

Financing Rebellion: The Rhodesian State, Financial Policy and Exchange Control, 1962-1979

By

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Declaration

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Signed:.....

Tinashe Nyamunda
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Dedication

**My wife Patience Mukwambo Nyamunda.
My sons, Jamie T. Nyamunda and Christian K. Nyamunda.**

Without whom I can't be.

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Abstract

This thesis examines the history of finance and exchange control under the Rhodesian Front (RF) government between 1962 and 1979. Outlining the background to Southern Rhodesia's incorporation within Britain's imperial network from 1890 to 1962, the study's primary focus is on how the Colony emerged from the Federation of Rhodesia and Nyasaland in 1963 to reconstitute a financial system capable of operating independently from Britain. The Rhodesian case study illustrates the antagonism between British financial interests and colonial financial policies. The political impasse over the Rhodesian question centered on finance as a tool of coercion by London, and conversely, as a rebel bulwark against the metropole. Following UDI in 1965, financial and economic sanctions were imposed by Britain and subsequently the United Nations (UN). The various settlement negotiations that ensued were unsuccessful in stopping the rebellion until the Lancaster House Conference in 1979. The process whereby Rhodesia survived sanctions by the use of financial measures supported by strategic political alliances and trade arrangements with South Africa and Portugal is clearly examined. It was not until the escalation of the guerrilla struggle in the 1970s that the rebel monetary system began to buckle. The study traces the measures taken by Britain and the UN to end the Rhodesian rebellion, including the effects this had on London as well as the geopolitical implications for Southern Africa, notably South Africa and Zambia. It utilizes primary material from Zimbabwean, South African and British archives to determine the different strategies involved and their effects on Britain and Rhodesia. The thesis also discusses the extent to which broader international events influenced developments in Rhodesia, for example, the collapse of the Bretton Woods financial system in 1971, the oil shock in 1973 and the global economic recessions which they triggered and their effects on the Colony. Central to this analysis is how Salisbury's financial administration was coordinated by a Ministerial Economic Coordination Committee to sustain the different elements of the Rhodesian rebellion at different stages until a point was reached when the only option was compromise at Lancaster. Not limited to an examination of the effects of sanctions, the thesis is a study of a neglected area of Zimbabwean and general economic history: colonial financial systems in their transition to a postcolonial state.

Key Words: Finance, Exchange Control, Sterling area, Currency, British pound, Rhodesian Pound, Rhodesian Dollar, Rhodesia, Britain, Rebellion.

Opsomming

In hierdie verhandeling word die geskiedenis van finansiewese en valutabeheer gedurende die bewind van die Rhodesiese Front (RF) tussen 1962 en 1979 ondersoek. Die verhandeling skets eers die agtergrond tot Suid-Rhodesië se inlywing in die Britse imperiale netwerk tussen 1890 en 1962. Daarna val die hoofondersoekfokus op die proses waardeur die Kolonie vanuit die Federasie van Rhodesië en Nyasaland in 1963 na vore kon tree om opnuut 'n finansiële stelsel, wat die moederland die hoof kon bied, daar te stel. Die Rhodesiese gevallestudie belig die antagonisme tussen metropolitaanse finansiële belange en koloniale finansiële beleid. Die politieke dooiepunt oor die Rhodesiese vraagstuk het daarom gewentel dat die finansiewese terselfdertyd deur London as 'n dwangmiddel en deur die rebelle as 'n skans teen die moederland ingespan is. Na afloop van die eensydige onafhanklikheidsverklaring (Unilateral Declaration of Independence – UDI) in 1965 het Brittanje en die Verenigde Nasies (VN) finansiële en ekonomiese sanksies teen Suid-Rhodesië ingestel. Verskeie skikkingsonderhandelinge het hierop gevolg, maar kon nie daarin slaag om die rebellie tot 'n einde te bring nie – dit is eers met die Lancaster House konferensie in 1979 bereik. Rhodesië het die sanksies oorleef deur gebruik te maak van finansiële maatreëls, wat deur strategiese politieke bondgenootskappe en handelsooreenkomste met Suid-Afrika en Portugal gerigsnoer is. Hierdie proses word sorgvuldig ondersoek. Eers toe die guerrilla-stryd in die 1970s begin intensifiseer, het die rebelle se montêre stelsel begin wankel. Hierdie navorsing spoor die maatreëls wat Brittanje en die VN geneem het ten einde die Rhodesiese rebellie te beëindig, asook die gevolge hiervan op London en die geopolitiese implikasies vir Suider-Afrika, in besonder Suid-Afrika en Zambië, na. Daar word van primêre navorsingsmateriaal uit Zimbabwiese, Suid-Afrikaanse en Britse argiewe gebruik gemaak om die verskillende strategieë en hul gevolge vir Brittanje en Rhodesië te bepaal. Die proefskrif bespreek ook tot watter mate breër internasionale gebeure – byvoorbeeld die ineenstorting van die Bretton Woods finansiële stelsel (1971), die oliekrisis (1973), en die globale ekonomiese resessies wat hierdeur veroorsaak is – gebeure in Rhodesië beïnvloed het. Sentraal tot hierdie ontleding staan die ondersoek na hoe 'n Ministeriële Ekonomiese Koördineringskomitee Salisbury se finansiële administrasie só bestuur het dat verskillende elemente van die Rhodesiese rebellie op verskillende tydspunkte onderhou is, totdat daar 'n punt bereik is waar 'n skikking by Lancaster as enigste opsie oorgebly het. Hierdie proefskrif is dus nie slegs 'n ondersoek na die gevolge van sanksies nie – dit is ook 'n studie van 'n verwaarlooste aspek van Zimbabwiese en meer algemene ekonomiese geskiedenis, naamlik koloniale finansiële stelsels in oorgang na die post-koloniale staat.

