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THE ROLE OF THE STATE IN KENYA'S
POST-WAR INDUSTRIALISATION

by

Nicola Swainson

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By

Nicola Swainson

ABSTRACT

This paper is concerned to evaluate the nature of industrial growth in Kenya in the context of world-wide concentration of capital after the Second World War. There is a focus on the role of the metropolitan state in the promotion of colonial 'development'. This change of emphasis in raising productivity in the industrial as well as agricultural spheres in British colonial territories after the war was, in part, a consequence of Britain's radically altered world position. The result of this change in metropolitan policy was the provision of large grants for the colonial territories on a scale unprecedented before 1939, which were to be utilised in providing infrastructure and facilities to encourage the flow of private capital. In this process, the role of finance capital is enhanced to provide favourable conditions for the ultimate intervention of foreign industrial capital. The case studies examine in detail the activist role of the post-war colonial state in supporting the participation of industrial capital in colonial enterprises.

Due to the length of this paper I have decided to discuss one case study only in order to have a focul point for the seminar. This will involve an analysis of the role of the state in building up Kenya's pineapple industry, see pp. 66-78 of the above paper.

THE ROLE OF THE STATE IN KENYA'S POST WAR INDUSTRIALISATION:

The aim in this part is to examine the underlying basis for the change in official British policy towards the colonies, which was to instigate the development of an industrial sector in Kenya after 1945. The changing needs of British industrial capital after the war are also examined from a historical perspective. There follows an examination of regulations and incentives affecting industrialisation in Kenya Colony and also the role of state finance capital in supporting the interventions of industrial capital. The CDC and East African Industries are taken as an example of the latter. After an assessment of the extent and types of local manufacturing concerns developed by both local and foreign capital, two case studies, one on cement and the other on the pineapple industry, illustrate the initial relationship between the state and private capital. Then they develop through the 1960's to show consolidation of these industries under the control of two monopoly producers of those commodities on a world wide scale.

Before analysing the emphasis of British colonial policy towards the colonial territories in the post-war era, it is necessary from the outset to qualify what we understand by the 'state' in a period of monopoly capitalism after the Second World War. There will be a tendency throughout to oversimplify the relationship between the 'state' and 'capital', although it must be stressed that the interests of the two are by no means to be taken as synonymous. It is indicated that after the war British industrial capitals needed to expand production areas into the colonies in order to enhance their competitive position by producing behind tariff walls. At a certain level the British colonial state, concerned from a 'bureaucratic' point of view with substantial dollar deficits, supported this move of industrial capital into colonial production, as the British state wished to enhance the flow of raw materials to the metropolis from the sterling areas and to develop industries in the colonies that would decrease dependence on products from the dollar areas.

However some reservations are required when dealing with the concept of the 'state' in colonial development, and its relationship with capitals, I have found that the redefinition of the Marxist theory of the state in advanced capitalist societies as put forward by Poulantzas is useful for this purpose.[1] The state apparatus or 'bureaucracy' in a general sense constitutes a specific social category. This bureaucracy is clearly drawn from different social origins, and they therefore do not represent one class, but derive their unity rather from

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1. N. Poulantzas, "The Problem of the Capitalist State", in the New Left Review, (December, 1969), pgs. 73-77. This arguement is further developed by him in N. Poulantzas, "Classes in Contemporary Capitalism", (New Left Books, 1974.)

the fact that they have as their objective function the actualisation of the role of the state. This means that the bureaucracy as a unified social category in this context acts as a servant of the ruling class. The totality of this role itself co-incides with the interests of the ruling class.[2] This must be taken as a starting point in any comprehension of the 'role of the state' in the development of the colonial territories. However, the substantial modifications in the state apparatus in Britain after the war were in themselves due to changes in the relations of production and the development of the class struggle within the metropolis.

A. BRITISH COLONIAL POLICY

The structure of the dependent British Empire rested on a series of negotiated constitutional arrangements which each colonial territory had made with the mother country. The powers of the Secretary of State for the Colonies were limited by the particular circumstances in which each territory had been acquired. It is important to note that particularly before the Second World War, each territorial administration manned by the Colonial Servive retained a high degree of initiative. One example of this state of affairs in Kenya Colony was the persistant refusal of the settler class to sanction through the legislative committee (LEGCO) the metropolitan administration's proposals for the introduction of an Income Tax law that would apply largely to the European community. (This group rejected two attempts to get this measure through LEGCO, in 1922 and 1930 and it was finally passed in 1936).[3]

The Colonial regulations, therefore, had never prescribed a uniform pattern of administrative relationships which would have given the colonial Office direct control over development projects. It is significant that in the pre-war period the directives from the Colonial Office concerning the restriction of industries which might compete with British manufactured goods at home and in colonial markets were more strongly opposed than in many of the other colonial terrirories.[4]

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2. Ibid, NLR article, Pg. 73.
3. For further details see, N. Swainson, "Company Formation in Kenya with Particular Reference to the Role of Foreign Capital", in R. Kaplinsky (Ed), "Readings on the Multinational Corporation in Kenya", OUP (forthcoming), also IDS/WP form, P.10.
4. During the 1930's the Tanganyikan sisal twine industry which UK had been exporting to metropolitan markets, was put under pressure by the Sisal Twine Manufacturers Federation operating through the Colonial Office. A prohibitive tariff was imposed at the British end, and the Tanganyikan company was forced in addition to raise its prices, and as the firm based its success largely on its exports to British markets, the plant collapsed by 1938. It is significant, however that the sisal twine industry in Kenya which was controlled largely by settlers survived due to their political strength in the Kenyan state. Although it was not aimed at

.........cont./p3

The emphasis of British colonial policy towards the colonies in the inter-war period was on the extraction of raw materials to supply British industries. In accordance with the needs of British industrial capital, a large number of Conservative M.P.'s had supported the establishment of the Empire industries Association in 1924, which was organised to campaign for a policy of Imperial Preference and called for loans and grants from the Treasury to extend the system of railways in East and Central Africa.[5] Thus, in Kenya before the Second World War, the small amount of assistance given to the colony went into infrastructural development, to facilitate the extraction of raw materials from that area. It has been shown elsewhere that the metropolitan state before the war, in response to established British industrial interests would ensure that any colonial industries that developed an export market to Britain would be eliminated. Therefore, 'Empire Development' as propounded by Milner and Amery at the Colonial Office in the 1920's consisted of the encouragement of raw materials production which would service British industry. Their chief instrument was the Empire Marketing Board, founded in 1926 to advertise the marketing of Empire produce. This Board continued in business until after the Ottowa Conference of 1932 which established a system of Imperial Preference for colonial raw materials to Britain. The publications of this organisation continued to stress the importance of trading relationships, '...everything in these distant colonies turns on the habits and needs of the great industrial countries first and foremost, our own'.[6]

There had always been a dichotomy between the official British policy towards Kenya Colony and that actually implemented by a local administration under pressure from settler 'clients'.[7] Lord Lugard's philosophy of 'indirect rule' which laid stress on the doctrine of 'Native Paramountcy', and stressed the 'organic growth of native peoples', dominated official British policy towards the colonies in the 1920's.[8] This philosophy, of course was contrary to that implemented by the local administration in Kenya Colony, which implemented a policy of coercion against the African population, in order to curtail indigenous capitalism and to provide a source of labour power for the settler estates. Thus, during the inter-war period the relationship between the local administration in Kenya Colony and the British colonial administration had been generally conflictual.

...../cont. from p.2
exporting but rather to provide for the local market, it could have developed a potential later on. On the other hand the textile industry was stifled in Kenya until after the war due to the fact that the proposed investors represented Asian capital, and so the UK textile manufacturers were able to again force the colonial office to suppress the establishment of any textile plants in Kenya colony which would compete with their own products in that market, and potentially in the British market as well.

5. J.M.Lee,"Colonial Development and Good Govt.", (Clarendon Press, Oxford, 1967), p.41.

The first Colonial Development Act of 1929 was designed by the metropolis to provide funds which would service the interest on loans raised by the colonial governments giving contracts to British firms. However, the onset of economic depression in the Western World in the late 1920's, prevented most colonial government, including Kenya, from raising sufficient loans.[9] Indeed, it was the conditions of economic depression which laid the basis for a change in British policy towards the Empire. The curtailment of capital projects and the policy of retrenchment in the 1930's marked the beginning of planned directives from the metropolis.[10] More important, however, from the point of view of British industrial firms, was the fact that by the outbreak of the war in 1939, Britains markets in the Colonies for manufactured goods were suffering severe competition from Japanese goods in particular. Colonial officers were complaining that British firms did not seem to be competitive in producing 'appropriate' manufactured goods for the Colonial markets. Thus the stage was set even before the Second World War for a substantial change in the practice of central colonial policy towards development, as well as in the strategy of industrial firms wishing to retain markets.

The actual administrative practice of a central policy for colonial development was gained by the experience of the Second World War. The prime object of Colonial Office measures towards the colonies during the war was to preserve the gold and foreign exchange reserves of the UK. Colonial governments were instructed to restrict the import of consumer goods and to instigate a system of import licences. By 1941, therefore most of the colonies had been brought into some system of price control for their principal products and many of them were asked to join bulk purchasing arrangements in order to maintain essential supplies for Britain during the war. The Secretary of State for the Colonies had sent a circular on economic policy which stressed the need to increase the flow of colonial psupplies for war purposes and to reduce to a minimum all colonial demands on the general resources of labour and materials.[11]

By the end of the Second World War, the formulation of a new colonial development policy became imperative, given the changed position of Britain in the world economy. The measures of state socialism being implemented in post-war

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fn: 6,7 and 8...../from p.3.

6. Douglas Woodruff, The Story of the British Colonial Empire (1939) p.25.
7. For a full examination of the relationship between the settlers and the local administration refer to MacGregor Ross, Kenya from Within, Revised edition, (Frank Cass, 1968).
8. Margery Perham, 'Lugard' quoted in J.M. Lee, Op.Cit., pg.43.
9. Swainson, op. cit., p.4.
10. For further details of the retrenchment undertaken by the colonies in the 1930' see E.A.Brett, Colonialism and Underdevelopment in East Africa, the Politics of Economic Change, 1919-1939, (Nairobi, Heinemann, 1973), p. 143.
11. J.M. Lees, op. cit., p. 47.

Britain, the Labour Party considered to be unsuitable for operation in the Colonies. Creech Jones,the Secretary of State for the Colonies,felt that the 'poverty of nature and backwardness of people' were unsuitable for 'European' socialism. Rather,the post war 'new deal' for the colonies simply asserted a new version of native paramouncy, where money and specialist personnel were to be provided for every colony to promote 'development and social welfare'. Officials at the Colonial Office felt that socialist objections in Britain to the evils of monopoly capitalism in the colonial territories had been partly answered by the machinery set up for marketing colonial products during the war. Creech Jones had to resist strongly the pressure exterted by the Labour 'left wing' to nationalise certain large trading firms operating in the colonies, such as the United Africa Corporation.[12]

After the war, the increased production of raw materials and industrial output also, was regarded as a priority in British colonial policy. The immediate need of British government policy from the point of view of 'national interest' was to reduce the large deficits that existed to the tune of £311m in 1948. The government was aware that one method of reducing these deficits and in general increasing the competitiveness of British industrial firms was to channel government resources into the areas of primary production in the colonial territories as well as encouraging manufactured commodities in those areas. As the Commission on Colonial Primary Products was to stress after its formation in 1947, an increase in colonial production was to be seen not merely as a measure to meet the immediate emergency, but as a long term contribution to the 'suitability of the sterling area and to European reconstruction plans'. Furthermore, '.. It will remain necessary to develop supplies outside the Western hemishphere and reduce European dependence onf foodstuffs and raw materials from the dollar area, if the pattern of foworld trade is to be restored to equilibrium'.[13] The idea was, therefore to increase the exports of primary products from British colonies to the USA and dollar areas, and also to lessen imports of manufacture goods from those areas by encouraging British firms to expand production of industrial goods in the colonies themselves. In the words of Lord Tregarne, the chairman of the CDC, '.. The reason why we look to the Colonies is that their products- food and raw materials- are more acceptable to the United States and some other areas than manufactured goods. The total value of imports of manufactured goods into the USA in 1947 from all

12. Ibid., p. 75.

13. These details are to be found in the first Annual Report of the CDC in 1948.

sources amounted to some £250 m. The total imports of good and raw material were upwards of £1,150, or more than four times their imports of manufactured goods from all countries. '..I mention these figures only to show the relative possibilities as between American imports of manufactures and of food and raw materials and to show that sterling and the balance of world trade are likely to gain more from Colonial products than from manufactured exports to America!'[14] Thus colonial products being exported to areas was the first priority and the next was to ensure that the colonies produced manufactured goods themselves or imported them from Britain rather than bought outside the the sterling area. British industrial capital was obviously not concerned with 'national interest' as such, in terms of dollar deficits. However, the needs of British industrial firms were to move into colonial areas and set up production units under protected conditions in order to increase their hold over internal colonial markets for manufactured goods.

The overall effect of these altered economic conditions at the metropolis gave rise to the emergence of a definite 'development policy' towards the colonial territories. The chief instrument for implementing this policy was the Colonial Development and Welfare Act of 1940, which superceded the old Colonial Development Act of 1929 which had provided a small number of grants to Colonial territories, (by 1936 it had only provided £3m of such grants).[15] The CD & W Act made £120m available to the colonial governments for a period of 10 years, and the further supplementary Acts of 1949 and 1950 which increased the total amount to £140m also extended the size of the central reserve and the amount that could be paid in any one year. About 40% of the funds from this act went towards education, health services, housing and water supplies.[16] The structural changes in the Colonial Office implemented after 1945, however, did not mean any corresponding changes in the financial relationships between Britain and its colonies. The programme of public expenditure, which the CD & W Act of 1940 inaugurated was implemented through the existing administrative structures. Each colonial administration remained responsible for balancing its own budget, and the path of development was obliged to follow the traditional lines of communication. Assuming that capitalist development in the colonies was progressive in the Lugard sense of the 'civilising mission' of colonial powers, the official emphasis after the war was not only on capital for development but

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14. From a press reprint of a speech given to an audience of Liverpool businessmen concerned with colonial commerce on 22.6.48, by Lord Trefgarne, the Chairman of the CDC.
15. Lord Hailey, An African Survey, (Revised edition, Oxford University Press, 1956), p.1323.
16. J.M. Lee, op.cit., p.85.

also on knowledge and skills. Therefore, one of the main reasons for emphasising the value of public corporations to sponsor development in the Colonies was that such bodies could train their personnel; this followed the Overseas Resources Development Act of 1948.

This doctrine of the Public corporation was sold to the Colonies by the Colonial Office, and each territorial government after the war was at liberty to establish its own public corporations and the whole bias of administrative structure was strongly in favour of territorial bodies. Indeed the whole discussion on public enterprise in British government circles reflected the issue of nationalisation over which the two major political parties in the country-the Conservatives and the Labour Party, disagreed most strongly. As was illustrated earlier on, the 'left wing' of the Labour Party demanded the takeover by government of large trading and mining corporations, a move which was resisted by the Labour government. The government reached a compromise solution on this issue, whereby the newly established public corporations such as the Colonial Development Corporation (CDC) and the Overseas Food Corporation (OFC) should not interfere with the management of the trading companies but should buy a controlling interest in their share capital to make their affairs 'more accountable' to the public. The CDC, however, in the role of international finance capital, backed by the state, was to be used to encourage the move of private capital into important areas of the colonial economies that would not initially be able to attract private capital. The Overseas Resources Development Act of 1948 was, therefore, intended to be the commercial counterpart to the C.D. & W Acts by providing for the creation of these two public corporations, the OFC and the CDC.[17] The OFC was specifically designed to take over the management of the 'infamous' groundnut scheme from the United Africa Corporation. The OFC had an initial capital of £50,000,000 and the balance from the groundnut scheme was to be used for encouraging private capital into other food growing projects in the colonial territories.[18] The OFC collapsed along with the groundnut scheme in the early 1950's, and the corporation was formally dissolved in 1954.

Thus, this 'new deal' for the colonies was fundamentally concerned with providing the territories with extended infrastructure and services, with the hope that this would stimulate private capital investment in agriculture and industry. In general, economic services now provided within the development

17. Ibid, p.114.

18. A. Wood, The Groundnut Affair (Bodley Head Ltd, London, 1950), p.85.

plans were confined to measures involving such objectives as conservation of basic physical resources, provision of public utilities and research. However, the state was prepared to provide direct investment in colonial enterprises through government finance institutions such as the CDC and OFC, where the initial capital expenditure was too heavy to attract commercial investors. Nevertheless, the ultimate aim of such state finance capital was to attract private capital and hand over the management of such enterprises to them.

B) THE KENYAN ADMINISTRATION AND THE EMERGENCE OF A DEVELOPMENT POLICY IN POST-WAR KENYA.

The post-war years in Kenya colony were to see a rapid expansion of industrial development supported in varying degrees by the local administration. In 1939, as we have seen elsewhere, the scope of industry was limited to the processing of agricultural products, but by 1954 for the first time in the Colony's history, the geographical net income attributable to manufacturing industry was greater than that attributable to European agriculture.[19] There was a large absolute increase in the capital formation attributable to 'Other Private Sectors' from £64.7m to £123.8m between 1946-1952 and 1953-1958 respectively. The amount attributable to European agriculture did not decline in absolute terms, but rather in proportional terms from 16.4% of total capital formation in the 1946-52 period to 9.8% in the 1953-58 period.[20]

Before the Second World War, in the East African colonies British manufactured goods were experiencing quite severe competition from the equivalent goods of countries such as Japan and the United States. Britain had by 1938 lost its dominance over the East African market in terms of volume of imports in several manufactured goods, such as cement, cotton piece goods and aluminium. The response of individual

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19. East African Royal Commission Report 1953-1955, (Government Printer, Nairobi 1955), p. 83.

20. H.W. Ord, The Kenya Economy as a whole, 1929-1952: National Income, Investment and the Balaance of Payments, (Mimeo Edinburgh, 1976), p. 10. This contains an analysis of capital formation in Kenya from 1923-1958.

industrial firms which exported to the colonies before the war was to go behind the tariff wall and produce within Kenya. The competitive conditions facing British capitals in Kenya colony have been outlined elsewhere. Merchant capital on a global scale was, by the end of the Second World War in many parts of the world compelled to transform itself into industrial capital by investing directly in production or be absorbed by industrial capital. This trend in the movement of capitals was becoming apparent in post-war Kenya, and the establishment of production units inside the colony after 1945 by British industrial capital was in several cases facilitated by the interventions of international finance capital. It is the changing role of British industrial capital and the increased level of intervention by international finance capital to support productive investments in colonial territories that we shall be concerned with in this part. As we have said, the role of the metropolitan state in backing up the movement of industrial capital into the territories is quite distinct from the pre-war pattern. Although industrial capital and 'the state' are not synonymous, they are intertwined at certain levels, and it is these links that we shall be concerned to examine.

This mechanism of capitalist expansion into industrial forms of enterprise in the colonies, was operating in an immediately favourable environment in post-war Kenya. Kenya's agriculture had not only been considerably developed since 1918, but the war itself had given a great boost to primary production in the territory. During the war years it transpired that the territories' main natural products were of increasing importance to the war effort and the production of the following agricultural products wass expanded: sisal, pyrethrum, coffee, tea, maize, wheat and other foodstuffs. Also the wartime interference with the shipping routes to East Africa forced Kenya to implement a certin amount of 'import substitution' albeit rather primitive, to replace goods formally imported, such as oils, acids, bricks, tiles wooden articles chemicals etc. Therefore, by 1945, the three territories were in a distinctly flourishing position having conserved foreign exchange on imports and with a significant surplus from agriculture having been realised.

