony	x	x	x	x	x
Pre-independence Colonial Governance					
• Policy & Decision-making	x	x	x	x	x
Post-WW II Independence	x	x	x	x	x
Natural Resources Significant for Economy	x	x	x	x	x
• Mining	x	x	x	x	x
• Export Product	x	x	x	x	x
• Multinational Companies Involvement	x	x	x	x	x
Post-independence Local Governance					
• Local Involvement in Policy & Decision-making	x	x	x	x	x
• Local Political Parties replaced Colonial Power	x	x	x	x	x
• Local Institutions for Natural Resource Management	x	x	x	x	x

1.2.1 Elements of Difference Between the Comparative Cases

The elements of difference between the five comparative cases relevant for this research thesis are factors assumed to explain the differences that may be established between or need to be considered when comparing the five case studies. With the focus of this thesis research being a set of factors that is crucial to the outcome of mineral policy and decision-making in developing

countries, two elements of difference are considered to be of importance. These two elements are: (1) the date of independence for, and (2) the political party systems in the five countries.

Indonesia with its independence on August 17th, 1945, was the first of the five countries to be in the position to have full control over their policy and decision-making processes. On the other hand, “the colonial powers would still have control over the policy and decision-making processes in the other countries. This, although prior to their independence some autonomy or limited self-government was given to Suriname in 1948, Guyana in 1953, Jamaica in 1944 and Botswana in 1965” (Meel, 1999:32 – 33, Smith, 1962:163, Palmer, 1968:19 & Robinson and Parsons, 2006:116).

With regards to the political party systems in the five countries, it can be concluded that the development of these systems differ in many ways. As stated by Dew (1996) and Sedney (2010), during the 1940s several political parties would emerge in Suriname that would eventually result until to date in both coalition governments and a multiparty system” (p50 – 71 & p154 – 170). As for Guyana, “several political parties have been formed but the People’s Progressive Party (PPP) and the Peoples National Congress (PNC) with both their roots in Marxism have been at the centre of politics with the one succeeding the other” (Girvan, 1971:85 – 86). In the case of Jamaica, “since the introduction of universal adult suffrage in 1944 the People’s National Party (PNP) and the Jamaica Labour Party (JLP) have dominated politics and have been succeeding each other since then in governing the country” (Powell and Lewis, 2009:171). For Indonesia, “after its independence the country would be for longer periods in the hands of two leaders. Between 1945 and 1965 Sukarno would implement the so called ‘guided democracy and from 1966 until 1998 the so called ‘New Order’ government under General Suharto was in power” (Temple, 2001:4 and Bhakti, 2004:196 – 201). Finally, “Botswana has adopted a multiparty democratic system but the Botswana Democratic Party (BDP) has been the ruling party since the country independence in 1966” (Maipose, 2008:5 & Manatha and Maharjan, 2010:129).

Since this thesis research is concerned with the overall policy and decision-making processes established by both the colonial powers and the local political parties after independence, it is not expected that these two elements of difference will cause significant imbalance to the findings.

1.3 Why the Period 1900 – 2010?

As stated by de Munnick (1946), “a report written by geologist Dubois in 1900 indicated that bauxite was present in Suriname, around 1910 the demand for bauxite was strongly increasing and when World War I started in 1914 all import from Europe ceased. The in 1907 established Aluminum Company of America (ALCOA) was therefore required to look for bauxite closer to home” (p88 – 89). So when ALCOA showed interest in the Surinamese bauxite around World War I, they were welcomed by the Colonial government (Lamur, 1985:3). Since then bauxite has been an important commodity for both Suriname and ALCOA. According to Lie A Kwie and Esajas (1996), “during the first years of World War II from 1940 until 1945 the production was significantly expanded and leading to the creation of the village, Paranam. The expansion of production also meant that the profits in the form of taxes for Suriname increased as well as payments to employees” (p75 & 88). “After World War II bauxite is a significant part of the development strategy of Suriname with Frank Essed becoming the Minister of Development in 1953 and a strong focus on research, management and development of the natural resources” (Breeveld, 1995:6). As stated by Henry Guda during an interview on January 20th, 2011, even before its independence in 1975, Suriname would become one of the ‘founding fathers’ of the International Bauxite Association (IBA). During the late 1990s until the present, several significant events would take place such as the signing of an Energy Agreement in 1999 after the closure of SURALCO’s aluminum smelter, again a renewed interest for the bauxite reserves in Bakhuis Mountains by P echiney in 2000 and in 2003 initially by SURALCO and Billiton, of which Billiton would continue negotiations with the Government until they announced that Billiton’s activities in Suriname would be terminated in 2010.

1.4 The Scientific Relevance

With respect to the academic/scientific relevance of this research, several studies as is well known have been carried out regarding mining in relation to development. A very few have considered development in the context of sustainability, this with regard to the economic, social and environmental perspectives in a country. Furthermore, there has been a growing realization that development is more than just economic change, but that development relies crucially on the local political context that can promote and sustain gains in poverty alleviation and growth. For example, in a report published in 2002 by Oxfam America, “Digging to Development: A

Historical Look at Mining and Economic Development”, it is stated that “in general mining has not made a strong contribution to sustainable development in poor countries” (p3). It is even suggested in the abovementioned report that “the ‘natural resource curse’³ has thus far contributed to these countries’ underdevelopment” (p34). On the other hand, a report by World Bank and International Finance Corporation, “Mining and Development: Treasure or Trouble? Mining in Developing Countries”, published in 2002 indicates that “the policy regime put in place in a country is a significant determinant of how mining can contribute to national or regional development and sustainability and that the mining contribute to development in countries with strong institutions and well-performed policies” (p10 – 15). In a theoretical sense this research can make a contribution to the discussion of how to assess both the local political context that affected/affects bauxite mining and how this has influenced/influences development in Suriname.

1.5 The Relevance for Society

With respect to the social relevance, it has for many years been debated, researched and written about by e.g. governments and renowned institutions such as the World Bank and Oxfam that countries with considerable mineral wealth can promote mining as a path to development. Nevertheless, evidence has been shown from the past that most developing countries with considerable mineral wealth experience several problems, such as poor health care, income inequality and huge budget deficits, when they try to transform this wealth into development (Toto Same, 2009:6 – 13 & World Bank, 1979:2 – 7). In this regard, a comparison will be made with developing countries such as Guyana, Jamaica, Indonesia and Botswana with almost similar wealth of natural resources. Since Suriname can be categorized as a developing country with considerable mineral wealth, this research can provide insight into the way Suriname has been promoting or can promote mining as a path to development. Therefore, possible policy adjustments could be introduced considering the results of this research to improve upon the current situation.

³ Sachs and Warner (2001) stated that “the ‘curse of natural resources’ is when countries with great natural resource wealth tend nevertheless to grow more slowly than resource-poor countries” (p827).

1.6 Legal Regimes in Mining

The principles that form the basis of policies are the same principles upon which laws or legal regimes depend on (van de Graaf en Hoppe, 2007:165). In the context of a political economic approach, one can argue that policies are based on principles such as ideology or certain socio-economic interests of major policy actors. Nevertheless, separately, both established policies and legal regimes can influence the way politics is conducted as well as the interests actors want to pursue or defend and the nature of sub-surface property rights is a critical determinant of the nature of a resource political economy.

Karim and Mills (2003) argue that an assessment worldwide indicates that “depending on their natural resource philosophy and their Constitutions, systems of law governing minerals can be divided into three categories plus a combination of these three, namely:

- Firstly, a system known as “*Regalia*”, which historically meant rights belonging to the monarch, or today: the state. In this legal system, all minerals below the surface of the earth are owned by the state. In some countries, the state may, and does, give to private parties the right to explore and exploit such minerals. Such a system is applied in Australia, among other countries. With a few minor exceptions, in general Australia recognizes the separation of the rights over the land from rights in the minerals below the surface;
- Secondly, a system in which the ownership of the minerals below the surface is an integral part of the ownership of the land above it. In such case, the owner of land also possesses the full right of ownership of the minerals lying beneath the surface of such land. This system is applied in the United States of America and in some parts of Australia. In such jurisdictions, any individual who owns land automatically becomes the owner of any minerals found thereunder;
- Thirdly, a system in which the whole of the mineral resources below the surface of the land belongs to the people of the country and is not transferable or assignable. Indonesia applies this system, whereby the state, as custodian for the Indonesian people, holds these rights in trust and administers the exploration and exploitation of these mineral rights. In this case exploration and exploitation may be directly carried out by the state or state enterprises, or by private parties based upon some nature of joint operating contract;

- Fourthly, some countries apply a combination of these systems, or may allow their political subdivisions to determine which system is to be applied. In Australia, for example, although generally the system of *Regalia* is applied, in some states, such as Tasmania and Western Australia, the land owner is recognized as the owner of the minerals thereunder, while in others, such as Victoria, exploitation of the minerals is permitted to be undertaken directly by the private sector ”(p2 – 3).

If consideration is given to the abovementioned, land rights or the level of control over minerals through the systems of law also play an eminent role in the political economy of natural resource use. The bauxite mining sector in Suriname during for example the colonial era went through a combination of the first and second systems, having its effects on interests and politics during and after this period (Lamur, 1987:79 - 83 and Dew, 1996:125). Nowadays, only the first system is used for the remaining bauxite mining concessions in the country. These issues will be discussed later in this document.

1.7 Theoretical Approach

1.7.1 Political Economy

The main theoretical approach that will be used for this thesis research is ‘political economy’. Therefore, it is necessary to discuss in general this concept with an emphasis on its relevancy to this thesis research. Significant for this thesis research is a ‘new political economy’ in the context of the use of natural resources, which makes use of the tools within the ‘new political economy’ approach. In this regard, several literatures on political economy and natural resources use will be consulted and utilized as will be indicated in the next chapter.

With regard to the content of this thesis research, the following can be mentioned. In the second Chapter, the theoretical foundation of the research as mentioned above will be explained. An overview of the most important literature will be considered and summarized. As for Chapter 3, the political economy that affected bauxite mining during 1900 -1950, 1954 – 1974 and 1975 – 2010 will be discussed. In this regard, what will be identified and discussed are, among others, the status of political and socio-economic circumstances, determining the policy actors based on their interests, and analysis of the institutional setting that supports government policy implementation. Chapter 4 covers four comparative case studies of political economy of natural

resources management in Guyana, Jamaica, Indonesia and Botswana. The policies and institutions relevant for natural resources management from the post-independent era in these countries will be discussed. Subsequently, in Chapter 5 the lessons learned from the case of the bauxite mining sector in Suriname will be compared to case studies of political economy affecting the use of natural resources in other mineral rich countries. Finally, the thesis research will conclude with a summary of the main findings and, related to these findings, some insights into the future of natural resource use or management in Suriname.

2 Theoretical Approach and Research Methodology

2.1 Basic Concepts

Several basic concepts are used throughout this thesis research and are expected to shape the findings of this research. The concepts of importance are: political economy, developing countries, development, institutions, leadership, and decision-making. Due to its importance to and being the core issue of this thesis research, the former concept will be elaborated on much more than the others. This does not mean or should signal in any ways the insignificance or lesser importance of the other concepts.

2.1.1 Political Economy

As mentioned above, the main theoretical approach that will be used for this thesis research is ‘political economy’. Therefore, it is necessary to discuss broadly this terminology with an emphasis on its relevancy for this thesis research. Firstly, a brief description will be given of the origin of the terminology, ‘political economy’ and its phases of transformation. Secondly, the rebirth as well as the rise of the terminology, ‘new political economy’ that is commonly used in contemporary studies, will be addressed. Also, ‘modern political economy’, as a new school of thought, will be discussed briefly. Relevant to this thesis research is political economy in the context of natural resources use. In this regard, the literature on political economy and natural resources use will be consulted and utilized.

Since its first use in France during the early 17th century as stated by Groenewegen (1987), several meanings have been given or proposed for the term political economy. According to John Stuart Mill in *the Principles of Political Economy* (1848), other meanings or names proposed for political economy are “Catalactics”, “the Science of Exchanges” or “the Science of Values”. With reference to Groenewegen (1987), both writers and scientists during the 17th until the mid 19th century, such as Adam Smith, James Steurt, François Quesnay and John Stuart Mill, referred to contemporary ‘economics’ as ‘political economy’. The terminology “reflected the belief that economics was not really separable from politics and it arose from the widespread view that political factors are crucial in determining economic outcomes. As a discipline economics historically viewed political forces not only as influencing economic outcomes, but often as a determining influence” (Drazen, 2000:3). Perhaps, it was in this context that “a postmodernist

interpretation of the birth and establishment of political economy was given by Meuret in his 1988 article, “Political Genealogy of Political Economy”, in *Economy and Society* volume 17, number 2. Meuret’s main thesis is that political economy became the dominant discourse because it constructed a better political framework for the coexistence of capital, state and those trying to protect themselves from their power. Thus, the reasons for the emergence of political economy are to be found in the field of the political rather than that of the economic” (Mavroudeas, 2006:513).

Considering the aforementioned, it can be noted that political and economic issues were inseparable and mixed into the works of several scholars. It was “with the division of economics and political science into two distinct disciplines in the late nineteenth century that different focuses for both emerged. Economics was increasingly focusing on the structure of the firm and general equilibria between supply and demand, whereas political science concentrated on legislative organizations, electoral rules and the partisan affiliations of voters. It was also during this division that two schools of thought sustained the interaction between politics and economy.

The first was the Marxist school, sometimes called *radical political economy*, which viewed the state as a tool of capitalists and argued that most political and economic struggles pitted workers against bourgeoisie” (Frieden, et al, 2000:xv – xvi). According to Mouhammed (2010), “it was Paul Baran and his colleague Paul Sweezy who collectively laid the basis for a whole generation of radical scholarship in the 1960s, 1970s and beyond through the notion of economic surplus, underdevelopment and monopoly capitalism” (p104). Baran (1969) defines radical political economy as “a science having two tasks: (1) to explain the *modus operandi* of capitalism; and (2) to demonstrate the ills in society, ills such as poverty, maldistribution of wealth and income, and unemployment” (p87). Also, it is within this context that Jameson and Wilber (1996) mentioned that “radical political economy recognizes that man is a social being whose arrangements for the production and distribution of economic goods, if society is to be livable, must be consistent with congruent institutions of family, political, and cultural life. As a result, a political economy analysis must incorporate such noneconomic influences as social structures, political systems, and cultural values as well as such factors as technological change and distribution of income and wealth” (p. xv – xvi).

The second school of thought was “the public choice framework, sometimes called *new political economy*, which developed the notion of rent-seeking and regarded most government policy as parasitic or misguided” (Frieden, et al, 2000:xvi). Perhaps more eloquently phrased and relevant to this thesis research, is that “the new political economy may be described as the analysis of the consequences of political choices that statesmen and other persons make involving the polity’s scarce resources. It aims at improving the efficacy of these choices so that desired ends may be better or more economically achieved through political process. Central to the new political economy is the concept of the productivity of politics” (Ilchman and Uphoff, 1971:26 & 29). It should be recognized that besides strengths, the ‘new political economy’ poses some weaknesses. In this regard, it can be mentioned that “its use of formal tools or technique of modern economic analysis, sometimes clouds rather than enhances our understanding of phenomena, and sometimes seems to be used as a substitute for insights into the phenomenon being studied. Also, some people have the perception that the ‘new political economy’ is simply a not very insightful formalization of the obvious. Furthermore, the ‘new political economy’⁴ is seen as being too broad, trying to cover everything, with widely differing degrees of success” (Drazen, 2000:4 -5).

Those advocating ‘modern political economy’ argue that “it complements the public choice framework by addressing important market failures that could warrant a more active state as well as seeking to identify ways in which the government could intervene to minimize rent-seeking. They also claim that ‘modern political economy’ emphasizes the clash of interests” (Frieden, et al, 2000:xv – xvi). “For *modern political economy* it is believed that there are three fundamental underpinnings. First, it distinguishes normative considerations from positive ones such that most practitioners attempt to explain the choices that governments actually make rather than judging them a good or bad. Second, ‘modern political economy’ understands microeconomic and macroeconomic constraints, recognizes that governments can ignore markets only at great cost, and assumes that actors—even politicians and bureaucrats—rationally seek to maximize their

⁴ According to Drazen (2000), “new political economy is defined in for a large part by its use of formal and technical tools of modern economic analysis to look at the importance of politics for economics. The use of modern economic analysis is not just in the formal sense of a mathematical approach; it is also conceptual, viewing political phenomena in terms of optimization, incentives, constraints, et cetera” (p. 4). It is this latter approach that will be used for this thesis research and in the context of natural resource use or management the research will make use of the following on political economy.

interests. Third, ‘modern political economy’ acknowledges the power of voters and interest groups, and it pays special attention to inequality and other special pressures that not only emerge from but also affect public policy and economic performance” (Ibid: xi).

As stated by Allen Drazen in his book, “Political Economy in Macroeconomics”, “political economy begins with the political nature of decision-making and is concerned with how politics will affect economic choices in a society” (p5). He also states that politics should be defined as “the study of power and authority, and the exercise of power and authority. Power meaning the ability of an individual or group to achieve outcomes which reflect his or their objectives and that authority exists whenever one, several, or many people explicitly or tacitly permit someone else to make decisions for them in some category of acts”(p.6). Furthermore, Drazen argues that “questions of power and authority are relevant only when there is heterogeneity of interests, that is, a conflict of interests between economic actors in a society” (p.6).

Drazen (2000) indicates that two questions can be posed in the context of political economy, namely:

1. “how political constraints⁵ may explain the choice of policies that differ from optimal policies, and the outcomes those policies would imply?; and
2. how, given the existing political constraints, societies can be led to best achieve specific objectives” (p7).

In their paper for the Department of Economics at the University of California-Santa Barbara, Robert Deacon and Bernardo Mueller (2004) mention that in the context of political economy that affects the use of natural resources both “political systems such as systems of governance and non-political attributes such as income levels, religious beliefs, etc. play an important role. In short, political economy should be seen in a broader context whereby the influences of political and social institutions as well as ideas can be important for economic outcomes. It is in this regard that the three elements, namely the governing and legislative systems (e.g. the policy and decision-making processes), land rights and ownership, and the prevailing socio-economic context, will be studied.

⁵ Drazen (2000) notices that “political economy begins with the observation that actual policies are often different from ‘optimal’ policies, the latter is not subject to political constraints and that political constraints refer to constraints due to conflict of interests and the need to make collective choices in the face of these conflicts” (p.7).

With regard to the influence of institutions on growth and development, Mauro (1995), Acemoglu et al. (2001, 2002), Easterly and Levine (2003), Rodrik et al. (2004), and Mehlum et al. (2006) found out that there is a positive relation between good institutions and development. Pessoa (2008) indicates that “in empirical literature the term institutions encompass a wide range of indicators, including: a) institutional quality (the enforcement of property rights); b) political instability (riots, coups, civil wars); c) distinctiveness of political regimes (elections, constitutions, executive powers); d) social characteristics (differences in income and in ethnic, religious, and historical background); and e) social capital (the extent of civic activity and organizations)” (p10). Noteworthy in the relation natural resources and institutions is that Karl (1997) states that “natural resources wealth influences the framework for decision-making, authority in government, the types of institutions and policies adopted” (p10 – 11).

According to Griffin (1989), when consideration is given to “land-intensive or natural resource-intensive exports, land ownership if concentrated can raise rents and increase inequality in income distribution” (p74). Basically, Griffin indicates that natural resources can contribute to broader development depending on who controls these resources. Therefore, studying the issue of land rights and ownership is crucial for this thesis research.

If consideration is given to the role of colonial power in the policy and decision-making process in developing countries, the work by the political economist Andre Gunder Frank is a point of reference. In both “Development of Underdevelopment” and *Capitalism and Underdevelopment in Latin America*, respectively published in 1966 and 1969, Gunder Frank argues that “the international political economy provides obstacles to the development of a country with natural resource endowment if it has been turned into a natural resource exporter” (p115 & 161). This argument is supported by Cappelen and Mjøset (2009), who studied Norway and stated that “colonized economies that are today postcolonial economies are facing challenges in terms of development due to the long-term consequences of having been turned into resource-providers to the richer world. The institutional structure of these countries has been influenced by the clash between autonomous institution-building and colonial legacies” (p3).

2.1.2 Developing Countries

In historical perspective, one can conclude that there always has been a divide between countries in the world. According to Payne (2001), “this divide is based on politics and economics. The divide based on economics stems from both a modernization - and a dependency perspective, whereby the modernization perspective divides the world in ‘developing countries’ or ‘less developed countries’ on the one hand and ‘developed countries’ on the other. From the dependency perspective, the world is divided in ‘underdeveloped’ and ‘developed’ countries or in ‘core’ and ‘periphery’ as used for the world systems approach” (p7). As stated by Wolf-Phillips (1987), “the term, ‘Third World’, was conceptualized by scholars in the 1960s to refer to the emerging ex-colonies whose economic, political and social conditions replicated those of the French ‘third estate’ in prerevolutionary times” (p1311). “In France there were three estates, namely lords spiritual, lords temporal and the ‘third estate’ comprising of the common people” (Evans, 1991:297). According to Lewellen (1995), “the ‘third estate’ in France was poor, powerless and marginalized” (p3).

Contemporarily speaking, the World Bank and the United Nations use different terminology to define ‘developing countries’, also known as ‘less-developed countries’. The latter organization also uses ‘least developed countries’, ‘small island developing states’ and ‘landlocked developing countries’. The World Bank’s main criterion for classifying economies is gross national income (GNI) per capita, previously referred to as gross national product, or GNP (World Bank, 2011). The United Nations states that “there are no official definitions of ‘developed’ or ‘developing’ countries in the UN system” (UNSD, 2011). A list of ‘developing’ countries from 2008 was produced by the World Bank (See Table 2). Suriname, Guyana, Jamaica, Indonesia and Botswana, which are relevant for this thesis research, are all listed as ‘developing’ countries. It is in this regard that the concept of ‘developing countries’ will be used in this thesis research. As stated by the World Bank (2002), “mining can contribute to the development of developing countries that have strong institutions and well-performed policies in place” (p10 – 15). Since this research focuses on policy – and decision-making as well as the establishment and functioning of institutions, the cases of the five developing countries will be explored to verify abovementioned statement.