Sluitelwoorde: Finansiewese, Valutabeheer, Sterlinggebied, Geldeenheid, Britse Pond, Rhodesiese Pond, Rhodesiese Dollar, Rhodesië, Brittanje, Rebellie.

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Acronyms

African Trade Union Congress	ATUC
Associated Chamber of Commerce of Rhodesia	ACCoR
Association of Rhodesian Industries	ARnI
Balance of Payment	BOP
British Petroleum	BP
Central African Power Corporation	CAPC
Central Intelligence Office	CIO
Commonwealth Development Corporation	CDC
Commonwealth Relations Office	CRO
<i>Communauté Financière de l'Afrique</i>	CFA
<i>Compagnie Francaise des Petroles</i>	Total
<i>Companhia do Pipeline Mocambique-Rodesia</i>	CMPR
Consumer Price Index	CPI
Council of Foreign Bondholders	CFB
Dairy Marketing Board	DMB
Dairy Producers Association	DPA
Defence Finance Regulations	DFR
Deutsche Mark	DM
Dominion Colonial and Overseas	DCO
Economic Planning Section	EPS
European Economic Community	EEC
Expanded Technical Assistance Programme	ETAP
Export Credit Guarantee Department	ECGD
Federal Power Corporation	FPC
Food and Agricultural Organisation	FAO
Foreign and Commonwealth Office	FCO
Foreign Compensation Commission	FCC
General Agreement of Trade and Tariffs	GATT
Gross Domestic Product	GDP

Gross National Product	GNP
Her Majesty's Ship	HMS
Higher Authority for Power	HAP
Import Substitution Industrialisation	ISI
Industrial Development Corporation	IDC
Institute of Business	IOB
International Bank for Reconstruction and Development	IBRD
International Labour Organisation	ILO
International Monetary Fund	IMF
Kariba North Power Corporation	KNPC
Land Apportionment Act	LAA
Member of Parliament	MP
Mining Promotion Council	MPC
Ministerial Economic Coordination Committee	MECC
National African Federation of Unions	NAFU
National Democratic Party	NDP
National Economic Advisory Committee	NEAC
No Independence Before Majority Rule	NIBMAR
Non-Scheduled Territory	NST
Open General Licence	OGLE
Optimum Currency Area	OCA
Organisation of African Unity	OAU
Organisation of European Economic Community	OEEC
Organisation of Petroleum Exporting Countries	OPEC
Overseas Sterling Area	OSA
Patriotic Front	PF
People's Caretaker Council	PCC
Rhodesia National Farmers Union	RNFU
Rhodesia Reserve Bank	RBR
Rhodesia Tobacco Association	RTA
Rhodesian Dollar	R\$

Rhodesian Front	RF
Small Industrial Advisory Service	SIAS
South African Customs Union	SACU
Southern Rhodesia African National Congress	SRANC
Southern Rhodesia Currency Board	SRCB
Tribal Trust Lands Corporation	TILCOR
Tribal Trust Lands	TTLs
Unilateral Declaration of Independence	UDI
United African National Council	UANC
United Central African Association	UCAA
United Federal Party	UFP
United National Independence Party	UNIP
United Nations Development Programme	UNDP
United Nations Education, Scientific and Cultural Organisation	UNESCO
United Nations	UN
United Rhodesia Party	URP
United States Dollar	US\$
World Health Organisation	WHO
Zimbabwe African National Liberation Army	ZANLA
Zimbabwe African National Union	ZANU
Zimbabwe African People's Union	ZAPU
Zimbabwe People's Revolutionary Army	ZIPRA