The arrangements for administering this new metropolitan aid to the colonies rested on initiatives from the territory concerned, but after the wartime experience of a centrally directed economy, a strong precedent had been set with the local administration. By 1945, the administration was less under the influence of the settler class than before the Second War,

and during 1950's as we have said, the proportion of capital formation derived from European agriculture had fallen considerably. The Mau Mau insurrection spelt the death blow also to settler political power, so that during the mid 1950's the metropolis was able to implement its policies untrammelled by local opposition. The local administration, however, remained responsible for administering the greatly increased level of metropolitan direct aid, which had risen from £0.1m in 1938 to £1.6m in 1950, the figure rising further to £10.8m in 1955 (which would be accounted for by the Emergency in Kenya at the time.

As early as 1949, the Ministry of Commerce in Kenya Colony issued a press release emphasising the 'new direction' of economic policy in the colony,'... Kenya is on the eve, as indeed is all of Africa, of large scale industrial development .. this era began during the war when abnormal conditions closed the usual sources of supply of many articles and compelled East Africa to look more closely at its own industrial potential', and they further anticipated a rapid expansion in industrial development in East Africa,'... there is of course no lack of capital. In 1948 alone £23m was invested in new private and public companies and 9/10th of this money went into industry. Over the last three years between 1945 and 1948 at least £54,000,000[21] was invested in new companies in Kenya..'.[22]

Therefore, after the war, central government policy was in accord with that of the local administration: to develop agricultural and industrial production in the three East African territories. The move towards industrialisation in all the colonial territories was actively supported by international finance capital which emanated both from private and state sources (such as the commercial banks and the CDC respectively). Thus in the post-war colonial situation finance capital played more than its usual role of 'book-keeper to productive capital,[23] particularly state finance capital which intervened directly to stimulate production in certain areas and encourage private capital to invest.

The East African Royal Commission Report (1953-1955) was designed to

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21. This refers to circulation capital.

22. East African Standard (EAS), 21.6.49, (in KNA MCI 6/674).

23. The relationship between productive capital and the working class is always decisive, in determining the mode of capitalist production but the framework within which it is organised is set by circulation capital - notably finance capital-in its role as book-keeper. For a fuller exposition of this point see: G. Kay, Development and Under-development, a Marxist Analysis, (Macmillan Press, London, 1975). pp. 90-93.

TABLE 1: Expenditure on Kenya's Monetary G.D.P. and G.N.P., 1929-1939 and 1946-1958

in £ millions

	Consumption		Saving		Monetary Product		
	Private	Govern-ment	Gross Capital Formation	Exports less Imports	G.D.P.	Net Factor Payments Abroad	G.N.P.
(a)							
1929	6.7	1.1	7.1	-2.1	12.7	0.9	11.8
1930	5.8	1.1	4.9	-0.6	11.2	1.0	10.2
1931	4.8	0.9	4.2	-0.1	9.8	1.1	8.7
1932	4.5	1.0	2.3	0.6	8.3	1.2	7.1
1933	4.4	0.9	1.7	0.9	7.9	1.2	6.7
1934	4.0	0.9	2.6	-0.5	8.0	1.2	6.8
1935	4.3	0.9	2.3	1.3	8.8	1.3	7.5
1936	4.8	0.9	2.3	1.9	10.0	1.3	8.7
1937	5.9	1.0	4.8	0.4	12.1	1.3	10.8
1938	6.0	1.0	3.0	1.0	11.1	1.3	9.8
1939	6.3	1.1	2.6	0.8	10.8	1.3	9.5
(b)							
1946	32.9	5.6	5.3	-4.5	39.3	1.5	37.8
1947	43.0	5.7	8.0	-9.6	47.1	1.7	45.4
1948	50.9	7.8	14.1	-15.2	57.6	2.3	55.3
1949	58.7	9.0	21.2	-19.4	69.5	2.9	66.6
1950	57.1	11.8	20.4	-7.8	81.5	3.8	77.7
1951	83.8	14.0	24.4	-20.6	101.6	5.3	96.3
1952	82.1	16.4	32.2	-23.6	107.1	4.9	102.2
1953	76.4	20.9	31.4	-23.1	107.6	5.0	102.6
1954	83.6	33.8	36.6	-27.0	127.0	5.0	122.0
1955	103.5	34.2	45.6	-32.4	150.9	5.7	145.2
1956	103.3	34.8	48.8	-24.9	162.0	6.9	155.1
1957	124.4	32.2	47.2	-31.7	172.1	6.6	165.5
1958	120.9	31.5	40.0	-17.0	175.4	7.0	168.4

recommend a 'new development policy' for Kenya Colony. This commission outlined two measures by which the government should promote economic development: one which would remove the existing disadvantages and the other which would offer special inducements to investors. In the first group they included improvements to transport facilities the provision of regular water supplies and the removal of restrictive regulations. In the second, as part of the inducements to investors they included subsidies, tax concessions and monopolistic priviledges, which were to be offered particularly to overseas enterprises or immigrants as an incentive to settle in East Africa. They further recommended that '...if there should be a climate of opinion that is not obviously well dsposed to a continual inflow of external capital and enterprise, the amount of the inducement would have to be correspondingly increased'.[24] On the question of enticing new enterprises from overseas, the Commission was not of the opinion that East Africa was in a particularly good position regarding the attraction of international capital to the colonies, '... apart from the fact that East Africa does not, at present have great natural advantages to offer, there is the consideration that the economic importance to East Africa is greater than the economic importance of East Africa to external capital and enterprise, due, among other things to the small size of the internal market..'.[25]

(C) INDUCEMENTS AND INCENTIVES TO INVESTMENT:

It was for these reasons that the colonial administration in Kenya found it necessary to construct a special network of inducements to foreign capital to set up industrial enterprises in East Africa. The Royal Commission reflected the reticence shown by the colonial administrations of the three East African territories in actually constructing a comprehensive protective framework for industry in the region, '...the creation of monopolies or semi-monopolies apart from anything else is likely to intensify rather than mollify any suspicions which may be generated by external enterprise and it is particularly difficult to justify if it is done at a time when public policy is endeavouring to break down the restrictions which retard the development of indigenous populations'.[26]

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24. Royal Commission Report (1955), op.cit., p. 77.

25. Ibid.

26. Ibid, p. 78.

i) Training:

One of the biggest obstacles to the encouragement of productive investments in the colonies, in the opinion of both the local and central administrations was the low standard of productivity of the labour force in East Africa. It therefore became necessary for much of the aid under the CD & W acts of 1946, and 1950, to be channelled into the training of a workforce suitable for servicing industrial enterprises, and increasing agricultural production.

The position of the metropolitan government on the question of labour was summarised by Sir G. Ord-Brown in a paper presented in 1945 in his capacity as labour advisor to the Secretary of State for the colonies, '... the dominant problem throughout East Africa is the deplorably low standard of efficiency of the worker, that is to say the exceptionally small output characteristic of the entire country, which has always been a conspicuous weakness in the East African economy.'[27] A subsequent statement by the Governor of Uganda in his for ward to that country's Development Plan was the official solution to this situation which was likely to hinder investment in the African territories,'.. Given better feeding, and medical services, better conditions of employment and the stimulus of a full range of goods at attractive prices in the shops, it is surely not unduly sanguine to look for a marked improvement in the matter of idleness, indifference and irresponsibility which are such disturbing features of the present day African labourer and cultivator'.[28] The Member for Commerce and Industry in Kenya Colony put forward his official point of view on the matter of labour ..'.. my view is that we must direct the basis of the education towards the technical and practical angle'. The Royal Commission supports this view; '... Here we submit that the difficulties whcch stand in the way of direct African participation in the field of industry are not primarily financial, but proceed from a lack of skill and experience... it is on the removal of this deficiency that a public policy anxious to promote African participation in new development should concentrate'.[29]

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27. British East Africa, Overseas Economic Surveys, (Government Printer, London, March, 1948), p. 2.

28. OES, Ibid.

29. Royal Commission, op.cit., Chapter 10.

Indeed, metropolitan policy was also very squarely in favour of channelling large amounts of aid into provision of education and services which would primarily assist indigenous populations in the colonies. Thus 43% of the expenditure included in the Development Plans for the Colonial territories was allocated to 'social development', which included education, housing and water supplies. (Before the war, the settlers who virtually controlled state policy had largely prevented any local resources being channelled into welfare for the African population). The central administration had the motive for social development and the funds to support their policies.[30]

ii) Tariffs:

It is important not to overstress the 'Interventionist' nature of local state policy towards development in the colony immediately after the war. In 1946 the Development Committee noted, 'We do not consider that tariff walls should be erected to bolster up uneconomic or inefficient local industries, and we do not think it right that the people of this country should be compelled by the Government's fiscal policy to purchase local manufactures when better imported articles are available under a normal import duty policy.'[31]

Indeed, the use of import tariffs as a consistent form of protection for local industries was not conceived until 195.. Then, the attitude of the local administration over the issue of protective tariffs altered radically, which was largely in response to concerted pressure from both local and foreign manufacturing firms. Therefore, in 1958, for the first time a fully protective tariff was included in the schedule, the administration thus giving a coherent support to import-substuting industrialisation in the colony. However, the effect of these measures was limited and a thorough attempt at providing a framework for protected industry was not made until the early 1960's.[32]

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30. J.M. Lee, op.cit., p. 127.

31. Kenya Development Programme, (Government Printer, Nairobi, 1946).

32. Richard Eglin, The Oligopolistic Structure and Competitive Characteristics of Direct Foreign Investment in Kenya's Manufacturing Sector, in R. Kaplinsky (ed), Readings on the Multinational Corporation in Kenya, (OUP East Africa, forthcoming), p. 4.

Having said this however, it is necessary to compare the post war tariff structures with those existing in the 1930s. Although a comprehensive system of tariff protection was not applied to industry until 1958, nevertheless the tariff structure post-war represented quite a radical departure from that which had existed before the Second War.

The tariff structure remained the same between 1930, after the Report of the Tariff Committee, until the war period. During these years a whole series of surcharges were introduced in the basic tariff, with the object of maintaining revenue at as high a level as possible and also discouraging the consumption of commodities which could not be regarded as essential. On most manufactured items an automatic 10% surcharge was imposed, a higher rate being imposed on some of those items produced locally. For instance, wood & unmanufactured timber carried surcharge duty of 100%, glassware, china and porcelain(100%), Motor Spirit (66%), Sugar (100%), Tea, (100%), Tobacco (175%), Dairy Products, (ghee, cheese, butter) 100%, Beer (25%), Soap (100%), and Wires (100%); all of these items except motor spirit were produced locally.[33] Therefore the wartime conditions had necessitated a certain degree of import protection even before it became part of official policy. Suspended duties were also introduced on a certain manufactured goods and primary goods produced within East Africa, which could be imposed at the discretion of each territorial government. Unlike the situation before 1939, the local administrations had the option to impose protective tariffs if they should find them necessary to support a particular industry. However, potential investors before the 1958 scheme of protective tariffs came into operation were compelled to rely on dutry remissions rather than direct protection.[34] Even by 1955, it is clear that the attitude of the administration was shifting towards provision of positive protection for industrial concerns. A government report on 'Economic Assistance for Primary and Secondary Industries (1955)' emphasised the inadequacy of the existing duty drawback scheme;

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33. Colonial Blue Books 1938-1946, contain the tariffs on all items.

34. Report of the Planning Committee, Ministry of Commerce and Industry, clause 9.

'...we consider that appropriate assistance to an industry should be granted to the industry as a whole ... and this should be provided for by a special amendment to the customs tariff. It is reasonable that a local industry to which protection is given should enjoy protection up to a maximum of 20% against a comparable finished product and 10% against the imported equivalent semi-processed article.. In a country where the setting up of a new industry is still a venture carrying considerable risks, it is doubtful whether a fair return on capital employment is enough to induce owners of capital to face the risks.'35

Eglin's paper on Oligopoly[36] contends that the ultimate introduction of a comprehensive system of protective tariffs corresponds with the date of establishment of a foreign investment, and a list of examples (Tb.5) lead to a conclusion that tariff protection in those cases was offered in response to pressure from the foreign investor. Concessions were offered to potential investors before 1958, but they took different forms, which tends to relate to the degree of pressure exerted by the company concerned. For instance, as we shall see in the later case study on cement, the British Standard Portland Cement Company had consistently refused to install a cement plant until appropriate protective measures against imported cement were agreed to by the local administration.

(D) Government Bodies promoting Industrialisation and Industrial Licencing:

Various government created bodies emerged from the wartime experience to support industrialisation in the colony. The earliest of these was the Industrial Management Board which was established in 1944 under the Defense Regulations, for the purpose of supplying the armed forces with various manufactured items such as locally made crockery, sulphuric acid for batteries, pottery, pyrethrum, extract for cooking fat etc. The sole shareholders during the war had been the government who were involved to the extent of £350,000. The Board paid over its small profit to the Treasury in 1945, and then sold 2/3rds of its holdings to the CDC with the Industrial Management Board retaining a 1/3rd holding on behalf of its successor, East African Industries Limited.[37] The type

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35. Economic Assistance for Primary and Secondary Industries, (Government Printer, Nairobi, 1955), p. 6.

36. Eglin, op.cit.

37. Memo on Industrial Development in Kenya, prepared for Hope-Jones the Member for Commerce and Industry by MCI 16/5/52, (in KNA MCI 6/674).

of enterprises that grew up under this umbrella of state support were engineering works, woodworkings, bricks, ceramics, and tiles. The brick works were part of the East African Industrial Management Board, and that portion of East African Industries was later sold off to Refractories Limited, whilethe soap making business was hived off to international capital in the form of Unilever Limited, in 1953.

The Industrial Management Board in turn had its activities taken over by the Industrial Development Council (a forerunner of the present Industrial and Commercial Development Corporation, ICDC) which was set up under ordinance 63 of 1954 and was designed to 'facilitate the industrial and economic development of the Colony by initiating, assisting or expanding industrial, commercial and other undertakings in the Colony'.[38] The IDC was not the sole source of a finance organisation. Furthermore the financial assistance was to incorporate new projects rather than those already underway through private enterprise. These new enterprises sponsored by the IDC were to be partnerships with industrial firms with a specialised knowledge of that particular business.

The recommendations of the report of the Development Committee summarised the government's policy towards industrial development:

1) A system of industrial licencing should be established to encourage industrial enterprises which appeared unlikely to come to Kenya without some form of protection;

2) that a government finance corporation should be set up with a capital of £50,000, which would in addition to assisting industrial development on commercial lines, time its investment so as to stimulate purchasing power in times of falling prices;

3) the creation of a board of industrial research;

4) the creation of a statistical department on a permanent basis;

5) that East African Power & Lighting should be encouraged to extend its areas of potential development;

6) that the Trade Advisory Committee should be reorganised as an Economic and Industrial Advisory Board;

7) that a propaganda campaign should be undertaken to explain to the African peoples the need for increased output of work and

38. Ibid.

that research should be conducted into the problem of finding an incentive for the African to advance himself;

8) A technical and commercial institute should be established and legislation enacted to make it compulsory for employers to permit employees to attend classes during working hours;

9) a factory inspectorate should be set up;

10) that the development committee pursue a general policy of seeking to encourage and assist private enterprise to establish and develop industries in the colony.

All of these provisions were made statutory during the 1950's and they laid the basis for the role of the state in Industry in Kenya to the present. In addition, after the war (1946) the government appointed an economic and commercial advisor who in 1948 became Secretary for Commerce and Industry with executive powers; in the same year he was made a member of the executive council. In 1943 a Board of Commerce and Industry was appointed by a Legco resolution with the following terms of reference;

a) to keep under constant review commercial and industrial aspects of customs and excise and to make recommendations to SCI on any matters affecting industrial development which might be referred to it;

b) to advise the SCI on policy concerning the encouragement and development of industries and mining in the Colony. This Board was a fully representative body including members nominated by the unofficial members associations, the association of Chambers of Commerce etc.[39]

Industrial Licencing:

From the outset, licencing for capital goods industries must be distinguished from licencing for primary products such as tea or coffee.[40]

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39. Ibid.

40. Licencing for various agricultural commodities such as coffee was introduced as early as the 1930's to control the advance of indigenous capitalism in those areas. After the war growers of pineapples, pyrethrum, tea and others were required to be licenced.

The overall direction of state policy towards industrialisation in the post-war period was embodied in an Industrial Licencing Ordinance passed by the legislatures of Uganda, Kenya and Tanganyika in 1948. This came under the direction of the East African High Commission and the ordinance vested executive powers in an East African Industrial Council as early as 1943. This Council was composed of one official and 2 non-official members from each of the 3 territories. This body was empowered to authorise the issue of licences for the manufacture of articles under the Industrial Licencing Ordinances which were enacted in each of the 3 territories on identical terms.[41] The legislation of the Industrial Licencing Ordinance provided that 'no person shall engage, in the scheduled industries without a licence granted by the council.. licences will be refused if the capital, skills,or raw materials available to the applicant are deemed to be inadequate.' The official 'rationale' for such a policy was to avoid what was called 'uneconomic competition' between different industries in each of the territories. This was interpreted as meaning that a number of small investments in industries being made immediately after the war were undermining the prosperity of larger scale investments.[42] The initialfervour on behalf of the administration in licencing industries soon changed, and whereas in 1942 there were 34 scheduled industries, by 1948 these had dropped to only six which included some large scale investments: leather and leather products, boots and shoes, (Bata), soap (EAI), cement, vegetable oils, and acids..[43] The system tended to support the concentration of production amongst several large firms, and the decisions on which firms were to be accorded licences were taken on an ad hoc basis in response to requests from individual firms. The whole system ended in 1958 with the rationalisation of the tariff system along protective lines, and by 1959 the industries scheduled under East African licencing legislation included: cotton yarn piecegoods and blankets, woolen blankets, fabric spun from soft fibres, steel drums, glassware, metal window frames, and enamelholloware. Of a total of 24 licences 3 were foreign.[44]

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41. Memo MCI on Industrial Development, op.cit.

42. Eglin, op.cit., p. 18.

43. These did however include some of the most significant industries in the Colony at that time.

44. Reports of the East African Industrial Council.

This perhaps makes clear the rather erratic operation of industrial licencing in Kenya in the 1950's, which Eglin concludes, served to prevent a highly competitive industrial structure from emerging. However, not only large foreign firms benefitted from the licencing system as it operated before 1958, but a number of larger local enterprises (mostly Asian) were also able to take advantage of the licencing scheme.[45] The state was concerned to encourage the concentration of production in large units, be they foreign or locally owned, which is made evident by the small number of firms in each industrial sector by the mid 1960's.

45. For instance, in 1959 when the textile secot was largely Asian owned, the industries scheduled under the East African licencing legi lation by 1959 included cotton yarn, piecegoods and blankets, woolen blankets and piecegoods, fabric spun with soft fibres.. etc. in Eglin, op.cit., p. 18.