Table 2 List of Developing Countries (Total of 152 countries)

Afghanistan	Chile	Grenada	Macedonia, FYR	Panama	Syrian Arab Republic
Albania	China	Guatemala	Madagascar	Papua New Guinea	Tajikistan
Algeria	Colombia	Guinea	Malawi	Paraguay	Tanzania
American Samoa	Comoros	Guinea-Bissau	Malaysia	Peru	Thailand
Angola	Congo, Democratic Republic	Guyana	Maldives	Philippines	Timor-Leste
Argentina	Congo, Republic	Haiti	Mali	Poland	Togo
Armenia	Costa Rica	Honduras	Marshall Islands	Romania	Tonga
Azerbaijan	Côte d'Ivoire	Hungary	Mauritania	Russian Federation	Trinidad and Tobago
Bangladesh	Croatia	India	Mauritius	Rwanda	Tunisia
Barbados	Cuba	Indonesia	Mayotte	Samoa	Turkey
Belarus	Czech Republic	Iran, Islamic Republic	Mexico	Sao Tome and Principe	Turkmenistan
Belize	Djibouti	Iraq	Micronesia, Fed. St	Senegal	Uganda
Benin	Dominica	Jamaica	Moldova	Serbia and Montenegro	Ukraine
Bhutan	Dominican Republic	Jordan	Mongolia	Seychelles	Uzbekistan
Bolivia	Ecuador	Kazakhstan	Morocco	Sierra Leone	Vanuatu
Bosnia and Herzegovina	Egypt, Arab Republic	Kenya	Mozambique	Slovak Republic	Venezuela, RB
Botswana	El Salvador	Kiribati	Myanmar	Solomon Islands	Vietnam
Brazil	Equatorial Guinea	Korea, Democratic Republic	Namibia	Somalia	West Bank and Gaza
Bulgaria	Eritrea	Kyrgyz Republic	Nepal	South Africa	Yemen, Republic
Burkina Faso	Estonia	Lao PDR	Nicaragua	Sri Lanka	Zambia
Burundi	Ethiopia	Latvia	Niger	St. Kitts and Nevis	Zimbabwe
Cambodia	Fiji	Lebanon	Nigeria	St. Lucia	
Cameroon	Gabon	Lesotho	Northern Mariana Islands	St. Vincent and the Grenadines	
Cape Verde	Gambia	Liberia	Oman	Sudan	
Central African Republic	Georgia	Libya	Pakistan	Suriname	
Chad	Ghana	Lithuania	Palau	Swaziland	

Source: World Bank, 2007.

2.1.3 Development

As stated by Eisenstadt (1966), “during the 1960s modernization theorists regarded development as the process of change towards those types of social, economic and political systems created in Europe and the United States of America from the 17th century onwards” (p1). “Capitalism⁶ is

⁶ According to Dillard (1972), “at the basis of any system called capitalist are the relations between private owners of nonpersonal means of production (capital) and free but capital-less workers, who sell their labour services to employers” (p839).

one such economic system created and that has been dominant in these regions” (Dillard, 1972:839). Hodgson (1999) and Brett (2000) argue that “capitalism has always operated through various institutions and forms and in conjunction with diverse non-capitalist elements. For example, in the developed world such as Europe and the USA, it was and is associated with political authoritarianism, imperialism and national monopolies, social democratic planning, liberalisation and globalisation” (p148 and p6 – 7).

In contemporary work, many argue that the concept of ‘development’ is more than just economic growth. In this regard, work done by among others the Brundtland Commission, Amartya Sen and Glenn Sankatsingh can be mentioned.

“The World Commission on Environment and Development, also known as the ‘Brundtland Commission’, was formed in 1983 and comprised of senior officials such as foreign ministers, finance and planning officials, policymakers in agriculture, science and technology with the majority of commissioners from developing countries. It was established as an independent body by the United Nations General Assembly out of concern of the socio-economic and environmental trends that threaten to radically alter the planet” (WCED, 1987:11–14). The Commission drew the conclusion that “a new development path was required, one that sustained human progress not just in a few places for a few years, but for the entire planet into the distant future. The concept of ‘sustainable development’ was conceived with the objective that it becomes a goal not just for the developing nations, but for the industrial ones as well” (Ibid:20). “The commonly used definition for sustainable development, as used in the Report of the Commission, is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Furthermore, the Report states that within this definition two concepts can be traced: 1) the concept of needs, in particular the essential needs of the poor in the world, which should be given priority; and 2) the concept of limitations imposed by the state of technology and social organization on the ability of the environment to meet present and future needs. The Commission argues that development involves a progressive transformation of economy and society, whereby the major objective is satisfying the human needs and aspirations” (Ibid: 54).

Sen (1999) argues that “development is a process of creating freedoms for the people and classifies these freedoms into five broad categories which tend to contribute to the general capability of a person to live more freely. These are: (1) political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees and (5) protective security. Economic growth, technological advance and political change should contribute to the expansion of these freedoms” (p33 – 40).

According to Sankatsingh (2003), “development is the mobilization of the own potentialities in interactive response to nature, habitat and environment for the realization of a project of one’s own. He states that development has three pillars, namely sustainability (in the sense of continuity), participation (the perspective of democracy) and concerted diversity (meaning solidarity). Furthermore, he implies that development by itself is sustainable, therefore indicating that the concept of ‘sustainable development’ is a sheer pleonasm. He also argues that if asymmetric relations of inequality and injustice are not addressed, ‘sustainable development’ will be the equivalent of ‘sustainable envelopment’. In other words, the negation of development. Finally, he argues that sustainable development under conditions of domination will only sustain inequality and injustice and undermine development”.

For this thesis research a combination of the definitions or parts thereof from respectively the Brundtland Commission and Sankatsingh will be used, namely:

1. “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”; and
2. “development has three pillars, namely sustainability (in the sense of continuity), participation (the perspective of democracy) and concerted diversity (meaning solidarity)”.

Noteworthy is that both the Brundtland Commission and Sankatsingh do not make a distinction between the so-called ‘developed’ and ‘developing’ countries, which implies that these definitions regard all classes of countries.

Oxfam America (2002) noted that “in general mining has not made a strong contribution to sustainable development in some developing countries” (p3). Similarly, the World Bank (2002)

stated that “mining can contribute to development, if among others social and environmental frameworks can be improved” (p15). This thesis research wants to show that through the establishment of the necessary mechanisms and institutions in the policy – and decision-making processes of natural resources management in particular the mining sector, greater involvement and contribution from politicians, policy-makers, non-governmental organizations, scientist and local communities can guarantee “sustainability (in the sense of continuity), participation (the perspective of democracy) and concerted diversity (meaning solidarity) as well as meeting the needs of the present without comprising the ability of future generations to meet their own needs” (Sankatsingh, 2003 and WCED, 1987:54). The necessary mechanisms and institutions include policies and legislation, public agencies that support the mining sector and public participation instruments.

2.1.4 *Institutions*

North (1990) argues that “institutions are the rules of the game in society or more formally, are the humanly devised constraints that shape human interaction” (p3). Acemoglu and Robinson (2008) observed “three important features of institutions in this definition: (1) that they are ‘humanly devised,’ which contrasts with other potential fundamental causes, like geographic factors that are outside human control; (2) that they are ‘the rules of the game’ setting ‘constraints’ on human behavior; and (3) that their major effect will be through incentives” (p2).

According to Leftwich (2006), “all human societies are characterized by complex and overlapping networks of regular social interactions and practices that require agreed and predictable rules constituting institutions. The institutions can be formal or informal, whereby formal institutions are established and constituted by binding laws, regulations and legal orders that indicate what may or may not be done. As for informal institutions, they are constituted by conventions, norms, values and accepted ways of doing things. They are embedded in traditional social practices and culture, which can also be binding. There are: (1) economic institutions such as property rights, etc.; (2) social institutions such as language, etc.; and (3) political institutions such as decision-taking and patterns of governance, etc.” (p1).

With regard to the influence of institutions on growth and development, Mauro (1995), Acemoglu et al. (2001, 2002), Easterly and Levine (2003), Rodrik et al. (2004), and Mehlum et al. (2006) found out that there is a positive relation between good institutions and development. Pessoa (2008) indicates that “in empirical literature the term institutions encompass a wide range of indicators, including: a) institutional quality (the enforcement of property rights); b) political instability (riots, coups, civil wars); c) distinctiveness of political regimes (elections, constitutions, executive powers); d) social characteristics (differences in income and in ethnic, religious, and historical background); and e) social capital (the extent of civic activity and organizations)” (p10). Noteworthy in the relation natural resources and institutions is that Karl (1997) states that “natural resources wealth influences the framework for decision-making, authority in government, the types of institutions and policies adopted” (p10 – 11).

This thesis research will focus, as one of the set of factors, on the endogenous processes and institutions, such as local political parties and mechanisms for community involvement, which contribute to the policy and decision-making processes. Again, World Bank (2002) stated that “mining can contribute to the development of developing countries, which have strong institutions among other mechanisms” (p10 – 15). This research will use the concept defined by Leftwich (2006), which states that “institutions can be formal or informal and include economic, social and political institutions” (p1).

2.1.5 Leadership

According to Jones (2005), “plenty of literature has been generated on leadership as a concept especially in the field of management and organizational science. Despite its importance, there is no unanimous definition or meaning for the concept of leadership” (p259). Peele (2005) argues that the study of leadership has hardly been a central concern of political science (p187). Nevertheless, it can be concluded that the interpretation given to the concept of leadership has changed over the years.

Burns (1978) states that “leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political,

psychological, and other resources so as to arouse, engage and satisfy the motives of followers” (p. 18)

Bass (1990) defines leadership as “an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perception and expectations of the members. Leaders are agents of change – persons whose acts affect other people more than other people’s acts affect them. Leadership occurs when one group member modifies the motivation or competencies of others in the group. It should be clear that with this broad definition, any member of the group can exhibit some amount of leadership, and the members will vary in the extent to which they do so” (p19-20).

Peele (2005) states that “leadership should be thought of in terms of six dimensions, which allow for a clear balance and cross-contextual applicability. These are: (1) the character of the leader; (2) the followers; (3) the organizational/societal context; (4) the problems which confront the leader; (5) the techniques the leader uses to gain support for her agenda/position; and (6) the effects of leadership” (p. 191).

Some argue that there is a difference between the concept of leadership and management. Iles and Preece (2006) argue that “whereas managers are concerned with today, with delivery, targets, efficiency, utilization, and authority, focusing on internal organizational issues, on control and on doing things right, leaders are held to be oriented to tomorrow, to development, to direction, to purpose and vision, and to innovation” (p. 319).

With regards to this thesis research, the concept of ‘leadership’ will be explored from the approach that “leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage and satisfy the motives of followers” (Burns, 1978:18). This definition of leadership recognizes that persons taking the lead or deciding on certain circumstances or activities may face competing or conflicting interests, but that the outcome should reflect the needs of those believing in these persons. For this thesis it is believed that politicians and political parties should exert leadership.

2.1.6 Decision-making

“Decision making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker. Making a decision implies that there are alternative choices to be considered, and in such a case we want not only to identify as many of these alternatives as possible but to choose the one that best fits with our goals, objectives, desires, values, and so on” (Harris, 1998).

Markman and Medin (2001) argue that “decision situations are generally defined as those in which the decision maker has some unsatisfied goal and a set of options that might satisfy the goal. The decision maker must then evaluate the options in some way and select one” (p2).

“In a normative approach to decision-making, the starting point is that a rational decision-maker aims to choose the alternative which most probably maximizes the decision-maker’s utility (or value system), based on information available to him or her on the decision alternatives” (Kangas, 1992:259 – 260). This is the viewpoint in the situation of a single decision maker. Schmoldt et al (2001) argues that “in group decision making, the total utility to be maximized can be taken as the combined utilities of the persons belonging to the group. In participatory decision-making processes, some or even all the decision-making power might be allocated to the participants” (p4).

According to Baker et al. (2001), “decision making should start with the identification of the decision maker(s) and stakeholder(s) in the decision, reducing the possible disagreement about problem definition, requirements, goals and criteria. Then, a general decision making process can be divided into the following steps: (1) define the problem, (2) determine requirements, (3) establish goals, (4) identify alternatives, (5) define criteria to choose among alternatives based on established goals, (6) select a decision-making tool, (7) apply the tool to select a preferred alternative, and (8) check to make sure the problem is solved” (p2 – 5).

This thesis research wants to show that greater involvement and contribution of different groups, such as politicians, policy-makers, non-governmental organizations, scientist and local

communities, in the policy – and decision-making processes of natural resource management can benefit the development of a country. The focus will be on the actors that were or are making the decisions such as colonial powers, local politicians and political parties. Also, that participatory decision-making, the so-called ‘bottom-up’ approach, should be used for natural resource management. This will be approached by making use of the concept of ‘decision-making’, whereby “decision situations are generally defined as those in which the decision maker has some unsatisfied goal and a set of options that might satisfy the goal. The decision maker must then evaluate the options in some way and select one” (Markman and Medin, 2001:2). Furthermore, that “in group decision making, the total utility to be maximized can be taken as the combined utilities of the persons belonging to the group. In participatory decision-making processes, some or even all the decision-making power might be allocated to the participants” (Schmoldt et al, 2001:4).

2.2 Research Methodology

The Research Strategy chosen is the Case-oriented Comparative strategy entailing a small-N research and qualitative method. According to Ragin (1987), “the case-oriented comparative strategy is centrally concerned with making sense of and works well with a relatively small number of cases, usually between one and 50. The case-oriented strategy is often used by researchers to combine historical interpretive analysis, causal analysis and concept formation in conducting their studies. The distinctive features of the case-oriented comparative strategy are: 1) it is designed to uncover patterns of invariance and constant association; 2) the strategy is insensitive to the frequency distribution of types of cases; 3) with this strategy cases are examined as wholes and in-depth knowledge and familiarity with relevant cases are established; and 4) the case-oriented strategy stimulates a rich dialogue between ideas and evidence” (p49 – 52).

For this research, the case of Suriname is compared to four cases of countries, namely Guyana, Jamaica, Indonesia and Botswana. The countries selected share the following characteristics, namely they are developing countries, natural resources play a significant or important role in their economy, and they all have been colonized and are post-World War II independent countries. Guyana and Jamaica were chosen, because like Suriname they are bauxite producing

countries in the Caribbean and relating their political economy of bauxite mining to that of Suriname is of great interest to this research. In the case of Indonesia, like Suriname it was colonized by the Dutch and of interest to this research are the policies established by the Dutch and the manner in which Indonesia constructed its political economy of natural resources management after its independence. Finally, the case of Botswana was chosen as the “negative case⁷”. Unlike the other countries, Botswana used its natural resources to sustain economic growth for many decades.

For the cases, the political economy of natural resources management will be analyzed intensively and in detail. The principal research methodology includes:

- consulting official administrative data such as legislation, policies (government and/or company), et cetera. In this regard, for example for Suriname the legislation from 1900 – the present is collected from the National Archive Suriname, the National Archive in The Hague, the Ministry of Justice and Police, the Parliament (Suriname) and the personal archive;
- review and use of historical references and contemporary literature. For example for Suriname, primary data sources such as the following institutes were visited, namely the National Archive Suriname, the Bauxite Institute Suriname and the National Archive in The Hague as well as the Royal Netherlands Institute of Southeast Asian and Caribbean Studies at Leiden ;
- conduct open unstructured interviews with key institutions and persons such as politicians, mining experts, scientists studying the Mining sector, et cetera. In the case of Suriname, interviews were conducted with two politicians and two local bauxite industry experts each, who were instrumental in the policy and decision-making processes in the bauxite sector. Two of each were chosen, in order to balance out the information that was obtained.

⁷ In comparative research, “cases that experience the same outcome are considered ‘positive cases’ and are sometimes contrasted to those cases, the ‘negative cases’, that seem to have an outcome in question and/or failed to exhibit the outcome of the positive cases” (Ragin, 1987:39 – 42).

Bryman (2004) notes that “during an unstructured interview, the interviewer typically has only a list of topics or issues, often called an interview guide or aide mémoire, that are typically covered. The style of questioning is usually informal. The phrasing and sequencing of questions will vary from interview to interview” (p. 113).

- literature was also obtained electronically, mainly via internet, and it included scientific literature, official reports e.g. from multilateral agencies such as the United Nations, World Bank, and both company and government reports.

In order to understand, comprehend and sensitize the information around the political economy of natural resource management in Suriname, prior to the compilation of this Thesis research, insights have been obtained from literature on mining, specifically bauxite mining in Suriname, and official governmental and non-governmental documents.

In order to assure high data quality the complete Thesis Research was reviewed by the interviewees, the supervisors, industry experts and researchers with disciplines other than those relevant for this research. This review was conducted prior to submission of the final Thesis Research.

3 Political Economy of Bauxite Mining

As mentioned previously, in this chapter the political economy that affected bauxite mining during 1900 -1950, 1954 – 1974 and 1975 until 2010 will be discussed. In this regard, what will be identified and discussed are, among others, the status of political and socio-economic circumstances, determining the policy actors based on their interests, and analysis of the institutional setting that supports government policy implementation.

3.1 Political Economy of Bauxite Mining 1900 – 1950

In order to describe the political economy of bauxite mining during 1900 until 1950, several elements need to be considered and will be discussed below. The elements being mentioned below are the governing and legislative systems (e.g. the policy and decision-making processes), land rights and ownership, and the prevailing socio-economic context. As mentioned in the Introduction of this thesis research, it was during this period that the foundation was laid for transforming Suriname in both a periphery of the American aluminum industry and into a mineral economy (Lamur, 1985:85 – 110).

3.1.1 Socio-Economic Context

“The credit crisis during the eighteenth century, the abolition of slavery in 1863, increased competition of agricultural products such as sugar, the opening of the Suez Canal in 1869 through which Asian products could reach European markets, are several of the reasons why there was a decline in the plantation production in Suriname around the beginning of the twentieth century” (Meel, 1999:22 – 23 and Chin and Buddingh’, 1987:7). During the first two decades of the 20th century, balata (a natural rubber) and gold were major export products of Suriname (Chin and Buddingh’, 1987:8). The plantation system, which was the backbone of the Surinamese economy, was going through a difficult period. So difficult that even during the early years of the twentieth century “the Surinamese budget had been balanced by means of subsidies by the Dutch Government for half a century” (Lamur, 1985:3). According to van Schaaik (1991) subsidies were given from 1867 until 1982, whereby around the beginning of and in the first half of the twentieth century the subsidies were respectively 10 and 30 percent of the total government expenditures (p12). “In 1918 there were voices coming up in the Netherlands to sell Suriname, similar to Denmark selling the Virgin Island to the United States of America in 1917.

This idea did not capitalize, because the colonizers were of the opinion that such a sale would be seen internationally as incompetency by the Netherlands to govern” (Meel, 1999:24). The politics conducted by the Netherlands regarding the economy in Suriname was described by van Lier (1977) as “politics that tried to cut down expenses so that subsidies could be kept at a low level” (p154). Others, such as Adhin (1961) argued that the Netherlands believed too much in the mechanisms of the free market, and would only intervene on an incidental and improvised basis (p101-4).

After the abolition of slavery in 1863, contract laborers from British-Indies (now India) and Dutch-Indies (now Indonesia) were introduced in the plantation system without the expected success to maintain Suriname as international important supplier of agricultural produce (Chin and Buddingh’, 1987:7). The former slaves would move from the plantations to settle in Paramaribo or find their way to gold mining and balata fields in the Interior and around 1930 they would find employment in the bauxite sector (van Lier, 1977:164 - 186). Around the turn and the first half of the 20th century, the contract laborers, who wanted to stay in Suriname, would be given among others financial incentives and the possibility to lease or use land or those that were financially capable to buy parcels (Graaf van Limburg Stirum, 1924:644 – 645). The small-scale farming done by these contract laborers was promising, but was limited to be significant for export (Chin and Buddingh’, 1987:7).

Therefore, it is not difficult to understand that when in 1915 a technologically advanced and knowledgeable American company as Aluminum Company of America (ALCOA) had shown interest in bauxite mining and in 1916 officially established itself in Suriname, “the government and other locals would pursue all means possible to accommodate the company” (Munnick, de, O., 1946:92).

3.1.2 Governing and Legislative Systems

At the turn of the 20th century Suriname had a separation of powers, “namely the Executive, the Administered Justice, and the Legislature (Meel, 1999:21 – 22). The Governor of the colony was the Executive, and was assisted by a Council of Administration (the Dutch term-“*Raad van Bestuur*”) that consisted of the Governor as the Chair, the Attorney General, a Vice-Chair and

three members. The advices given by this body could be used at the discretion of the Governor. With respect to the Administered Justice branch, the Court of Justice functioned as the highest court and the codes used in Suriname as much as possible had to be in concurrence with those that applied in the Netherlands. The *Koloniale Staten* was the Legislature, and it consisted of thirteen members of which from 1901 all were elected based on a census suffrage. Prior to 1901, four members were appointed by the Governor and the remaining nine were elected by that part of the population that was qualified to vote. The electorate during the early years of the 20th century was not more than 2% of the population with all voters residing in Paramaribo (see Table 3) and therefore making the *Koloniale Staten* a representation of the urban elite and not a representation of the people” (Meel, 1999:21). This last statement, that the *Koloniale Staten* was a representation of the urban propertied elite, is supported by an article written by van Romondt in the *West Indische Gids* (1923) of the Royal Netherlands Institute of Southeast Asian and Caribbean Studies about the development of the suffrage in Suriname. In this article it is stated that “according to article 69 of the Government Regulation 1865, one can be a voter if he or she could meet four conditions. These four conditions were:

1. had to be a resident. A resident could be a Dutch citizen or foreigners that had resided five years in the colony prior to January 1st of that election year;
2. had reached the age of twenty five;
3. must have the full enjoyment of the civil rights. This condition excluded, among others, the former slaves, because they were under “State supervision”. This supervision had to be lifted in order for them to enjoy the civil rights; or
4. pay taxes over a yearly income of f1400 (this was reduced to f800 via legislation in 1936) or pay the collective direct taxes, of which the amount is between f 20 and 100, as determined by the electoral law” (van Romondt, 1923:99).

According to both official Proceedings of meetings in 1919 of the *Koloniale Staten* and Westra (1919), around 1919 the *Koloniale Staten* with its 13 members had representatives that were (5) Dutch citizens (0.5% of the total population), (2) other Europeans (0.3%) and (6) Mulattos/Negroes (47.6%) and not represented and totaling 51,6% of the population were the Dutch-Indians (now called “Javanese”), British-Indians (now called “Hindustanis”), Chinese, Indigenous, Maroons, and others (p212). As stated by Schalkwijk (2011), in the *Koloniale Staten*

of 1920 “the distribution of interests was as follows: Planters (15%), Bureaucrats including a Judge(23%), Trade-Industry-Banking including an Apothecary (15%) and Professionals including journalists and publishers (46%)” (p416).

Table 3 Number of Voters for the *Koloniale Staten* 1866 - 1922

1866	– ¹⁾	1877	221	1890	275	1902	733	1914	688
1867	– ¹⁾	1879	173	1891	277	1903	748	1915	635
1868	296	1880	192	1892	265 ²⁾	1904	800	1916	624
1869	186	1881	205	1893	271 ²⁾	1905	802	1917	567
1870	218	1882	235	1894	324 ²⁾	1906	762	1918	618
1871	173	1883	219	1895	345	1907	857	1919	674
1872	167	1884	207	1896	408	1908	748	1920	828
1873	164	1885	239	1897	452	1909	728	1921	956
1874	210	1886	221	1898	454	1910	761	1922	1499
1875	242	1887	290	1899	469	1911	775		
1876	216	1888	303	1900	447	1912	665		
1877	223	1889	254	1901	439	1913	649		

Source: Romondt, van, W.H.A., 1923. *De ontwikkeling van het Kiesrecht in Suriname. In West Indische Gids* 4, 1(1923), 99 – 114.