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Chapter One

Introduction

This thesis examines financial policies and exchange control under the Rhodesian Front (RF) regime from 1962-1979. It traces the institutional and regulatory financial changes from the pre-1962 period towards a post-sterling regime. The study utilises primary material to argue that in certain historical periods and under particular conditions, peripheral colonial economies could defy the interests of powerful metropolitan nations which were at the helm of global financial networks and politics. The chapters that follow trace Rhodesia's experience in navigating metropolitan financial and economic sanctions.

At the same time, the study examines how and to what extent Rhodesia survived economic sanctions as part of its analysis of the Colony's financial development. Central to this was the establishment of the Reserve Bank of Rhodesia in 1964, the passing of an Exchange Control Act (1964) and the Rhodesian Cabinet's creation of a Ministerial Economic Co-ordination Committee (MECC) which was central in coordinating financial planning and economic development in the country. The reconstitution of Rhodesia's monetary system occurred at the intersection of a critical historical juncture where the retreat of sterling, the dissolution of the Federation of Rhodesia and Nyasaland, and the attainment of independence of Zambia and Malawi facilitated the transition from an imperial/colonial to a postcolonial monetary system while bringing up the question of Rhodesia's future.

London's authority over colonial financial policy and exchange control was challenged by Salisbury with the outbreak of the Rhodesian rebellion. Unlike Zambia and Malawi, where the transition was facilitated by Britain, Rhodesia was expelled from the sterling area and charted a different course. Although Rhodesia's financial system was the most vibrant of the three former Federal partners by the mid-1970s, it was conceived under conditions of conflict. Even though sanctions form an important part of the discussion, they only substantiate the broader analysis of a drawn-out colonial to postcolonial financial transition. The thesis primarily examines the transition of Southern Rhodesia from financial dependence on London to the creation of a post-sterling system under conditions of an imperial-colonial rupture. It outlines the trajectory of the Rhodesian rebellion examining

how financial policies and exchange control institutions adapted and survived war and economic change prior to the Lancaster House settlement in 1979.

The study was inspired by Zimbabwe's hyperinflationary implosion. As Hazlewood astutely observed over sixty years ago: 'a monetary system is like a liver: it does not take up very much of our thoughts when it goes right, but it attracts a good deal of attention when it goes wrong'.¹ This thesis illustrates the financial system more as the heart, which is responsible for circulating vital nutrients and oxygen to body parts that need it. If it fails in its role of circulation, the entire system may suffer hypertension if not a stroke or a heart attack. Zimbabwe's monetary system, constructed under conditions of conflict in the mid-1960s, developed hypertension in the late 1990s and ultimately went into cardiac arrest in early 2009. Part of the reason for its 'do not resuscitate' tag was perhaps that little was known about its establishment and development prior to independence.

The political and economic crisis² accompanying inflation reminded the state and social scientists, especially economists, that 'monetary theory and hence monetary policy, is still controversial [and] recognition [must be given to] the fact that economic policy issues cannot be resolved, or even intelligently debated, without some theory of how money affects the economy'.³ This helps explain the resurgent interest in monetary policy issues among academics and politicians in Zimbabwe and beyond.⁴ As much as it spurred many contemporary studies, it also kindled curiosity about the origins and development of Zimbabwe's financial system.⁵ It became clear that very little was known about the history of the country's monetary arrangements.⁶

¹ A. Hazelwood, 'The economics of colonial monetary arrangements', *Social and Economic Studies*, 3:3/4 (1954), p. 291.

² See B. Raftopoulos, 'The Crisis in Zimbabwe, 1998-2008', in B. Raftopoulos and A.S Mlambo (eds.), *Becoming Zimbabwe: A History From The Pre-Colonial Period to 2008* (Harare: Weaver Press, 2009), p. 201; See also Raftopoulos and I. Phimister, 'Zimbabwe now: The Political Economy of Crisis and Coercion', *Historical Materialism*. 12:4 (2004), pp. 355-382.

³ P.M. Horvitz, *Monetary and the financial system* (New Jersey: Prentice Hall, 1979), p. 6.