(E) FINANCE FOR DEVELOPMENT. THE COMMONWEALTH DEVELOPMENT CORPORATION(CDC) AND EAST AFRICAN INDUSTRIES

i) Finance for Development:

Productive capital and finance capital are always interdependent rather than competitive, and their profits come from the same source. Therefore it is clear that all industrial investment will be facilitated by financial capital in the role of 'book-keeper'.[46] The industrial expansion in Kenya after the Second War was financed from both local and foreigh sources, although the latter predominates in this case. It has been shown before that the state took a more active role than previously (before 1939) in encouraging infrastructural development in the colony by supporting both agricultural and industrial projects.

The metropolitan state, through the CD and W Acts as we have seen, provided official grants to the colonies to be used for provision of utilities and services, in order to encourage an increased level of production. Between 1929 and 1938 never more than £100,000 was dispensed in one year to Kenya and from 11 years, in 8 years no official grants were dispensed whatsoever in Kenya Colony. Table I) shows, however, the greatly increased level of official British government aid in the form of grants to the colony, the peak occuring during the Emergency with £10.8m in 1955.[47] Also the amount of inflow of foreign private capital also increased, for instance before the war in 1939 'Private residual' net capital imports into Kenya were only £0.3m, by 1946 this had risen to £6.2m and by 1953 it had reached £21.2m. As Ord points out this foreign capital inflow was on much 'softer' terms than in the pre-war period, not only in respect of the grants in aid and development funds from the metropolis, but also in respect of interest bearing loans and equity investments. Nominal interest rates and equity yields were low and their subsequent real burden on the balance of payments was reduced further by world wide inflation. Large numbers of loans for the colonies were raised on the London market assisted by Barclays Overseas Development Corporation in the role of

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46. G. Kay, op.cit., p. 91.

47. H.W. Ord, op.cit., p. 6.

finance capital. Between 1950 and 1952, these loans, destined for East African territories averaged £17,000,000 per year.[48] These loans were used mainly by the local administrations to establish infrastructure and servicing developments such as roads, railways, housing, education and health services. These grants as we have seen were supplemented by inflows of private finance capital from the metropolis and it is significant that of a total of £77.7 m borrowed by British African Dependencies on the London market between 1945 and the end of 1952, some £48.6 or 2/3rds went to British East Africa.[49]

In the East African territories themselves, agricultural exports provided finance for industrial development. According to the new powers vested in the local colonial administrations to form bodies to assist development, the Industrial Development Council was created in Kenya in 1954 as a state finance capital to assist industrial enterprises.

This channelling of metropolitan finance capital was paralleled by the domestic accumulation of circulation capital within Kenya. There was a considerable increase in geographical net product in the years immediately following the war: the GNP of Kenya rose from £53,000,000 in 1947 to £103,000,0000 in 1951. The total African income, on the other hand (included in these figures), amounted to £26,000,000 and £40,000,000 in those years respectively, leaving in the two years approximately £27,000,000 and £63,000,000 of other income out of which voluntary savings on any scale could be expected to come. The City Treasurer of Nairobi made a rough estimate as to the amount of Kenya's voluntary savings in 1951, which he calculated to be around 10% or somewhere between £3-6m. He further prepared a report on the amount of local money raised in Kenya between 1945;1952 which was estimated at a total of £14,396,215. This represented about £2,000,000 per annum. although it would have been somewhat lower in the earlier years and higher in the later years. The total figure for these years was broken down in the Treasurer's Report as follows:

Gilt Edged	£8,776,215
Kenya Building Society	£1,500,000
Commercial & Industrial	£4,120,000
Total	£14,396,215

(Source: EAR Commission Report, 1955, p. 84).

48. These were later supplemented by loans from the Internatinal Bank for Reconstruction and Development (IBRD), details in the East African Royal Commission, op.cit., pp. 81-85.

49. Ibid, p. 85.

Private capital formation in Kenya reached its peak in 1956 when it amounted to £30,700,000 or 21% of the gross cash product.[50] The main aim of the local administration was to encourage the flow of finance capital into the colony from the metropolis to support investments in industry.

ii) <u>The CDC and its role as a Finance Capital</u>:

The main arm of metropolitan policy in supporting development in the Colonies was the Colonial Development Corporation (CDC). Where the size of markets and low productivity did not attract commercial investors, the metropolitan state provided two organisations of international finance capital to 'subsidise' areas of production for British industrial capital until these became profitable. In some cases, such as the groundnut scheme the state finance organisation - the Overseas Food Corporation was actually formed to undertake an investment which had been instigated by industrial capital. The Unilever Company wanted to undertake a groundnut scheme in Tanganyika to supply their oil extraction plants in the west, but they did not wish to undertake the heavy capital investment necessary to establish large scale growing areas in an undeveloped part of Africa. This industrial capital, therefore, managed to put pressure on the British government to directly finance the project, with the United Africa Corporation as the managing agent.[51] The government were favourable to these direct interventions to support industrial projects as there was a serious fats shortage in Britain at the time. The Overseas Food Corporation was set up with the main purpose of taking over the groundnut scheme from the managing agency of the UAC, by the Overseas Resources Development Bill of November 1947. This bill created two bodies, the CDC with a capital of £50,000,000 and the OFC with a capital of £50,000,000. The groundnut scheme it was estimated would cost the government £25,000,000, and the balance was to be used to support other food growing projects in the colonial territories. Thus the initiative behind the fateful groundnut scheme came from industrial capital-in this case Unilever.[52]

50. Ibid, p. 85.

51. A. Wood, op.cit., pp. 26-31.

52. The groundnut scheme was unsuccessful for a variety of reasons. The use of lend-lease equipment obtained from American arms dumps after the Second War was not a good start. Most of the equipment was not suitable for the task at hand and very few of the machines had spare parts. The enormity of the project meant a very loose administrative control over the scheme by the Board of the OFC, most of whom were not qualified to conduct the scheme in any case. The capital costs of the operation became too high and after several unsuccessful harvests the whole project collapsed in 1954 having cost the British taxpayer nearly £25,000,000!

of the CDC was that projects should be judged by their commercial viability, although it was expected that some undertakings would make substantial yields which would counterbalance losses in other areas. It was set in the role of a typical financial capital, acting as an agent for British industrial capital. The CDC accordingly invested itself in the
capital for commercial undertakings, and provided management contract
share capital of enterprises. provided loan/facilities for some projects. The corporation also pressured many colonial administrations to encourage private industrial capital by waiving import duties on development goods and supplies such as fuel for agricultural machinery, and further pushed from the standardisation of tax relief in each territory for projects relating to 'development'. The CDC considered that allowances for development expenses should be granted to potential investors and in particular cases the corporation did succeed in reaching agreements with the colonial governments on matters concerning rents, royalties and the waiving of import duties on development goods.

> By December 1949 there were a total of 28 CDC undertakings in operation throughout the British colonies, with an aggregate capital of £14,187,000. Of these projects one third were in agriculture and the remainder in other activity divisions such as engineering, finance, factories and forestry. The actual form of the first 28 CDC undertakings was mixed:[57] 7 subsidiary companies which were either wholly owned by the Corporation in which they had a controlling interest, 3 investments where the CDC held a minority interest, 3 loans or debentures to commercial companies, and one in which the Corporation acted as managing agents for the colonial administration. This government sponsored finance capital therefore, acted on a number of different levels in order to 'raise productivity in the areas of both agriculture and secondary industry in the colonial territories. We will now turn to one particular CDC project in Kenya which was in fact the first industrial project the Corporation was to undertake. The case of East African Industries illustrates the role of international finance capital in laying the groundwork for the entry of industrial capital.

(iii) East African Industries and the CDC:

The Kenyan administration had in 1942 sponsored the establishment of the East African Industrial management Board to develop and produce essential manufactured items, whose supply had been cut off during the war.

57. Ibid.

These products included pottery, bricks, oils and miscellaneous chemicals. (Although I do not have details of the type of machinery employed, it is clear that the level of technology was very low, and the plant was most likely composed of various second hand machine modified by engineering works in Kenya).

The government was pledged to dispose of its interests in the enterprise after the war, and after 1945 some units of the plant were sold privately but there remained the main body of the factory comprising the pottery, the refractory plant, the hydrogenation plant, the sulphuric acid and the general chemicals plant. As this was the type of industrial activity the CDC were pledged to assist, the opportunity was not lost, and in 1949 East African Industries was formally constituted and the CDC agreed to participate with the Kenyan administration in the operation. The Corporation subscribed £500,000 of the £750,000 shares of EAI, with the government holding the balance.[58] The agreement reached between EAI Ltd. and the Corporation in December 1950 provided that the CDC should act as consultant and advisor to the company on management, financial control, factory administration and on all matters concerning the manufacture and sales of EAI products. For these management services the company was to pay the Corporation a fee calculated at a rate of 5% of net profits in each financial year.[59]

From the outset there was a strong demand for EAI products due to the general shortage of such industrial products during and after the war. However the plant faced severe production difficulties due to undercapitalisation of the plant and quite backward techniques of production. The most uneconomic unit of the factory was always the chemicals and acids plant, which had to import virtually all of its components. The refractories and the pottery plant both relied largely on local materials, but the hydrogenation plant utilised largely cotton seed oil from Uganda and

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58. CDC Reports, Ibid.

59. Agreement between EAI and CDC 7.12.50, (in KNA MCI 6/244, Box 28). In addition to this fee, the corporation was to act as the company's purchasing agent in Britain and for these services the CDC received a further commission at the rate of 2½% on the f.o.b. value of purchases after deducting all discounts and allowances, provided that the value of such items exceeded £10,000 on any one contract, (Ibid).

copra oil from Tanganyika. Copra oil and cotton seed oil were used in the preparation of Kimbo cooking fat, ghee and liquid oil;[60] from the earliest days of EAI's production the regular supply of particularly cotton seed oil from Uganda at a 'reasonable' price was a consistent problem.[61] The company based plans for an extension of the hydrogenation plant's capacity in late 1949 on the availability of groundnuts from the Overseas Food Corporation and Unilever growing scheme in Tanganyika, as well as cotton seed from Uganda. The former source of supply was never forthcoming in any quantity due to the failure of the groundnut growing project by 1955, which meant that the EAI hydrogenation plant was largely reliant on Ugandan cotton oil seed.[62]

By 1950, the EAI plant was faced by severe production problems. This state of affairs was expressed by the General Manager of EAI in 1949, '... the major effect of the commodity shortage is the necessity to carry larger stocks of imported material, thus tying up working capital. The loan capital obtained from the CDC may prove inadequate '.[63] This rising tide of production difficulties stemmed from both the difficulties in obtaining the imported inputs for the units that required them, and also the limited amount of capital for expansion of fixed assets. In fact, it is clear from the early balance sheets of the company, that the plant only continued in production in the years after the war on the profits from the hydrogenation plant. A paper presented to an EAI Board meeting in 1951 drew attention to some of the main difficulties faced by this new industry. First a complaint was raised that an improvement in the quality of EAI products was desperately needed (as none of the products met international quality control standards), and this would necessitate the immediate provision of additional equipment. Also the company's financial affairs were reported to be in

60. East African Industries Annual Reports, 1949-1952, (in KNA 6/244).

61. EAI tried to encourage the establishment of a sunflower seed cultivation scheme which would secure a local supply of oil for the hydrogenation plant, but it did not come to anything.

62. The allocation of Ugandan cotton seed oil to EAI in Kenya in 1952 was 3,100 tons.

63. Papers prepared in connection with EAI Board Meeting 3/52, (in KNA MCI 6/245).

chaos and no department in the EAI complex other than the hydrogenation plant had made sufficient profit in the previous 2 years to cover its fair proportion of general overheads. Furthermore, with the exception of acid, these units were unable even to supply the requirements of the East African market, and all their products were sub-standard. The question of inadequate protection was an important one with regard to the acid plants,'... without the assurance of protection against dumping there is no assured future for these industries in East Africa. (Continental caustic soda was apparently available in East Africa for under £20 per ton while EAI costs per ton came to £42).

The conclusion of this assessment of the fortunes of EAI were that '...we must either re-plan and re-equip all these projects with new or additional plant and possibly personnel, or else shut them down as quickly as possible'.[64]

However, the Board considered that given the previous capital inputs, the total abandonment of those potentially profitable industries was not justified. These prognostications concerning the efficiency of the EAI complex were reflected by the poor sales figures for these years:

Table 2: EAI Sales November 1951 - March 1952

£s.	Nov. 1951	Dec. 1951	Jan. 1952	Feb. 1952	March '52
Hydrogenation	51,346	40,012	29,524	20,524	16,342
Acid Plant	2,850	1,252	2,048	2,470	1,494

(Source: Memo from the Secretary of EAI to the Directors and and Chairman EAI, 21/4/52).

The CDC who were the EAI managing agents, considered that poor organisation was the main problem with the plant. As a report on EAI commissioned by the CDC stressed, '...the importance of the problems confronting the company in realising surplus stocks of material, stores, and equipment cannot be over-emphasised. Stocks of some mateirals represent several years requirements, others, the purpose for which they are bought is not known, for instance by July 1952 the finished stocks of Kim Oil and XR Oil were high in relation to sales and represented 3 times the value of the August sales.'[65]

64. Board Report, Ibid.

65. Report prepared for the CDC in EAI by the accountants, Peat, Marwick Mitchell and Company, 25/9/52.

The government were also most disatisfied about the declining fortunes of EAI, and could hardly wait for a suitable opportunity to off-load the enterprise, largely because it seemed to be a failure, but it is significant that most branches of government in the colony were against the involvement of government in a scheme which could compete with private enterprise. As a letter from the Secretary of Commerce and Industry to the Member for Commerce and Industry pointed out, '...you will recollect that there has always been an objection in commercial circles to the government competing with private enterprise, and that was one of the reasons why it was decided to dispose of the interests of the old East African Industrial Management Board. We included a proviso in the V.ending agreement that we could dispose of up to 50% of our holding to the public but had not done so.. this criticism of government procedure will again be raised.'[66]

During 1950, the Ministry of Commerce and Industry EAI, and the CDC, held intensive discussions to consider the future of the plant and the CDC suggested moving the EAI plant to Jinja where it would be nearer the source of supply for oils. However, the Kenya government vetoed this plan as '.. the government will continue to be embarassed if it is going to operate in trading concerns which function outside Kenya, the aims of which must inevitably conflict with the existing system of inter-territorial control of foodstuffs and other essential commodities'.[67]

The Kenya government seems to have been strongly in favour of the disposal of government interests in EAI as they were not in favour of state owned enterprises and the Member for C & I stressed that the agreements between the government and the CDC was being ignored by the latter, which was that the EA management Board plants, having been brought to a successful pilot stage of production should be expanded on a commercial basis.'[68] The Secretary for Commerce and Industry expressed the same

66. Letter from the Secretary for Commerce and Industry (SCI) to the Member for Commerce and Industry, A. Hope Jones, (in KNA MCI 6/445).

67. Minute to the Member for Commerce and Industry from SCI, 23.8.50, (KNA MCI 6/445).

68. Ibid.

sentiments; '..I would myself far sooner see the scheme wound up and have the machinery to advance money to enable promising industrial enterprises to get started provided that such advances are made on a sound commercial basis.'[69] By 1951 the government had more or less decided that they wished to provide no further assistance to the industry, as the Secretary for Commerce and Industry suggested,' I think there is little prospect of any assistance being given to East African Industries, whose approach to normal commercial competition seems to be somewhat pathetic'.[70]

The Entry of International Capital:

The CDC, therefore, were left with full responsibility for their 'pilot'scheme and the Corporation was required to find some method of salvaging this 'unceconomic' plant. During 1952 the CDC had directed a policy of retrenchment and rationalisation for EAI, but the Corporation itself did not have either the resources or the technical expertise to transform the plant and perpetuate its operations. It was at this point that the role of the CDC as an international finance capital was made explicit, and the Corporation decided to hive off the plant with all its capital equipment to a British industrial firm. The CDC projects all encouraged the import of British capital goods at a time when these industries were suffering from inadeqaute capacity after the war. The EAI plant was to be no exception to this rule for any extension or modification to the factory would involve not only the expertise of a particular firm but also the import of new machinery from British industrial supplies.

The CDC invited the Unilever Company of the UK, with their long established interests in the fats industry, to take over the ownership and management of the ailing EAI plant. This choice of a British firm which was predominant in the hydrogenation industry, to take over EAI was not mere coincidence. It will be recalled that the sister corporation set up in 1948 with the CDC was the Overseas Food Corporation (OFC), which had been primarily designed to administer the groundnut scheme in Tanganyika. This groundnut project had, indeed been partly instigated by the international firm, Unilever Ltd. The initiative for Unilever participation in EAI in Kenya actually came from the CDC itself, but

69. Letter from SCI to MCI, Hope-Jones, concerning government participation in EAI, 30.11.50, (in KNA MCI 6/445).

70. Ibid.

Unilever's interest in the Tanganyikan groundnut scheme no doubt strongly influenced the decision. Although by 1953 it was not yet clear whether the groundnut cultivation scheme in the neighbouring territory would succeed. Indeed, the Unilever company was clearly interested in investing in fats production in East Africa, for their original proposals for a groundnut scheme had been strongly influenced by their desire to diversify their production areas from West Africa.[71]

Therefore, by the end of 1953 an agreement between the CDC and the Unilever Company had been concluded, with the international firm taking a 50% equity interest, as well as taking the management responsibilities. Thus, by 1954 the whole ownership structure had been altered leaving Unilever with 50%, the CDC with 33½% and the Kenya Government with a 16⅔% interest through the Industrial Management Corporation. However, despite their lowered equity interest in EAI, the CDC as a finance capital was still considerably committed to the project through the provision of loan capital, which in 1954 amounted to £35,000.

In 1954, the new management of international capital immediately modified the existing plant to conform with Unilever production methods. New machinery was installed to manufacture Unilever brands of margarine[72] and cooking fats, which they intended to extend to low income African markets. Given the existing oil refinery, the next stage was to assemble new plant in order to start manufacturing soap and glycerine. As part of this 'rationalisation process', the new EAI during 1955 disposed of all those production units which were not directly connected with Unilever's interests. Accordingly, the insecticides and refractory business were sold in early 1956 making a 'satisfactory profit'.

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71. There were some plans being formulated in 1975 between the EAI company and the Government of Kenya to foster a sunflower growing scheme thereby decreasing dependence on imported oils, and it is indeed surprising that the international capital did not find it expedient to do this before, particularly during the 1950's and early 1960's when the company experienced so much difficulty in obtaining the cotton seed oil from Uganda.

72. E.A.S. 4.8.55, the margarine factory, which was constructed at a cost of £120,000 with a capability of 6,000 tons of high grade margarine per year was opened in October 1955. The company used the Unilever brand name 'Blue Band' for its products. The margarine plant was constructed by the Mowlem construction company, a British firm.

The EAI company under new management made a slow recovery with the infusion of capital and expertise, and this was reflected in the company's balance sheets (see table 4); whereas in 1950 the company made a post tax loss of £1100, in the first year of Unilever management it made a post tax profit of £35,000 (1955), with a turnover of £328,000.

Meanwhile, the CDC continued to support the project through the provision of long term loans. Under the agreement of October 1953, the CDC had undertaken to lend EAI £100,000 repayable on 6 months notice at the expiration of 10 years or at any time thereafter. By the end of 1955, all this had been taken up, and this borrowing was to be used to finance current assets.[73] The soap project was financed by the capitalisation of a bonus issue of shares, amounting to £135,000, and further loans were granted to the project by the CDC and the Industrial Development Bank (Kenya Government £208,000) and from Unilever Parent Company (£208,000).[74] The soap plant went into production in early 1957, producing familiar lines of Unilever's products such as Sunlight, Lifebuoy, Lux Toilet and Lifebuoy Toilet soap, thus aiming at both the European and the low income African market. (The prices of these products were all lower than the current imported prices of soaps in the early 1950's).