- 1) Data was not available. During the first vote, on 18 April 1866, 217 ballot-papers were turned-in.
- 2) According to the temporarily determined voter's list; the definitive list was not available.

With regards to representation in the *Koloniale Staten*, it should be mentioned that during the period 1900 – 1948 precursors of political parties would make their entrance into the policy and decision-making processes. Samson (1947) states that in 1908 bringing together of likeminded interests, perhaps more than before, “in the form of electoral associations (*kiesverenigingen*) would become another force to be reckoned with in the policy and decision-making processes. Two such associations were the pro-labour association EMM or *Eendracht Maakt Macht* (Unity Makes Power) that became the political vehicle for the middle and lower classes, and the conservative SKV or *Surinaamsche Kies Vereniging* (Suriname Electoral Association) that became known as the ‘Planter Party’. These associations had the ability to select candidates and campaign for them, endorse independent candidates, write political programs, and function as a platform for candidates to present and discuss ideas” (p163 – 169). As it can be assumed, considering the interests both aforementioned associations represented, intensive exchanges frequently occurred not only between the two organizations, but their ‘representatives’ in the *Koloniale Staten* also pleaded for their respective causes. With respect to the bauxite mining, the exchanges between the two associations or the pleas for their causes can be illustrated by the following. Around 1920 the Asian immigrants, “who had organized themselves and established the *Surinaamsche Immigranten Vereniging* (Surinamese Immigrant Association) in 1910, were

affiliated to the EMM and were campaigning to repeal legislation measures taken to exclude them from labor in the mining sector” (De West, 1920). This concerned article 7 of the Gold Ordinance of 7th September 1882, which stated that the District-commissioners or other appointed civil servants would not let an expedition continue before assuring themselves that the workers were not contracted somewhere else and that no British-Indian immigrants or other British-Indian workers brought to Suriname by the colonial government were present among the workers. Prior to the approval of the ‘Bauxite Ordinances, both the “Bauxite Regulation 1919” and the “Bauxite Taxes 1919”, it was the Gold Ordinance of 7th September 1882 that was used by the local government to issue permits for exploration and exploitation of minerals including bauxite (Lamur, 1985:117). Under the Gold Ordinance of 7th September 1882, the *Surinaamsche Norton Company*, a subsidiary company of the American Norton Company, was exploiting and shipping small quantities of bauxite for the chemical industry in America (Munnick, de, 1946:90 & 92).

In determining the political economy of bauxite mining for 1900 until 1950, it is self-evident that the interaction between the several policy and decision-making institutions should be described. In this regard, the power and interest relation can be established, on the one hand between the Executive and the Legislature, and on the other hand the interaction between these two bodies and institutions in the Netherlands. During this period of colonial dominance by the Netherlands, “the Legislature had the right of initiative, amendment and interpellation as well as the budget-right that only pertained to putting together the temporary budget. It was the *Staten-Generaal*, the Legislature in the Netherlands, which determined the definitive budget for the colony” (Meel, 1999:21). It is worth mentioning that “legislation approved by the *Koloniale Staten* was subjected to being annulled and replaced by a Royal Decree (the Dutch term-“*Koninklijk Besluit*”) with an appeal to common interest of the Kingdom and the colony” (Ibid: 22).

What can be concluded is that the Governor and the *Koloniale Staten* collectively determined the legislation in the colony, but that from 1900 until 1950 this responsibility had to be shared with the King and the *Staten-Generaal* (Ibid, p21). This became evident when on 26 March 1918 the Governor and the *Koloniale Staten* concluded the Bauxite Ordinances, the main focus of which was to facilitate the establishment of a subsidiary of the Aluminum Company of America

(ALCOA) in Suriname as negotiated by the local colonial administration. After carefully analyzing these Ordinances, “Bauxite Regulation 1919” and “Bauxite Taxes 1919”, one can conclude that the legislation, among others, aimed at increasing government income through the levy of taxes, structure exploration and exploitation of bauxite mining, and minimize speculation through the introduction of conditions as to who can obtain rights to concessions, the introduction of time limits, e.g. for rights to exploration and exploitation, limits for the size of a concession and fees to be paid per hectare for the respective concession. According to the official Proceedings of meetings on May 5th and 6th, 1919 of the *Koloniale Staten*, the proclamation of these Ordinances was put on hold by the colonial rulers in the Netherlands, and that this was worrying and frustrating members of the *Koloniale Staten* as well as the investors. With reference to another Proceeding of a meeting on November 24th, 1919 of the *Koloniale Staten*, the colonial rulers in the Netherlands agreed in principle with the proclamation of the Ordinances only if other conditions would be added to the legislation. The conditions to be added to the legislation were aimed at increasing further government income by the introduction of incremental payment schedules for fees per hectare for concessions, increase exploitation by setting minimum production levels for concessions, increase the mandate of the Governor, and introduce conditions for supervision of the enforcement of these Ordinances.

In another instance, it would be that the *Koloniale Staten* decided on a matter and that under pressure of the colonial rulers in the Netherlands the Governor would decide otherwise. Point in case as stated in the Proceedings of the *Koloniale Staten* of 7th February 1920, was the decision taken by the Governor ad-interim as instructed by the colonial rulers to issue the bauxite concession of Rorac to a Dutch-Norwegian company, *N.V. Nederlandse Mijnexploratie en -exploitatie Maatschappij (NENIEM)* (Limited Liability Company Dutch Mine Exploration & -Exploitation Company). This was done, although the *Koloniale Staten* had decided by voting 7 to 3 to suspend the issuance of the concession and enable third parties by tender to claim the concession. The colonial rulers argued that the Dutch signature had to be present in the bauxite sector in Suriname. To the contrary, Lamur (1985) states that the local elite within the Executive branch, the Administered Justice, and the Legislature in Suriname wanted the Rorac concession in the hands of two American companies, namely the Norton Company that would subsequently go into business with ALCOA (p127 – 133). Eventually, the two Norwegian mother companies

of NENIEM were bought by ALCOA and they struck a deal with the government in Suriname to dissolve NENIEM. By 1926 the Rorac concession as well as all shares of NENIEM belonged to ALCOA's subsidiary, the *Surinaamsche Bauxiet Maatschappij N.V.* (Surinamese Bauxite Company LLC) (Munnick, de, 1946:103 – 105).

The colonial rulers' wish was complied with, when in 1939 *N.V. Billiton Maatschappij Suriname* (LLC Billiton Company Suriname), a subsidiary company of Billiton tin mining company as a Dutch firm that worked in Indonesia, would commence with mining activities in Suriname (N.V. Billiton Maatschappij Suriname, 1989, p3). In 1941 *N.V. Billiton Maatschappij Suriname* would be issued a permit for a concession that pertained to land that the company owned, or possessed based on feudal rights⁸ or lands that they would receive and which were not crown land (Quintus Bosz, 2005:301 – 302).

Several government institutions that supported the Executive also played a pivotal role in the policy and decision-making processes concerning bauxite mining in Suriname. After carefully analyzing the official Proceedings of meetings of the *Koloniale Staten* between 1919 and 1920, it can be concluded that government institutions such as the Administrator of Finance and the Government Surveyor, instructed by and accountable to the Governor, would also take part in the discussions of the *Koloniale Staten*. Based on these Proceedings it can be determined that, among others, matters concerning taxes were under the responsibility of the Administrator of Finance and matters concerning land management including the issuance of concessions were the responsibility of the Government Surveyor. Nevertheless, the government during the early 20th century lacked the support of necessary in-house expertise with respect to bauxite mining. During a meeting of the *Koloniale Staten* on 26 March 1918 members expressed their desire to the Governor to employ a geologist or mining engineer, and although he wanted such an expert as the advisor of the government, there were other needs that had priority (Nationaal Archief, ___:134 – 135). The absence of such expertise within the Government resulted in the fact that “the presence of bauxite, assessing its use and market value were left to those that wanted to explore and exploit. What this actually meant is that companies such as ALCOA

⁸ Quintus Bosz (2005) states that “feudal rights were like the ‘free ownership’ based on a specific West-Indian relation, namely it was a right to the domain of the landlord tied to a special purpose and with special obligations” (p38).

solely determined the value of properties and concessions, and therefore convinced speculators and landowners to transfer their permits and authorizations to them” (Lamur, 1985:87).

According to the Proceedings of the *Koloniale Staten* on Tuesday 13th May, 1919 and Lamur (1985), it was in 1919 that two mining engineers, Douglas and Beens, contracted by government would conclude a “bauxite research” prospecting the site at Rorac as well as the bauxite mining sector in the United States of America.

3.1.3 Land Rights and Land Ownership

Another set of factors that influenced the political economy of bauxite mining during 1900 until 1950 was land rights and land ownership. In 1621 the Dutch West Indian Company (WIC) was chartered by the *Staten-Generaal* of the Netherlands “to solely sail and trade in America and Africa, the Company possessed the rights to govern and to populate the fertile and uninhabited land as well as sign agreements in the name of the *Staten-Generaal*. Based on the charter issued by the *Staten-Generaal*, the occupied land was the private property of the Company and that the *Staten-Generaal* possessed the public authority as well as exercising this authority by and at the expense of the Company” (Blécourt, de, 1923:129). The Dutch settlers were given the feudal right to land, most of these lands were used as plantation and often passed on from generation to generation, by the Dutch West Indian Company with the condition that the settlers should manage these pieces of land that were often huge (Graaf van Limburg Stirum, 1924:640 – 642).

In both the Gold Ordinance 1882 and the Bauxite Ordinances 1919, which were central in the mining sector in Suriname, it was stipulated who could obtain land and how rights to land (concession) could be obtained. In these pieces of legislation it was mentioned that permits for conducting reconnaissance/research would only be issued to Dutch citizens, residents of the Netherlands and Suriname, and companies residing in the Netherlands and Suriname. It was only mentioned in the Bauxite Ordinance 1919, Resolution of 28th November (G.B. 1919 no. 80) article 2, clause 2 and 3, that the bearer of a permit for a concession could only be companies in the Netherlands and Suriname.

In 1916 the colonial government in Suriname approved the “Land Ordinance” (*G.B. 1916 no. 24*), which made a difference between land outside and in settlement areas as well as determined

that land can be issued to residents of the Colony, emigrants and immigrants that have fulfilled their contracts. “Rent had to be paid for both land outside and in settlement areas. Land in settlement areas could never become one’s property, in contrast to land outside these areas that after two years, land up to 10 hectares and the rent of f0.50 per ¼ hectares for the first years, could be one’s property free of charge” (Graaf van Limburg Stirum, 1924:643 – 644).

As Lamur (1985) stated, it was “between November 1915 (with the arrival of two senior ALCOA officials) and December 1916 (the establishment of the *Surinaamsche Bauxiet Maatschappij N.V.*) that 33, 920 hectares of all known bauxite land was in the hands of ALCOA (p85). ALCOA wanted to buy only private land and was able to possess many pieces of land, former plantations, along the Surinameriver where layers of bauxite were found (Munnick, de, 1946:90 – 91).

ALCOA was able to quickly penetrate into Suriname, unlike it was in British Guyana where “there was a significant presence of British in the bauxite sector and where concessions were granted only to British subjects or to companies registered in England” (Lamur, 1985:65 – 66 & 82). The legislation that was in place in Suriname only focused on public/crown land, and to whom and how rights to these lands could be obtained. Certainly what could be seen as a loophole in the measures taken to regulated land rights and ownership was the absence of policy or legislation that was aimed at the management of private land. In 1931 the term, “minerals” was introduced in an amendment to the Gold Ordinance 1882, which also in this year became known as the Minerals Ordinance 1931 (*G.B. 1931 no. 63*) (Quintus Bosz, 2005, p298). Also, in 1949 another amendment to the Minerals Ordinance 1931 was approved that clearly made a difference between private property above and in the ground. “Although all land privately owned before January 6th, 1933 was exempted from this rule, all businesses were subjected to the requirements of this law. After this date, a person who or an entity that became an owner of private land was required to obtain a permit for a concession, if minerals were present n the private land owned. Moreover, the Government was now authorized to issue permits for both reconnaissance/research and exploitation concessions on private land” (Ibid: 299).

All these conditions mentioned above would set the stage for the political economy that affected bauxite mining during 1954 – 1974.

3.2 Political Economy of Bauxite Mining 1954 – 1974

Considering the political economy of bauxite mining during 1954 – 1974, one must elaborate on dominant factors in the policy and decision-making processes in Suriname during this period. These factors are the emergence of political parties starting in 1949 as well as the entry and participation of local intellectuals, most of whom returned home after their study in the Netherlands, in the policy and decision-making processes.

3.2.1 The Foundational Developments pre-1954

The 1930s and 1940s in Suriname were characterized by social unrest, the formation of labor unions, the rise of the modern political parties with their basis in the different ethnic groups, the path to decolonization and self-government, and significant would be the Government Order of 1936 that signified that the *Koloniale Staten*, now called the *Staten van Suriname*, would again be composed of elected and appointed members (Chin and Buddingh', 1987:12 – 13). The influence of the Colonial rulers would be restored and stronger with the Governor appointing five of the fifteen members (Meel, 1999:26). Furthermore, “the profits from bauxite in 1941 until 1945 created a surplus balance of government budget, and among others made the members of the *Staten van Suriname* realize that Suriname could manage by herself without the Netherlands” (Ibid: 29).

During an interview with Ramdin on August 22nd, 2010, he also pointed out the labor unions are a force to be reckoned with in the bauxite sector in Suriname. Although as the President and Managing Director he had a good relationship with the union, he indicated that problems with them meant jeopardizing the continuity of the operations. The labor unions, the Moengo Miners Union (*Moengo Mijnwerkers Bond*) and the Paranam Miners Union (*Paranam Mijnwerkers Bond*), in SURALCO were established respectively in March and June 1942, after the laborers went on strike on August 2nd, 1941 and on January 16th, 1942 for a rise of their wages in order to achieve gradually increased living standards, better housing, medical treatment, time/days of leave and drinking water (Lie A Kwie and Esajas, 1996:95). Noteworthy, is that the strikes were prohibited by “the General Authority Measure of March 18th, 1941 (*G.B. 1941 No 121*) that granted the Governor the authority to issue regulations concerning official relations or civil

employer-employee relationship. So when the laborers went on strike in 1942, the Government used military force to get them to work” (Lie A Kwie and Esajas, 1996:95 & Elias, 1988:4).

3.2.2 Emergence of Political Parties in Changing Governing and Legislative Systems

As previously indicated, Samson (1947) mentioned two associations that were the precursors of political parties, namely EMM or *Eendracht Maakt Macht* (Unity Makes Power) and the SKV or *Surinaamsche Kies Vereniging* (Suriname Electoral Association) (p163 & 168). It came to an end for both SKV and EMM in respectively 1924 and 1926 (Ibid: 170). One can conclude that within a totally different context, government and politics would become the focus of local groupings again, whereby World War II and the proclamation of independence by some former colonies were taking place. As mentioned by Dew (1996), “in March 1943 the association, the *Unie Suriname* (Union Suriname), was established by leaders who were from the middle class. The Union Suriname propagated a moderate nationalism and focused on claiming government and political top functions as well as the realization of autonomy” (p52 and 54 - 57). “The Union’s catchphrase was ‘*Baas in eigen huis*’ (‘Boss in one’s own house’)” (van de Walle, 1975:127). Sedney (2010) states that “a speech made by Queen Wilhelmina of the Kingdom of the Netherlands on 7th December 1942 promising the Overseas territories internal self-government, led to the creation of associations such as the *Unie Suriname*. The associations established after the Union were based on ethnicity and were regarded as the precursors of the political parties” (p21). According to Meel (1999), since 1950 activities would be undertaken to promote Surinamese nationalism and these activities would not only be confined to Suriname, but would also take place in the Netherlands, the United States of America and the Netherlands Antilles (p175 – 177). It was, among others, within this context that many Surinamese would study abroad, for example in the Netherlands (Healy, 2008).

As stated by Sedney (2010), during the foundation of the first political parties between 1946 and 1949 two issues were their main focus, namely universal suffrage and independence concerning internal affairs (p23). In 1948 with the amendment of the Constitution of Suriname (*G.B. 1948 No.161*), among others, “universal suffrage would be introduced and that all 21 members of the *Staten van Suriname* would be chosen directly by the residents of Suriname. To be considered a

resident, one would have to possess the status of Dutch subject and to have reached the age of 23. In 1949 six political parties would take part in the first election based on universal suffrage” (Ibid: 25 – 27).

The strive of the first political parties for self-government and independence to conduct internal affairs would be shaped with the amendment of the Constitution in 1948 and the introduction of the Interim-regulation of 1950 that facilitated a second amendment to the Constitution and the constitutional relations with the Netherlands (Meel, 1999:32 – 33). Meel (1999) also mentions that within the Interim-regulation of 1950 external relations such as defense, foreign affairs, nationality and aviation, would be decided on by the countries in the Kingdom, namely Suriname, the Netherlands Antilles and the Netherlands (p34). The amendment of the Constitution in 1948 and the introduction of the Interim-regulation of 1950 resulted in significant changes to the governing and legislative systems in Suriname. In this regard, it can be mentioned that “with the amendment of the Constitution in 1948, the Executive branch of the government was expanded with the College of Public Administration that consisted of six members appointed by and accountable to the Governor. The College of Public Administration was responsible for the management of ten Departments of Administration and would be considered the precursor of the Council of Ministers. With another amendment to the Constitution in 1950, the introduction of the Council of Ministers was a fact. The Council of Ministers would be accountable to the *Staten van Suriname*, and that is where the Ministers would have to defend their policy. It is said that the introduction of the ministerial responsibility and the Council of Ministers’ accountability to the *Staten van Suriname*, is the actual beginning of parliamentary democracy in Suriname” (Meel, 1999:32 – 33).

In addition, Meel (1999) also states that “the Council of Administration (the Dutch term-“*Raad van Bestuur*”), which consisted of the Governor as the Chair, the Attorney General, a Vice-Chair and three members, became the Council of Advice (the Dutch term-“*Raad van Advies*”). Also, the *Staten van Suriname* would be granted the budget-right, the right to inquiry as well as the establishment of representation of Suriname in the Netherlands. The Representative, who had to attend to the interests of the country, would be nominated by the *Staten van Suriname* and then appointed by the Governor” (Ibid: 33).

As stated in the Resolution of 9th May 1953 No. 1130 (*G.B. 1953 No. 57*) significant changes were made to the Bauxite Ordinances of 1919 such as that those holding permits for bauxite reconnaissance/research activities would only be issued to Dutch citizens or companies, residents of and firms residing in the Netherlands, Dutch-India (now Indonesia), Suriname or Curaçao. Also, that holders of concessions for the exploitation of bauxite could only be companies from the Netherlands, Dutch-India (now Indonesia), Suriname or Curaçao. If the bearer of a permit or a concession was outside of Suriname, he/she had to continuously have a local representative.

Also, significant during the 1950s legislation was created to regulate the activities between private land owners and the bauxite companies. During the 1950s and 1960s the lease of private land continued as this is reflected in an agreement between the Foundation representing landowners of the Plantation Onoribo and Billiton dated July 12th, 1996. This agreement is an amendment of lease contracts for the exploitation of bauxite that dated from March 23rd, 1948, March 27th, 1957 and July 13th, 1967. As stated in the Government Ordinance of 20th June 1953 No. 74 (*G.B. 1953 No. 74*), with the approval of this legislation the government wanted to regulate the reconnaissance/research activities on private land as well as regulate the compensation of landowners and/or right-owners of land in case of damages incurred during the reconnaissance/research activities.

3.2.3 Political Parties and the Bauxite Sector

The Statute of 1954 and the Constitution of 1955 gave Suriname complete autonomy or as stated by Quintus Bosz (1960) “Suriname became an independent partner in the Kingdom” (p16). This achievement can be credited partially to the political parties present in the *Staten van Suriname* during 1948 until 1955 (Meel, 1999:37 – 53). As mentioned previously and stated by Sedney (2010), “these political parties were based on ethnicity and were dominated by the larger groups of the Creoles/Mulattos, Javanese and Hindustanis. Other ethnic groups, such as the Lebanese, Chinese and the descendants of the Dutch colonizers, participated in political parties formed by these larger ethnic groups. Nationalist and Marxist parties would be established after 1960 with the *Partij Nationalistische Republiek* (PNR) (the Party of the Nationalistic Republic) being the first in line” (p20 – 34). Particular mention is made by Healy (2008) of this political party, because it

“used non-parliamentary measures, surely with political intentions, to influence a decision made regarding a draft agreement between the Government of Suriname and ORMET, a joint venture American bauxite mining company. As a party not represented in *the Staten van Suriname* in 1963, the PNR used the radio station ARVOS by gaining control of its board of directors and organized protests outside the *Staten van Suriname* to criticize the government and therefore also influencing the outcome of the decision made by this body” (p162 – 163).

Even so, the other political parties had their share of influencing the policy and decision-making processes or defending interests in the bauxite mining sector. Nowadays many people would call it conflict of interest, but for example “around 1960 a few locals that were both members of political parties and representatives of mining companies were elected members of the *Staten van Suriname* and they remained representatives of the companies during their term as a member of the Staten. There was even one representative of a rival company to ORMET, who was elected member of the Staten and replaced by an alternate, only to become the Minister of Development in the Pengel Administration from 1963 until 1967. Furthermore, when in 1963 the draft agreement between the Government of Suriname and ORMET was on the agenda in the *Staten van Suriname*, there was even a prominent member of the coalition government that was the legal counsel of a rival company. In the case of the ORMET agreement, it should also be mentioned that one representative of ORMET was both a confidant of the then Prime Minister, Mr. Pengel, and a member of the *Staten van Suriname*” (Healy, 2008:159 – 160 & Sedney, 2010:68 – 69 & 269).

According to Healy (2008), “ORMET was a joint venture company two-thirds owned by Olin and one-third by Revere Copper and Brass, with both having production companies in the United States of America. ORMET owned and operated an alumina plant in Burnside, Louisiana in the United States of America, and obtained the raw material, bauxite, from Billiton in Suriname. ORMET, under the name Suriname Mineral Company, became interested in establishing itself in Suriname as soon as they noticed that Billiton’s mine was characterized by poor management, deficient operations and lack of future planning” (p59 – 60). The highly publicized and politically sensitive draft agreement reached “between the Government of Suriname and ORMET went through two Administrations, the Emanuels (1958 – 1963) and the Pengel (1963 – 1967), and resulted in a dissolved Pengel Administration after a coalition party, the *Progressieve Surinaamse Volkspartij (PSV)* (Progressive Surinamese People’s Party), openly threatened also

to vote together with the opposition against the agreement and was subsequently ousted from the government by the other coalition political parties. After this ordeal, the draft agreement was never again discussed in the *Staten van Suriname*” (Sedney, 2010:69 – 70). During an interview on 8th May, 2010 with Emile Wijntuin, a PSV politician and former member of the *Staten van Suriname* during 1958 and 1963, he mentioned that several factors led to their intention to vote against the agreement. It was clear that the draft agreement concluded by the Emanuels Administration was used by the Pengel Administration for discussions that started in September 1963 in the *Staten van Suriname*. Wijntuin also stated that although the ORMET case was not part of the Government Declaration, the PSV was committed to formalize the agreement only if a condition they demanded was met.