⁴ The major highlight was a monograph produced by Zimbabwe's Reserve Bank Governor from November 2003 to November 2013. G. Gono, *Zimbabwe's Casino Economy: Extraordinary Measures for Extraordinary Challenges* (Harare: Zimbabwe Publishing House, 2007).

⁵ See for example, V. Kramarenko (*et al.*) *Zimbabwe: Challenges and Policy Options after Hyperinflation* (Washington DC: International Monetary Fund, 2010); A. Makochekanwa, 'A Dynamic Enquiry into the Causes of Hyperinflation in Zimbabwe', Working Paper, University of Pretoria, 2007; S. Hanke and A.K.F. Kwok, 'On Measurement of Zimbabwe's Hyperinflation', *Carto Journal*, 29:2 (2009) pp. 353-364; R. Pilosof, "'Dollarisation" in Zimbabwe and the Death of an Industry', *Review of African Political Economy*, 36:129 (2009), pp. 294-299; S. Gukurume, 'Livelihood Resilience in a Hyperinflationary Environment: Experiences of people

As clichéd as the metaphor that ‘money makes the world go round’ is,⁷ money was central in assembling ‘the core of a larger British Empire managed from London’.⁸ At the centre of the classical gold standard from 1870 to 1932, and thereafter maintaining financial influence within the sterling area until its collapse in 1972, Britain exercised significant financial power in global trade. The rise and fall of the British world system revolved around sterling’s role as an international key currency and this continues to be a source of much academic study.⁹ Yet, studies of colonial financial systems have largely been approached from an imperial perspective.¹⁰ While some studies began exploring Africa’s monetary experiences from an African context in the late 1960s, 1970s and early 1980s, these were not sustained as the field of economic history declined.¹¹ In Zimbabwe, economic history was sustained only by a handful of scholars.¹²

engaging in Money-Burning (Kubhena mari) transactions in Harare, Zimbabwe’, *Social Dynamics*, 41:2 (2015), pp. 219-234; S. Mawowa and A. Matongo, ‘Inside Zimbabwe’s Roadside Currency Trade: the “World Bank” of Bulawayo’, *Journal of Southern African Studies*, 36:2, 2010, pp. 294-299; J. Cooper and J. Gstraunthaler, ‘The Hyperinflation in Zimbabwe’, *The Quarterly Journal of Austrian Economics*, 14:3 (2011), pp. 311-346.

⁶ To understand the causes of Zimbabwe’s financial challenges, there is need to study post-colonial causes of the crisis in Zimbabwe. However, the point being emphasized here is that whatever developments that took place after independence, it is still necessary to study the origins and development of the country’s monetary system. There will be something to learn from that history, especially the legacies or continuities that may inform the origins of some of the problems encountered by the post-colonial state.

⁷ See for example, M.D. Bordo and A. Filardo, ‘Money Still Makes the World Go Round: The Zonal View’, *Journal of Economic Association*, 5:2/3 (2007), pp. 509-523.

⁸ J. Darwin, *The Empire Project: The Rise and Fall of the British World System, 1830-1970* (Cambridge: Cambridge University Press, 2009), p. 1.

⁹ See for instance, Darwin, *The Empire Project*; N. Ferguson, *Empire: How Britain Made the Modern World* (Oxford: Penguin Books, 2004); for a comprehensive historiographical reading of the rise and fall of the British Empire, see A. Porter (ed.), *Bibliography of Imperial, Colonial and Commonwealth History Since 1600* (Oxford: Oxford University Press, 2002) and S. Stockwell (ed.), *The British Empire: Themes and Problems* (Oxford: Oxford University Press, 2008).

¹⁰ See for example W.T. Newlyn and D.C. Rowan, *Money and Banking in British Colonial Africa: A Study of the Monetary and Banking Systems in Eight British African Territories* (Oxford: Clarendon Press, 1954).

¹¹ W.T. Newlyn, *Money in an African Context* (Nairobi: Oxford University Press, 1967); R.A. Sowelem, *Towards Financial Independence in a Developing Economy: Analysis of the Monetary Experience of the Federation of Rhodesia and Nyasaland, 1952-1963* (London: Allen and Unwin, 1967); A.G. Hopkins, ‘The Creation of a Colonial Monetary System: The Origins of the West African Currency Board’, *African Historical Studies*, 3:1 (1970), pp. 101-132; Hopkins, *An Economic History of West Africa* (London: Longman, 1973). On economic history works focusing on Zimbabwe, see I. Phimister, ‘Zimbabwean Economic and Social Historiography since 1970’, *African Affairs*, 78: 311 (1979), pp. 253-268.