Competition: When Unilever had acquired its holding in EAI in 1953, the Kenya government had offered an inducement to the company that it should be able to buy its requirements of oil at a price 'no less favourable than other users'.[75] This assurance indicated that the Kenya government was anxious to protect this particular foreign company from competition, which came mainly from the Asian owned oil mills in Uganda.[76] The EAI hydrogenation plant had always suffered competition from the Asian oil millers, particularly those in Uganda. Before the Unilever take-over in 1953, this was largely due to the small capacity of the EAI plant. A memo to the Ministry of Commerce and Industry from EAI in 7/49 suggested the purchase of new plant in order to render the factory more competitive in relation to the other East African oil manufacturers. '..Regarding the purchase of the new plant, our own plant is a 4 tons capacity and the other one is a 10 ton capacity. If our competitors erect a 10 ton plant we shall not be able to compete as regards costs on the local market, which

73. Memo on borrowing powers of EAI from EAI to MCI, 7.5.55, (in KNA MCI 6/446)

74. Ibid.

75. To K. Mackenzie, Treasury, from the Secretary for Commerce and Industry (SCI (in KNA. MCI 6/446).

76. The largest Asian oil mills in Uganda were those of the Madvhani group at Jinja.

is of a limited size, and unless we can sell entirely for export we should be shut down'.[77] However after 1953, when Unilever installed new plant the problem was a different one when it came to competition with the Asian millers of oil. As we shall see, the construction of new plant at EAI by Unilever involved a high ratio of loan finance (mainly from the CDC) to assets, which naturally raised unit production costs in comparison to the Madvhani oil mills in Uganda which by the 1950's had paid off most of the debts on its capital equipment. (This was in addition to the lower wage costs at the Ugandan plant compared with EAI in Kenya).

The dispute surrounding the supply of cotton seed oil from Uganda to the Kenyan oil plant at EAI developed into a test case between the two local administrations of Uganda and Kenya. both taking a 'nationalist stance' in defence of their own industries. Since the start of production by the EAI plant in the late 1940's, their products had experienced competition from the oil products of the Madhvani plant at Jinja in Uganda. Early in 1956, the question arose as to which of these two main East African oil producers would secure a government contract to supply oils to the Kenyan prisons department. Both companies submitted tenders. EAI tried to exert pressure on the Kenyan Ministry of Commerce and Industry who were indeed concerned to influence the tender board to accept the contract of the Kenya based firm. EAI's arguments in support of their case hinged on the fact that they considered the Uganda product to be below government standards. In response to this pressure from EAI, the ministry of C & I urged the tender board that it was their duty to support 'local' industries where possible, providing they could produce a high standard product and better services than the Ugandan firm. As the Asst. MCI pointed out ..'the terms must of course be competitive..but the wider implications of not patronising our own industries would appear to merit the most serious consideration'.[78]

According to these 'competitive criterion' the firm of Muljibhai Madvhani won the contract to supply vitimanised edible oils to the Prisons Department in Kenya in 1958. The Treasury explained to MCI that the

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77. Report on a visit made to Entebbe by officials of the Kenyan Ministry of Commerce and Industry to discuss with the Uganda Government the price of cake and cotton seed oil for 1950, (in KNA MCI 6/242).

78. Memo to the Member for Commerce and Industry from the Assistant MCI, 16.12.57, (in KNA MCI 6/446).

reason for the Ugandan firm gaining the tender was simply that of a lower price. On the question of quality the conclusion was ironic, a note from the Treasury outlined the main issue regarding standards, '.. as regards quality there was not a lot in it, as both the samples submitted were below the required limit of 4000 international units per oz. of Vitamin A content. However the samples offered by the Jinja firm still contained a higher number of vitamin units. It appears that the suggestion that the quality of the Uganda product was not so high as that of Kenya is one that cannot be substantiated...' (sgn. Dv Dean Treasury).[79] In the case of quality, therefore, the local firm appears to have been more competitive than the Unilever subsidiary.

This was merely an example of a consistent state of competition which existed between the Ugandan Asian firm and EAI during the 1950's. In 1957 the annual report of EAI stated that action was to be taken against Muljibhai Madvhani in Uganda as that company were infringing EAI/Unilever brand names; their margarine in the 'Cow' wrapper infringed the Blue Band design, their cooking fat 'Sun Brand' was a copy of Kimbo and their 'Champion Carbolic Soap' was a copy of 'Lifebuoy' soap. Clearly the Ugandan firm were manufacturing products of similar quality at a cheaper price, which prompted action to prevent any further advantage to the local firm by the use of Unilever brand names.[80] It was in order to compete for the lower income African market that EAI developed a brand of cheaper quality margarine in 1957 which was put on the market in 1958. However, at this time the largest sales were of Kimbo and vegetable Ghee, for which cotton seed was used in the preparation, as the following table shows:

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79. To MCI from D.V. Dean (Treasury), 6.2.58, (in KNA MCI 6/446).

80. Directors Report, EAI 1958-1959, (in KNA MCI 6/248).

Table 3. Net sales of EAI Products for 1957. (11 months)

Product	Net sales	%
Kimbo	£ 189,066	40%
Veg. Ghee	105,006	22%
Kim. Oil	23,223	5%
XR Oil	3,951	1%
Vitaminised Oil	39,231	8%
Margarine	108,750	23%
Others	5,153	1%
	£ 474,380	100%

(Source: Directors' Report of EAI, 1958, in KNA),

The Uganda government and the Kenyan government continued to support the firms in their respective territories. The Uganda government continued to refuse to grant EAI any concessions on the bulk purchasing of Ugandan cotton seed for their oil plant. The Jinja Company was again at an advantage over EAI in that it was able to estimate the exact quantities of raw material required at a particular time whereas the Kenyan company was obliged to tender to the Ugandan government in advance, which meant they were not able to employ economy in the storing of raw materials. In fact from 1957 - 1959 EAI was compelled to reduce its price of vitamised oil and margarine in order to compete with Madvhani's products and also to increase the advertising allocation of these goods. The Uganda company therefore, remained with a competitive advantage over EAI until the early 1960's when EAI switched to palm oil instead of cotton seed as a raw material for the edible oils plant, (this oil was cheaper in price and had a higher fat content than cotton seed oil).[81]

Since the 1960's the CDC have gradually been divesting themselves of their interest in EAI, for the purpose of getting industries off the ground 'the pilot schemes' have been completed and private capital now successfully controls the operation. However, the post-independence government was anxious to maintain a share in this large manufacturing

81. This information was obtained from an interview with the Chairman of EAI in June 1975. It would seem unlikely that the company will invest themselves in any sunflower growing project, as palm oil is cheap and has a high fat content.

company, and the CDC have since the early 1960's sold some of their shares to the ICDC, so that at the present time (1976) Unilver hold 55% ICDC Investment Company 17% and the CDC 28%.EAI by 1974 had diversified their production into a number of other areas such as toothpaste and fruit squash manufacture, as well as the traditional soap and oils, although the latter still account for the largest proportion of the Company's sales, the fats products account for about 60-70% of EAI's turnover,[82] and the remaining 30-40% are accounted for by soaps and detergents. The company also controls the largest share of the East African market in detergent, margarine and toilet soap, although in toothpaste they fall behind Colgate - Palmolive, the American firm.

The aim here has been to examine the intervention of international finance capital in the form of the Colonial Development Corporation (CDC) which entered to support the East African Industries project and then to invite the participation of a British industrial capital. The CDC were mainly concerned with investing in agricultural projects in Kenya and elsewhere, and their function in this instance as well as in the case of industry was to stimulate the British capital goods industry.[83]

Table 4 Summary of EAI Balance Sheets 1950-1973

East African Industries

	Year of formation	1950	1960	1965	1970	1973
Issued Capital	155,250	155,250	576,000	832,038	1,125,000	1,350,000
Net Assets	203,619	203,619	1,033,145	832,038	1,775,000	2,452,180
Net Profit	(1,100)	(1,100)	171,581	262,261	685,137	1,774,072
Profitability	(.5)	(.5)	1.6	3.1	3.8,	7.2

(Source: Annual Reports of the Registrar General).

82. Interview, Ibid.

83. In the case of EAI we have seen that not only was a British Industrial capital in the form of Unilever Ltd invited by the CDC to undertake the project itself, but also a British firm, Mowlem Ltd., was involved in all the construction work of the plant in the 1950's.

F. THE NATURE OF INDUSTRIAL GROWTH IN KENYA, 1945-1963.

The post-war period was marked by a rapid move of capital into the manufacturing sector, and a concentration within that area. In 1951, the value of the net product of manufacturing industry amounted to £10 million, which was approximately 12% of the total net geographical product. For the first time, of the number of Africans in paid employment in Kenya in that year, 42,000 or 10% were employed in the manufacturing industry.[84] As has been pointed out earlier, the colonial administration was to make availible funds for the stimulation of secondary industry, thus providing a supportive role to private capital entering the industrial sector. This higher level of support for m anufacturing enterprises was in marked contrast, to the pre-war period when certain colonial industries (such as textiles) were positively discouraged if they might compete with the British equivalents in British markets. After 1945, there was a general move towards import substitution by both foreign and local capital, and virtually all of the manufacturing concerns set up during the 1950's were oriented towards the local market rather than the export market. Deliberate tariff protection in Kenya after 1958 was to stimulate the establishment of both local and foreign owned enterprises.

The war period did generate a specific demand for particular consumer items which were in short supply due to transport problems. These products included the manufacture of blankets, leather, shoes, soap, chemicals, oils, textiles and glue.[85] However, most of the these enterprises were quite transitory and as we have seen the East African Industrial management board that created the East African Industries complex was to dissolve as a government organisation and various parts of the enterprise were hived off to private capital. The war time may have stimulated demand for locally produced manufactured goods, but the main impetus behind the industrialisation process was to reach its peak in the mid and late 1950's. The largest

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84. Paper by the Member for Commerce and Industry, Hope-Jones on Industrial Development in Kenya.

85. " .. War conditions had diverted much world production from the manufacture of consumer goods, and shipping problems which had cut off East Africa to a large extent from its traditional sources of supply, had shown the need for a greater measure of self-sufficiency in East Africa. The post war political conditions and high taxation in some parts of the world had caused capital to seek fresh outlets. Balance of payments difficulties had caused the Commonwealth to seek new sterling sources of raw materials and manufactured goods ..." (Paper prepared for the E.A. Industrial Council, January 1956 by the Ministry of Commerce and Industry).

proportion of this investment in the industrial sector between 1943 and 1963 was from abroad, mainly from Britain, although the growth of Asian controlled enterprises was also significant during this period. Before examining the nature of foreign participation in this expansion of industrial concerns it is necessary to evaluate the emergence of a powerful Asian industrial class in East Africa from a historial perspective.[86]

i) Asian Capital:

It has been shown elsewhere that the development of Asian capital in East Africa before the Second War was confined largely to the areas of trade and some basic processing of consumer items. The areas of accumulation for those of Indian origin in East Africa after the advent of British rule in Uganda and Kenya were confined to the areas of trade and commerce due to the restrictions placed by the early colonial state on land holdings by non-European races. From the outset Asian capital was caught in between the forces of settler capitalism and the state's 'protection' and supervision of indigenous capitalism. Asian merchant capital was to compete with both settler capital for the control of trade in certain agricultural commodities and also with African merchant capital which, was by the 1930's in many areas (such as Nyeri district) challenging the hold of Asians over trade in commodities such as wattle bark. The pre-war colonial state in Kenya colony was largely to determine the role that Asian capital was to play. The question of access to land ostensibly remained open until the Crown Lands Ordinance of 1915 which empowered the Governor to veto land transations between races. In fact, before that time several Indians had managed to buy land is so called 'white' designated areas, and in 1903 the Aga Khan was negotiating with Ugandan colonial officials for the introduction into East Africa of some agriculturalists from India, who could bring capital with them.[87] This was never to reach fruition, and the Indians were excluded on two counts from holding land in the white highlands and in the reserves, although they were permitted to hold agricultural land in the 'lowlands' of Kenya, which excluded all of the prime cultivable land. It was the juxtaposition between settler capitalism and indigenous capitalism that determined their role as traders and low level manufacturers in East African before the war. During the Carter Report of 1932-1933 it

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86. This emphasis is important when it comes to evaluating at present the possibilities of the emergence of an African Industrial class, which is also a 'local' capital.

87. R.G. Gregory, India and East Africa. (Clarendon Press, Oxford 1971), p. 435.

was claimed that there was only one Indian agricultural settlement in Muhoroni, and the Indian representatives on the Commission along with the African members expressed deep disatisfaction with the existing land regulations and they asserted that the Europeans held too much land and cultivated only 11% of it, and they advocated a heavy underdeveloped land tax to force cultivation or sale.[88] During the Commission, the Federation of Indian Chambers of Commerce of East Africa further complained that their trading operations were being restricted by the Colonial government, in that under the Native Lands Trust Ordinance, trading centres which could be established within the reserves with the approval of the Local Native Council allowed the lease of plots of land which they considered were too small and the terms of such leases were further limited to 5 years. The Indian contingent on the basis of these objections asked for the establishment of regular townships in the reserves, which were to gradually emerge after this date.[89]

Thus, by the 1930's the Asian community was involved in a whole range of activities, from building to shoe making, but the main focus of their enterprise was in trading in commodities, and acting as the link between the African producer of goods such as cotton and the exporter of that commodity. In the early pre-second world war period there were many Asians in clerical service of the colonial government, for instance in 1911 1,498 Indians were in the employ of the government.[90]

Before 1945, therefore, very few Asian merchants had ventured into manufacturing largely due to the constraints of capital and lack of credit facilities from European banks. There were a few exceptions to this rule: the Premchand Brothers set up a factory to manufacture extract and a cotton ginnery, both in the 1930's in the Thika municipality, having been prevented from setting up their factory in the 'White Highland' areas. Others were involved in small scale grain milling, sugar refining, and the manufacture of aluminium hollow /were. Most Asian merchants in Kenya before 1945 were involved in highly competitive retail trade, and the restrictions on their form of accumulation extended also to excluding them from importing agencies as well as from farming. Before 1945, Asian merchants were not permitted to import

88. Ibid, p. 435.

89. Ibid, p.436.

90. Ibid, p. 113.

British manufactured goods directly, and they relied for their supplies of manufactured goods on the large British based merchant houses in Kenya, such as Smith Mackenzie and Mitchell Cotts.[91] This gave rise to a situation whereby the Asian merchant class could only accumulate capital through an increasingly competitive form of retail trade, which in many cases, particularly after the Second War, provided the impetus towards some measure of import-substituting manufacturing. Many groups of traders had before the war become involved in trading in one or two agricultural commodities, and after the war when importing was opened up on a larger scale to Asian merchants some groups became involved in the importation of one commodity only/such as cloth, and in this case they moved frequently into direct production of textiles.[92] The Thika Cloth Mills set up by the Nath Brothers in the 1950's was formed by a prominent group of cloth traders. This became a typical pattern, from importing the commodity into manufacture of the same items.

During the 1950's, the rise in consumer demand in Kenya Colony, gave great impetus to industrialisation whether it be foreign or local. The Asian class, as we have suggested earlier, had faced curtailment of their spheres of accumulation before the war due largely to restrictions placed on them by the predominant settler class. After the Second War, the administration did not represent so forcefully the interests of sections of the settler class and in general there were no restrictions placed on the progress of Asian industrial expansion into industry. However, it is interesting to note that as late as 1958, when the Premchand Brothers took over the East African Match factory which was formerly set up by European farmers in the Kinangop area of the 'White Highlands'; they were prevented from operating there as it was a 'white' preserve, and they were forced to dismantle the factory and reconstruct it in Mombasa![93] This does not seem to have been an unusual state of affairs <u>if</u> an Asian manufacturing enterprise in any way impinged upon areas of settler accumulation. Similarly in the late 1950's when Kenya

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91. This information was gained from an interview with a director of Comcrafts Services Ltd., (formerly the Chandaria family) Mr. M. Premchand Chandaria in Nairobi 7/77.

92. It is significant that, despite the large market for cloth within East Africa before 1945, the manufacture of this commodity was not permitted until the 1950's. This mainly to protect East African markets for British-made textiles, although one speculate that had cloth manufacturing been proposed by some Europeans, that the local administration in Kenya would not have protected British interest in such a way.

93. Details from the interview with M.P. Chandaria, op.cit. form of action by the administration, in support of sections of the settler class was clearly more common in the period before 1945, when all the small Asian manufacturing plants were compelled to set up in municipalities where they were permitted to purchase land, such as Mombasa, Thika, Nairobi, and Kisumu.

Aluminium Works (owned by Bhagwangi and Premchand Brothers) wished to extend the capacity of their subsidiary grain milling company in Mombasa, they were refused permission to do so by the Ministry of Agriculture who acted in response to pressure from the settler dominated KFA milling concern: Unga Ltd. This resulted in a court case by the Asians against the government, which was finally decided in the favour of the former.[94]

However, despite these setbacks it is clear that the level of accumulation of merchant capital by 1945 and the increase in markets for manufactured goods after the Second War, was to stimulate a move by the larger elements of this group, into industry. The problem of credit was to be solved during this period and the role of Indian finance capital through the Banks of India and Baroda which set up after 1945 in Kenya became most important when it came to industrial investment.[94a]

Asian Industrial Development after 1945: It has been indicated earlier that the post-war government policy of supporting industrialisation applied to both local and foreign capital alike. Therefore the Asian enterprises that wished to set up a manufacturing concern, after 1958 were given protective tariffs against the imported item. In fact Eglin notes a strong correlation in the case of both foreign and local Indian capital between the institution of a protective tariff and the establishment of an industrial concern.[95] For instance under the 1958 revised tariff schedule, local industries were granted considerable protection. The following are all Asian owned enterprises:

The type of Asian industrial enterprises was similar to those foreign investments made during the period, in that there emerged a highly concentrated structure of individual concerns, which involved the take over of many existing companies. This was the natural movement of capital, and was encouraged by the licencing legislation by the colonial government. Eglin argues that if it were not the existence of licencing legislation a more highly competitive structure of industries would have emerged.

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94. Interview with Chandaria, Ibid.

94a. This connection between East Africa and European countries and Asian merchants in Kenya enhanced the interventions of finance capital as credits, were built up by the later, which were later used to provide capital for their extension into manufacturing.

95. Ibid, p. 7.

TABLE 5

Product	Company	Protective Duties Yr. est or began Production	DUTY Imposed	Yr.	Previous
Pasta	House of Manji	1958	30%	1958	Free
Matches	East African Match Co.	1958	3/25 per gross boxes	1953	3/30 per gross box
Pressure Stoves	Kenya Aluminium Works	1958	22%	1958	Free
Cotton Wool	African Cotton Inds-	1961	25%	1963	Free
Corrugated Aluminium Sheets	Mabati Ltd.	1961	25%	1961	Free
Tomato Puree	Kabazi Canners	1958	30%	1960	Free
Galvanised, Plain, Corrugated & Enammelled metal sheets		1963	25%	1964	12½%

(Source: Kenya Customs Tariff Schedules, in Eglin, op.cit., p. 14).