Firstly, the PSV had doubts about their demand being met, which was the issuance of a bauxite concession with the condition that an alumina company should be established by ORMET. Wijntuin mentioned that their doubts were fed initially during a coalition meeting prior to the discussions in the *Staten van Suriname*. The Prime Minister, Johan Pengel, was vague about the possibility to issue a concession to ORMET with one of the conditions to the agreement being to build an alumina company. As mentioned by Wijntuin, days after the coalition meeting, four members of the previous Emanuels Administration including the former Prime Minister Emanuels, advertised in the newspapers a signed bulletin indicating among others that the construction of an alumina company was never agreed upon.

Secondly, Walter Lim A Po was a confidant of Pengel, a member of the *Staten van Suriname* and the legal counsel for ORMET, and the PSV regarded these positions of as a conflict of interests. Furthermore, indirectly the PSV also had problems with the enormous concentration of power in the Prime Minister Pengel. He was not only Prime Minister, but Minister of Finance, Minister of General Affairs and Minister of Internal Affairs as well. Wijntuin also stated that although the majority, including the two coalition partners, in the *Staten van Suriname* did not want to cooperate to vote for the draft agreement, Pengel was pressing to approve it without success. Wijntuin stated Pengel’s persistence as “undemocratic”, since he knew that the majority was against the draft agreement.

The third factor that led to PSV's intention to vote against the agreement was the absence of the Minister of Development, Just Rens, during the deliberations in the *Staten van Suriname*. It was striking to the PSV that during the deliberations Rens did not make any statements on this matter. The Minister was accountable to the *Staten* and matters regarding mining, in this case bauxite mining, resided under and were the responsibility of the Ministry of Development. It was solely the Prime Minister, Pengel, who defended the draft agreement in the *Staten*.

Noteworthy is that Wijntuin mentioned that the other political parties in the coalition government had no objections or problems with the handling of the ORMET negotiations and draft agreement by only members of the political party, *Nationale Partij Suriname (NPS)*. This approach is supported by the statement made during an interview with Jules Sedney on April 24th, 2010, when he mentioned that policy preparation was given to an individual or political party and that other actors in the government would provide their input when necessary. For example, he mentioned that Essed, Minister of Development 1958 – 1963, was given the role of pioneer to establish a plan for the exploitation of bauxite reserves in the Bakhuis Mountains in the western part of Suriname.

The objections PSV had against the draft agreement meant the end of the coalition government, and the fall of the Pengel Administration in October 1963 after five months in office (Healy, 2008, p157 & 190). Years later, opinions among political parties would also differ on the development of Suriname based on the implementation of the 'West-Suriname Plan'. This will be discussed below.

3.2.4 The Entry and Participation of Intelligentsia in Policy and Decision-making Processes

According to Healy (2008), "it was during the 1950s and early 1960s that most students who went abroad to study would return to Suriname. Most of them would return from studies in the Netherlands, where around this period the socialist movement prevailed in the country as well as at most of the universities. Upon their return to Suriname, most of these graduates would enter politics and join the established political parties or establish their own party. They would be called the 'intellectuals' by other locals" (p161). Although several 'intellectuals' through

especially senior and managerial positions in government institutions would be of significance to the development of Suriname from the second half of the 1950s, there were two that put their mark on the path to development. “From 1958 until 1963 Frank Essed and Jules Sedney, respectively Minister of Development and Minister of Finance, would play an eminent role in the bauxite mining sector. Both completed their Ph.D. studies at Dutch universities and as soon as they became members of the political party, *Nationale Partij Suriname (NPS)*, within a few years upon their return to Suriname Essed and Sedney would be given great responsibilities with the acceptance of executive functions” (Healy, 2008:66 – 67 & 162). It would be Essed that was given the responsibility of the newly established Ministry of Development under which research, management and development of the natural resources together with development planning would reside (Breeveld, 1995, p6). According to Healy (2008), “Jan Tinbergen, the Nobel Prize winning Dutch economist and who in 1961 became an advisor to the Government of Suriname, had a great influence on Essed during his study in the Netherlands” (p67). As stated and believed by Tinbergen (1958), “economic development could be progressed by a “development policy”, whereby both the public and private sectors would have to contribute and where the development would be spearheaded by the public sector or government actions. The ‘development policy’ would have four principal objectives: (i) to create the general conditions favorable to development; (ii) to acquaint the government itself, the business community and the public generally with the potentialities and advantages of development; (iii) to make a number of investments, usually the ‘basic’ type; and (iv) to take measures designed to facilitate and to stimulate private activity and investment” (p3 – 8). This belief or concept would speak to and be practiced by Essed, because “he was a proponent of state planning and government control of the economy to achieve social and economic goals” (Healy, 2008:67). In 1947 prior to Essed becoming Minister, in support of this ideology, a ‘Prosperity Fund’ for Suriname was established for five years by the government of the Netherlands to conduct fundamental research in several areas and using the results to formulate a multiannual plan aimed at a balanced development of the society (Vroon, 1963:26). According to van Dijck (2001), “this Fund was created not as part of a comprehensive development plan but it had to facilitate the establishment of a policy framework. In 1955, the ‘Prosperity Fund’ (the Dutch term-“*Welvaartsfonds*”) was transformed to the first national ten-year plan designed by the Planning Bureau of Suriname with the objective to support economic independence and priority was given to projects that supported

production directly such as the enlargement of agricultural areas under production, improvement of the infrastructure for air traffic and improvement of credit facilities for small-scale agricultural production units” (p283).

Through the ‘Prosperity Fund’ research was financed to study the possibilities of generating hydroelectricity in the Surinameriver, and this resulted in 1958 in the implementation of the Brokopondo Agreement that included the construction of the hydropower dam at Afobaka for the bauxite processing of SURALCO⁹ at Paranam (Ibid: 27). As the former Prime Minister and Minister of Finance as well as former Governor of the Central Bank of Suriname, Jules Sedney entrusted with these various responsibilities had both plenty of insights into and had to monitor the implementation of the financial part of the Agreement. During an interview with Jules Sedney on April 24th, 2010, he indicated that the aforementioned research and both during the build up to and execution of the Brokopondo Agreement created under those studying in the Netherlands, including himself, as well as the Surinamese population an atmosphere of nationalism and the issue embodied the catchphrase, ‘*Baas in eigen huis*’ (‘Boss in one’s own house’) of the Union of Suriname. The execution of the Brokopondo Agreement was very important to Suriname, because to promote industrial development cheaper energy was required instead of depending on imported coal to generate electricity (Vroon, 1963:53). According to Sedney during the interview on April 24th, 2010, for the execution of SURALCO’s part to the Brokopondo Agreement Hillerich Meijer and George Streepey, both employees at *Surinaamsche Bauxiet Maatschappij N.V.*, were the “masterminds” behind securing the finance under the “Western Hemisphere Trade Cooperation (WHTC)” mechanism. This mechanism was established by President Theodore Roosevelt of the United States of America as part of his “Good Neighbor Policy”. Meijer and Streepey did so, after the Dutch government and the World Bank had objections to finance this Plan. Sedney also stated that Meijer had a strong belief in the first aluminum smelter outside the West being built in Suriname. Furthermore, he stated during the interview that under this mechanism American companies were given tax incentives if they invested in countries of the America’s. Eventually, the tax legislation that pertained to the WTHC was annulled forcing SURALCO to sign within the ALCOA system loans to finance the

⁹ As Lie A Kwie and Esajas (1996) stated that “in December 1957 the ALCOA’s subsidiary, the *Surinaamsche Bauxiet Maatschappij N.V.* (Surinamese Bauxite Company LLC), changed its name to Suriname Aluminum Company (SURALCO) according to laws of the United States of America” (p161).

hydropower construction against a lower interest rate (SURALCO, 1981:37). Furthermore, the signing of the Brokopondo Agreement between the Government of Suriname and SURALCO for 75 years meant that the bauxite mining company would also own the hydropower dam and be responsible for generating hydropower so that it can produce aluminum (Girvan, 1967:21 and Lie A Kwie & Esajas, 1996:161). Another interesting fact as stated in article II, Exploration and Concessions, of the Brokopondo Agreement, is that after the signing date ALCOA was given for ten years the exclusive right for exploration for bauxite in all areas east of the Surinameriver unto the border with French Guyana. The bauxite reserves in West-Suriname were excluded from these terms. It can be concluded that although the implementation of the Brokopondo Agreement meant enormous socio-economic progress such as job creation, increased bauxite processing and reliable energy supply, the Agreement strengthened ALCOA's position in the bauxite sector in Suriname by granting exclusive rights and becoming the major energy supplier. On the other hand, the Government of Suriname assured the presence of at least one major player in the bauxite industry and a source of state income for many years to come.

According to Breeveld (1995), in order not to depend too much on bauxite and the two bauxite mining companies, SURALCO and Billiton, "Essed as Minister of Development ordered the Geological Mining Service to come up with a plan to inventory all mineral resources, and this resulted in 'Operation Grasshopper' that opened up the Interior by establishing and operating small airfields as well as completing an inventory of all mineral resources including the reserves in the Bakhuis Mountains. The completed inventory also gave way to the 'West-Suriname Plan', which consisted of a railway to exploit the bauxite in Bakhuis Mountains, construction of another hydropower dam to process the bauxite into aluminum, mining of copper and nickel, the exploitation of natural stone, the establishment of timber mills and charcoal companies, and agricultural and animal husbandry companies. Essed's intention was to exploit the bauxite in a joint-venture and entirely or if possible in Suriname to be processed to end product" (p6 – 7). The establishment of the State Mining Company, N.V. Grassalco, in 1972 was intended to enter into joint-ventures for the exploration and exploitation of the bauxite reserves in Bakhuis Mountains (Fontaine, 1986:25). The bauxite reserves in West-Suriname also gave way to "the new Pengel Administration in April 1963 to invite several companies such as Aluminum Company of Canada (ALCAN) and Harvey Aluminum Company as well as establishing a

Development Council comprising six of nine ministers and its new Development Bureau, which would be responsible for improving the investment climate and for the conduct of discussions with investors” (Healy, 2008:163 & 167). “After becoming the Director of the Plan Bureau from 1963 until 1967 and where he would be responsible for the National Development Plan, Essed would become Minister of Development again in 1969 until 1973 and pick up the ‘West-Suriname Plan’ again as well as take the initiative together with Jamaica to establish the International Bauxite Association (IBA) that would introduce a special bauxite levy” (Breeveld, 1995:8). As indicated in Table 4 below, Suriname was or was becoming one of the major bauxite producers in the world.

On the contrary, “the political parties, *Progressieve Arbeiders en Landbouwers Unie* (PALU) and *Volkspartij* had other opinions about the ‘development policy’ that was completely dependent on the implementation of the ‘West-Suriname Plan’ in a part of Suriname that was scarcely populated. PALU was of the opinion that it was wrong to think that only large-scale projects would develop Suriname and that the ‘old’ sectors were not given priority in areas such as Paramaribo and other populated districts, where unemployment could increase, food production could stagnate and medical and other social care would not be given the time or necessary funds. PALU wanted a ‘development policy’ based on powerful expansion of the production activity by the national production apparatus in the country. Agriculture would be given priority as well as a production activity based on knowledge and skills of the Surinamese people, so that the development would be managed by them. *Volkspartij* wanted a development policy’ based on a socialist plan-economy with a planned policy, good governance as well as consultation and involvement/employment of the entire population. This political party was of the opinion that bauxite exploration dominated the ‘West-Suriname Plan’ and would result in the mining sector maintaining its dominant position in the economy. They wanted a change in dependency of the economy on the bauxite sector, which was influenced by monopolies in the West through the international market. Furthermore, *Volkspartij* proposed the establishment of a government institute for the bauxite sector that had to monitor the development of the bauxite industry both nationally and internationally” (Interuniversitaire Studiegroep Planologie “West-Suriname”, 1978:139 – 141).

Table 4 BAUXITE PRODUCTION (Quantities in thousands of metric tons)

YEAR	U.S.A.	Guyana	France	Jamaica	Suriname	Australia	Other Free World
1961	1228	2374	2148	6663	3351	0	7452
1962	1369	2690	2127	7435	3202	50	7128
1963	1525	2210	1971	6903	3427	350	7379
1964	1601	2468	2387	7811	3926	889	7879
1965	1654	2638	2610	8514	4291	1158	9080
1966	1796	2860	2760	8950	4520	1800	10,700
1967	1654	3328	2745	9121	5200	4169	10,200
1968	1665	3490	2756	8391	5484	4880	11,400
1969	1843	3700	2729	10,333	5451	7792	12,200
1970	2082	4490	2940	11,800	5257	9200	13,600
1971	1988	3757	3066	12,565	6162	12,343	14,700
1972	1812	3668	3203	12,345	6800	14,205	15,000
1973	1880	3224	3084	13,385	6580	15,800	11,900
1974	1950	3100	2863	15,086	7000	17,535	17,900
1975	1800	3200	2500	11,400	4900	20,700	20,600

Source: U.S. Bureau of Mines, 1974. *Minerals Yearbook Volume I*. Washington, D.C., U.S. Government Printing Office

Jules Sedney also had a different opinion about the feasibility of the ‘West-Suriname Plan’, which he reiterated during the interview on April 24th, 2010. He mentioned that the border dispute¹⁰ with Guyana would have impeded the development of the hydropower dam due to probable change in the water-basin of the Corantijnriver. Furthermore, he stated that the idea to sell electricity to Guyana generated by the hydropower dam was not feasible as well. Sedney pointed out that during a *tête-à-tête* between him and the then President of Guyana, Forbes Burnham, the President noted that Guyana would not be put in a position to be dependent on Suriname for its electricity generation. Relying on electricity generated by Suriname would have manoeuvred Guyana into a weaker position when negotiating about the border dispute between the countries.

¹⁰ The Permanent Court of Arbitration (2007) indicates that “efforts to establish a border between Suriname and Guyana dates back to their colonial eras. Although the west bank of Corantijn River is regarded as the border between the countries, the dispute is about the southern and northern points of the boundary”. Several attempts have been made through Mixed Boundary Commission to come to an agreement about these two points, but without any luck (p29). After a court case that ended in 2007, the Arbitral Tribunal of the United Nations Convention of the Law of the Sea (UNCLOS) established the northern point, the maritime boundary. The southern point of the boundary still has to be established.

Although parts of the ‘West-Suriname Plan’ were implemented, this illustrates the ‘development policy’ initiated and advocated by Essed, and which would dominate processes in Suriname for many years to come.

3.3 Political Economy of Bauxite Mining 1975 – present

With its independence on November 25th, 1975, Suriname began an era of self-determination and self-sufficiency with its rich natural resources still leading the way. For the bauxite sector, the period 1975 until the present would be characterized by many challenges such as a newly independent State searching for its own “formula for success”, a period of military rule from 1980 until 1987, and a period of globalization and sustainable exploitation of natural resources from 1990 until the present.

3.3.1 1975 - 1980

From 1975 until 1980 Suriname’s policy for the bauxite sector would be dominated by decisions made by the International Bauxite Association, whereby measures such as the bauxite levy introduced by this organization would stir both the Government of Suriname and SURALCO to sign four agreements concerning the levy between 1974 and 1981 (SURALCO, 1981:33).

According to Henk Ramdin, the former President and Managing Director of SURALCO during an interview on August 22nd, 2010, the introduction of the aforementioned bauxite levy in 1974 by Suriname would also result in Billiton abandoning its plan to build together with Reynolds Metal Company a plant to produce calcined bauxite.

For the introduction of the bauxite levy in Suriname, the government was assisted by another member from the IBA. During an interview on January 20th, 2011 with Henry Guda, the first Secretary General of the IBA representing Suriname from 1974 - 1977, he mentioned that within the organization it was Guyana and Jamaica that had proposals for establishing the bauxite levy in the member countries. He also stated that Jamaican authorities assisted the government of Suriname with the introduction of the bauxite levy.

According to Barnett (1976), “the IBA was based on both the ‘New Economic Order’ of 1973 - 1974 and the experiences and model of the Organization of Petroleum Exporting Countries (OPEC). Based on the ‘New Economic Order’, natural resources were to be used, among others,

to redistribute the world's wealth, promote justice and equity, and bring fairness to the conduct of economic trade" (p1 & 3). Girvan (1967) proposed that "the Caribbean bauxite producers take the initiative to set up a World Organization of Bauxite Producing Countries (OBPC) according to the OPEC model. Nevertheless, in addition to focusing on taxation and prices, the OBPC had to be concerned with securing international agreement on the maximum processing of bauxite within the producing countries" (p32). Barnett (1976) stated that "the bauxite levy introduced by the IBA was not uniform in member states, resulting in members undercutting each other and this became one of the reasons why the organization was ineffective and crumbling" (p15). According to Rusland (2006), the collection of the bauxite levy introduced in Suriname as approved by the IBA would be suspended in 1986 (p7).

Although companies such as Reynolds Suriname Mines Ltd., Péchiney and ORMET were interested in the bauxite reserves in West-Suriname, mainly in the Bakhuis Mountains, it would be SURALCO and Billiton that remained after 1975 and would end up working together in 1984 due to set backs in the bauxite sector in Suriname (Werkgroep West Suriname, 1977 & Lie A Kwie and Esajas, 1996:186 & 196). Their cooperation started even earlier. Prior to 1963 both SURALCO and Billiton separately mined and processed bauxite from their concessions, whereby according to Henk Ramdin during the interview on August 22nd, 2010, Billiton mined, dried and subsequently shipped bauxite abroad and on the other hand SURALCO would further process bauxite into special products such as calcined bauxite. In 1963 the two competitors would join forces through a 'Toll Fabrication Agreement' that would see SURALCO process yearly a certain amount of bauxite mined by Billiton to alumina for export to the Netherlands (Lie A Kwie and Esajas, 1996:171). Ramdin also mentioned that the cooperation between the two companies, based on a 55–45% agreement for respectively SURALCO and Billiton, even resulted in co-financing by Billiton for the expansion of the Paranam facilities. Furthermore, Ramdin also indicated that the renewed cooperation in 1984 between the two companies would be a joint-venture agreement for mining and refining bauxite based on the same distribution code, 55–45 % for the refinery. With this joint-venture agreement Billiton also became shareholder of the SURALCO refinery at Paranam.

3.3.2 1980 - 1987

According to Chin and Buddingh' (1987), "the military-appointed cabinet on May 1st 1980 launched a policy programme together with the Urgency Programme that reflected a socio-economic policy with measures to be taken out of solidarity with the poor, powerless and dispossessed. With regards to the bauxite sector, the Urgency Programme did not allocate funds for the further development of bauxite-extracting activities in West-Suriname due to the fact that bauxite companies were no longer interested in the Bakhuis reserves" (p140 – 141). According to the Central Bank of Suriname (1981), "a tripartite committee installed in September 1979 with representatives from the Government of Suriname, SURALCO and Shell/Billiton, also concluded in a report published on May 30th, 1980 that the Bakhuis bauxite could not be sold in the world market and that the construction and exploitation of an alumina plant in Apoera would not be economically feasible. This report came out after the railway as projected in the 'West-Suriname Plan' was completed" (p4).

The period 1980 until 1987 posed many challenges for the bauxite sector, because with the increasing internal political troubles between the military rule and other political actors a brief civil war would be forthcoming. From December 1983 until the end of 1987 several challenges would be encountered in the bauxite sector of Suriname, namely company strikes due to tax increased measures introduced by the government, low prices for aluminum worldwide, financial losses from 1984 until 1987 and subsequently release of 500 workers, in November 1986 until the beginning of 1987 complete standstill of bauxite operation in eastern part of Suriname due to occupation by rebels fighting in the civil war, January 1987 shutdown of electricity supply due to the blast of two high voltage masts (Lie A Kwie and Esajas, 1995:9 – 14). See Table 5 for figures on the production and exports of Bauxite and other products. As Ramdin stated during the interview on August 22nd, 2010, this period was "very nerve-racking" for him due to the fact that he had to keep the company running by guaranteeing continued mining and processing operations. In this regard, he indicated that during the curfews imposed he came to an agreement with the military rulers to supply the workers with badges and helmets to identify themselves and determine several locations in Paramaribo where workers could gather to go to and be dropped off from work. Ramdin also pointed out that the economic constraints, such as difficult access to foreign currency, during abovementioned period were not troublesome for SURALCO. The

company has an edge over other local companies, and which is embedded in the Brokopondo Agreement, namely that they can have bank accounts outside Suriname to deposit their proceeds. Nevertheless, under supervision of the Central Bank of Suriname SURALCO can engage in financial transactions and the company made use of this facility during abovementioned period.