¹² See for example, I. Phimister, *An Economic and Social History of Zimbabwe 1890-1948: Capital Accumulation and Class Struggle* (London: Harlow, 1988); A.S. Mlambo, E.S. Pangeti and I. Phimister, *Zimbabwe: A History of Manufacturing, 1890-1995* (Harare: UZ Publications, 2000); Mlambo, *The Political Economy of the Sugar Industry in Zimbabwe, 1920-1990* (Harare: UZ Publications, 1996); Mlambo, *The Economic Structural Adjustment Programme: The case of Zimbabwe, 1990-1995* (Harare: UZ Publications, 1997); P. Bond, *Uneven Zimbabwe: A Study of Finance, Development and Underdevelopment* (Trenton: Africa World Press, 1988); Bond and M. Manyanya, *Zimbabwe’s Plunge: Exhausted Nationalism, Neoliberalism and the search for Social Justice* (Durban: University of Natal Press, 2002).

In comparison to other British African colonies, Southern Rhodesia had more room for manoeuvre due to its attainment of Responsible Government status in 1923. This conferred considerable autonomy in some areas of domestic policy making. Yet in areas such as finance, its developments were guided by metropolitan control. Salisbury's colonial status was a product of accommodating imperialism in which the settler state was a compromise of local and metropolitan capital with the Colony as a junior partner.¹³ The thesis examines the extent to which the Unilateral Declaration of Independence (UDI) state¹⁴, with its move from sterling and the establishment and development of its own territorial financial policy and exchange control to the eve of Zimbabwe's independence, managed to shake off this dependency and control.

The thesis begins by tracing the origins of the colonial financial system and its integration into the British sterling network of capital and markets up to 1962. First, it assesses Britain's role as a global financial power up to the post Second World War and its capacity to utilise its historical control of currency, financial policy and exchange control as a coercive tool against Rhodesia following its UDI. Secondly, it evaluates the degree of Salisbury's dependency on London against the Colony's developing financial and economic infrastructure to the point where it was independent of London. The thesis subsequently explores the post-UDI imperial-colonial conflict or economic war as the Rhodesian Cabinet viewed it, including the effects of UN sanctions and the subsequent liberation war. In examining Rhodesia's measures to survive both the 'economic' and liberation war, the discussion focuses primarily on financial policy and exchange control mediated through the Ministry of Finance and coordinated by the Cabinet and its MECC. It is sustained by the theme of financing rebellion and the policies aimed at achieving, initially a *fait accompli*, but ultimately a favourable independence settlement.

Running throughout the thesis is the theme of financial development, especially in the context of financial exchanges and war. Missing in most accounts of the Rhodesian rebellion is the wider economic and financial context. While some scholars have covered political, military and social issues and others have studied sanctions, the financial dimension has

¹³ I. Phimister, 'Accommodating Imperialism: the Compromise of the Settler State in Southern Rhodesia, 1923-1929', *The Journal of African History*, 25:3 (1984), p. 281.

¹⁴ The British government always described it as the Illegal Declaration of Independence (IDI) in its official documents.

been almost completely neglected.¹⁵ Using sources from the Bank of England, Cory library and various other archives in South Africa, the United Kingdom and Zimbabwe, the thesis explores Rhodesia's financial experiences during UDI, how its 'economic war' affected Britain and how its financial development was informed by international actions. It also unpacks the apparatus used to manage the colonial financial system, especially through the work of the Rhodesian Cabinet's MECC.

Themes and Concept: The Rhodesian State, Finance and Economy

Concepts of the state, development, economy, money, finance and exchange control are recurrent themes central to this thesis. They are discussed in this section in order to clarify their future use in this thesis. The key to the Rhodesian economy was access to the means of production, particularly mineral and agrarian products for export markets. The Southern Rhodesian settler state presided over land seizures and the exploitation of African labour.¹⁶ Colonial states, however, differed in form and character across the British Empire.¹⁷ The main similarities were in 'classical state' functions of the collection of taxes, conscription and prevention of unrest. To be able to tax and manage their citizens or subjects,¹⁸ colonial states consistently made their 'societies legible [and] arrange[d] the[ir] population[s] in ways that simplified the classic state functions'.¹⁹ Controlling these societies and allocating resources to different groups constituted statecraft, a practice that evolved and was

¹⁵ D. Martin and P. Johnson, *The Struggle for Zimbabwe*, (London, Ravan Press, 1981); N. Kriger, *Zimbabwe's Guerrilla War: Peasant Voices*, (Cambridge: Cambridge University Press, 1992); L. White, *Unpopular Sovereignty: Rhodesian Independence and African Decolonisation*, (Chicago: University of Chicago Press, 2015), pp. 343; J. Brownell, *The Collapse of Rhodesia: Population Dynamics and the Politics of Race*, (London: I. B. Tauris, 2011).