Immediately after the war from 1945-1950, a Ministry of Commerce and Industry list of products and manufactures illustrates the wide range of concerns in which Asian firms were involved which include woodwork, engineering, building materials, bakeries etc. However, by the mid 1960's a higher degree of concentration had emerged and the control of the largest portions of Asian manufacturing lay in the hands of a few large conglomerates.

These large scale Asian industrial groups used take-overs to consolidate their hold over particular branches of production, a tactic used by most capitalist enterprises at a certain stage of concentration. One of the most significant Asian industrial groups to emerge in the 1950's was that of the Chandaria family. At the present time this group have 14 industrial concerns in Kenya, with enterprises ranging from wire to stationery manufacture. This process be investment in industry began in the 1950's. Before the war, the family had been concerned with importing and exporting commodities. The Kenya Aluminium Works, an aluminium holloware factory originally formed in 1929 by another Indian group, was taken over by the Chandaria's in 1954. This company was to act as a holding company for their further acquistions and investments in industrial enterprises. A subsidiary of this firm, Kaluworks, which had also been taken from some other Asian industrialists, managed to set up the first steel rolling mills in Kenya which began production in 1963. This firm continued to monopolise production until foreign firms were to erect several competing plants in the late 1960's. In a similar fashion the group bought the East African Match Company in the late 1950's from its European owners. The Chandaries bought a 50% share in this company in 1960 which they later increased to 75% with the Khimasia family holding the

remaining 25%. Using the Kenya Aluminium Works Company as their base, the Chandaria's also invested in new plant. In 1958 they set up a new factory to manufacture nails, the East African Wire Industries Ltd., which along with the purchase of Kaluworks served to give the group a monopoly in this field of production.[96] Just as foreign firms which operate in the same environment, this group used collusion to prevent price competition. The Chandaria 'empire' in Kenya expanded rapidly in the 1960's and its industrial investments were served by a large marketing net work.

The Khimasia family made similar moves from trade into import-substituting industrial concerns after the Second World War. These Asian industrialists had been involved in virtually all the cases in trading in the commodities which they ultimately manufactured themselves. In 1958 they established a factory to manufacture fruit squashes, mineral waters, jams and jellies, which began their move into food and drink manufacture, the products of which were marketed by their existing organisation. Before 1958 the group had largely been involved in the import trade, chiefly in the areas of food and cloth. This direct move into production from trade was evident also in the setting up of the Thika Cloth Mills (Nath Brothers) in 1959 to manufacture cotton and silk linings for the East African market. In 1967 the group further consolidated its interests in the area of food production, by taking over Gibson and Company, an European owned firm which controlled Kabazi Canners which manufactured a wide variety of canned fruits, vegetables and concentrates. This hold over one of the most important food processing factories in Kenya did not, however, remain impervious to the thrust of international capital. In 1970 Brooke Bond Leibig, in one of its moves to diversify away from tea production, bought a 30% shareholding in this company, and they at present control the marketing of Kabazi Canners products. Out of a total of all companies owned by the Khimasia's, 6 are industrial concerns and the rest are marketing and wholesaling agencies.[97]

Probably the largest Asian industrial complex in East Africa as a whole (Uganda and Kenya) was that of the Madvhani group. Unlike the Asian capital based in Kenya, the Madvhani group used agricultural production

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96. This information was derived from the Annual Returns of the Registrar General for these firms.

97. Ibid.

and the processing of primary products as the basis for its accumulation.[98] The Madvhani empire in Uganda was based on sugar cultivation, processing cotton ginneries and oil mills, all of which were established in the 1940's and 1950's. From the profits generated from the sugar mills, the group diversified into Steel Rolling Mills, textiles, and glass manufacture by the 1960's. These moves into manufacturing in Uganda were a logical step to distribute manufactured goods under protected conditions - the family had been involved in wholesale trading and sugar processing before the Second War. The profits on importing goods were diminishing rather than expanding, therefore it was a distinct advantage to actually produce the goods within the country. Exactly the same mechanism applied when it came to their extension into Kenya during the 1960's

From 1955 onwards, Madvhani manufactured products had been marketed in Kenya through Muljibhai Madvhani Ltd. which has trading branches in Nairobi, Mombasa and Kisumu. The Madvhani group took the opportunity to extend their industrial production into Kenya during the 1960's in order to preserve their markets for industrial products. The group used the method of takeover, as did many foreign firms to expand their industrial empire in Kenya. Most of the companies which the group purchased during the 1960's were in the hands of the receiver and an agreement was reached between the company and the Kenya Government that the latter would grant first option to the Madvhani group for the purchase of industrial firms that had been declared bankrupt in Kenya.[99] The Kenya Glassworks, for instance, were taken over by the Madvhani's in 1965 from the Asians who had set up the company in 1947 in order to preserve their market for glass products which were under pressure from imported products and local producers. (In 1974, this company was estimated to control 70% of the Kenyan market for glass bottles). The Kenya Rayon Mills in 1965 was also in the hands of the receiver, having been formerly owned by Europeans, and in 1966 the Madvhani's took over this factory which corresponded with their Ugandan textile production. Similarly, the Associated Sugar Company

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98. They were not restricted in Uganda from holding land in the same way as the Kenyan Indians were, due to the lack of a settler presence in the former territory. In fact, the administration in Uganda seems to have strongly encouraged import-substituting manufacture particularly in the case of basic consumer items such as oil and sugar even before the Second War.

99. This information was obtained during an interview with the former Company Secretary and a Director of the Madvhani group in Uganda and Kenya on 2/5/75.

in Kenya was formed in 1965 to take over the assets / of the former Kenya Sugar company, which was again in the hands of the official receiver in that year. This enterprise also fitted in with their predominant sugar processing interests in Uganda. In 1966, also the Madvhani group were able to buy a majority shareholding (60%) in the Kenya Towel Manufacturers, who were indebted to the Kenya Rayon Mills, thus the group were able to further extend their interests in textile production in Kenya.[100]

The Emco Steel Works was the only new plant that the group invested in during the 1960's. The demand for steel in East Africa was such that either the Madvhani's had to expand their steel tube manufacturing plant in Uganda or establish another factory elsewhere. There was clearly an advantage in setting up a plant in Kenya with import protection, and in 1968 they establish another factory elsewhere. There was clearly an advantage in setting up a plant in Kenya with import protection, and in 1968 they established a steel plant at Ruaraka about 10 miles from Nairobi. This plant supplies the local market with steel bars, sheets, tubes, etc which are manufactured from local steel scrap. This company in 1974 supplied 70% of the steel requirements of Kenya. The chief marketing company for the Madvhani manufactured items in Kenya is Kemulco Ltd, which represents an alliance between the Asian industrialists and the indigenous bourgeoisie, and provides an umbrella of political protection for the groups investments in Kenya.[101] However, the Madvhani group of companies, (having been expelled from Uganda during the Asian exodus of 1971) remain static in Kenya and their chief aim at present, is to gradually divest themselves of the Kenyan ivestments and transfer the capital out of the country.[102] The Chandaria group have already transfered the control of their companies in Kenya to holding companies which are registered in tax havens such as Bermuda and the Channell Islands.

It becomes evident that the potential recognised by writers such as Colin Leys of Asian industrialists becoming an 'industrial bourgeoisie' of a classical Marxist type 'was not to be realised.' Clearly, however, the 'empires' which have been considered here of the Chandarias', Madvhanis' and Khimasias, were not insubstantial. The total value of the Madvhani's

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100. Returns of the Registrar General for Madvhani firms and interview above.

101. The Kenyan partners were the Chairman of Lonrho and his mother.

102. Interview with company secretary, op.cit.

fixed assets in Kenya and Uganda in 1972 was estimated to be about £40 million. I would estimate that the asset value of the Chandaria investments in Kenya would be a little less than that of the Madvhani's-somewhere between £15-£20 million. The reasons for the failure of this class to fulfil this potential development into a 'local' bourgeoisie class are to be found in the historical position of Asian capital during the colonial era, which has been outlined above. Indians in Kenya were never able to control political power either under the colonial or post-colonial regime to support their accumulation of productive capital, and therefore never transcended the level of being directly involved in their production (in terms of the management of their eterprises) with the ownership structures being tied to families rather than groups of capitalists.[103] This applies especially in the Kenyan context where Asian capital was caught in between the other capitals operating in the colonial state: foreign, settler and indigenous. This contradiction was not resolved in the post-colonial era when the full forces of indigenous capitalism were supported by the state, to the exclusion of Asian capital. So far Asian merchant capital has felt the squeeze of Africanisation pressures and the movement of sections of the bourgeoisie into trade formerly controlled by Indians has been quite rapid since 1971. However, although the industrial capital controlled by Indians is still quite secure from takeover-the Asians' lack of political power has suppressed any moves towards expansion of industrial enterprises, and most of the large groups of industrialists are endeavouring to establish themselves as some form of 'multinational' capital attached to no national boundary. The Chandaria family, for instance, have not only managed to transfer all their equity out of Kenya, but they have also set up industrial plants in Ethiopia.[104] This applies to the large groups of Asian industrialists rather than the small scale manufacturers who might tend to remain in Kenya for a longer period of time, although for the same reasons their capital reproduction would be restricted, and they are likely ultimately to become susceptible to takeover by indigenous capital.

ii) Foreign Capital in Industry

It has been noted that a highly concentrated structure of industrial enterprises emerged from the 1950's onwards with an increasing trend towards oligopoly. Some large companies with established marketing interests in East

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103. This point is illustrated by the family base of most Asian industrial groups which does not tend to perpetuate itself after the death of demise of the family. A national bourgeoisie is ultimately not tied to such a narrow mode of operation.

104. For further details of the activities of the Asian 'multinational corporations' see Robin Murry, on The Chandarias, (mimeo, IDS, Sussex, 1975).

Africa did manage to create almost monopoly conditions in that market, such as the case of British American Tobacco which set up a manufacturing plant in Kenya in 1957. Although, during the 1960's part of the move towards import-substitution involved a number of firms establishing manufacturing plants in the same commodity which meant a hot competition for the local market- the most notable examples in this group are the cases of cement and paint. It has been noted by Eglin and others that this kind of 'retaliatory' investment in some industrial sectors in order to preserve various 'slices' of the market, has given rise to an excess capacity in industry as a whole. This has probably been countered by the increase in demand for manufactured goods in the 1960's, although duplications of plants within East Africa have certainly resulted in cases of excess capacity, one can recall the case of the setting up of the General Tyre Plant in Tanzania and Firestone Tyres in Kenya within the space of two years. The present plans for establishment of vehicle assembly plants exhibit the same tendency towards the provision of excess capacity within a not infinitely expanding market. This duplication of plants in the 1960's has led to the move to develop export markets, cement/being a good example. By the early 1960's the capacity of the cement industry had overtaken demand in East Africa due to the establishment of three cement plants in the area, two in Kenya and one in Uganda.

The significant distiction between the pattern of foreign investment in manufacturing enterprises before and after the war, was the move into non-agricultural manufacturing, (see Table 7 for the major foreign investments in the industrial sector between 1945 and 1963). There was a general move of British industrial capital into productive enterprises in the colonies, the reasons for which have been already outlined. Therefore, after the war, many British industrial firms wished to establish plants in the colonies in order to control markets for their products which were previously imported. This production included oil refining, cement processing, paint and varnish manufacture, wooden brushes and household equipment, metal containers, roofing felts and so on, (See table 7).

Foreign investment in the food and drink manufacturing sector also increased rapidly during this period, and on a larger scale than during the inter-war years, due to the expansion of consumer demand after the war.[106]

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105. Eglin, op.cit., p.lo.

106. Post - War there was an enhanced level of spending power amongst Africans due to several factors; the war period had introduced money incomes to many in the armed services. There was a rapid rise in money wages in the period between 1945 amd 1954 (according to M.P. Cowen 'Real Wages in Central Kenya', mimeo, 1975, Nairobi.)

In general there was a concentration of a few firms within each sector, rather than a proliferation, a pattern which was encouraged by the industrial licencing legislation after 1958. Rarely were there more than 4 or 5 foreign producers in each field, with the exeption of the textile industry . The East African Industries subsidiary of Unilever was to establish during the 1950's, a predominant hold over the fats, soap and detergent market, which has lasted to the present.

During the 1960's the two Kenyan cement plants were brought under the ownership of a dominant world cement manufacturer, Associated Portland Cement, which was to set up a subsidiary in 1967 in Tanzania. Another company with a monopoly hold over the East African market established in the late 1950's was Shell-BP in the oil industry. In 1958 an oil refinery was constructed by the Shell-Bp company at Kenya's port of Mombasa at a cost of between £20 and £50 million and the installation was designed to cater for the entire oil demand of East Africa. By 1964 the plant was scheduled to be producing 2,000,000 tons of crude per year. This was a way of securing a protected market, as imported fuel held a tariff, and the other oil companies reached an agreement whereby they all took an equity share of the company. These other oil marketing companies included Caltex, BP, Esso and Shell. Shell-BP remained with the largest share in the East African Oil Refineries until 1970 when the government took a 50% portion of the East African Oil Company as part of their nationalisation drive for basic industries. However, due to the origional establishment of BP-Shell's hegemony over the oil processing plant as 1975; this firm still controls just over 50% of oil sales in East Africa.[107]

Metal Box and Van Leer containers divided up the Metal containers market from 1949 when they established production plants in Kenya. Van Leer containers provided cans and containers of a heavy duty nature such as paints, chemicals, etc., while Metal Box was specifically aimed at providing metal cans for the rapidly expanding fruit and vegetable processing industry. It is clear that where a proliferation of plants occured as in the case of the paint and cement industry, the reasons for the formation of several plants producing the same product lay in the international state of competition within that industry. In both those cases this led to excess capacity for a period of about 5 years after the plants had been established. The Unilever controlled East African Industries after 1954 until the present

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107. This information is from the Oil Industry file in the EAS newspaper cutting library.

and
has maintained a dominant hold over the Kenyan market in fats, although its portion of the soap market dropped with the advent of various other foreign soap manufacturers such as Colgate Palmolive and Cussons in the 1960's. The East African Industries plant had the advantage of starting the first large scale production of hydrogenation products during the war and soap from 1956, although these products were not heavily assisted by government protection at this point. (EAI received a suspended duty of 75 cts. per lb weight in 1956 for its imported inputs, to support its investment in the hydrogenation plant).

However, we have stressed that after 1958 the government adopted a specifically protective policy towards investment in industry which assisted both local and foreign capital alike. This assistance stimulated foreign investment in the same way as the Asian enterprises examined in Table 5. Table 6 illustrates the correlation between the duty established and the foreign investment, after 1958 to the present: although this trend is more pronounced after 1962. This government action was clearly in response to pressure from foreign investors, although we have seen in that individual cases such as cement, the government provided support through import protection on an ad hoc basis, this concession being considered a pre-requisite for the establishment of new plant by most foreign investors.

This pattern of import-substituting industrialisation during the 1950's reflected quite a high degree of concentration of production among a few firms. However, the foreign firms investing in manufacturing in the 1950's tended to invest directly in production to preserve their share of the market for that product, and this competition on occasion resulted in several different foreign firms establishing similar plants when the market was not yet large enough to absorb that production. In some cases this has continued to the present even given the expansion of demand in the East African market for manufactured items.[108]

The participation of Asian capital in the industrial sector has been considerable, and the stimulus behind their entry into this area in the late 1950's took a similar form to that of foreign capital. Competition from other importers of various manufactured goods encouraged the move into direct production from wholesale trading. The East African Administration

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108. The tyre industry is a good example of this mechanism. The Firestone Plant was established in 1970 within 9 months of the establishment of General Tyres plant in Tanzania. Firestone, due to various factors, (including the continued illegal importation of other brands of tyres,) has never operated at full capacity.

from a 'nationalist' perspective, even before Independence, sought to develop a local industrial sector to provide for the needs of the local market, and they were therefore prepared to offer support to both foreign and local capital alike by way of tariff protection and in some cases licencing. During the 1950's, foreign investment in the manufacturing sector was certainly on a larger scale than local Asian enterprises.[109] By the 1960's, Asian industrial capital became more concentrated and a number of smaller Asian enterprises were absorbed by the larger conglomerate groups such as the Chandarias and Madvhani's.

In order to illustrate in more detail the mechanisms of competition and subsequent concentration in the Kenyan manufacturing sector there will follow two cases studies on one food manufacturing enterprise and one non-food manufacturing concern - pineapples and cement respoctively.

TABLE 6. Tariff Protection 1958-1962

Product	Company	Yr. established or began production	DUTY Imposed	Yr.	Prevous
Industrial Ink	Coates Bros (EA)	1960	22%	1958	11%
Bicycle Inner tubes	Bata Shoes	1958	90 cts per lb.	1958	55 cts p. lb.
Bicycle Inner tubes	Avon Tyre Remoulding	1958	90 cts per lb.		
Paints	Sadolins	1959	25%	1961	11%
	Leyland Paint Company	1958	33⅓%	1963	
	E.A. Paints	1960			
	Walpamur	1961			
Vehicle Tyres	Michelin (Tanz)	1962	S.1/25 p. lb	1962	90 cts p.lb.
	Gl Tyre (Tanz)	1969	S.1/50 p. lb,	1968	90 cts p.lb.
	Firestone	1969	S.1/50 p. lb	1968	90 cts p.lb.

(Source: Kenya Customs Tariff Schedules
Kenya Directory of Industries 1974,
in Eglin op.cit p.6.)

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109. See the Survey of Industrial Production of 1967 for citizen and non-citizen interest in each manufacturing sector in Kenya. This shows the heavy concentration of foreign based firms in the major industrial sectors of the economy, while the 'local' equity remains mainly in the food and drink processing sector, (many of these firms are Asian owned).

Table 7. Major Foreign Investments between 1945-1963.

	COMPANY	Date	Product	Owned by:
	Beverage			
1.	Food & Products	Date	Product	
np	Bata Shoe Company	1940	Shoes and bicycle inners	Bata (Canada)
np	Schweppes (EA). Ltd.	1954	Soda Drinks	Allsops & Schweppes (UK)
ext	Allsops East Africa	1954	Beer	Allsops
np	Pepsi Cola	1953	Soda Drinks	Pepsi Cola Inc. (USA)
np	Fitzgerald Baynes	1953	Soda Drinks	Canada Dry Ltd. (UK)
np	7-Up Bottling CO.	1954	Soda Drinks	7-Up Company (USA)
np	Kenya Canners	1950	Canned fruits & vegetable	(1) Pickering & West (UK) (2) Delmonte Inc. (USA in 1966).
to	Associated Packers	1956	Fruit squashes, puddings juices, jellies	Mitchell Cotts (UK)
to	ABC Foods	1954	Animal feeds	Baumann & Co.
to	Lyons Maid	1959	Ice Cream	Lyons (UK)
np	Coca Cola Mid Africa	1956	Soft soda drinks	Coca Cola (USA)
np	E.A. Tobacco	1954	Manf. tobacco & cigarettes	British American Tobacco
to	Kenya Orchards	1948	canned fruit & vegetables	Marshalls Ltd. (UK)
ext.	E.A. Breweries	1952	bear	Ind Coope (UK)
2.	Non-Food Manufacturing.			
np	Robbialac Paints	1956	paints and varnishes	Robbialac (UK)
np	Leyland Paints EA.	1954	paints and varnishes	Baumann and Co, & Leyland Paints, (UK)
np	Cassmann Brown	1953	footing felts	Cassmann (UK)
np	Sadolins Paints	1959	paints & varnishes	Sadolins
np	East African Oxygen	1949	oxygen	British Oxygen
np	Bamburi Portland Cement	1953	cement	Amalgamated Roadstone Corpn (UK) Cementia Holdings AG
ext	EA Portland Cement	1956	cement	Associated Portland Cement
	Avon Tyre Remoulding Company	1958	bicycle inner tube	Avon Tyres (UK)
ext	Bata Shoe Company	1940-58	bicycle inner tube leather and shoes	

	Company		Product	Owned By:
np	E.African Stationery Manufacturers	1949	Stationery	Dickinson Co. (UK)
np	Metal Box EA	1948	Metal container	Metal Box UK Ltd.
np	Crown Cork Co. EA.	1948	Seals	Crown Seals Ltd. UK
np	Van Leer Containers EA.	1952	Steel drums, pails	Van Leer Containers (Holland)
np	Shell Chemical			
np	Sterling Winthrop		Chemicals	Sterling Winthrop (USA)
np	Finlay Industries Ltd	1952	brushes, wooden articles	James Finlay Ltd. (Scotland, UK)
np	E.African Oil Refinery	1959	refining of crude oil	Shell-BP Ltd (UK)
np	Walpamur EA Ltd.	1961	paints and varnishes	Walpamur UK.