Table 5 Production, Exports and Export Values of Bauxite, Alumina and Aluminum for 1980 – 1993

Year	Production			Exports			Export Value in US\$		
	Bauxite dmt	Alumina mt	Aluminum mt	Bauxite dmt	Alumina mt	Aluminum mt	Bauxite	Alumina	Aluminum
1980	4,893,835	4,445,386	54,921	1,703,771	1,328,875	45,606	74,568,887	286,800,482	65,284,246
1981	4,125,400	1,248,783	40,519	1,220,063	1,165,634	31,706	62,651,682	266,644,639	49,325,245
1982	3,059,589	1,135,606	42,519	479,311	1,054,724	60,294	29,363,221	233,036,429	70,004,128
1983	2,792,998	1,171,750	33,573	432,903	1,143,277	28,881	25,122,281	216,444,499	34,853,064
1984	3,230,661	1,237,214	22,992	956,770	1,096,534	29,440	41,123,703	200,974,256	42,667,897
1985	3,760,117	1,241,675	28,785	992,470	1,265,210	28,353	35,755,402	175,162,455	30,858,672
1986	3,646,633	1,471,037	28,710	839,739	1,342,618	29,513	26,915,256	177,412,675	34,944,121
1987	2,529,496	1,362,535	1,913	322,619	1,342,145	3,158	10,667,287	194,768,944	3,531,640
1988	3,433,452	1,632,196	9,760	6,967	1,629,979	7,616	270,250	292,127,464	14,802,934
1989	3,461,132	1,567,051	28,407	-	1,553,410	26,111	-	440,953,148	51,820,358
1990	3,283,318	1,531,460	31,282	-	1,473,116	31,944	-	357,065,277	51,100,154
1991	3,134,301	1,495,825	30,657	-	1,449,088	26,263	-	263,969,764	40,409,530
1992	3,250,174	1,575,606	32,358	-	1,513,647	34,525	-	242,126,818	44,712,182
1993	3,412,297	1,506,550	30,111	-	1,426,055	28,697	-	219,502,607	34,977,331
1 ^o Q '93	704,811	298,893	8,011	-	255,410	7,537	-	39,751,205	9,388,503
1 ^o Q '94	1,032,837	388,675	6,715	-	370,540	5,731	-	52,169,103	

Source: Bauxite Institute Suriname (BIS)

Note: for the period 1980 – 1992, the exchange rate was 1 US dollar to 1, 77 Surinamese guilders
After 1992 the export values were reported to BIS in US dollars

3.3.3 Institutional Setting and Legislative System during 1980 until 1987

As *Volkspartij* proposed in 1978, under the military rule on February 17th, 1981 the Bauxite Institute Suriname (BIS) would be established by Decree E-9 (*S.B. No14, 1981*). In the Decree under article 3 it is stated the establishment of the BIS is to know and understand the bauxite industry both locally and internationally, prepare bauxite policy for the Government, assist the Government in the execution of the bauxite policy except in the participation during exploration and exploitation, and independently supervise the activities of the bauxite industry in Suriname. The Note of Explanation to the Decree E-9 gives a clearer picture of the reasons behind the establishment of this Institute, “which were that data concerning the bauxite industry in Suriname and its position in the world was not readily available to the Government and one of the consequences was that information gap was perceptible during negotiations with bauxite mining companies.” Furthermore, in the Note of Explanation it is mentioned that “prior to the

establishment of BIS, a Bauxite Committee was responsible for the relationship with the bauxite companies. Nevertheless, the members of this Committee were part-time which threatened the continuity of gathering knowledge, experience and technical skills.” As also stated in the Note of Explanation, these limitations that did not enable the Government to justly portray and rightly justify Suriname’s share of the yields from the bauxite industry.

With the approval of the Mining Decree 1986 (*S.B. 1986 No. 28*) the rules governing the reconnaissance and exploitation of mineral resources would be centralized as stated in article 75 of this Decree. In this article it is indicated that with the Decree coming into force four previous laws and their related regulations would be annulled, namely, the Mineral Law of 1952 (*G.B. 1952 No. 28*), the Law of 1st December 1894 concerning the exploitation of mineral resources in navigable creeks and streams (*G.B. 1952 No. 29*), the Law of 23rd December 1952 (*G.B. 1952 No. 120*) concerning the research for the Government on the presence of minerals on land, for which permits for either research or concessions for the exploitation was issued, and article 11 clause 3 of the Agrarian Law (*G.B. 1950 No. 87*) that regulates the issuance of public land. In the Note of Explanation of the Decree it is mentioned that the legislation was formulated considering, among others, the United Nations Declaration on Permanent Sovereignty over Natural Resources of 14 December 1962 and the United Nations Convention on the Law of the Sea of 10 December 1982. Both the Declaration and the Convention give States and their peoples the right to determine on their own and within their territory how they make use or put to use their natural wealth and resources. Furthermore, the Mining Decree determines that the State is the owner of all mineral resources within the boundaries of the country. Also significant in the Decree as stated in article 4 clause 1 and article 17 clause 2 is that it also, although not elaborately described, regulates the protection of human beings and the environment during mining activities by enabling the Government to issue guidelines.

3.3.4 1990 – Present

The working environment during early 1990s for the bauxite sector would be characterized by unstable prices in the world market for the bauxite industry, unpredictable politics in Suriname, the implementation of a Structural Adjustment Programme (SAP) by the Government, the signing of a Bauxite Agreement in 1993 between the Government on the one hand and

SURALCO and Billiton on the other, and the rise of the sustainability concept as an outcome of the Rio Conference of 1992 (Lie A Kwie and Esajas, 1996:204 – 209, Lahiri, 2003:2 & Rusland, 2006:9). During the late 1990s until the present, several significant events would take place such as the signing of an Energy Agreement in 1999 after the closure of SURALCO's aluminum smelter, again a renewed interest for the bauxite reserves in Bakhuis Mountains by Péchiney in 2000 and in 2003 initially by SURALCO and Billiton, of which Billiton would continue negotiations with the Government until they announced that Billiton's activities in Suriname would be terminated in 2010. Also noteworthy during late 1990s until the present, is the increased involvement of the general public, specifically tribal communities, in natural resource management as they demand the recognition and issuance of their land rights. Concerning this matter, two recent examples will be discussed briefly below.

“Export revenues from the bauxite sector in Suriname declined sharply during the first half of the 1990s and continued to decline during the final years of the century, except for a peak during 1995 – 97. During the 1990s inflation and destabilization increased sharply, and in 1992 the Suriname Structural Adjustment Programme was implemented to remove the structural imbalances in the economy. The Programme consisted of, among others, the development of import-substitution activities and the need for a national industrial development plan for a planned and focused short – and medium-term industrial development” (van Dijck, 2001:287 – 288 & Inter American Development Bank, 2002:3 & 5). In 1993, a Bauxite Agreement was signed between the Government of Suriname on the one hand and SURALCO and Billiton on the other. The key elements as mentioned in the Bauxite Agreement 1993 are a unified exchange rate to be determined by the Government, based on feasibility studies a guarantee continuity of the bauxite industry with exploitation of reserves regarded as ‘not-commercial’ before, the possibility for Suriname to participate in joint activities of SURALCO and Billiton, and all three parties express their willingness to research the economic feasibility of the bauxite reserves in Bakhuis Mountains. In a ‘Government Briefing’ in August 2000, Billiton noted that without this Agreement of 1993 investment would not be forthcoming in the Lelydorp III mine and in related projects in the refinery. Nevertheless in the same ‘Briefing’ by Billiton, they indicated that the bauxite industry endured a loss of US\$ 45 million due to a “bauxite exchange rate” used by the

Central Bank of Suriname instead of the unified exchange rate as agreed in the Bauxite Agreement of 1993. See below Table 6 for Production and Exports figures during 1994 – 2009.

In the mining sector, another element that has determined or still determines the political economy of natural resource management since 1992 is the sustainability concept as an outcome of the Rio Conference of 1992 that in turn was based on the Brundtland Commission Report. Specifically, the possibilities or means present for the general public to participate in the decision-making processes when it comes to management of natural resources in a sustainable manner. Evidently, the sustainability concept as an approach was not always the case when considering for example the present status of the mining community of Moengo. With SURALCO minimizing its mining activities in and around Moengo, the community is experiencing decrease in socio-economic circumstances. “Mining activities in Moengo started almost simultaneously with the establishment of the *Surinaamse Bauxiet Maatschappij N.V.* in 1916 and the community grew and became dependent as the activities of the company increased throughout the years” (Munnick, de, 1946:92 and Lie A Kwie and Esajas, 1996:35 – 51).

Table 6 Production, Exports and Export Values of Bauxite, Alumina and Aluminum for 1994 – 2009

Year	Production			Exports			Export Value in US\$			Price/ton in US\$		
	Bauxite dmt	Alumina mt	Aluminum mt	Bauxite dmt	Alumina mt	Aluminum mt	Bauxite	Alumina	Aluminum	Bauxite	Alumina	Aluminum
1994	3,772	1,497	26.7	-	1,385	25.2	-	215	32		155	1,262
1995	3,530	1,589	28.8	-	1,586	26.3	-	311	46		196	1,731
1996	3,703	1,643	28.8	-	1,608	26.6	-	308	42		192	1,573
1997	3,877	1,726	28.8	-	1,647	27.5	-	313	46		191	1,652
1998	3,931	1,772	28.0	-	1,733	26.8	-	298	38		172	1,404
1999	3,715	1,853	6.6	-	1,858	6.8	-	297	8		160	1,223
2000	3,610	1,906	-	-	1,869	-	-	342	-		183	-
2001	4,394	1,893	-	-	1,909	-	-	330	-		173	-
2002	4,002	1,903	-	-	1,886	-	-	290	-		154	-
2003	4,215	2,005	-	-	2,041	-	-	336	-		164	-
2004	4,087	2,014	-	-	2,025	-	-	413	-		204	-
2005	4,757	1,940	-	-	1,946	-	-	447	-		229	-
2006	4,945	2,151	-	-	2,127	-	-	643	-		296	-
2007	5,273	2,178	-	-	2,161	-	-	702,5	-		325	-
2008	5,333	2,154	-		2,177	-		714,2	-		328	-
2009	3,388	1,536	-		1,536	-		322,9	-		210	-

Source: Bauxite Institute Suriname, May 2010

Furthermore, in the context of the sustainability concept Suriname as one of the signatories to the Rio Declaration on Environment and Development of 1992, committed itself to the implementation of the principles of this Declaration. For example, Principle 10 of the Rio Declaration mentions that “environmental issues are best handled or approached with the

participation of all citizens concerned at the relevant level”, and this also implies exploration and exploitation activities in, among others, the bauxite industry.

With the renewed interest of BHP-Billiton in 2003 for the bauxite reserves in Bakhuis Mountains, the company was required by its company standards and the Government to conduct an Environmental and Social Impact Assessment (ESIA) prior to exploration and exploitation activities. Although, Suriname has an environmental management structure, namely a Ministry of Environment (the policy body), the National Council for the Environment (the advisory body) and the National Institute for Environment and Development in Suriname (*Nationaal Instituut voor Milieu en Ontwikkeling in Suriname (NIMOS)*, the technical body), it lacks a comprehensive environmental legislation that regulates, among others, the making of environmental impact assessments. Nevertheless, for its activities in Bakhuis Mountains BHP Billiton conducted an ESIA according to the guidelines set by *NIMOS*, and they include procedures and guidelines for the involvement or participation of all concerned citizens. Since the mining of bauxite in Bakhuis and related activities such as transportation of the ore would have affected the living areas of the local indigenous population of the villages, Apoera, Section and Washabo, the participation and consideration of this group in the formulation of the ESIA was a must. Not content with how BHP Billiton was conducting the ESIA and the necessity to conduct a study from their perspective, the Indigenous population through the overarching indigenous body, the Association of Indigenous Village Leaders in Suriname (*Vereniging van Inheemse Dorpshoofden in Suriname (VIDS)*), requested the North South Institute in Canada, the Amerindian Peoples Association in Guyana and the National Organization of Indigenous of Columbia to assist them in conducting a study. According to the *VIDS* (2007), “the aim of this study was to establish Indigenous perspectives related to mining and record consultation and decision-making processes in the mining sector in Latin America and the Caribbean. With the results of this study the Indigenous population wanted to start an open dialogue with all actors, in order to change the government’s vision and establish a comprehensive policy and practices when it comes to mining in and close to traditional living areas of Indigenous people, and if mining takes place it has to consider Indigenous processes, aspirations and rights” (p2).

Another recent example of Indigenous people involvement in the bauxite industry is the objection of Indigenous communities of Casipora, Powaka, Pierre Kondre and Redi Doti to the plans of SURALCO to build a road through their living areas to reach the bauxite deposits in the Eastern part of Suriname, the Nassau Mountains. In a letter dated July 19th, 2010, the VIDS noted that the traditional authority of the abovementioned villages would not give their permission to continue with activities related to the technical feasibility study and the ESIA's in their traditional living areas. As mentioned in the letter, to come to this decision a meeting of village boards and organizations considered, among others, the UN Declaration on the Rights of Indigenous Peoples, the recent court ruling by the Inter-American Court for Human Rights in the case of the Saramaka Maroon community against the Government of Suriname, their claim for land rights, and that until now large scale mining and other similar activities have not resulted in sustainable benefits for the Indigenous communities. Although it is not clear if the position taken by the Indigenous communities is negotiable, they certainly positioned themselves to be a crucial part of the decision-making processes concerning the use of natural resources in their living areas.

In conclusion, it can be said that during the periods 1900 – 1940 and 1954 – 1974 the political economy of natural resource management, especially bauxite mining, was affected or influenced by the legislators and the political elite. During 1900 – 1940 the Dutch colonial ruler in The Hague wanted nothing more than to spend less money on the development of Suriname. So when ALCOA was prepared to invest heavily on its first ever mine outside of the United States of America, the Dutch seized the opportunity to create the conditions necessary for the local government to be less dependent on financial support from The Hague. Also, similar to the period 1954 – 1974 the legislators from 1900 – 1940 were preoccupied with representing the different mining companies instead of approving legislation that would stimulate the formulation of the necessary policies and the establishment of the required institutional framework to guide exploitation of natural resources for the benefit of the entire population. Even during 1954 – 1974 and still until today when Surinamese were or are in the government and political top functions, they were or are unable to put in place permanent governance structures that would assist governments in increasingly pursuing the public interest. It would be 65+ years after the first interest was expressed for the mining of bauxite that the Bauxite Institute would be

established in 1981. Currently, it is not clear what the Institute will do after the remaining bauxite reserves including those in West Suriname and the Nassau area have been depleted. Although the Government around 2004 had been contemplating to establish the Minerals Institute Suriname and also drafted a comprehensive new Mining Law, there seems to be no indication that these intentions will be capitalized soon. Nevertheless, the political economy that affects the use of natural resources becomes interesting when the Indigenous and Maroon communities are rightfully claiming their rights to traditional land. Although the Constitution of Suriname mentions that all natural resources above and underneath the surface belong to the State, the claim for land rights by the indigenous and maroon people will manoeuvre the Government in a position to negotiate for the status quo or amend the Constitution to share the benefits of the exploitation of the natural resources with the indigenous and maroon communities. It is possible that this latter option might trigger other groups in the society to claim their share of the pie.

In the next chapter comparative cases of the political economy that affected/affects natural resources management in other developing countries similar to Suriname will be presented. The countries chosen share several characteristics with Suriname, and are therefore suitable as comparative cases for this research.

4 Comparative Cases

In order to put in perspective the case of Suriname, the political economy of bauxite mining, this chapter will cover four comparative cases of countries similar to Suriname. The countries selected share the following characteristics, namely they are developing countries, natural resources play a significant or important role in their economy, and they all have been colonized and are post-World War II independent countries. The countries are Guyana (independent on May 26, 1966), Jamaica (August 6, 1962), Indonesia (August 17, 1945) and Botswana (September 30, 1966). The former two countries are like Suriname in the Caribbean region bauxite producing nations, and the latter two will be studied from a more general perspective concerning their local political economy of natural resources management, for the mining sector in general. For the purpose of this research, mostly the political economy that affected/affects natural resources management after independence of the selected countries will be discussed below.

4.1 Guyana

Prior to analyzing the case of Guyana after its independence, it is advisable to give a brief introduction into the commencement of commercial large-scale exploitation of bauxite since this coincided with the start of this industry in Suriname.

4.1.1 The British Empire and Their Policy in Guyana

It was in 1868 and 1873 that British Government geologists found bauxite deposits in Guyana, but were unaware of its importance until the early 1900s when J.B. Harrison, Director of Science and Agriculture in Demerara (British Guiana), concluded his analysis (de Munnick, 1947:20 & 89 and van Kersen, 1955:247). Unlike the Dutch, the British had gained sufficient experience within the bauxite sector through the British Aluminum Company. According to Cailluet (2001), “this Company that was founded in May 1894 and obtained both the British and Colonial rights for the Héroult electrolytic process for the reduction of aluminum” (p79 – 80). “With the support of two British government institutions, the Colonial Office and the Imperial Minerals Resource Board, the British Aluminum Company between 1919 and 1921 acquired bauxite mining rights in British Guiana (Guyana) and the Gold Coast (Ghana)” (Perchard, 2010:9).

In order to possess bauxite land in Guyana, in 1914 and 1915 ALCOA used local and foreign businessmen, its affiliates as well as local British officials and some in London to purchase these lands despite the 'closed-door policy' established by the British government (Spackman, 1975:348 – 349 & Lamur, 1985:61 - 65). "This 'closed-door policy', which was established after both the local and British government acknowledged the increased presence of Americans in the bauxite sector, meant that no bauxite deposits which the Colonial Government could control should be issued to foreigners. Issuance was possible, only if either local refining would occur or that the concession was under permanent British control. Later, it was insisted by the British Government that ores mined in Guyana would have to be processed on British soil. This enabled ALCOA's subsidiary, the Demerara Bauxite Company (Demba), to process bauxite in Canada, which had hydro-electric power resources, rather than in Guyana. Furthermore, the policy emphasized the importance attached to the retention of British control over metals of first-class importance such as aluminum. Finally, the 'closed-door policy' also entailed the option for the British government to meet compensation expenses necessary to carry out this policy in Guyana" (Lamur, 1985:60 – 61, Spackman, 1975:350, 360 – 361 and Wallace, 1977:69 – 70).

According to Girvan (1971), "ALCOA was able to keep its promise to build a processing plant on British soil by incorporating Aluminum Limited in Canada in 1928 and transferring to this company its hydro-electric facilities and concessions in Canada as well as most of its foreign properties including Demba" (p84). As was the case in Suriname during this colonial period, "there was no specific agency established to monitor or regulate as well as check the mining activities in Guyana. This, enabled companies to determine by their own the ways of conduct such as deciding on the source of the bauxite and the amount of royalty due" (Persaud, 1976:56).

4.1.2 Political Parties in Guyana

"Several political parties have been formed in Guyana, but two parties have been at the centre of politics. Since the 1960s politically, Guyana is divided along the East Indian and African ethnical groups associated in two political parties, respectively the People's Progressive Party (PPP) led by Cheddi Jagan and the Peoples National Congress (PNC) led by Forbes Burnham. Both parties have their roots in the nationalist-Marxist Peoples Progressive Party, which in 1953 was voted

overwhelmingly into office under a new constitution, but within six months the party was thrown out of office by the British” (Girvan, 1971:85 – 86).

“For both Jagan and Burnham their entry into politics started during the 1940s. Jagan became the treasurer of the Man-Power Citizens Association, which was a trade union of East Indian sugar workers. In 1946 a group formed by Jagan became known as the Political Affairs Committee that was established for the purpose of political education by means of organizing evening classes and producing a monthly news-sheet. As for Burnham, upon his return to Guyana in 1949 he became the President of the British Guiana Labour Union that represented the interests of mainly African workers in Georgetown and most of its offices were run by professional and business men who were prominent in the politics of the 1920s. In January 1950 the People’s Progressive Party was formed by the Political Affairs Committee and a part of the remnants of the defunct British Guiana Labour Party. The Party’s aims were self-government, planned economic development with improved social services and ultimately the creation of a socialist society. The PPP had a weekly newspaper, *Thunder*, of which articles were sent to the British *Daily Worker* and the Communist Party in Britain. The Party was thrown out of office in 1953, because the British were of the opinion that law and order had to be preserved, the economy and private property had to be safeguarded, and they wanted to prevent the establishment of a one-party communist regime. Since the inception of the PPP a difference of opinion existed over the kind of strategy appropriate to attain political power and independence. Early 1955 the split in the PPP was a fact when Burnham held an annual meeting that resulted in him and other members being elected into positions of control” (Smith, 1962:163 – 181). The PPP led by Jagan was given the opportunity through elections to govern Guyana until 1964, after which PNC led by Burnham would govern with the support of Britain and U.S.A. until 1992 (Singh, 1988:33-34).

4.1.3 Post-independent Guyana

“The Government of the Co-operative Republic of Guyana is structured along an executive, legislative and judiciary branch. The President is the Head of State and Commander-in-Chief of the armed forces. The Parliament consists of the President and the National Assembly. The National Assembly as the legislative branch has 65 members, 25 of which are elected in the 10 Regions of the country and the remaining 40 members are chosen from party-lists. The Supreme

Court of Judicature, Judicial Court of Appeal and High Court make up the judiciary branch. In 1980 with the approval of the Local Democratic Organs (LDOs) Act another administrative layer was added to the government structure. With the Act 10 regions were introduced with respective Regional Administrations and Regional Democratic Councils, including town municipalities (administered by town councils), district councils, village councils and Amerindian councils.” (United Nations, 2004: 6 – 8).

As stated by Payne (1981), “after independence the Government of Guyana promoted a strategy of ‘cooperative socialism’ that embedded among others the following elements:

- state control of most of the economy, this would include price controls, the nationalization of the sugar and bauxite industries and most foreign banks as well as centralized allocation of bank credit, foreign exchange, and imports;
- the development of a state-owned manufacturing sector;
- state control of education; and
- the creation of an “executive presidency” with broad powers, including immunity from prosecution and authority to dismiss parliament” (p62).

After Guyana’s independence on May 26, 1966, Reynolds Metals Company with its subsidiary Guyana Mines Limited and ALCAN Aluminum Limited, through the Demerara Bauxite Company (Demba), were the only two companies mining bauxite in Guyana (Girvan, 1967:20). During this period, a coalition was formed by the People’s National Congress and the United Front under the leadership of Burnham (Singh, 1988:33-34). “In order to attract foreign investment to Guyana, the government took several measures. In 1965 the Guyanese government annulled all its claims for back-taxes to be paid by Reynolds Metals Company since it began to operate in 1953. Furthermore, it signed an agreement with Reynolds to freeze the tax and royalty rates to be paid at the 1965 rates for 25 years. Also, about 250,000 acres of bauxite lands were leased to Reynolds for 75 years and the government agreed to dredge waterways for ocean-going vessels to transport Reynolds’ bauxite abroad” (Jagan, 1966:102 & 405).

According to Girvan (1971), “the racial violence during the 1960s in Guyana and new bauxite countries such as Jamaica gave ALCAN the opportunity to change its strategy by minimizing its

investment risk and maximize its profits from the Guyana operations with the investment and organization in place as well as several bauxite concessions. This meant that the potential contribution of Guyana's bauxite resources to the country's development remained under-utilized" (p85 – 86). "Prior to 1970, the mines in Guyana were ALCAN's largest single source of bauxite and in 1968 its total sale and revenue were 1.08 billion Canadian dollars as well as an investment of about 300 million Canadian dollars in the Caribbean" (the Canadian Parliament, 1969:29 – 30).

"In 1970, the Government of Guyana wanted to participate in the Demba operations after the PNC adopted a resolution at their annual convention in April of this year. The resolution mandated the Government to seek, by itself or in cooperation with others, a minimum of 51 percent of the equity in ventures exploiting the country's forest and mining resources" (Girvan, 1971:87). What this meant is that negotiations with the bauxite companies would take place in order to have national control over the natural resources. As stated by Girvan (1971), "a team was assembled of the most experienced and expert officers in government service in the fields of geology, economics, taxation, statistics and accounting. The team had to discuss, evaluate and recommend several alternative strategies for participation. The following non-negotiable points were recommended and publicly broadcast by the Prime Minister on November 28th, 1970:

1. the government's participation shall be a majority;
2. participation will be by means of purchase of a share of assets of the company;
3. the valuation of the assets for the purpose of acquiring such a majority share shall be the book value of the company's assets for income tax purposes at December 31, 1969 plus any additions during 1970 not by re-appraisal or revaluation;
4. the payment for the government's participation shall be out of Government's share of future after tax profits of the undertaking;
5. Government's majority shall carry with it the effective control which inheres in a majority holding;
6. Regardless of the date of any agreement which might be arrived at between the government and the company, the effective date of acquisition shall be deemed January 1, 1971.