NOTES:

ext - Extension of existing plant.

to - Takeover of existing firm.

np - Formation of new plant.

G. CEMENT MANUFACTURE IN KENYA

This study will provide a more detailed example of the relationship between the local colonial state and foreign capital and how this effected the ultimate concentration within the industry. The increased willingness of the state to provide support to private capital entering industry has been stressed before, in the context of the changing emphasis of colonial 'development' policy. This study on the establishment of a cement industry in Kenya by foreign capital will focus primarily on the pressure exerted by the foreign company on the local Kenyan administration to grant concessions in order to cushion the 'infant industry' which would in effect, serve to protect the potential cement industry from competition. The degree of success of these moves by the foreign company will be assessed in the light of the local state's extended capacity for infrastructure provision in the post-war period.

1) The Bamburi Portland Cement Company:

Cement is an example of a commodity where a measure of import substitution was necessary as far back as the 1930's, when the British product was experiencing severe competition with imported Japanese cement in East African markets. A partial processing of cement had begun in 1933 with the formation of the East African Portland Cement Company which set up a factory in Nairobi to grind cement from imported clinker. This company was formed as a partnership between the three main cement distributors in East Africa, Baumann, Smith Mackenzie and the African Mercantile Marine Company, (20%) with the two British cement suppliers - Tunnell Cement Holding 40% and Associated Portland Cement holding another 40%.[110] When the East African Portland Cement Company set up the clinker mill in the 1930's and the British Standard Portland Cement Company in the 1950's established a full cement processing plant at Bamburi, the chief aim in the case of the latter had been to supply the local East African market, whereas by the 1970's local sales formed only half the Bamburi plant's cement production. We will trace the development of this industry which was firstly aimed at serving the local market and later expanded into an export industry.

Until the Second World War in East Africa the cement consumption of the area clearly did not justify the expenditure on a complete cement plant, (see table 8), despite the fact that the Kenya coast was ideally suited for ...

110. Information from the Annual Returns of the Registrar General for the East African Portland Cement Company.

such an enterprise with its abundant source of limestone.[111] In fact, the East African Portland Cement company had clearly toyed with the idea of constructing a full cement processing plant on the coast, and just before the war this company had even purchased a stretch of land south of Mombasa island. The main obstacle, however, to any cement firm wanting to set up a large production plant in Kenya before the war, was the consistent refusal of the government of the territory to protect the 'infant industry' against dumping of cement from abroad.

An East African Standard Report in September 1951 on the cement industry in Kenya commented that, '...... a considerable number of years ago other deposits on the coast, from which it was proposed to develop for cement manufacture were sterilised because the British government would not give the promoters of the scheme any protection against the competition of dumping of Japanese cement'.[112]

Clearly, during the post-war era large foreign-based industrial firms had a greater degree of success than before in extracting concessions from the local administration with regard to the protection of the colony's industries. As we have discovered in the analysis of British 'development' policy towards the colonies, the local administration were both able and willing to provide a more comprehensive range of infrastructure and protective provisions for new industries. The success of the cement plant established at the coast in 1952 must be contrasted with the failure of the origional cement grinding company: East African Portland Cement Company to obtain any reasonable concessions from the pre-war administration, particularly with regard to the dumping of cheap imported cement on the internal market.

The plant to manufacture cement which was set up at Bamburi between 1951 and 1952, was a partnership between two foreign based firms, with the minority participation of a local capitalist, John Hughes. Cementia Holdings A.G., was an old established Swiss firm of cement manufacturers which had lost many of its factories in Europe by the end of the Second World War. Therefore, after the war, this firm wanted to establish production areas outside of Europe, and by 1949 they were considering three different countries for cement production: Ireland, Australia and Kenya. Dr. Felix Mandl, the Managing Director of the Swiss firm, after conducting extensive feasibility studies on each potential area,

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111. Limestone is the basic raw material for grinding into cement.

112. EAS 6.9.51, (in KNA MCI 6/457).

estimated that the production costs would be lower in Kenya than the other alternative areas, and he estimated that the establishment of a cement plant on the Kenyan coast would cost approximately £600,000.[113] Cementia procured a British partner, (which was important when it came to dealing with the Kenyan administration). The Amalgamated Roadstone Corporation was a company involved primarily in quarrying, and they also wanted to diversify their interests and production areas.[114]

From the outset of this proposed cement plant, the Kenyan administration gave the utmost encouragement to the company. Dr. Mandl, who was the engineer concerned with the construction of the plant, had chosen Kenya in preference to other areas for several reasons: the unlimited supply of limestone from the coral coast, and its proximity to the port and the good infrastructural facilities available (power supplies, water, engineering facilities etc.)

The government were enthusiastic enough to make excellent provisions for such services to be made available to the company. Apart from the obvious motivation of developing secondary industries in the colony, the local administration immediately after the war had been under pressure from powerful sections of the European class of [illegible] concerned about the 'cost of living,' to remedy the serious shortage of cement in the colony.[115] The cement grinding mill of the East African Portland Cement Company in Nairobi was insufficient to supply the quickly expanding post war demand for cement, (cement consumption had expanded from 25,000 tons in 1945 to 123,000 tons in 1950). Cement imports from Japan had been disrupted by the war, and even supplies from British manufacturers at the time were not enough to meet the booming demand. During 1951 in the Legislative Committee (LEGCO) there was a barrage of questions put to the Department of Trade and Supplies about the inadequate supply of cement in the colony and the high price of the imported commodity, which, it was alleged was adversely affecting the cost of living. A comment from the chairman of the Kenya Association of Building and Civil Engineering Contractors in the East African Standard (16.7.51) outlined another position, '... Some of Kenya's leading firms of contractors may cease operation

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113. From the British Standard Portland Cement Company to the Amalgamated Roadstone Corporation UK, 1[illegible]/51, (in KNA MCI 6/457).

114. The son of Sir Charles Markham, who was a prominent Kenyan settler at the time, had an interest in the shareholding of the Amalgamated Roadstone Corporation and he acted as the mediator between Amalgamated and the Swiss firm of Cementia Holdings Ltd., (in memo from Dept. of Lands to Hon. Chief Secretary, Nairobi, in KNA MCI 6/457).

115. In October 1951 Mr. S. Cooke (Coast representative in LEGCO), put forward a motion questioning the government's handling of the Colony's cost of living, (in EAS 24.10.51).

to save their dwindling capital if supplies of cement are not made available in the right places at the right time.' [116]

Thus, in addition to a theoretical commitment towards encouraging industries in the colony after the war, the Kenyan administration had the further motive of wishing to placate various segments of the settler class, both the large contractors and the white petit-bourgeoisie for whom the 'cost of living' problem was acute at that time. Firstly the company were granted generous terms for the lease of land on which to establish the plant. The government granted the company a 99 year lease for 250 acres of land on the north mainland coast at Bamburi at a rent for excavation sites of £3 per acre and £15 per acre for residential sites.[117] Water and power were extended to the plant from Mombasa by the administration. Royalties were to be on a sliding scale and affected the first 50,000 tons per annum that the company produced, after that time they were to be nominal.[118] When the bill was passed through LEGCO in 1951, (to authorise the manufacture of cement at Bamburi), the administration over-rode the opposition from the Bamburi residents Association, and adopted a law to protect the company from being sued by the residents for 'noise or other nuisance'. A report on the debate summarised the main issues, '..The government made available the area where the principle ingredients were known to exist and gave encouragement to the project. There has been some opposition, not unnaturally from property owners in what is a beauty spot..from the Colonies' point of view, the very substantial output will make an important contribution to the supplies of one of the basic commodities of all modern states, and reduce the dependence on imports in time of peace and in time of emergency'.[119]

The most important concession to be extracted from the government by the company was that anti-dumping legislation should be enacted immediately the factory went into production, and in October 1955 the legislation against dumping was finally passed. (Although the Bamburi Plant actually went into production earlier than expected, in 1953). The administration imposed

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116. EAS 16.7.51.

117. From the Dept. of Lands to the Hon. Chief Secretary, Nairobi, April 1950, (in KNA MCI 6/457).

118. For instance per 1,000 cubic feet for a tonnage over 50,000 tons p.a. the rate was only 25/-.

119. EAS 6.9.51, A Cement Industry.

a duty on imported cement of 24/- per 10 tons, which added to the already higher price of the imported equivalent with freight charges, was sufficient to protect the local product.[120]

As part of the origional agreement between the company and the local administration it had been concluded that the government should construct a branch railway line connecting the plant (10 miles north of Mombasa) with the porthead. However, this commitment was never honoured due to the diversion of government funds to deal with the Emergency from 1952-1955, '.. on the question of the bridge.. in the next planning period it is hoped to provide funds for this construction project. It will, however, be appreciated that priorities must be dependent on the position in regard to the Emergency and the funds available..'[121] The government would have had to construct firstly a bridge and then a connecting railway line under the origional agreement, which the company felt was not their responsibility. In 1955 the managing director of the British Standard Portland Cement Company at Bamburi in a list of requests for government assistance, made the following comment on the necessity for the construction of a branch line: '..We can manage quite well the road transport for our present output, soon to reach 100,000 tons per annum, but we must anticipate transport difficulties, should this output be increased to say, 200,000 tons p.a.'[122] However, due to the heavy expense of contructing both a bridge and a railway, the company have not invested in such an enterprise, but rather have relied on transportation from and to the post by means of large lorries.

The company further requested in 1955 that the government should give them assurances that no other cement industry would be established in East Africa for the following ten years. This request was over-optimistic on the part of the company, but it was not effected by the Kenya government not because they were unwilling to agree to such a proposal but rather because the other 'national' governments of the territories clearly had no interest in restricting a cement industry to Kenya only. Accordingly, the request was put before the East African Industrial Council in 1955 under the Industrial Licencing Ordinances, but the other territories refused to allow cement to become a scheduled industry under the ordinance. Indeed the Uganda Development Corporation, in conjunction with a British cement firm had reached an agreement in 1952 to establish their own cement processing plant at Tororo, (This plant came into production in 1955).

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120. From: the Director of Trade and Supplies to British Standard Portland Cement (BSPC), 1/55 (in KNA MCI 6/457).

121. From A. Hope Jones (MCI) to Dr. F. Mandl (Managing Director of BSPC), 2.9.55, (in KNA op.cit).

122. From: BSPC to: A. A. Hope Jones (MCI), 5/55, (in KNA op.cit).

The building of the Bamburi plant began in April 1952 and the works were in operation by early 1953. Origionally, two kilns were installed with a capacity of 80,000 tons, but in 1955 a third kiln was added to increase output of cement to 120,000 tons p.a. These developments left Bamburi in 1956 in the position of supplying 60% of Kenya's total cement consumption, (see table 8). The plant was to increase its initial capacity very rapidly after 1953 as the table shows. The originnal aim of the company was to tap the rapidly expanding East African market for cement as a letter from the British Standard Portland Cement Company at Bamburi to the Amalgamated Roadstone Corporation of the UK in 1951 makes clear, '... Export will only arise if production is not absorbed in East Africa and in such an unlikely event the obvious markets would be the nearest to hand.'[123] The Bamburi plant was by the 1970's primarily concerned with exporting cement, while the EAPC at Athi River supplies the internal market from its production. The Bamburi plant's expansion into the export market after 1959 was due to a co-incidence of various different factors: there had been a rapid drop in cement consumption in East Africa, (see table 8) at the same time as the increased production of the two other East African cement plants at Athi River and Tororo in Uganda. Also Bamburi from the 1960's was able to take advantage of the greatly expanding Middle Eastern market for cement, as Kenya was a most convenient Indian Ocean source of supply.

Before the company at Bamburi was to commit itself to a major extension in 1955, a further list of requests for concessions was sent to the administration, which the BSPC felt to be justified given the 'additional capital to be invested and the risk involved'.[124] They repeated the demand for the government to give an undertaking that competition from other plants would be restricted, which was turned down for the reasons outlined before. They further asked for tax allowances for an initial period of a couple of years after the extension was completed, and these were granted for this period.[125] In 1952 the company had requested the Ministry of Trade and Supplies in Kenya Colony to grant them sponsored shipment for the machinery that had to be transported from Germany,[126] and this had been granted. In 1955 the same concession was granted to the company in the case of

123. From: BSPC to: the Amalgamated Roadstone Corporation Ltd (UK), Dec. 1951, (in KNA op.cit).

124. From BSPC to MCI 5/55, op.cit.

125. Ibid

126. From BSPC to A. Hope Jones (MCI), 8.52, (in KNA op.cit). In Germany.) (the machinery for the BSPC plant at Bamburi was mainly from Krupps Ltd.

machinery required to be imported for the extension.

It is clear that the company at Bamburi hoped the government would protect their cement in East African markets as well as in Kenya, and in the same 'package' of requests they asked the Ministry of Commerce and Industry to guarantee '.that our product will find a continuing ready market in Tanganyika..'[127] Due to the respective 'nationalist' 'positions of the territorial governments this was once again most unlikely to be implementedas the Minister, A. Hope Jones was to point out in his reply to Dr. Mandl, '.. we cannot forecast cement consumption '.. but I can make it clear that as far as the government of Kenya is concerned, they would naturally be concerned to protect the investments in cement works made in the colony against unfair dumping of cement from abroad and that they would always be prepared to consider the position in the light of representations made by you and other cement works at present under construction in the colony.'[128] The Bamburi Company, therefore, failed to halt the flow of Japanese cement into the Tanganyikan market, for it was in the interests of that administration to allow the influx of cheap sources of cement as they did not as yet have a national cement industry to protect.

ii Competition:

By 1955, Bamburi had seen their request that no other cement works should be established for ten years, go by the board, as plans got underway for a cement plant at Athi River, just south of Nairobi, after the discovery of limestone deposits at Sultan Hamud. It has been observed before that this company had been looking for an opportunity to convert their cement grinding plant into a full cement factory. Clearly, the administration was obliged to support this well established local industry to the same extent as the BSPC Company at Bamburi. In any event, the protective conditions surrounding cement production in Kenya had already been established by 1955, when the EAPC decided to construct a second cement plant in Kenya.

In 1957, therefore, work began on the cement plant at Athi River and the plant went into production in 1958, the construction having cost approximately £2,000,000. The capital expenditure therefore on the first 100,000 tons was double that of Bamburi and the factory was using the 'wet' manufacturing process which was more expensive in fuel.[129] Also all the fuel for the plant had to be carried from the coast, a distance of some 250 miles. At this point there was no cross shareholding between the two plants, at Athi River and Bamburi as the EAPC had the majority of its shares owned by the Associated Portland Cement Company and the Tunnel Portland cement company, (the Associated Portland cement

127. From BSPC to MCI 5/55, op.cit.

128. From A. Hope Jones to Dr. F. Mandl 2.9.55, op.cit.

129. Memo from SCI to MCI 10.10.56.

company was estimated to be the second largest cement producer in 1973 when it produced worldwide a total of 27.5m tons of cement.)

The demand for cement was buoyant for a period between 1955 and 1958, with a consumption in those years of 479,000 tons for East Africa and dropping to 412,000 tons respectively. At the end of 1956, the plant at Bamburi announced that it would be extending its capacity by the beginning of 1958 to 160,000 tons p.a., having taken into consideration competition from the Ugandan Tororo plant and the Athi River factory. The Athi River EAPC company was scheduled to produce 120,000 tons per annum by 1959 and the Tororo plant was to produce 160,000 tons by that year.[130] Therefore, by 1959, the three East African cement plants were capable of supplying the internal demand for cement from the area inexcess. This position left the three plants in a serious state of competition from 1958 onwards, given that all the factories were operating at full capacity and the demand for cement was dropping drastically from the position in 1956, (see table8). Dr. Mandl, the Managing Director of the BSPC at Bamburi explained the conditions of overproduction to the Ministry of Commerce and Industry,'.. until such time as the cement industries of East Africa receive wholehearted protection by the government of the three territories, they cannot do otherwise than reduce production'.[131]

The plant at Bamburi, however had always had a competitive advantage over over the other two plants at Tororo and Athi River, and despite complaints by the company that the government should ban all imports of cement, it is significant that the production level at Bamburi was never reduced in absolute terms in the 1950's despite the glut on the market. The advantage to Bamburi over the other plants clearly lay in their proximity to the port which meant substantial savings on transportation of fuel from Mombasa to the plant and lower production costs. A comparison of prices of made cement in 1956 illustrates this point:

Baobab cement ex. works (Msa) ... £10.10 per ton
Rock Cement Tororo ... 13.5 " "
Blue Triangle cement Mbi ... 13.18 " "[132]
(EAPC from ground clinker)

The Athi River plant came into production in 1958, the price of EAPC triangle cement was reduced to £12.5s. in Nairobi, but this still left the coastal factory

130. EAS 27.12.57.

131. EAS 3.12.58, in 1958 the exporting price of Israeli and Yugoslavian cement was below £4 f.o.b. per ton, which meant that even with the heavy tariff on imported cement, the product was cheaper than that manufactured in East Africa. The Ugandan Administration in 1959 introduced an anti-dumping bill that totally banned the import of cement into Uganda.

132. From: BSPC To: The Secretary for Commerce and Industry.

with an advantage.[133] For regarding access to the internal market, the railway taper rates rendered the Bamburi product cheaper even given the access to the up-country markets, (for mile for mile the rate became lower, the further the distance for local products). This situation left the Bamburi plant with a tactical advantage over the other two plants, as it could, if it wished, force the other products out of the market. Within Kenya two different international firms faced each other in a state of direct competition, the Bamburi plant being owned by Amalgamated Roadstone of UK and Cementia Holdings AG of Switzerland and the EAPC company being controlled by a dominant world producer of cement: The Associated Portland Cement Company and the Tunnel Portland Cement Company of the U.K. Ultimately the world producer of cement, the Associated Portland Cement company, according to the laws of concentration was to unite all Kenyan sources of production. But at this point the Bamburi plant, under a different ownership, was to dicate the conditions of production. Accordingly in 1958, a formal marketing arrangement was concluded by the three East African producers giving Bamburi the largest share of the local market with 37½%, 33½% to Tororo and 29% to EAPC at Athi River.[134] Bamburi was in effect, able to dictate the terms of the share of the internal market to the other firms, given its position as the largest producer, well situated closer to the Mombasa port. It was, however, only a matter of time before the two Kenyan plants were consolidated under the ownership of the firm which although it controlled the smallest Kenyan cement plant, was the dominant world producer of cement.