The public reaction to these points was positive, but the opposition PPP demanded the government to take it all, a full nationalization of both companies. On the other hand, the companies were not happy about what they called a unilateral decision. The team that negotiated on behalf of the Government of Guyana with ALCAN was composed of the Minister of Mines and Forests, the Solicitor-General, the Commissioner of Inland Revenue, the Chief Statistical Officer, the Permanent Secretary in the Ministry of Economic Development, the Director of Geological Surveys, Senior Economists from the Bank of Guyana, the Guyana Development Corporation, two Special Advisers, and as observers were present the President of the Mine Workers Union and the Mayor of Markenburg (the mining community)” (p89, 91 – 94). “The nationalisation of Demba even resulted in 1971 in what was termed a ‘Peace Plan’ between PNC and PPP, wherein they pledge to ensure and safeguard democratic practice, procedures and fairplay. Those pledges were never fulfilled” (Ishmael, 2010:144).

The negotiations with the bauxite companies did not yield the desired results for the Government, so in 1971 and 1975 respectively Demba and Reynolds were nationalized and merged into the Bauxite Industry Development Company (BIDCO) (UNCTC, 1981:32). In the *Bauxite Nationalisation Act of 1971*, it is stated that this legislation is “an Act to amend the Constitution to provide for such public ownership and control of bauxite undertakings in Guyana as may be necessary to secure the interests of the people and to promote the development of the national economy, and for matters connected therewith and incidental thereto” (p4).

Like the two other Caribbean countries relevant to this research, Suriname and Jamaica, Guyana was also one of the pioneer countries that formed the International Bauxite Association (Pindyck, 1977:2). According to the PPP, the Government of Guyana and Reynolds Metals Company in 1965 had made a secret deal to freeze taxes for 25 years (Ishmael, 2010:140). So when the government wanted to introduce the bauxite levy set by the IBA in 1974, the levy never saw “day-light” in Guyana. “When the Government of Guyana in 1974 imposed the bauxite levy on Reynolds Metals Company, the only privately owned company mining bauxite at that time, the company refused to pay and challenge the government in court. Shortly after, an agreement was reached between the Government and Reynolds in which the government agreed to pay US\$14.5

million for the nationalised assets and US\$10 million to offset the tax refund and levy claims between Reynolds and the Government” (Ishmael, 2010:140 and Bishop, et al, 2006:42).

According to the World Bank (2003), “in 1980 the bauxite sector in Guyana accounted for 34 percent of the GDP and was good for 50 percent of the value of Guyana merchandise exports. In 2003, this sector accounted for 5 percent of the GDP and 2000 jobs and subsidies would be 1.7 percent of the GDP” (p49). “Until 2004 BIDCO controlled Berbice Mining Enterprise Limited (Bermine) and Linden Mining Enterprise Limited (Linmine), but as initialized in 1996 privatization of certain assets of Linmine took place during the last quarter of 2004 and a new company, OMAI Bauxite Mining Incorporated owned 70% by Cambior and 30% by the Government of Guyana, was established” (Szczesniak, 2000:11.1 & Cambior, 2004:1). “Another company active in the bauxite industry is Aroaima Bauxite Company, which is a joint venture between Reynolds Metals Company and the Government of Guyana. In 2002, Aroaima and Bermine were operationally merged to improve efficiency. In 2004, a Russian aluminum company, the United Company RUSAL through its subsidiary Bauxite Company of Guyana Incorporated signed an agreement with the Government of Guyana for bauxite mine development. So in 2006 UC RUSAL acquired Aroaima Mining Company and is currently studying options to process bauxite into aluminum, whereby the construction of a hydropower dam is proposed” (Szczesniak, 2000:11.1, World Bank, 2003:50 & Colchester and La Rose, 2010:13). According to Affonso (2010), a hydropower project is necessary in order to reduce the import of fuel by the government that amounts to over US\$100 million per year (p116).

Aforementioned cases of privatization in the bauxite sector, illustrates that the Government of Guyana is moving away from both its policy set during the 1970s to nationalize the sector and the dominant role that the State played after independence until early 1990s.

4.1.4 Institutional Setting and Legislation

Understandably, there are several institutions and legislations that control the management of natural resources in Guyana. For this research, below only those relevant for the bauxite sector will be explored.

In order to regulate and control mining activities including the bauxite sector, Guyana has accordingly established several institutions and approved legislation. “Beside a Ministry of Mines, other institutions playing a pivotal role in the regulatory domain, among others the issuances of mining concessions, for activities in the mining sector of Guyana are:

- the Bauxite Industry Development Company Limited (BIDCO) for bauxite. As previously mentioned, BIDCO was established in 1976 as a holding company after the nationalisation of Demba and Guyana Mines Limited. BIDCO can also negotiate bauxite mining concessions through mineral agreements;
- the Guyana Geology and Mines Commission (GGMC) for gold and diamond. This Commission was established in 1979 by the Geological Surveys and Mines Department which succeeded the Geological Survey of British Guiana. GGMC is a semi-autonomous entity responsible for the granting of licenses to operators to engage in mining operations (except bauxite), create opportunities for rapid economic development using the mineral sector, function as a national repository for all information on geology and mineral resources, advice the government on policy matters concerning minerals, and regulate on behalf of the government all activities in the mineral sector. It administers the Mining Act of 1989 and in the Act it is stated that this legislation “makes provisions with respect to prospecting for and mining of metals, minerals and precious stones, for regulating their conveyance and for matters connected therewith”;
- the Guyana Gold Board (GGB) as the sole official buyer of gold. The Gold Board Act of 1981 established the GGB that began operating in 1982 with the objective to centralize all gold purchases in Guyana. The prices are determined by the government as well as the proportion of payments to be made in local and foreign currency. An exception were/are the operations by Omai Gold Mines Limited, which are subjected to provisions under a separate mineral agreement signed with the Government of Guyana in 1991;
- the Guyana Lands and Surveys Commission (GLSC) for regulation of tenure, management of state lands and land leases as well as planning and policy preparation. In order to strengthen and integrate land resource management as well as improve and organise land administration, the GLSC was created based on the Guyana Lands and Surveys Commission Act of 1999. In the Act, Part II Paragraph 4 (1) (r), it is stated that the GLSC shall ‘prepare land use plans for Guyana or any part of Guyana, except any

municipality, which is subject to a planning scheme (or interim development control pending the preparation of a planning scheme) under the Town and Country Planning Act'; and

- the Environmental Protection Agency Guyana for requirements for environmental impact assessments to be conducted by medium and large scale mining operations. After the Rio Conference on Environment and Development in 1992, the Environmental Protection Act was passed in 1996 establishing the Environmental Protection Agency (EPA) Guyana. This Agency has the mandate to coordinate environmental management and provide for the management, conservation, protection and improvement of the environment, the prevention or control of pollution and the assessment of the impacts of economic development activities on the environment. Because environmental management is a multi-disciplinary task, the EPA cooperates with other Natural Resource Agencies and also involves other stakeholders and relevant interest groups” (Hendrix, 1993:3, Thomas, 1996:42, Szczesniak, 2000:11.1, UN, 2002:10, GLSC, 2004:38 & GGMC, 2009).

Although the Government of Guyana through the Minister of Mines still determines plenty within the mining sector, there is another piece of legislation that can influence or has influenced mining activities. In the Amerindian Act of 2006, which replaced the Amerindian Act of 1951, it is stated that this legislation is “an act that provides for the recognition and protection of the collective rights of Amerindian villages and communities, the granting of land to Amerindian villages and communities, and the promotion of good governance within Amerindian villages and communities”. Property rights of indigenous peoples over lands, territories and natural resources are also covered by this Act. The Act also has provisions for Indigenous communities to grant mining rights on their titled land to miners for a fee. Furthermore, this Act under Section 51 (3) obligates the GGMC to “transfer 20 percent of the royalties of mining activities to a fund designated by the Minister responsible for Amerindian affairs that benefits these villages and communities.”

4.1.5 Land and Property Rights in Guyana

According to the Guyana Forestry Commission (GFC) (2010), “Guyana has public and privately owned land. Publicly owned lands are both State lands and Government lands. State lands,

formerly called Crown lands, are controlled by the Commissioner of Lands and Surveys. Other agencies also administer land, for example the GGMC administers land that is utilized for mining and it can issue licenses and permits for mining activities over land administered by other agencies. Government lands are those purchased by, or granted to Government entities to be developed for specific purposes such as hospitals, schools, and land development schemes. The lease of State and Government lands are approved by the President. As for privately owned lands, they are divided into Amerindians and non- Amerindian” (p20 – 21).

As stated in Part II, Section 6 of the Mining Act of 1998, “all minerals within the lands of Guyana shall vest in the State.” Also stated in Part II, Section 8 is that “the owner of any private lands, granted before the passing of the Mining Ordinance of 1903, shall hold and enjoy all metals other than gold and silver therein or thereon, and may after obtaining a licence or permit under this Act search or mine for them in accordance with this Act and the licence and, when found, take and appropriate them to his own use.”

Noteworthy, is that for example “prior to nationalisation Demba paid no royalty on bauxite coming from land it bought and for leased Crown land the company paid US dollar 5 cents per ton of bauxite mined. After 1951, Guyana received US dollar 22.5 cents and 50 cents per ton for bauxite and calcined ores respectively” (Jagan, 1966:99 – 101).

In conclusion, the development of the bauxite sector in Guyana was more closely guided or guarded both during the colonial period and after independence. The ‘closed-door policy’ set by the British certainly moved the sector into a different direction, limited the level of processing, if compared to that in Suriname. The socialist ideology that is still rooted in the two main political parties and the call for more State control of the economy enabled the government to nationalize the bauxite sector. That nowadays the government is seeking joint ventures with private companies evidently signals that the bauxite sector will not be put entirely in the hands of foreign companies. Therefore, Guyana keeps national control of the natural resource that is vital to the development of the country.

4.2 Jamaica

In Jamaica the presence of bauxite deposits had been known since 1869, but its economic significance was recognized between 1938 and 1942 when Sir Alfred D'Costa, a Jamaican businessman, tested the soil of his farm (Jamaican Bauxite Institute, 2004, p1). "Although in 1944 limited self government and universal adult suffrage was proclaimed in Jamaica, the island was still a colony of Britain. The British government determined that all bauxite lands were Crown property. Instead of using British geologists and technical personnel to investigate the deposits, the British government appointed Aluminum Limited of Canada (ALCAN) as its agent to investigate the commercial significance of the deposits" (Palmer, 1968:19 and Bell, 1977 – 78:684). As mentioned by Roberts (1971), "ALCAN, Reynolds Metals Company and Kaiser Aluminum and Chemical Company respectively in 1943, 1944 and 1947 through their subsidiaries were issued mining concessions in Jamaica. Subsequently, between 1952 and 1953 the first shipment of all three companies would take place, with both Reynolds and Kaiser shipping bauxite and ALCAN shipping alumina from its processing plant" (p41).

4.2.1 Political Parties in Jamaica

According to the United Nations (2004), "Jamaica is a constitutional monarchy and is a member of the Commonwealth. The titular head of the country is the Queen of England and is represented by a Governor General. The governing structure includes a legislative, executive and judiciary branch. The Parliament, as the legislative branch, consists of the Senate with 21 members, the House of Representatives with 60 members and the Queen represented by the Governor General, whose role is strictly formal. Formally the executive authority is with the Queen of England, but the Cabinet, which consists of the prime minister and the ministers, assume control over the administration. The Cabinet is the principal policy instrument in Jamaica. The Supreme Court and the Court of Appeal make up the judiciary branch" (UN, 2004:5 – 7).

Since the introduction of universal adult suffrage in Jamaica, politics has been dominated by two political parties, namely the People's National Party (PNP) and the Jamaica Labour Party (JLP) (Powell and Lewis, 2009:171). "The People's National Party was formed in September 1938 and led by Norman Manley. With labour disturbances taking place in Jamaica, the Party's formation

was backed by reform-oriented middle class organisations and groupings emerging in the late 1930s. During the 1930s and 1940s Manley's party lobbied for self-government and nationalism became institutionalized in the PNP during the 1950s" (Benn, 2004:75 – 76 & 84). On the other hand, there is "the Jamaica Labour Party formed by Alexander Bustamante, who became the leader and organizer of labour, in July 1943 prior to the first elections after universal adult suffrage was proclaimed. Bustamante was part of the platform that backed the formation of the PNP, before he left and established the JLP. The JLP won the first elections and independence from Britain in 1962 would be attained under leadership of Bustamante and the JLP" (Campbell, 1994:129).

According to Sullivan (2006), "the two political parties had distinct ideological differences when during the 1970s and 1980s with the PNP led by Michael Manley promoting democratic socialism and the JLP under leadership of Edward Seaga wanting economic liberalization and privatization. When the PNP gained control of the government in 1989 after elections, the Party did not reverse the pro-business approach of the JLP. Instead, the PNP followed a similar approach and since then the ideology of the two parties have not differed much" (p1). After independence Jamaica would regularly switch into the "political hands" of these two parties, with JLP currently in power after PNP ruled the country from 1989 until 2007 (Powell and Lewis, 2009:171).

4.2.2 Post-independent Jamaica

As noted by Stone (1994), "a new economic order had been established in Jamaica between the Second World War and its independence with, among others, bauxite, manufacturing and services, and tourism dominated the economy instead of export agriculture" (p250). "In 1957 the Government of Jamaica and the three companies renegotiated their agreements that resulted in an increase in royalty and tax income from US\$ 12 cents to US\$ 1.68 for each ton of bauxite mined, but it also meant that the duration of the agreement was increased from five years to twenty five years" (Nettleford, 1971:190 & Norris, 1962:73).

Companies such as Reynolds and Kaiser in the bauxite sector in Jamaica "were also supported by the United States government to invest in the bauxite industry through the Defence

Production Act of 1950, which enable the companies to sell aluminum to the U.S. government, lease government smelting plants and eventually purchase these plants. Nevertheless, the main objective of this Act was to break ALCOA's monopoly of aluminum production in the United States of America. Jamaica's proximity to the U.S. and the Government of Jamaica welcoming foreign investment, which they believed would give the economy a push and that bauxite development would trigger other infrastructural and export businesses, were surely incentives for the companies to settle on the island nation" (Austin, 1975:53 – 54).

As stated above by Sullivan (2006), during the 1960s politics in Jamaica was dominated by the JLP, but in 1972 the PNP took office propagating democratic socialism (p1). "In 1974 the PNP formulated Principles and Objectives, which indicated that the Party wanted to construct a socialist society in Jamaica. Also, the Party wanted to stop the exploitation of one class by another" (Munroe, 1990:262). Also, "prior to PNP's control of government many in Jamaica had recognized the need for greater local involvement in economic activities and this was within the concepts, greater control over the country's natural resources and general economic life of the people, in the democratic socialism philosophy of the PNP" (Ramsaran, 1985:161). "For the bauxite sector in Jamaica, this meant that the State wanted to participate to secure greater control over the industry's economic returns, production, processing and marketing" (Barclay and Girvan, 2009:2). The Jamaica Bauxite Institute (2004) states that "in 1974 Jamaica introduced the bauxite levy as proposed by IBA and in 1975 the Government purchased 51 percent of the local operations of Kaiser and Reynolds, 6 percent of ALCOA, and 7 percent of ALCAN, and repurchased most of the ore reserve lands owned by the companies. In return, the companies were granted 40-year mining leases" (p5).

"Several policy changes had occurred during the late 1970s until 1990s, mainly the removal of the bauxite levy and the reintroduction of a fiscal system based on corporate taxes and royalties. In 2001 the Government of Jamaica revised the fiscal regime for the bauxite sector to improve the competitiveness of the industry, attract increased investment and expand export earnings. Nevertheless, the decline of the bauxite industry in Jamaica has impacted the economy when the country's share of world bauxite output fell from 18.1 percent in 1974 to 8.0 percent in 2002 and

employment in the industry fell from an average of 6,500 during the period 1974-83 to 3,780 in 2004” (Jamaica Bauxite Institute, 2004:6 & 8).

4.2.3 Institutional Setting and Legislation

Although there are several institutions and legislative measures in Jamaica that are relevant for the management of natural resources, below only those directly related to and relevant for the bauxite sector will be discussed.

In many English-speaking Caribbean nations after the Second World War, “during the 1950s and 1960s industrial policy was based on Sir Arthur Lewis’ model or strategy, ‘Industrialization by Invitation’. What this meant is that the nations had to industrialize and modernize the economy to overcome the dependency on agriculture. The strategy entailed in a nutshell the concept that foreign capital should be attracted by various incentives put in place by the host country. The strategy consisted of three elements: 1) the establishment of a customs union; 2) the creation of a special agency, the Industrial Development Corporation (IDC), to guide the industrialization process; and 3) the provision of special incentives” (Commonwealth Caribbean Regional Secretariat, 1971:10 & ECLAC, 2005:3). The establishment of the *Bauxite and Alumina Industries (Encouragement) Act of 1950* and the creation of Jamaica’s IDC should be regarded in the context of Sir Arthur Lewis’s model or strategy.

In the *Bauxite and Alumina Industries (Encouragement) Act of 1950* under Section 2 (1), it is stated that “the Minister responsible for mining, on behalf of the Government, may declare any person (company) a recognized bauxite and/or alumina producer. Section 3 of the Act indicates that the Minister on behalf of the Government can make or confirm agreements and arrangements for the encouragement and expansion of the alumina industry in Jamaica. In addition, the Sections 4 onto 9 of the Act identifies exemption of customs duty for articles/materials used in the production of bauxite as well as specific circumstances for payments of General Consumption Tax, conditions for exemption from excise and customs duty. Special provisions are also made for exemptions from Income Tax.”

According to Norris (1962), “in 1952 the IDC as an independent statutory body was established in Jamaica to guide the industrialization process. To support the IDC in its efforts to attract foreign capital, the Government of Jamaica created a package of incentives that included, among others, tax holiday for seven years for new investors or fourteen years if they were able to build their own facilities, and services of government market researchers” (p34). Reportedly, the Jamaica IDC was very supportive towards the bauxite industry. According to the U.S. Bureau of Mines (1972), “the IDC had developed an experimental process to use red mud from alumina plants as a source of metal and mineral compounds. Out of one million tons of red mud, 323000 tons of powdered iron, 60000 tons of titanium dioxide and 900000 tons of aluminum sulfate could be recovered. Furthermore, the IDC conducted a market study to determine the demand and prices for these byproducts” (p926).

“In 1972 a Bauxite Commission was created by the Ministry of Mining and Resources in Jamaica, so that steps could be taken to secure benefits from the bauxite resources. One of the main objectives of the Commission was to investigate the possibility of investing proceeds from the sale of bauxite and alumina overseas in developments of a magnitude and type most beneficial to Jamaica” (U.S. Bureau of Mines, 1972:925 – 926). “Early in 1974, the Government of Jamaica and the bauxite companies started negotiations on increasing government’s revenues as well as government’s control and participation in development of the bauxite resources. These negotiations were unsuccessful and in July 1974 the government enacted the *Bauxite (Production Levy) Act*” (U.S. Bureau of Mines, 1974:1068 – 1069). In Section 3 of this Act, it is stated that “a tax to be known as a production levy shall be paid on all bauxite or laterite extracted or won in Jamaica on or after January 1st, 1974.” Table 7 below indicates the Government earnings, including the levy and other taxes, from bauxite industry in Jamaica.

As noted by Austin (1975), “technical knowledge of the bauxite industry and of market conditions were in the hands of the bauxite companies during the negotiations in 1974” (p55). In order to better equip the Government, several measures were taken such as the establishment of institutions and relevant legislation. In this regard, “in 1975 the Jamaica Bauxite Institute was established as a regulatory, planning, research and development agency. The responsibility of the Jamaica Bauxite Institute is to facilitate the development of the bauxite and alumina sector,

research, gather and evaluate information on and monitor all aspects of the sector including mineral exploration, environmental impact, industrial relations and fiscal matters. Also in 1975 the Jamaica Bauxite Mining Limited, which holds the Government's assets acquired from entering into partnerships or joint ventures with the companies, was established" (Ministry of Energy and Mining, 2009: v – vi).

Table 7 Jamaica's Revenue from the Bauxite/Alumina Industry 1980 – 1998

Year	Gross Earnings US\$M	Net Receipts US\$M	Average Alumina Price in US\$/metric ton	Levy & Tax US\$M	Levy & Tax as % tax revenue	Levy & Tax as % Total Government revenue	Net Receipts as % GDP
1980	735.8	329.7	187.7	202.3	43.2%	33.7%	12%
1981	759.7	316.6	215.7	193.0	29.9%	22.1%	11%
1982	513.8	285.7	213.1	135.5	17.3%	13.9%	9%
1983	423.8	250.8	178.6	121.3	12.6%	11.1%	6%
1984	443.5	239.9	182.1	116.4	22.8%	17.5%	10%
1985	290.2	141.9	166.8	66.3	13.7%	10.0%	7%
1986	309.2	175.6	147.5	72.1	10.5%	9.0%	7%
1987	336.5	217.8	140.9	96.5	12.3%	9.8%	7%
1988	417.2	235.8	179.6	52.5	5.9%	4.8%	7%
1989	579.4	291.7	271.1	110.4	10.0%	7.6%	8%
1990	731.2	270.8	277.9	106.8	9.8%	8.0%	6%
1991	656.7	251.3	219.8	108.8	12.2%	9.6%	7%
1992	560.4	190.7	175.9	71.4	8.7%	7.8%	6%
1993	522.0	202.8	170.1	67.2	5.9%	5.0%	5%
1994	617.9	227.5	167.8	65.6	5.8%	3.2%	6%
1995	708.5	299.7	202.1	84.2	8.4%	7.2%	7%
1996	688.9	332.6	200.6	69.6	6.3%	5.7%	7%
1997	733.0	335.5	204.6	69.3	4.2%	3.7%	5%
1998	684.8	337.2	188.6	82.3	6.1%	5.5%	

Source: Economic and Social Survey of Jamaica 1980-98

In 1975 the *Mining Act* was enacted and, as can be interpreted from the Act, it regulates the activities in the mining sector. In addition, the Act makes provisions for, among others, the granting and transfer of licenses, prospecting rights and regulations, compensation payments to the holder of mining rights/lease and to owners and occupiers of land. The Act also regulates land excluded from prospecting and mining.

As mentioned above, in 1975 the Government of Jamaica purchased from several companies shares in their mining assets. "In order to manage these shares in mining assets, the Jamaica Bauxite Mining Limited was also established in 1975. Currently, it holds the Government's

equity in the companies, WINDALCO and St. Ann Bauxite Partners, and owns property and a port that belonged to Reynolds Metals Company.