Given the glut on the local market, the Bamburi plant began to orient itself by 1959, primarily towards the export market. In that year, therefore, for the first time since the plant came into production, Bamburi exported more than it supplied to the local market, providing 130,000 tons to the export market with only 95,000 tons going to the local East African market.[135] (Consumption in Kenya had dropped from 412,000 tons in 1958 to 297,000 tons in 1963, at the bottom of the trough.)

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133. Capital expenditure on the Athi River plant was twice that of Bamburi for the first 100,000 tons.

134. Information from interview with the managing director of Bamburi Portland cement 27.2.76.

135. Production figures from interview above, 27.2.76.

Therefore the factory at Bamburi between 1959 and 1963, was largely concentrating its output on the export market, as production at the plant steadily rose.

iii) Consolidation:

It was obvious that cement production in Kenya could be organised more rationally if the Athi River and coastal production plants were to be combined. At the end of 1963 the Amalgamated Roadstone Corporation of UK sold their shareholding in the Bamburi plant to Associated Portland Cement, the British conglomerate which was one of the largest cement corporations in the world. The quarrying company sold their portion of the BSPC company at Bamburi because of the declining cement sales since 1958; also their main interests were not in cement manufacture. The Associated Portland Cement Company now owned 42% of Bamburi as well as 40% in the East African Portland Cement company at Athi River, thus bringing both sources of Kenyan cement production under the control of a prominent world producer of that commodity. In 1964, the British company, the Associated Portland Cement, was further able to consolidate its hold over the equity of EAPC, when Tunnell Cement, who also at that time considered the future for the cement industry was bleak in that area, sold their remaining 39% in the EAPC at Athi River to the Bamburi Portland cement company, thus giving the Bamburi plant 80% ownership of the Athi River cement factory and uniting both Kenyan sources of production under the dominant world-wide cement manufacturer. There was a move to further tie up East African cement production by the formation of a subsidiary company of the Bamburi company in Tanzania in 1966, which was taken over by the Tanzanian government in 1969.[136] The Tororo factory, formerly owned by the Ugandan Development Corporation, ceased functioning in 1971, and since that time the Ugandan market has been supplied entirely by Kenyan cement, (legally or illegally).

The logical division between the coastal company serving the export market and the Athi River factory providing the internal market, took place after Independence when the ownership of the two plants had been unified. In accordance with the Independent Kenya government's policy of taking a direct share in major industries of the country in 1971, the EAPC company at Athi River which by now supplied over 80% of the internal cement requirements, offered 51% of its shareholding for sale to the government. This left the Associated

136. The information in this paragraph was obtained from the Annual Reports of the Registrar General and the interview op.cit.

Portland Cement company and Cementia with the remaining 49% in EAPC, as well as controlling 84% of Bamburi Portland Cement Company's equity. Since the cross-shareholding was established in 1964, the internal and external market have been divided up between the two Kenyan plants, whereby in 1974 Bamburi supplied approximately 80% of its production to the export market and Athi River about 90% of its production to the internal market.[137]

Thus by the mid 1960's the Associated Portland Cement company managed to dominate the conditions of cement production in Kenya and Tanganyika. (After 1971 Bamburi was asked by the Ugandan government to manage the cement plant at Tororo, but they declined, obviously calculating that the Ugandan market would be more conveniently served from their Kenyan plants.)

The pressures of indigenous capitalism on the company did not only manifest themselves through the obtaining of equity shareholding in the firm through government corporations. Before 1971, the manufacturing companies had distributed their own cement, thus keeping their profit margins high and cutting out the role of middlemen' in the marketing of the product. However, the African trading class put pressure on the government in the early 1970's to allow the compulsory distribution of important commodities through appointed Kenyan agents of the Kenya National Trading Corporation (KNTC). Accordingly, in September 1971, an agreement was reached between the government and the company whereby the cement plants were to distribute cement wholly through the African owned KNTC appointed agents, thus allowing the indigenous bourgeoisie a share in the profits of the cement trade.[138]

Expansion of the Cement Plants:

The Bamburi coastal cement company had consistently expanded since 1953 until 1971 when production grew from 35,000 tons to 700,000 tons, and these expansions were financed largely from capitalised profits. The most recent extension of the Bamburi plant was announced in October 1974, which when it is completed, will raise Bamburi's cement production to 1,250,000 tons per annum. This extension will cost in total £8.5 million.[139] The Commonwealth Development Corporation, once again in the role of finance capital supporting British industrial capital, was brought in to assist the company in this extension with a £1.8 million loan. Furthermore, the British government

137. Ibid, this has occured since the 1970's.

138. EAS 3.9.71.

139. Daily Nation 10.8.75.

directly guaranteed another loan of £650,000 to be provided by Baring Brothers and Company of the United Kingdom. The firm chiefly involved in the construction of the new plant is the British company Mowlem Ltd, and it is significant that the British government was to encourage finance capital to support the investment of a British firm overseas which would require the input of capital goods from Britain at a time when the construction industry as well as the capital goods industry was experiencing a recession. Therefore, this British based multinational cement firm was to benefit from the interventions of international finance capital at a much later stage in its development. This short analysis of the growth and consolidation of the cement industry in post-war Kenya has focused on the relationship between the foreign capitals concerned in production and the local colonial administration. The pressure exerted by capital on the state has been evaluated in the light of the concessions granted to the cement industry in the colony. Compared with the pre-war period, the administration in the Colony showed a marked enthusiasm towards providing extensive infrastructure for the foreign company, in order to develop the industry. The only reason that the commitment by the government to providing a railway and bridge connecting the cement factory with the porthead was not honoured, was that the administration's funds were low due to the extra expenditure caused by the Emergency conditions in Kenya at the time. The most important initial condition laid down by the company before they would even agree to begin construction of the cement plant in the early 1950's, was the promise to enact anti-dumping legislation to protect the plant from foreign competition; this was enacted in 1955.

One can conclude that the relationship between the post-war colonial administration and foreign capital was different from the pre-war period. The state was far more susceptible to pressure from foreign capital to provide certain concessions which large industrial firms considered essential for their production. In terms of the provision of infrastructure and services, therefore, the local state were prepared to use their funds to actively support secondary industries. However, the state was only prepared to put in direct support for industrial projects when the projects were not initially attractive to private enterprise, as in the case of East African industries after the Second World War.

TABLE 8

Cement Consumption and Production

'000's TONS	1950	1952	1954	1956	1958	1960	1962	1964	1966	1968	1970	1972	1974
Cement Consumption													
(1) Kenya	121	121	139	178	172	185	119	98	149	232	290	391	402
(Total) (2) E. Africa	278	289	334	400	411	394	309	340	454	605	800	n.a	n.a
BAMBURI EXPORTS			5	25	70	155	230	338	316	300	520	465	459
(BSPC Co.) LOCAL SALES			70	101	97	98	52	46	76	131	180	278	249
Local Sales as % prop of Exports			140%	400%	140%	63%	23%	14%	24%	44%	35%	60%	54%
TOTAL PRODUCTION (Export)			75	126	167	253	282	384	392	431	700	743	708

H. THE PINEAPPLE INDUSTRY AND KENYA CANNERS.

The setting up of a fruit and vegetable canning factory by both local and foreign capital in Kenya Colony after the Second War, was expressedly related to the dollar shortage which was affecting Britain immediately after 1945. British fruit manufacturing firms wanted to expand into sterling areas to find alternative sources of raw materials for establishing fruit processing plants with export potentials, in order to challenge the American 'giants' of the fruit canning industry, whose products had a strong hold in both British and continental markets. For instance in 1946 28% of USA fruit canning production was sold to the United Kingdom.[140] In the words of the governor of Kenya on the opening of the Kenya Canners fruit and vegetable processing factory' .. There is a unique opportunity because of the dollar shortage to capture a part of these markets with British Colonial produce; In Canada, for instance, there is a large potential demand. Kenya Canners Ltd. has been formed with the object of capturing these markets'. [141]

Therefore, the fruit canning project at Thika was specifically set up as an <u>export</u> industry to Europe, Britain and North America. Mr. West of Pickering and West, the English fruit preserving firm came to Kenya in 1948 with the idea of setting up some kind of fruit processing industry. The Governor directed him to a local settler farmer, Harries, who had large fruit holdings in Thika and who provided a large part of the Nairobi market with high quality fresh fruit. Thus Kenya Canners was set up as a partnership between the British firm of Pickering and West and Harries, who represented the settler small-holder fruit growers. The factory was sited in the heart of the pineapple growing district at Thika on a site adjacent to the newly established Metal Box Company, which was convenient for the supply of tin cans to the factory.[142]

From the outset of the pineapple canning industry in Kenya, the state was to play a most important role in supporting the development of the industry, particularly from the point of view of the cultivation of the crop. The assistance by the metropolian government by way of developing of agricultural productivity amongst African farmers has been considered earlier. The Swynnerton Plan of 1954 was designed to provide large scale assistance to African small-holder production and pineapples was made one of the 'designated crops' along with tea and pyrethrum. Therefore, the state was concerned to support the production side of the pineapple growing enterprise, and it was to provide initially loans and technical assistance to smallholders, although it was later required to under-write loans for the actual factory.

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140. EAS, 21.4.50.

141. Ibid.

142. EAS 10.2.50.

As was normal in post-war industrial development, the foreign company, Pickering and West did not commit their capital until certain basic conditions were agreed tc by the local administration. The state therefore undertook to provide all the essential services for the canning factory at Thika, such as water, roads and electricity. Furthermore they agreed to implement duties against canned imported goods to protect the local factory, although this was not to be so crucial in the case of an industry which was to rely largely on the export market. The factory was formally opened in 1950 and was equipped to can other products such as beans and peas as well as pineapples. However, the crops availible for canning at this stage were totally inadequate in relation to the size of the plant which had been built. For several years after 1950, when the factory first commenced production, the cannery was dependant mainly on supplies from Harries' own plantations and some other European farmers, for the African smallholder pineapple scheme was as yet in its infancy.

The first expansion planned by the Kenya Canners factory in 1954 was accompanied by a host of demands to the local administration before any further capital was to be expended on the plant. The extensions were required by the planting programmes implemented under the African smallholder scheme, which it was calculated would raise production from several thousand tons of fruit per annum to 30,000 tons per annum by 1956. This rate of expansion the East African Food Packers Association, (which represented the canning industry) felt already imposed processing and marketing problems and that '.. the canning industry does not feel justified in embarking upon the considerable capital commitments implicit in keeping with even this stage of development of pineapple growing under the present conditions. Over and above this the full implication of the Swynnerton Plan must be appreciated because it must be realised that without the parallel development of the canning industry, further acreage of pineapples may become a liability rather than an asset'.[143] Thus the Kenya Canners Company, the largest fruit processing factory in Kenya, dominated the East African Food Packers Association in its negotiations for assistance from the government. There were three areas in which the EAFPA felt that the government should directly assist the pineapple canning industry:

a) the high cost of sugar, b) high freight rates, and c) fiece competition from other Commonwealth countries for markets. FCB Benson, the spokesman for the canning industry (employed by Kenya Canners), also noted that '.. the Emergency contributes to a lowering in efficiency rather

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143. From: the Hon. Secretary of the E.A. Food Packers Association, to the Secretary for Commerce and Industry (SCI) (in KNA MCT 6/526) 12.54

than an increase in cost and has to be treated as a temporary factor.'[144]

Essentially, the canning industry in Kenya, dominated by Kenya Canners, a partnership between local settler capital and foreign capital, was requesting the government to play a more interventionist role in protecting this 'infant industry' in the Colony. The main request put forward in 1954 by the representatives of the canning firms was that the government should 'under-write' the whole operation by guaranteeing an outlet for pineapples grown by African smallholders, which would act as an insurance policy to the industry in times of low prices on the fruit market. Although pressure was exerted for this concession before the prices of pineapples on the world market had plummetted, the minimum price guarantees by the government were not implemented until the setting up of the Canning Crops Board in 1958. The EAFPA demanded in 1954 that the government should guarantee:

a) a minimum price for five years of £16 per ton for graded pineapples to the producer (this was the price paid directly to the producer by the canner) and;

b) that the government shall agree to reserve a sum, not exceeding £5 per ton for tonnage of raw pineapple purchased for canning in any one year within a five year period, to be paid to the processor should the industry face competition that might compel a reduction in prices. 'Given these assurances the processing industry will derive the degree of confidence necessary to put in hand the arrangements for increased plant, machinery and marketing facilities.'[145] The government was finally requested to help increase the industry's competitiveness regarding its position in relation to other national canning industries. Among the concessions towards this end were included: a reduction in ocean freight rates for Kenyan produce, a reduction in rail freight rates, a reduction in import duty in refined sugar needed for canning, and an increase in tariff protection against imported canned fruits.

In fact a few of these measures were finally implemented before the industry was on the brink of collapse in 1957 with the fall in world pineapple prices. It was at this time, three years after the first request for such protective measures, that the government instituted a Canning Crops Board to guarantee minimum prices for producers of fruit, during times of depression. However, the government agreed as early as 1955 to put pressure on metropolitan shipping lines to grant reductions in freight rates, and they

144. Ibid.

145. Ibid.

were reduced from Sh. 149/- per ton to Sh. 132/- per ton.[146]

The Canning industry in Kenya soon faced another production problem which was to give rise to new demands for government support. Until 1955 all the three firms that exported pineapples: Kenya Canners, Kenya Orchard Ltd. (owned by Marshals Ltd. of UK) and Gibson and Company (foreign owned) used local East African sugar, mainly from Miwani Sugar Mills. During 1955, the sugar factories in East Africa adopted a habit of adding sulphur to the sugar in order to improve its appearance, which had the effect in the fruit canning factories, of corroding the cans and discolouring the pineapples. Kenya Canners had been pressing the government for some time to allow the canning factories to import sugar, which was of a higher quality, and more suitable for canning purposes than the local product. Therefore, at a time when the export market was at its best in 1955, the company was forced to destroy part of its production and give credits amounting to about £30,000 in respect of supplies which had already been shipped.[147] The problem over importing sugar had not been the expense, as it was the same price as the local product, but that using imported constituents for the canned products, the canning companies, when they exported their products to Britain lost the advantages of Imperial Preference in entering British markets.[148] The local administration, therefore, negotiated a deal with the metropolitan state that the canning industry should be allowed to import certain quantities of refined sugar and still be granted imperial preference to British markets.

The Kenyan canning industry also pressed the government to allow a rebate on duty that was placed on imported sugar. These companies had complained in 1954 about the competition for countries such as South Africa, Malaya, Australia and the British West Indies, all of whom, they argued were able to buy sugar at world parity prices, which were approximately £11 per ton lower than the Kenyan controlled price. At the end of 1955 the government

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146. In the above memo (fn. 143), The Secretary of the EAFPA submitted that the industry should be granted reduced shipping rates to UK markets, given their competitive position with regard to other world producers. The comparative shipping costs from Kenya and two other production areas was advanced:
Mombasa to UK - S. 132/- per measure,
South Africa to UK S. 76/- per measure,
Australia to UK S. 132/- per measure. 12.54

147. From: the Dept. of Trade and Supplies to: SCI, Nairobi, 21.3.55. (KNA op.cit).

148. Ibid.

in Kenya allowed the importation of sugar and the rebate of duty thereon. From that time onwards the government imported sugar on behalf of the canning industry, giving an allocation to each factory, at wholesale rates.[149]

i) Competition: By 1957 and 1958, Kenyan canned fruit was experiencing severe competition in international markets. This occurred at a time when pineapple production from the smallholder plots was mounting towards the capacity of the factory. By 1957 the total acreage under pineapple cultivation was 7,000 acres with approximately a proportion of 25% under European smallholders and 75% under African cultivation.[150] Employment in the pineapple industry had increased from 804 persons in 1956 to 853 in 1957, of which Kenya Canners employed about 80%. The following comparative figures of pineapple exports for 1956 and 1957 indicate the overall decline in sales of canned fruit products between 1956 and 1957:

Table 9 Exports of Canned fruts 1956 and 1957

	1956	1957	1956	1957
	Quantity		Value	£ '000's
Pineapples (tons)	6170	5150	767	584
Pineapple concentrate (galls)	20,260	29898	5	7
Passion fruit concentrate (galls)	3,820	4008	3	3
Vegetables (tons)	454	317	44	28
			819	622

(Source: Survey of Industrial Production, 1957.)

For the first time since 1939, the UK market was saturated with tinned fruit and pineapples, from both Commonwealth and United States sources, which was a disaster to the Kenyan industry, for in 1957 86% of the £622,000 earned from pineapple exports were destined for the UK market.[151]

In March 1957, Kenya Canners had to close the factory for several weeks and refuse to take any more pineapples from the growers, due to this contraction in the export market. The European growers and the canning

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149. In 1976 it was finally announced that a special sugar factory was to be established in Western Kenya to produce fully refined white sugar, which will obviate the need that at present still exists to import sugar for the canning industry.

150. From: Dept. of Trade and Supplies to: SCI, 6. 55. (in KNA op.cit).

151. Ibid.

industry as a whole managed to persuade the government to purchase the crop from the growers to avoid their ruin, but a longer term solution had to be found to the unstable nature of markets abroad for canned fruit. The company in 1957 had an overdraft with Barclays DCO of £125,000 but, '... the overseas market position is now such that the company considers it can no longer depend on this method of temporary finance in addition to its bank overdraft.. it has therefore decided to close down production and preserve its very limited remaining resources',[152] The only way in which the company could deal with the contraction of its overseas market was to cut its turnover in pineapples, '. the financial position of the company is not fundamentally unsound and it is only doing normal business practice in ceasing to buy when it finds itself overstocked, .. the conclusion is that if for any reason government wishes to increase the turnover of the company it must supply more working capital'.[153] It was thus in the government's interest to support the ailing pineapple industry for it was faced on the one side by pressure from the European pineapple growers (who owned 40% of the factory) and on the other there was the prospect of the collapse of a smallholder crop which they had sponsored under the Swynnerton Plan. There was some debate as to whether the Industrial Development Corporation (IDC) should take a majority share-holding in the plant, a solution that was pushed strongly by the European smallholders. The representatives of Kenya Canners had been pressing the government since 1955 to establish a statutory board to control the pineapple industry, which would include licencing of canners as well as growers. Instead of taking a direct interest in the Kenya Canners plant during 1957, the government decided to set up a Canning Crops Board to regulate the industry, and salvage the African smallholder pineapple scheme, with powers to ensure 'an orderly expansion of the industry and fair treatment to all growers, with powers to licence acreages, fix prices and so on'.[154] The main concession to the canners, was to guarantee minimum prices to the growers during a period of depression, and they also agreed to underwrite the industry to the tune of £200,000.

It was clearly of first priority to the local administration to protect the interest of the African smallholder scheme, which they had been responsible for instituting. Indeed, the Director of Agriculture in Kenya Colony in 1956 had indicated to Kenya Canners that if the company did not

152. Memo to: MCI, from : SCI., March 1957, (KNA op.cit.)

153. Ibid.

154. EAS 10.10.57, report on Debate on Canning Crops Bill in LEGCO.

expand to meet the African smallholder production, then the government itself would establish a cannery to handle African production.[155] It is also significant that the proposal for a partnership between IDC and Kenya Canners, was initiated by a group of 27 European pineapple growers in Thika, who wished to buy out the shares held by Pickering and West of the UK. A memo from an IDC official to the Member for Commerce and Industry recommended that this suggestion should be vetoed, and the latter strongly agreed. The government were clearly against any form of settler control of the pineapple industry, "... My reasons for forming this view are mainly those which you (MCI) yourself have developed and they can be summarised in that those particular growers only represent a section of producers and <u>exclude</u> the African producers who are being encouraged by the government and who are likely to play an increasingly important part in the industry if it develops along sound lines. I believe Bursell has an alternative proposition.".[156] The government had no intention of intervening to prove funds for a group which they considered would curtail the African smallholder scheme.