Noteworthy is also, “a joint partnership agreement during the 1970s between the Governments of Jamaica and Mexico to work together in the bauxite industry. In this context, the establishment of a bauxite-alumina-aluminum processing complex in Mexico, known as Jalumex, was proposed. Nevertheless, in 1978 the Mexican government withdrew from participation in Jalumex. The cooperation between the governments also enabled Jamaica to establish a national merchant shipping fleet, the Jamaica Merchant Marine Limited. This shipping line supported Jamaica’s trade and reduced the loss in foreign exchange paid to transport bauxite and alumina to the U.S. gulf coast and eastern Atlantic ports” (Theofilos, 1975:1190 & Hyde, 1978 – 79:1130).

The ambition of the Government of Jamaica formed by the PNP, to have greater control over the country’s natural resources, was certainly expressed with the establishment of the Bauxite Alumina Trading Company of Jamaica Limited (BATCO) in 1977. “BATCO is the government owned company mandated to market the bauxite and alumina from the Government’s equity in the bauxite and alumina sector. By 1987, BATCO had marketed over 30 percent of the bauxite exported from Jamaica and over 40 percent of the alumina produced. For example, for the delivery of alumina the Government secured agreements with the U.S.S.R. (now Soviet Union), Algeria and Iraq” (Hyde, 1978 – 79:1130, International Institute for Environment and Development, 1987:237 & Ministry of Energy and Mining, 2009: v).

According to the U.S. General Accounting Office (1987), “BATCO signed two barter agreements with the United States in 1982. Supposedly, the agreements comprised the exchange of bauxite for surplus U.S. agricultural commodities. The first agreement was for the exchange of 400,000 tons of Jamaican bauxite for 7,238 metric tons of nonfat dry milk and 1,905 metric tons of anhydrous milk fat (oil). The agricultural commodities were valued at US\$13 million. The second agreement was for the exchange of 1.2 million tons of Jamaican bauxite for cash and excess stockpile materials, tin and tungsten” (p.29).

In 1977 the *Bauxite and Alumina Industries (Special Provisions) Act* was approved. As stated in Section 3 of the Act, “it mandates the Government to make and confirm agreements between the Government and associated producers that enable the government to participate in the operations of the bauxite, alumina and related enterprises.” The Act also identifies exemptions from approval consents, Transfer Tax, Stamp Duty and Fees of land being owned by a “Bauxite Producer” for the production of bauxite. Furthermore, it states that income tax shall be payable against production levees and to be paid in “lawful currency of the United States”.

The IIED (1987) and the Ministry of Energy and Mining (2009) noted that “in 1985 Clarendon Alumina Production Limited (CAP) was established as a government owned entity, after ALCOA closed their operations in Jamaica. CAP is mandated to manage the government’s interest in Clarendon Alumina Works” (p237 & p v).

Finally, another legislative product worth mentioning is the *Natural Resources Conservation Authority Act of 1991*. This Act in Section 3 establishes the Natural Resources Conservation Authority to manage the environment in Jamaica. The legislation also designates National Parks, Marine Parks as well as Protected Areas and regulates both the control of pollution and the way land is used in protected areas. Noteworthy, the Act under Section 10 mandates the Authority to require Environmental Impact Assessments from all new projects or expansion of existing projects including mining activities.

4.2.4 Land and Property Rights in Jamaica

As stated previously, “the British government determined that all bauxite lands were Crown property when bauxite was discovered in Jamaica in 1942” (Palmer, 1968:18 – 19). Noteworthy, is that in the *Minerals (Vesting) Act of 1947* both the mining on Crown land and on land that are not Crown land are regulated. In the Act under Section 3, it is stated that “all minerals being in, on or under any land or water, whether territorial waters, rivers, or inland sea, are vested in and are subject to the control of the Crown. In the Sections 4 and 5 of this Act provisions are made for the mining of minerals on both Crown land and non Crown land as well as the payment of royalties that are payable to both the Government and owners of land that are not Crown land.”

Currently, “in Jamaica all land tenure can be either freehold or leasehold. In the case of freehold, ownership is provided in common law titles, called conveyances, and registered titles that are regulated under the *Registration of Titles Act of 1889*. Leaseholds are interests held by individuals, companies and other legal entities under Government or private leases for a variety of uses” (daCosta, 2003:244 – 246).

“On April 1, 2001, the National Land Agency was established as an executive agency under the Prime Minister of Jamaica. The National Land Agency is a merger of the Office of Titles, Estate Management, Survey Department and Land Valuation Department. It constructs, operates, maintains and delivers the spatially referenced land related information and systems vital to all public sector users engaged in land management activities in Jamaica. One of its responsibilities is to administer the *Registration of Titles Act of 1889*, the *Registration (Strata Titles) Act of 1969* and the regulations hereunder” (JAMPRO, 2007:1).

Considering the abovementioned, one can conclude that the Government of Jamaica, compared to those in Suriname and Guyana, have made enormous efforts to be involved in the bauxite industry in Jamaica. Their active participation, in the regulation and monitoring, operation as well as marketing of and sales in the bauxite sector, certainly proves the Government’s willingness to have greater control over the natural resources of the country. Furthermore, their participation in almost every segment of the industry means that Jamaica has built up a pool of knowledge about the bauxite industry. Jamaica’s experience and knowledge can be of great importance to other mineral-rich countries.

4.3 Indonesia

This research includes Indonesia, because this country shares several characteristics with Suriname. Aside from both being post-World War II independent and developing countries rich in natural resources, Suriname and Indonesia have been colonized by the Dutch. Furthermore, natural resources play a significant or important role in both economies and producing bauxite is part of both countries’ portfolio. Nevertheless, for Indonesia this research will regard a more general perspective of the political economy of natural resources management, for the mining sector in general. Special focus will be given to Indonesia’s experience with the Contract of

Work system that administers foreign direct investment in mining and the decentralization of natural resource management.

4.3.1 Politics and the Mining Sector

According to Kusumaatmadja (1974), “the colonial government reserved to itself all mining rights during the Dutch colonial era and prior to Indonesia’s independence. This policy was relaxed enabling private entities to obtain mining rights under an executive order by 1850” (p4). During this colonial period, “the mining sector was governed by the *Indische Mijnwet of 1899 as amended in 1904 and 1918*. In the *Indische Mijnwet*, among others, provisions were made for that:

- the government granted concession rights to the private sector to explore and mine minerals and/or to produce oil;
- the period of any such concession right would not exceed 75 years;
- holders of concession rights were required to pay land rent to the colonial government in accordance with prevailing regulations; and
- minerals produced from concession areas became the property of the concessionaires. Concessionaires were thus free to sell or export their product, without the necessity of obtaining further permission from the Government” (Karim and Mills, 2003:5).

Similar to Suriname, “by 1904 concession rights were only issued to Dutch citizens, residents of the Dutch East Indies (now Indonesia) or companies established under the laws of the Netherlands or of the Dutch East Indies. With the amendment of the *Indische Mijnwet* in 1918, concession rights were granted to non-Dutch for only a period of 40 years” (Ibid: 5 – 6).

“On August 17th, 1945 a group led by Sukarno proclaimed Indonesia’s independence from the Dutch colonial rulers. This date is recognized as the Independence Day, even though the Dutch recognized Indonesia as an independent country on December 27th, 1949. Indonesia’s Constitution would be instituted in 1945. Between 1949 and 1965 the country was transformed from a parliamentary democracy to the so called ‘guided democracy’. Within the ‘Guided Democracy’ under President Sukarno a Functional Cabinet was established that was basically a business cabinet with the power vested in the Executive, especially the President. This cabinet would consist of members of political parties, economists and the military. The main objective of

'Guided Democracy' was 'a just and prosperous society' that would be achieved by a 'systematic and planned democracy'. Nevertheless, in 1965 the economy would be characterized a lack of a coherent economic policy, slowed production, halted exports and imports and hyperinflation. A *coup d'etat* led by the Army in 1966 would bring down President Sukarno and his 'guided democracy'. From March 1966 to May 1998 the so called 'New Order' government under General Suharto was in power. A form of democracy guided by five principles of national ideology, called *Pantjasila*, was instituted. The five principles are faith in God, internationalism, nationalism, representative government, and social justice. As the years passed, the 'New Order' government moved into a dictatorship with the military in charge. During the years of the 'New Order' government, Indonesia would grow rapidly, living standards improve significantly and poverty was reduced. This success was achieved, because the Suharto regime shielded technocrats from political pressures. The group of high-level technocrats educated in the United States, called 'the Berkeley mafia', was responsible for policy making including economic policy decisions to achieve long-term growth and development. The Asian economic crisis of 1997 followed by social unrest in May 1998 meant the end of Suharto's presidency and the elections in 1999 under President Habibie" (Temple, 2001:4, Bhakti, 2004:196 – 201, UN, 2005:2 & World Bank, 2005:311).

According to the United Nations (2005), "Indonesia's legal structure comprises of a legislative, executive and judiciary branch as well as the local government. The People's Consultative Assembly, as the Legislative branch, consists of members of the House of Representatives and representatives of the Regional Representative Council. The Executive branch is formed by the Cabinet led by the President. The President and Vice-President are elected by popular vote. The Supreme Court and the Constitutional Court make up the Judiciary branch. Beneath the Supreme Court there are four other courts, namely the General Courts of Justice, Religious Courts of Justice, Military Courts of Justice, and the Administrative Court of Justice. As for the Local government, it has the province and district as the two levels of autonomous regions" (p5 – 7).

As noted by Karim and Mills (2003), "the natural resources of Indonesia were controlled by the State with the proclamation of the Constitution of 1945. In article 33, item 3 of the Constitution of 1945, it is stated that the land, water and natural resources within, shall be under the control of

the State and shall be used for the maximum welfare of the people” (p8). Also, instrumental for the development of the mining sector in Indonesia would be the introduction of the *Basic Agrarian Law of 1960* and the *Mining Law of 1967*. “The *Basic Agrarian Law of 1960* had to put an end to the dualism land law system that existed prior to 1960. There was a dualism between western style systems for colonial interests and the traditional unwritten laws based on customary rights to land. This Law of 1960 recognizes the traditional concepts and institutions as well as provides for the registration of individual rights to land. Indonesia knows five types of basic tenure based on the use of land, namely *Hak Milik* (ownership---freehold; it is individual and not commercial), *Hak Guna Usaha* (cultivation only), *Hak Guna Bangunan* (building only), *Hak Pakai* (use only) and *Hak Penguasaan* (land management only). Critics argue that the *Basic Agrarian Law of 1960* has been used to weaken customary rights by giving priority to national interest over traditional forms of landownership” (Ballard, 2001:10 & Heryani and Grant, 2004:2 – 4).

Bhasin and Venkataramany (2007) noted that the *Mining Law of 1967* gave way to the Contract of Work (CoW) system that benefited Indonesia from 1967 until 1997 (p4). “The growing nationalism and anti-foreign sentiments would lead to the formulation of the *Mining Law* being initiated in 1951. The incompatibility between the Constitution and the *Indische Mijnwet* would be recognized and a review of the *Indische Mijnwet* would be proposed that resulted in the *Mining Law of 1967*” (Karim and Mills, 2003:8 – 9). In Chapter I, General Provisions, article 1 of the *Mining Law of 1967*, it is stated that “all minerals found within the Indonesian mining jurisdiction in the form of natural resources as blessing of God Almighty are national wealth of the Indonesian people and shall, therefore, be controlled and utilized by the State for maximum welfare of the people.” This text certainly indicates the conformity of the *Mining Law of 1967* with the Constitution.

4.3.2 Indonesia’s Contract of Work System and Decentralization

As mentioned by Bhasin and McKay (2002), “the Contract of Work system was created in 1967 to attract foreign investment and therefore giving a push to a very weak and highly inactive mineral sector. The system ensured that the basic needs of investors were met and protected by providing security of both tenure and investment. Security of tenure in the form of *Conjunctive*

Title provided the investor with the right to proceed from general survey (reconnaissance) through exploration up to mine development, production, processing and marketing. Security of investment was provided as *Lex Specialis* treatment to assure that investment were not subjected to changes in government laws and policies after signing for the period in force. Since its inception, the Contract of Work system has evolved through seven generations for base metals” (p77 – 78). Table 8 below gives an overview of the number of Contracts of Work from the inception of the system in 1964 until 1998.

“By signing the Contract of Work, (foreign) private companies or foreign/local joint ventures work as contractors for the Government of Indonesia and pay corporate income taxes on profits together with royalties and other taxes” (Ballard, 2001:13 & ICSG, 2002:6). Wiriosudarmo (2001) stated that “all provisions and obligation of the contractor are laid down for the duration of the CoW, which is thirty years for the production period. Actually, the investment schedule in the CoW consists of a year general survey period extendable for another year, a three year exploration period extendable for two years, a two-year feasibility study period extendable for one year, a three-year period for construction, and a thirty-year production period” (p20 – 21).

Table 8 Number of Contract of Work

Generation	Period of Signing Date	Signed	General Survey/ Exploration	Feasibility Study	Construction	Production	Termination
1st	1967	1	-	-	-	-	1
2nd	1968-75	16	-	-	-	4	12
3rd	1976-84	13	-	2	2	2	9
4th	1985-90	95	3	18	2	3	69
5th	1991-94	7	5	-	-	1	1
6th	1997	65	65	-	-	-	-
7th	1998	72	72	-	-	-	-

Source: International Copper Study Group, 2002, p7.

According to Karim and Mills (2003), “the generations of CoW were subjected to changes and unpredictable policies such as taxes issues, matters related to forestry, divestment requirements and recently local rights based on regional autonomy. Also, all Contracts of Work needed the approval of the House of Representatives and the President and therefore causing delays” (p16). The investments done under the Contracts of Work from 1968 until 2000 are listed below in Table 9.

“An 8th generation of CoW was proposed and the CoW system would cease to exist with the approval of the new Law No4 of 2009 on Mineral and Coal Mining (Law No4/2009). The approval occurred despite criticism from the Indonesian Mining Association and mining companies, which preferred the secure and simple CoW system to the licensing system established under the new law. A compromise was reached in the Implementation Regulations, which states that the existing Contracts of Work after expiration can be extended.

The aim of the new Law No4/2009 is to comply with the national Government enacted Law No 22/1999 on Regional Autonomy and Law No 25/1999 on Fiscal Decentralization. The implementation of Law No 22/1999 and Law No 25/1999 is in the context of an effort by the government of Indonesia to tackle the prevailing corruption, collusion and nepotism” (Kurauchi et al, 2006:8, Bhasin and Venkataramany, 2007:6 & Christian Teo & Associates, 2009:41).

According to the National Development Planning Agency et al (2004), “decentralization is perceived as the way to correct the uneven wealth distribution across Indonesia by giving the Outer Islands support for social and economic development. It is argued that the exploitation of the natural resources on the Outer Islands during the New Order government era were for the benefit of Java. With decentralization, the Outer Islands would have more influence on the management of their natural resources and a greater share of the revenues generated” (p3).

As earlier mentioned, “the generations of CoW were subjected to changes and unpredictable policies such as matters related to forestry. This occurred after approval of Law No 22/1999 on Regional Autonomy and Law No 25/1999 on Fiscal Decentralization.

For example, in areas such as West Sumatra and Papua in recognition of the customary rights to natural resources, community-level forestry cooperatives called *kopermans* were established. These cooperatives through their traditional political units called *nagari*, as the lowest level of government, would be eligible for forest areas. The Provincial Forestry Office would allocate *nagari* the rights to hold and manage up to 250 hectares of forest area for one year with possible extension” (Kurauchi et al, 2006:8 – 9).

Table 9 Mining Investment under CoW

Year	Million in US\$
1968-90	2,339.9
1991	417.1
1992	453.5
1993	596.7
1994	861.2
1995	719.7
1996	886.7
1997	1,922.6
1998	1,600.2
1999	1,100.3
2000	550.0

A matter that is also counter-productive to the CoW system and related to the implementation of Law No 22/1999 on Regional Autonomy is “what policymaking authorities and responsibilities belong to which level of government in the natural resources sector. In this instance, article 7 and 10 of Law No 22/1999 on Regional Autonomy pertains. Article 7 of the Law places the authority for natural resources utilization and conservation

Source: Central Bank of Indonesia

at the central level, whereby article 10 indicates that the district and municipal administrative units have authority for natural resources management within their territories” (Ibid: 9).

There was another issue that ignited reluctance among investors and exposed yet one of the weaknesses of both the CoW system and Indonesia’s legal regime, mainly the inability of the Government to monitor and control the mining industry. “A small Canadian mining company, Bre-X Minerals Limited of Calgary, claimed in 1996 that it had found 200 million ounces of gold on the Kalimantan Island, Borneo. This ‘discovery’ increased the total value of the company’s shares to US\$ 3.946 billion coming from a stock price of US dollar 50 cents. In 1997 it was unveiled that the ‘discovery’ was false, dropping the company’s stock price to US dollar 9 cents” (Francis, 1998: 13 – 14).

From the above-mentioned it can be concluded that although mining took place way before Indonesia’s independence, the development of the mining sector gained momentum during the New Order Government era with strong influences in policy making from “the Berkeley Mafia”. The Contract of Work system established during this era, encountered many opposing measures especially after 1999 when democratic and participatory institutions were in place. During this period democracy returned to Indonesia and the decentralization of the decision-making was realized.

4.4 Botswana

Botswana is considered in this research, because like the other three countries it shares similarities with Suriname. It is also a post Second World War independent and developing country that is rich in natural resources. According to Botswana's Ministry of Minerals, Energy and Water Resources (2008), "the mining during 2006 – 2007 accounted for 75 percent of national export earnings, 42 percent of the Gross Domestic Product and 48 percent of Government revenues as in dividends from diamonds and the form of taxes"(p7). The country is regarded by many as the African success story, "it has transformed its economy from a low-income country to a middle-income one by using its natural resources and therefore being an exception to other mineral-rich African nations. Botswana was both of no significance for and limited influenced¹¹ by the British, because Britain was convinced that the territory had no natural resources of significance that would justify the establishment of a permanent administration. Their lack of interest was evident when at independence there was, among others, no electricity system, no telephone system, no public transportation and a largely uneducated population" (Nengwekhulu, 1979:52 & Amegashie and Kamara, 2008:3). Since Botswana used its natural resources to advance its people and economy, it is important to look at the political economy of the country and what can be of relevance for countries such as Suriname.

4.4.1 Politics in Post-Independent Botswana and Diamond Mining

As stated by the United Nations (2004), "Botswana was colonized by the British and became independent on September 30, 1966. The Republic of Botswana is a parliamentary democracy under an elected president. It has a separation of power among the legislative, executive and judiciary branch. The Parliament, as the legislative branch, consists of the House of Chiefs and the National Assembly. The House of Chiefs is an advisory body for tribal and customary matters, whereas the National Assembly has members that are elected by popular vote. As for the

¹¹ Robinson and Parsons (2006) indicate that "during the 1880s the German colony of South West Africa was established and which threatened to expand to neighboring territories. In respond, the British declared over their Tswana allies the territory including Botswana a protectorate. Prior to this period Southern Africa, including present Botswana, was characterized by disruption, migration and wars. It was the Tswana king, Sechele, who ruled from 1829 – 1892 that allied with the British. When in 1954 there were indications that Botswana could be handed over to South Africa, supporters of Secretse Khama organized political movements that eventually led to independence" (p113 – 116).

executive branch, the administration of national affairs is conducted by the Cabinet appointed by the President. Although he/she is an integral part of the Parliament, the President has the power to dissolve Parliament, select or dismiss the Vice President and Ministers. The judiciary branch comprises the High Court, the Court of Appeal and the Magistrates' Courts. In Botswana, the local government is administered by district councils and town councils" (p2 & 5 – 7).

Nengwekhulu (1979) argued that "the lack of interest by Britain for Botswana delayed the birth of a working class and intelligentsia groups, which were catalysts and leaders of the nationalist movements in other parts of Africa. He stated that nationals from Botswana who became prominent members and leaders of the African National Congress (ANC) and the Pan-African Congress, the Black Nationalist movements in South Africa, returned home after these movements were outlawed in that country. Another group that would be on the basis of the nationalist movement in Botswana was migrant workers employed in the mining and agricultural industries in South Africa. It was in this context that Botswana's main political parties were founded in the early 1960s" (p54 – 55).

Maipose (2008) noted that "Botswana has adopted a multiparty democratic system of government to manage political competition and the 'modern democracy' fits well with the consensus-seeking approach for public policy making that has its roots in the Tswana culture of Botswana. The Tswana group, composed of 8 main tribes, is the main ethnic group in Botswana that is about 80 percent of the population" (p5, 20 & 28). "The Botswana Democratic Party (BDP), with its roots in the Tswana ethnic group, has been the ruling party since the country's independence in 1966" (Manatha and Maharjan, 2010:129 & Saugestad, 1998:70 & 73). As stated by Cook and Sarkin (2010), "the opposition parties have not been able to present significant competition" (p461). This aforementioned is supported by table 10 below, which illustrates the electoral performance of the political parties in Botswana.

Table 10 Electoral Performance of Major Parties in Botswana 1965 – 2004

Party	YEARS								
	1965	1969	1974	1979	1984	1989	1994	1999	2004
BDP	28	24	27	29	28	31	27	33	44
BNF	-	3	2	2	5	3	13	6	12
BPP	3	3	2	1	1	0	0	-	-
BIP/IFP	0	1	1	0	0	0	0	-	-
BCP	-	-	-	-	-	-	-	1	1
BAM	-	-	-	-	-	-	0	0	-
Total no. of Seats	31	31	32	32	34	34	40	40	57
% of Popular Vote									
BDP	80	68	77	75	68	65	55	54	53
BNF	-	14	12	13	20	27	37	25	23
BPP	14	12	6	8	7	4	4	-	-
BIP/IFP	5	6	4	4	3	2	4	-	-
BCP	-	-	-	-	-	-	-	11	18
BAM	-	-	-	-	-	-	-	5	1
Other	1	0	1	0	2	2	0	0	-
Rejected	-	-	-	-	-	-	-	5	5
Total	100	100	100	100	100	100	100	100	100
% of Seats									
BDP	90	77	84	91	82	91	67	83	77
BNF	-	10	7	6	15	9	33	15	21
BPP	10	10	7	3	3	0	0	-	-
BIP/IFP	0	3	2	0	0	0	0	-	-
BCP	-	-	-	-	-	-	-	2	2
BAM	-	-	-	-	-	-	-	0	-
Total	100	100	100	100	100	100	100	100	100

Source: Botswana Independent Electoral Commission 2002, Voter Apathy Report, Gaborone, March: p. 75; Botswana Independent Electoral Commission, Elections 2004, www.iec.gov.bw

- Party did not exist or folded in order to join other party

Abbreviations: Botswana Democratic Party (BDP), Botswana National Front (BNF), Botswana People's Party (BPP), Botswana Independence Party (BIP)/Independence Freedom Party (IFP), Botswana Congress Party (BCP) & Botswana Alliance Movement (BAM)

Molutsi and Holm (1990) mentioned that “for public policy making in Botswana the process of opinion formation or community based participation takes place in three forums, namely *kgotlas*, ‘freedom squares’ and party primaries. The traditional *kgotla* is a meeting place in front of the chief’s residence to debate and discuss matters concerning the tribe raised by the chief of the tribe or local headman. Adopted by elected officials and civil servants, the *kgotla* is being used to mobilize the public for government programs. As for the ‘freedom square’, which is a type of community meeting that emerged prior to independence, any political party or group of political activists can call a ‘freedom square’ with freedom of speech at these gatherings. The ‘freedom squares’ concentrate on issues of inter-party conflict. The final community forum is the party

primary, which is actually a nomination caucus held before the national election and it focuses on intra-party struggles or matters” (p325, & 333 – 337).

“In 1965 Botswana, prior to independence was called Bechuanaland, became self-governing under an elected government controlled by the BDP with Seretse Khama as Prime Minister. During this period Khama would enter into constitutional negotiations with the British and in 1966 Bechuanaland would for now be known as the Republic of Botswana with Khama as its first president. For the first five years of political independence, Botswana relied and was dependent on foreign aid, especially from Britain, for development projects and administration. The discovery of diamonds and becoming the most significant industry, enabled planning and execution of economic development by the government that eventually resulted in Botswana extending basic infrastructure for mining development and basic social services for its population” (Robinson and Parsons, 2006:116 & Maipose, 2008:3).

“Khama, who himself was a traditional chief of one of the Tswana tribes, as the first president made some crucial and interesting decisions with the aim of constructing a strong central state without being impeded by the powers of traditional chiefs. In 1967, the *Mines and Minerals Act* that vested the sub-soil minerals in the national government was enacted. Prior to the approval of the Act, the rights were in the hands of the tribes. It is interesting that the major diamond mines were under lands belonging to Khama’s tribe. Also, a bold action was passing legislation, namely the *Chieftainship Act of 1965* and the *Chieftainship Amendment Act of 1970*, which among others stripped the chiefs of their residual powers such as the power regarding the allocation of land. This authority was given to tribal land boards, therefore limiting the accusation of favoritism in land allocation by the chiefs” (Acemoglu et al, 2001:16 – 17 & Amegashie and Kamara, 2008:11 & 28).

The tasks and responsibility of the tribal land boards are laid down in the *Tribal Land Act of 1968*. This Act under Part II section 10 regulates the “vesting of tribal land in land boards”. Nyati-Ramahobo (2008) mentioned that “the boards are named after eight recognized Tswana tribes, e.g. the Tawana Land Board named after the Batawana tribe, to reflect the Tswana

identity, sovereignty and control over resources and when land certificates are issued it states in which tribal territory the land is situated” (p3).

Another significant development in the mining industry in Botswana was the notable amendments to the *Mines and Minerals Act of 1967*. According to van Wyk (2009), “the Act was amended to facilitate the issuing of exploration and mining licenses as well as make Government participation in new developments more attractive to investors. He also said that the licensing regime was received to have an automatic and predictable process from prospecting to mining. The concession types, such as the non-exclusive reconnaissance permit and the restricted prospecting and mining leases, have been removed. A retention license has been introduced, which enables explorers to defer development of a mine for two successive three-year periods if at the moment of discovery mining is not economical. Furthermore, the Government can still acquire minority interest in new mines at a maximum of 15 percent and on commercial terms with the government paying its pro-rata share of costs incurred. Even, the project-specific rates for taxation of mining companies outside the diamond industry has been replaced with a variable income tax rate between 25 and 50 percent that will be determined annually based on the company’s profit ratio. With regard to the small-scale mining, procedures have been simplified and some royalty rates will be reduced” (p29 – 30).

According to Capital Resources (2010), “it would be in July 1966 before Botswana’s independence that the mining company De Beers discovered the largest ever diamond concentration and establish the Orapa Mine with its associated town. The mining operations started in 1971 and the mine became profitable” (p5). It seems that “during this period De Beers developed the mine alone and the involvement of the Government of Botswana was limited to a 15 percent shareholding in the mine. With new deposits being discovered by De Beers, the government made use of this situation to renegotiate in 1975 an increase of its shareholding to 50 percent. In 1982 the Debswana Diamond Company Limited, an equal partnership between the Government of Botswana and De Beers, was established. When the international diamond market was weak during the 1980s, the company Debswana stockpiled a large amount of unsold diamonds that was after the market recovered to De Beers. This deal enabled Debswana to acquire 5 percent ownership stake in De Beers as well as two director’s seats in the Board of De

Beers. With this, specifically the Government of Botswana has access to information concerning the global diamond industry” (Acemoglu et al, 2001:17, Amegashie and Kamara, 2008:12 & Jefferis, 2009:66).

As noted by van Wyk (2009), “Botswana until 2004 never capitalized its option of beneficiating, meaning cutting and polishing, at least 10 percent of rough diamonds locally. It was countries, such as Israel with the large export industry, that were getting wealthy from processing Botswana’s diamonds. In 2004 the Government demanded local beneficiation and threatened not to renew its mining licenses, forcing De Beers to shift some of its London based Diamond Trading Company to Botswana” (p26). In this regard, “the Government of Botswana and De Beers first created the Botswana Diamond Valuing Company (BDVC) that sorted and valued all diamonds. Subsequently, in March 2008 the activities of BDVC were taken over by the Diamond Trading Company Botswana established as a 50:50 joint partnership between Debswana and the Government of Botswana. The core business of the Diamond Trading Company Botswana is to sort, value, market and sell all in country Debswana production” (Jefferis, 2009:67 & Capital Resources, 2010:12).

With regard to diamond mining, it is noteworthy and mentioned by the Newman (2010) that “Botswana participates in the Kimberley Process Certification Scheme. This Scheme is an association of the Governments, private sector and non-governmental organizations that have implemented a certification system for the international trade of rough diamond. The Kimberley Process is designed to prevent so-called “blood” or “conflict” diamond from being shipped through legitimate trading channels” (p5.2).

Being at the forefront of natural resources use in Botswana, admittedly the mining industry has major impacts on the environment. “Several legal instruments directed towards specific sectors have been established to regulate environmental management in Botswana. For the mining sector three such legal instruments pertain, namely the *Mines and Minerals Act of 1967* as amended in 1999 under which the impacts of mining are considered, the *Monuments and Relics Act of 2001* that deals with impacts on archaeological sites, relics and monument, and the *Environmental Impact Assessment Act of 2005* that requires environmental impact assessment to be conducted to

determine the potential effects of undertakings on the environment. This Act also required existing activities to comply with the legislation within one year by submitting impact assessments for evaluation” (Keatimilwe and Mpotokwane, 2006: v & van Wyk, 2009:33).

In conclusion, if compared to Suriname it can be stated that Botswana’s political economy of natural resource management is characterized by many endogenous processes with limited foreign involvement. Its institutions related to community based participation established prior to independence have contributed significantly to “democratization” of natural resource management in the country. It can also be concluded that even though one political party has been in power since Botswana’s independence, political stability also has a part in maximizing the benefits to be gained from the use of natural resources. What this also meant is that mining companies and other investors had no choice than to deal with a fairly consistent policy presented by the government with the Botswana Democratic Party as the ruling party.

5 Lessons Learned

In this chapter, first the lessons learned about the political economy that affected bauxite mining during 1900 – 1950, 1954 – 1974 and 1975 until 2010 will be discussed. Secondly, the Suriname case is compared to the cases of Guyana, Jamaica, Indonesia and Botswana as mentioned in the previous chapter. For this analysis reference had been made to Drazen (2000) views on political economy when he argues that “political economy begins with the political nature of decision-making and is concerned with how politics will affect economic choices in a society” (p6).

Furthermore, he also posed two questions in the context of political economy, namely:

1. “how political constraints may explain the choice of policies that differ from optimal policies, and the outcomes those policies would imply?; and
2. how, given the existing political constraints, societies can be led to best achieve specific objectives” (p7)?

Besides learning from the political economy that affected bauxite mining, the other objective of this chapter is to provide the necessary insights for the management of other natural resources, such as gold, in Suriname. Relatively “untouched” by policies and institutions, the gold mining industry has again since the mid 1990s already proved to be important to the economy and is perhaps on the verge of becoming the industry that will replace the mining of bauxite as the major contributor to the Gross Domestic Product of Suriname.

5.1 Lessons From the Suriname Case

Considering the period 1900 – 1950 it can be determined that policy and decision-making concerning bauxite mining by the Dutch government was not for the benefit of the Colony, but to serve its own interests which meant that the Netherlands had to spend less on Suriname. The policy and supporting instruments such as legislation for bauxite mining were established around two concepts, namely providing low subsidies to and the eventual “financial independence” of the Colony. The aforementioned is supported by the following. As stated by Chin and Buddingh’ (1987), “due to the decline in plantation production, the backbone of the economy, around the beginning of the twentieth century, Suriname relied more and more on subsidies from the Netherlands” (p7). As a result, the Netherlands were contemplating on selling Suriname (Meel 1999:24). Secondly, taking into consideration the provisions made to increase government

income as amendments made to the *Bauxite Ordinances of 1919* as well as provisions in the *Land Ordinance of 1916* that required rent to be paid for the use of land. Thirdly, even though it was expressed by the *Koloniale Staten* in 1918 building capacity by creating conditions for in-house expertise and setting up the necessary agencies to facilitate the development of the bauxite industry was never a priority. As stated in the Proceedings of the *Koloniale Staten* on March 26th, 1908, the desire was expressed to employ expertise that could assist the Governor with matters concerning the bauxite industry. Nevertheless, the Governor determined that other needs had priority. As a consequence, “companies such as ALCOA solely determined the value of properties and concessions, and therefore convinced speculators and landowners to transfer their permits and authorizations to them” (Lamur, 1985:87).

Development of the bauxite industry, such as codes of practices, demanding advance levels of processing since it was only set at the mining of bauxite, the relationship of companies with local communities and employees, was left to the companies to decide on. The Dutch, unlike the British in Guyana and Jamaica, never claimed State or Crown ownership of the natural resources in particular bauxite. In turn, this limited the State involvement in bauxite mining from the beginning. The basis for this policy was set in the *Bauxite Ordinances of 1919*. If thorough analysis of these legal instruments is conducted, one can conclude that provisions were made for activities that covered reconnaissance up to the mining of bauxite. This included a licensing regime, a centralized system for financial administration by the colonial government, a production scheme related to financial obligations, and measures that only facilitated activities on domain or Crown land. Perhaps, it can be argued as did Adhin (1961) that “this policy indeed characterizes a market-driven approach or entailed mechanisms of the free market” (p101 – 104). On the other hand, fact is that the Netherlands did not have any prior experience with bauxite mining. Therefore, the obvious option would be to leave the development of the bauxite industry in the hands of companies and through taxation generate the necessary income for the government. This approach was certainly an excellent environment for encouraging practices such as transfer pricing.

The local political economy of bauxite mining during abovementioned period and perhaps until 1975 was characterized by policy and decision-making processes that followed a “top-down”

approach. Hereby, the institutions such as the Dutch government, the Governor and the *Koloniale Staten* had a prominent role to fulfill and to some extent the mining companies. Community groups such as the *kiesverenigingen*, the precursors of political parties, would have access to a few members of the *Koloniale Staten* but with limited influence. The “top-down” approach proved to serve the interests of those either in or persons close to or having access to the abovementioned institutions. For example, as stated in the Proceedings of the *Koloniale Staten* of February 7th, 1920, when the Governor ad-interim as instructed by the colonial rulers decided to issue the bauxite concession of Rorac to *NENIEM*, the Dutch-Norwegian company. This decision was taken despite the fact that the *Koloniale Staten* voted against. These institutions, although the *Koloniale Staten* would later become the *Staten van Suriname*, would determine the policies and make decisions that influenced the activities in the bauxite industry until Suriname’s independence.

With regard to the period 1954 until 1974, the local political economy of bauxite mining continued to be characterized by the “top-down” approach embedded in “coalition governments” for the policy and decision-making processes. The role of the Dutch government and the Governor would become less significant and eventually was replaced by political parties. Political party leaders and prominent members of these political parties would determine the course of policy and decision-making processes and their outcomes. Interesting to note is that a political party or a key person within such party would take the lead in setting or formulating policies and present them to the government. For example, in the case where Essed as Minister of Development would conduct the preparatory work for and formulation of the “West-Suriname Plan”. This approach was verified and validated by Sedney, Wijntuin and Guda during their interviews separately taken. In case a political party would be against a policy or decision taken, the party would risk to be ousted from the “coalition”. Point in case is the ORMET ordeal where the political party, the *Nationale Partij Suriname*, had to solely defend decisions taken concerning this matter in the *Staten van Suriname* and where the political party, the *Progressieve Surinaamse Volkspartij*, would criticize the decisions and eventually be ousted from the government. As previously mentioned, the “top-down” approach proved to serve the interests of those either in or persons close to or having access to the governing institutions. In this regard it can be mentioned that leaders of political parties and some prominent members of these parties

were defending the interests of or were representatives or legal advisors of several mining companies that were seeking or already had access to the mineral resources. It can be concluded that the “coalition governments” without a prior agreed and common (development) plan impeded the attainment of optimal policy and decision-making. This matter will be discussed again when the Suriname case will be compared to those of Guyana, Jamaica, Indonesia and Botswana.

Until 1958 it can be noted that the policy for the bauxite industry in Suriname was still the market-driven approach, whereby investments were also sought from other companies such as ORMET and government involvement was minimal. This was due partially to the government or political parties then in power being preoccupied with attaining self-government. There was never a coherent and comprehensive policy supporting the development of bauxite industry not until the signs of a state-led approach would be seen with the preparatory work for and the execution of the Brokopondo Agreement as well as the work done for setting up the “West-Suriname Plan”. As noted by Healy (2008), “the state-led approach introduced by Essed was meant to establish state planning and government control of the economy to achieve social and economic goals” (p67). As a result of this approach the “National Ten-year Plans” were developed, nowadays they are called “Multiannual Development Plans” with a limit of five years implemented by the government in power.

The local political economy of bauxite mining during 1975 until 2010 has two phases. The first phase from 1975 until 1990 knows policy and decision-making processes that influenced regional and international cooperation, namely Suriname’s participation in the International Bauxite Association, and government oversight and other technical institutions that have been established to gain more knowledge about the bauxite sector. These institutions had some catching up to do and this would be evident during negotiations, since the companies possessed most of the information about the industry. Another stakeholder to consider during policy and decision-making processes during this period was the labour unions. This was confirmed during the interview with Ramdin, the former President and Managing Director of SURALCO, when he stated that “labour unions were a force to be reckoned with in the bauxite industry in Suriname”. Perhaps, with the labour unions in picture the sign was given that the “top-down” approach in

policy and decision-making processes started to disintegrate. The second phase is from 1990 until 2010 with the rising phenomena, globalization and sustainability. Non-governmental organizations, local communities and scientists demand increased involvement and responsibility in the policy and decision-making processes around natural resources management including the mining of bauxite. For example, maroon and indigenous communities with the support of non-governmental organizations demanding foremost consideration for their rights to land and secondary increased and structured involvement in mining activities. With the necessary mechanisms or institutions not in place or poorly functioning, it is difficult and in the case of land rights impossible to meet their demands. If this matter is not properly handled, it can impede or lead to abandonment of activities by investors in the natural resources sector in Suriname and subsequently a decrease in income. Creating mechanisms or institutions, such as legislation promoting the execution of Environmental and Social Impact Assessments, can enable the establishment of a “bottom-up” approach in natural resources management in Suriname.

5.2 The Suriname Case versus the Four Other Cases

In order to put in perspective the local political economy of natural resources management, in particular the mining of bauxite in Suriname, the political economy in Guyana, Jamaica, Indonesia and Botswana were also studied. The purpose of this section is to draw conclusions or learn lessons from comparison of the cases, which certainly will result in the commonalities and differences. From the cases of these five former colonies, it can now be concluded that the local political economy of natural resources management has been or is being influenced by local factors such as the policies set and institutions established during the colonial period, and endogenous processes and institutions such as the relation between or the dominance of local political parties, mechanisms for community involvement including that for the intelligentsia, and the policy and decision-making mechanisms. Evidently comparing the five cases, it can also be concluded that the abovementioned local factors have determined the level of State involvement in natural resources management as well. Below several conclusions will be discussed that have been drawn from the comparison of the five case studies.

At first, it is evident that the policies and institutions established by the colonizers determined the way natural resources were developed for years. The conclusion that the local political economy

of natural resources in some developing countries has been or is being influenced by policies set and institutions established during their colonial period, is supported by statements made by André Gunder Frank in two of his work, “Development of Underdevelopment” and *Capitalism and Underdevelopment in Latin America*. Gunder Frank answers why some governments in developing countries had limited influence or cannot fully exercise their influence on natural resources management. He argues in “Development of Underdevelopment” that “the regions which are the most underdeveloped and feudal-seeming today are the ones which had the closest ties to the metropolis in the past” (p115). In *Capitalism and Underdevelopment in Latin America*, Gunder Frank states that “on the other hand, those countries less strongly tied have had the opportunity for greater autonomous development, especially industrial development” (p161). With respect to the five cases studied for this research, the following can be mentioned. For example, if the British had held on to their policy that local refining had to occur when ALCOA entered Guyana, the processing of bauxite would not have stopped at calcined bauxite. Perhaps building a hydropower dam would have led to aluminum processing and would have been an outcome for Guyana’s critical energy position for many years. If this had happened, it would be interesting to know if Suriname would have been able to build and claimed to have had the first aluminum smelter outside the developed world. On the other hand, no policies and institutions prior to independence as well as strong local mechanisms meant that endogenous processes or institutions would emerge to contribute to the development of natural resources. In this case, the State involvement in the mining sector is greater. Policy and decision-making would be based on these endogenous processes. This is certainly the case with Botswana. Botswana was able to conceive and build its own process and institutions that significantly contributes to both policy and decision-making. Unlike Suriname with the bauxite industry, Botswana determined its own path for the development of its natural resources. From the beginning Botswana has democratized its policy and decision-making processes, therefore choosing a “bottom-up” approach instead of the “top-down” approach during the colonial era and most of the post-independent period in the other countries. Interesting with the comparison of these five cases is that it can be determined that no involvement of significance to the limited interest of the colonizer in Botswana also continues to contribute to the economic success this country gained with the mining of diamonds.

Increased involvement of the State in the development of a country's natural resources, especially around eras of self-government and post-independence, depended on the local political setting and the governing political party as was the case in Guyana, Jamaica, Indonesia and Botswana. The system of one party taking office in these countries has benefited State participation in natural resources management. As demonstrated by the case of Botswana, even though one political party has been in power since its independence, political stability also has a part in maximizing the benefits to be gained from the use of natural resources. Furthermore, the nationalization of the bauxite industry and related processes in Guyana and Jamaica resulted in increased involvement of the State in this sector, as was not the case in Suriname with the bauxite industry. The nationalization was possible due to the dominance of politics by two parties and the political and socio-economic environment at the time of nationalization. As stated by Singh (1988), "it was believed that the PPP was a communist party and therefore Britain and the United States of America from 1964 until 1992 supported the PNC in governing Guyana leaving the PPP in the opposition" (p33 – 34). It can be argued that the Cold War was the motive of the support given to the PNC government by Britain and U.S.A. Girvan (1971) noted that "by 1970 public opinion demanded greater participation of the government in the exploitation of the country's forest and mining resources, encouraged the Government with the support of the PPP to eventually nationalize the bauxite industry" (p87 – 94). In the case of Jamaica, "the PNP and JLP have been dominating the politics since the introduction of universal adult suffrage" (Powell and Lewis, 2009:171). As stated by Sullivan (2006), "during the 1970s and 1980s the PNP promoted democratic socialism and the JLP wanted economic liberalization and privatization" (p1). As noted by Ramsaran, (1985) and the Jamaican Bauxite Institute (2004), "before PNP took office in 1972 and before the nationalization of some assets of the bauxite industry in 1975, many in Jamaica recognized the need for greater local involvement in economic activities" (p161 and p5). The limited involvement of the State in the bauxite industry in Suriname is not only due to the policies set and institutions established by the Dutch government during the colonial period, but to the "coalition governments" without a prior agreed and common (development) plan during the era of self-government as well. Compared to the other countries, Suriname had the longest period of self-government from 1954 until 1974. During this period the government of Suriname without a coherent and comprehensive plan failed to establish its own policies and institutions for the bauxite industry. The government made use of especially institutions such as

legislation established by the colonizers to sustain the industry in Suriname. What is meant is that in Suriname endogenous processes or institutions contributed to the development of the bauxite industry in a somewhat unique but not exceptional way compared to other similar cases.

6 Conclusion

As stated by the World Bank and International Finance Corporation (2002), “mining can contribute to the development of developing countries that have strong institutions and well-performed policies in place” (p10 – 15). As stated previously, the overall objective of this research was to analyze factors that influenced policy making in and related outcomes for the mining sector as this sector spearheaded development in Suriname with reference to cases in Guyana, Jamaica, Indonesia and Botswana. This research has utilized an analytical framework to examine from a historical perspective the theory of political economy affecting the use of natural resources, especially the mining of bauxite in Suriname. This research shows indeed as mentioned above that “strong institutions and well-performed polices are key to development in especially developing countries.” Also, as in the case of Botswana, the bottom-up approach proved to be key the development of this country. Nevertheless, in the case of Suriname it should be mentioned that subsequent policies set and institutions established and not changing or replacing these especially prior to its independence, have determined the development of the bauxite industry in a path where the industry remains one that is controlled from outside and that has experienced and appropriated little endogenous processes. Furthermore, the historical policies and institutions are still having consequences to date.

The analysis of the four case studies, especially the case of Botswana, indicates that endogenous processes and institutions with good leadership are crucial to economic growth and to the development of an industry or sector that has a domestic signature. What this means is that the “top-down” approach as used in the case of bauxite mining in Suriname, should be replaced by a system that enables greater involvement and contribution from politicians, policy makers, non-governmental organizations, scientists and local communities. The greater involvement and contribution from these groups in natural resource management in Suriname should be promoted. This should be done in a sense that their involvement and contribution does not lead to a struggle for rents emanating from the natural resources. As mentioned early, for example the involvement and contribution of abovementioned parties can be in the area of environmental sustainability with the establishment of an Environmental Impact Assessment system.

As has been suggested by several local authorities and to avoid the struggle for rents consideration should be given to “the establishment of a stabilization and saving fund that enables building up physical capital, human capital and financial assets to generate income and pay for government expenditures after the natural resources are exhausted. For this fund to be effective, its rule of operation should be appropriate and has to be followed in practice” (Luecke, 2011:36).

Indeed, transforming the mineral wealth of Suriname to the benefit of the nation needs to be based on strong institutions and well-performed policies that are embedded with local concepts and perceptions as to how the development of the natural resources sector should take place.

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