Therefore, the administration resisted attempts at a European takeover of the Kenya Canners plant, although they were dissatisfied with the management of the British firm of Pickering and West. In 1958, in fact, the Kenya Canners operation was sold off to another East African based wing of British capital in the form of Afcot Ltd., which was a subsidiary of the Tanganyika Cotton Company, itself owned by Liverpool family by the name of Orme. Afcot took 51% of the total sharecapital, with the European planters still holding the remaining 49%.[157]

ii) <u>Consolidation of the Pineapple Industry</u>:

A recovery in the markets for canned fruits began in 1960. The wholesale price of canned pineapple began to increase in Britain after the period of price cutting amongst processors in the late 1950's, when the prices paid to growers by Commonwealth Canners fell from about £20 per ton to £5 per ton.[158]

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155. To: the Hon. Chief Secretary of the EA Food Packers Association, from: SCI.

156. Memo on Assistance to the Pineapple Canning Industry, from IDC, to Ministry for Commerce and Industry (MCI).

157. Annual Reports of the company for the Registrar General.

158. Report of the Tropical Products Institute Journal, in EAS 11.5.60.

In order to take advantage of this recovery of export markets the Kenya Canners plant needed capital to expand and ensure a competitive position. Neither Afcot, which was essentially a trading firm with a disparate range of interests in East Africa, nor the group of settler pineapple growers at Thika, had the means to effect such expansions. One of the world's largest producers of canned pineapples and other fruit was the American based firm of Delmonte, or the California Packing Corporation. Kenya Canners had been one of main competitors of Calpak in European and British markets. It is interesting to note however that as early as 1956 when Kenya Canners was experiencing production difficulties, the company invited a Mr. Vongeneel to Kenya who was a recently retired President of the Calpak organisation, in order that he could offer technical advice to the Kenyan plant. During this visit he had given the growers a plan of experiments and cannery targets for the factory. Apart from this connection, Kenya Canners and Calpak had been fierce competitors, in British markets particularly. In 1965, after one years negotiation, the Calpak corporation was given the managing agency of Kenya Canners. In the words of the Tancot annual report (the controlling shareholder of Kenya Canners), '... It is not our wish to sever our connection entirely, but the fact is that Calpak have the know-how, the marketing facilities and the financial resources to develop this industry properly', all of which we lacked'.[159] Thus Calpak, one of the worlds' largest producers of canned fruit in Kenya, at the same time diversifying their areas of cultivation wich up until 1965 had been located mainly in the Phillipines and Hawaii.[160] At the same time they had gained control, of a competitor which had been challenging its hold over European and British markets. This control was formally consolidated in 1966 when Calpak took 90% of the Kenya Canner's share capital, leaving only 10% in the hands of the origional European farmer: Air Harries and Company.[161] (By this time the European smallholders had been compelled to sell their land to the post-Independence settlement schemes.)

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159. Tancot Company Newsletter, July 1966.

160. Calpak's desire to move from Hawaii during the mid and late 1960's was prompted among other reasons by the power of the labour unions in that country which were insisting on higher pay and better conditions for workers on the plantations.

161. This local white-owned company has since the Calpak takeover been involved in the cultivation of Macadamia nuts for export.

iii) Monopoly Conditions created:

The first agreement between Calpak and the Kenya Canning Company of 1965 involved the injection of £5m by the American company into the plant, in order to expand its productive capacity and extend the acreage under pineapple cultivation. This project involved a considerable increase in Kenya's exports of canned fruits and vegetables, which was to be facilitated by COC's world wide marketing network and its degree of technical and scientific concentration. The main aim of the Calpak expansion programme was to rationalise the Kenya Canners system of production of pineapples and the processing techniques, so as to improve the quality of pineapples in conformity with their international standards. The first phase of the expansion programme was designed to raise the intake of pineapples from 20,000 tons p.a. 35,000 tons p.a., a target to be reached by 1968.[162] At the same time Calpak carried out an experimental programme to increase production at a much higher level than before. This was the first indication that the smallholder production scheme by which the Kenya Cannr's factory had been supplied with pineapples, was likely to be phased out in favour of Calpak's more capital intensive form of estate production, which the corporation employed in its other growing areas of the world. This move to rationalise production in Kenya Canners also involved a pruning of the labour force at the factory as part of the move towards concentrating production. During the first phase (1965-1968) production was to be increased from 20,000 to 35,000 tons of pineapples per annum, and by 1970 the factory was scheduled to produce over 170,000 tons of pineapples p.a. This increase in production could be achieved with a smaller labour force than before, a situation that was rationalised by the company in the following terms in 1967: '.. No employees were actually sacked but a large number had resigned after being offered an attractive settlement'.[163] The Calpak planting programme on the estates was closely supervised by the parent company's technical staff and the resultant increase in production was scheduled for 1968.

The sector of international capital which now effectively controlled the conditions of pineapple production in Kenya now also expected a high degree of government assistance for the industry in the same way as the Pickering and West partnership had done in the early 1950's. By mid 1967, the Calpak controlled Kenya Canners complained to the government that the company was operating at a loss because of 'insufficient quantities of pineapples to work the cannery at an economic level'. This obviously referred to the rate of

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162. EAS, 4.6.65.
163. EAS, 8.2.66.

return which the Calpak company expected on their investment; indeed, the balance sheets for the company showed a net loss for the whole period of Kenya Canner's operations![165] In any event, Calpak placed the onus for the failure to extend planting between 1966 and 1968 on the government. Although the essence of the problem was that however fast the government were to implement extensions in smallholder pineapple growing growing amongst African farmers, the method most suited to high turnover in the factory, in Calpak's estimation, was the estate form.

From their first entry into Kenya in 1965, Calpak had expected the state to finance the growing side of the operation, and take responsibility for its success or failure. Therefore in 1967, it was no surprise when the company requested the government to underwrite a loan to Kenya Canners of £250,000 from Barclays Bank, the loan guarantee to be given by the government Canning Crops Board. Approval for this loan was passed through Parliament in June 1967, the Minister for Agriculture said that the main purpose of the loan was 'to arrest the decline of a very important enterprise which was processing many pineapples, most of which were grown by Africans, and help the company face the difficult conditions caused by increased competition and lack of planting materials that gave high yields'.[167a] Kenya Canners were apparently at this time doing so badly in terms of sales that they had to mortgage part of their assets to meet annual losses.

The Minister for Agriculture furthermore assured Parliament that there was no danger of the government being held responsible for the loan, for even if Kenya Canners failed to repay, it would be covered by a cess levied by the Canning Crops Board on pineapples delivered to the factory. Some petty-bourgeois politicians soon launched into an attack on the government for supporting foreign enterprises in this way. Mr. Okelo-Odongo (KPU Kisumu Rural) said, '.. it is wrong for the government to guarantee loans for private companies owned by foreigners. If the company had failed it should go into liquidation, and if possible the government should encourage the growers to form a cooperative and take over the factory'.[167] This was a popular view amongst this class.

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165. This is probably due not 'real' losses but rather accounting techniques used by foreign corporations to enable them to transfer out of the country surplus from their production.

166. EAS, 14.6.67.

167a. Ibid.

167. Ibid.

In November 1967, the company managed to secure government co-operation to divert all large pineapples (suitable for canning) from the domestic market to the Thika factory, until the areas planted under the estate form as part of the extension programme, reached maturity. The pineapple Development Authority accordingly imposed a levy of S. 2/75 per ton on all consignments of fresh pineapples destined for the local market.[168] In 1968 Delmonte found it impossible to meet its production target of 35,000 tons throughput of pineapples per annum, as had been specified in the 1965 plan for development of capacity of KCL. Due to this failure to mould smallholder production according to the targets planned by the international capital, a decision was made by the company that all the smallholder land should be converted into estates. Accordingly, the government agreed to purchase the land from the smallholders (both African and European) and sell it in stages to the company.[169] In the same way as the colonial government had agreed to place the industry in cucoon after the disastrous fall in prices of pineapples on the world market in 1957, by guaranteeing the industry minimum prices, so the independent government agreed to restrict licences for pineapple canning and growing and to guarantee not to sponsor further pineapple growing schemes. With these final concessions, the company was able to convert the system of pineapple production for export entirely to the estate form which they found suited international standards of production. Thus the smallholder scheme which had been initiated by state finance capital under the Swynnerton plan gave way to more capital-intensive forms of estate production under the direction of the dominant world producer of canned pineapples. By 1972, the share of smallholder pineapples as a % of the factory's total throughput had dropped to around 25%, and by 1972 not even this amount was being filled by smallholder production. As we have indicated, Calpak always had the intention of constructing a capital intensive estate form of production. This had been clear since the first management contract between Calpak and the Kenya Canners, where the former insisted that the government should allow them to immediately convert the old Anglo-American sisal estate at Thika into an intensively farmed pineapple plantation in return for their infusion of capital into the pineapple industry. This estate served as a nucleus in the area for the development and further expansion of Calpak's intensively farmed pineapple plantation. After 1968, all the smallholder land was to be absorbed into this scheme.

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168. EAS, 30.11.67.

169. EAS, 22.7.72

The irony of the situation lay in the fact that the company had obviously played along with the Government's original aim of continuing to encourage pineapple cultivation by African smallholders. After 1966 all the smallholder land was bought first by the government and then leased to Delmonte in stages. The government therefore agreed after that time to the foreign company converting the pineapple scheme entirely over from smallholder to estate production, despite the massive government loans after 1963 granted to the smallholder growers. By 1972, therefore, the fruit grown by the remaining African smallholders had no market and neither Kenya Canners nor Kenya Orchards Ltd. would purchase their products. Indeed, in 1972 the government was to come under attack for having encouraged the smallholder scheme in the Muranga and Kiambuto areas to the extent of having dispensed some £70,000[170] in loans to small growers, when there was to be no market for their products in years to come. The M.P. for Juja, Mr. G. Kahengeri, who represented the small pineapple growers of the area voiced strong objections to the way they had been treated by the company and the government itself; '... the government told the farmers that their pineapples would be bought by Kenya Canner Ltd. and the K.O.L., but subsequently the government bought some 25,000 acres of land and leased it to Kenya Canners to grow pineapples so that the small producers had nowhere to sell their products'.[171] Further accusations followed, from the same M.P., who claimed that the company was bulldozing farmers' crops around their plantation, and incorporating land on the borders of their estates on which company labour had previously lived.

During the 1960's state loans had backed up both estate and smallholder forms of production in the pineapple canning industry, thus encouraging these 'dual' forms of production within the same industry. International capital, however, is always capable of shaping production in the way most suitable to its worldwide methods. A similar duality in the in the methods of production existed in Kenya since the 1950's in the case of tea, but a different pattern was to emerge from that in the pineapple industry. The dominant foreign capital in the tea industry: Brooke Bond, found that through the smallholder system operating alongside the tea estates they could enforce high standards of plucking and manufacture which would produce a high quality product to complement their own estate production. The co-existence of smallholder and estate forms of production in the case of pineapples, however, was not calculated by the foreign capital, Delmonte, to be at all viable given

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170. EAS, 22.7.72.

the highly competitive nature of the canning industry worldwide. Therefore the smallholder system which did not comply with the global requirements of standards and quality, was eliminated by the foreign corporation with the assistance of the state, and since 1968 the state form of production has been dominant in the canning industry.

Thus, the Kenya government, although officially supporting the smallgrowers pineapple scheme in the mid 1960's, by the 1970's was permitting international capital to bring all forms of production under estate control. This analysis of the development of the pineapple industry shows the stages through which the industry has passed since its inception in 1950. The predominant trend is a high level of support by the state, through the provision of finance capital to the growing scheme under the Swynnerton Plan and also by the provision of direct support to the Kenya Canners company itself. The relationship between the state and private foreign enterprise has been outlined during the 1950's. The most important concession to be gained by the latter was in 1958, when after 4 years of pressure to set up some form of statutory control over the industry, the government finally agreed to form a Canning Crops Board, which would in effect, guarantee minimum prices to the pineapple growers, and thus take the onus of their failure from the company in times of depressed prices. During the 1960's a larger and dominant international firm of fruit processors, Delmonte, was able to take over the management and the equity control of the Kenya Canners plant at Thika, and fashion production according to its international mode of production: which took the form of estate cultivation. The smallholder pineapple scheme which had been set up by the colonial government in the 1950's was demolished and absorbed into a form of production that best suited the needs of this international capital.

TABLE 8 Balance Sheet Summaries of Kenya Canners Ltd.

Year	Issued Capital	Net Assets	Net Profit (post tax)
1960	127,333	153,321	(50,288) Loss
1965	128,133	111.729	(59.544)
1970	366,452	116,564	(54,179)
1972	366,452	(709,468)	(67,476)

(Source: Registrar General of Companies.)

172. This gave rise to the development of an export capacity by the coastal-based company.

Summary and Conclusion:

In this paper we have concentrated on the role played by the post-war colonial state in promoting industrialisation in Kenya. This analysis has been set in the general pattern of British policy towards the colonies in response to post-war conditions and the reasons for a radical shift in the emphasis of this policy towards 'development' in the colonial territories have been outlined. It has been stressed that 'capital' and the 'state' although their movement is not synonomous, do operate on the same level in certain circumstances. Forinstance, the measures to encourage industrial development and increased production of primary commodities after the war, served both the 'state' as a totality and also the needs of British industrial capital. The most serious problem faced by the post-war metropolitan state was the severe dollar deficit to the United States. This caused the state to stimulate production in the colonial areas for several reasons: to avoid purchases in dollar areas and enhance the flow of raw materials to British industry. This applied not only to raising agricultural productivity, but also the development of secondary industry was encouraged. This was in marked contrast to the attitude of the colonial administation before the war, when industrial development in the colonies had been positively discouraged.

If there was a prospect of a colonial industry in the inter-war years developing and export capacity to the metropolitan market, and therefore threatening the markets of British industrial capital, then the help of the Colonial Office was enlisted to squash that industry, (the two cases that come to mind in relation to East Africa are the textile industry in Kenya and the sisal twine industry in Tanganyika). In some cases small industries did emerge before the war mainly to supply the local market (apart from the grain and dairy industries which were controlled by the settlers and directed towards the export market). Indeed their existence in Kenya as apposed to Tanganyika territory reflected the strength of the settler estate producers within the colonial state, when itcame to bargaining with the metropolitan administration. However, it is not unrealistic to assert that the establishment of secondary industry in the colonies tended to be held back before the Second War due to the opposition of British manufacturers. However, even by the 1930's British dominance of colonial import markets for manufactured goods was becoming increasingly insecure, and the natural move of British Industrial capitals was to go directly into production in the colonial areas behind the tariff wall.

Another difference in the pattern of post war colonial policy was the enhanced role of finance capital in capitalist expansion worldwide Finance capital after 1945 had, on a global scale, gone beyond its traditional function as a mere 'book-keeper' for productive capital. State finance capital in the context of post-war Britain, was aimed towards intervening in areas not initially favourable to industrial capital. Ultimately the projects were hived off by finance capital to industrial capital after they had actually been set up by the agency of the former. To illustrate this mechanism, the CDC is put forward as a focus for the analysis, with particular reference to its role in the 'fostering' of the East African industries plant, which was in 1953 hived off to a British industrial capital of Unilever Ltd.

Next, the policy of the state towards industrialisation in Kenya is evaluated in the context of the highly concentrated structure of industries which emerged after the 1950's. The industrial licencing legislation introduced by the colonial government in the early 1950's was to encourage the dominance of a few firms within each industrial sector, the idea being to force out 'uneconomic' producers. In some branches of industry there was more competition than in others. In the case of paint manufacture there were four foreign firms involved in production with one local firm producing lower grade, heavy duty paint. However, the more usual pattern of development was for one or two international or local firms to dominate a particular branch of production, a trend which was encouraged by the licencing legislation in several cases such as that of shoes and textiles. Protection granted to industry through tariff protection was not to become an integral part of government policy in Kenya Colony until after 1958, and before that time a more and hoc system of tariff protection was administered in response to pressure from individual firms. The small number of firms in each industrial group also reflected to some extent the limitations of the East African market for manufactured goods, for in some cases, such as cement, where only a few firms existed in the area as a whole, the plants by the late 1950's were operating well below their maximum capacity. Before a sales quota was agreed to by the 3 firms in East Africa, each plant was in a state of serious competition with the others.

The section on industrial growth in Kenya also examines the unfulfilled potential of Asian capitalists in becoming a national bourgeoisie class. The compression of this class between the forces of settler and

indigenous capitalism before 1945 largely determined their pattern of accumulation in subsequent years. In any consideration of the development of indigenous capitalism at the present time this movement of a local capital into industry from the 1950's is most important.

The two case studies are intended to magnify the relationship between the colonial administration in Kenya and industrial capital, one is on the cement industry the other on pineapples. The cement study is designed to illustrate the degree of support required by industrial capital from the state before productive investments were made in Kenya. The way in which government policy encouraged the emergence of a highly concentrated structure in the industry is also examined. The concessions granted to the Bamburi company from the early 1950's were not part of a coherent policy of protection for new industries, but rather were in direct response to pressure from the company. The analysis of the conditions of production in the cement industry is extended into the 1960's. to show the emergence of one foreign capital in a dominant position in East Africa.

The case of Kenya Canners and the pineapple industry shows more directly the determining role played by the state in the promotion of African agriculture, as part of a drive to decrease the dependence of Britain on foods from the dollar areas. The local colonial state and later the independent Kenya government were to play a central part in supporting the growing side of this industry. These interventions by the state were encouraged by industrial capital in order to boulster up a primary products industry that was most susceptible to fluctuations on the international market. Thus, minimum prices were guaranteed to smallholder pineapple growers from 1957 onwards, after the formation of the Canning Crops Board. In effect the government had agreed to underwrite the industry in the event of punitive competition on international markets. This policy was continued under the independent Kenya government and the state was to play an even more extensive role in assisting dominant world pineapple producer, Delmonte, in its conversion of the smallholder scheme to the estate form of production in 1968. Therefore, after this time, the state having expended several million pounds on developing a growing scheme for the processing of pineapples, assisted dominant foreign capital in dismantling the small-holder scheme which did not suit the global production patterns of the international capital.

After this analysis a pattern emerges not of a state bent on intervention, but rather a local administration which had the resources available to 'cushion' industrial capital usually in response to pressure from the latter. This state support for private investment in primary production and industry was largely instigated from the metropolis, which in the post-war situation required an increased level of production from the colonial territories. The state as a'totality' was concerned to stimulate capital goods production in Britain which had suffered a decline due to wartime conditions. Furthermore, the move of British industrial capitals into production behind tariff walls in the colonies had become a logical response to competitive conditions in these markets even before the war. These requirements of the state and the movement of industrial capital after the war combined to advance the process of import-substituting industrialisation in colonial territories such as Kenya.

Abbreviations:

KNA - Kenya National Archives

EAI - East African Industries

EAS - East African Standard (Newspaper)

SCI - Secretary for Commerce and Industry

MCI - Member for Commerce and Industry