¹⁶ See Phimister, *An Economic and Social History*; G. Arrighi, 'Labour Supplies in a Historical Perspective: A Study of the Proletarianization of the African Peasantry in Southern Rhodesia', *Journal of Development Studies*, 6:3 (1970), pp. 197-234.

¹⁷ The British Empire consisted of dominions, mandate territories, crown colonies and protectorates; whose monetary arrangements were all linked and controlled from London through the Sterling Area. Although the decline of sterling, starting with its gradual retreat from international prominence in the post Second World War was succeeded by the rise of the American Empire and its financial world system, Britain still exercised a degree of influence in its remaining colonial empire. See variously, S. Strange, *The Sterling Problem and the Six* (London: Chatham House, 1967); Strange, *Sterling and British Policy* (London: Oxford University Press, 1971); C.R. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945-1992* (Cambridge: Cambridge University Press, 2010); G. Krozewski, *Money and the End of Empire: British International Economic Policy and the Colonies, 1947-1958* (Hampshire, UK: Palgrave, 2001); N. Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000* (New York: Basic Books, 2001).

¹⁸ The distinction between citizen and subject in the context of colonial Africa is explored by M. Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (New Jersey: Princeton University Press, 1997).

¹⁹ J.C. Scott, *Seeing Like a State: How certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998), p. 2.

exported by imperial states. The emergence of the colonial state as an assemblage of the empire overthrew and supplanted African precolonial states without entirely extinguishing their structures. In Southern Rhodesia, statecraft was controlled by settler regimes that managed a financial system externally controlled but locally-developed.²⁰ The Colony experienced four different types of governmental systems²¹, from Company rule to Responsible government, Federation and ultimately UDI. It was the last variety whose actions diverged from imperial consent, including in financial and exchange control issues, and which is the subject of this study.

The colonial economy should also be understood through the concept of development. Premised on its financial arrangements, development in Rhodesia was racially biased, occurring unevenly over space and time.²² Denoon argues that the concept of 'development' is a product of European thought which is at least two and a half millenniums old. He suggests that 'growth, progress, and development are to be considered as pervasive metaphors', that 'should not be confused with the social reality which [they] illuminate.'²³ This 'reality' of Africa's financial positioning in global economics determined its path of development. In Rhodesia, development was generally associated with European progress, synonymous with primitive accumulation and the underdevelopment of African labourers and peasant producers. It became a product of the legacy of imperial and colonial relations of power and uneven material relations. Denoon found that the 'word (development) simply cannot be abandoned; instead it should be used with extreme caution, to denote something quite strictly circumscribed.'²⁴ As such, where the term 'development' is used in this thesis, it should represent the different dimensions described here.

The term economy should also not denote a static and pre-determined phenomenon. Caliskan and Callon introduced the notion of economisation to refer to the ongoing processes of economic development in different contexts. Such processes include 'marketisation' or the

²⁰ This was the subject of my earlier research, T. Nyamunda, 'The Establishment and Operation of a Colonial Monetary and Banking System in Southern Rhodesia, 1890-1938', MA dissertation, University of Zimbabwe, 2007.

²¹ See D.J. Murray, *The Governmental System in Southern Rhodesia* (Oxford: Oxford University Press, 1970).

²² Bond, *Uneven Zimbabwe*; See also A. Mseba, 'Money and Autonomy in a Settler Colony: The Politics of Monetary Regulation in Colonial Zimbabwe, 1932-1965', in C.Y. Hsu, T.S. Lockett and E. Vause (eds.), *The Cultural History of Money and Credit: A Global Perspective* (Lanham: Lexington Books, forthcoming).

²³ D. Denoon, *Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere* (Oxford: Oxford University Press, 1982), p. 7.

²⁴ *Ibid.*

continued shift in markets' supply and demand,²⁵ or even such practices as monetisation or financialisation.²⁶ This thesis takes the territorial financialisation of Rhodesia, just one of the processes of economisation, as its main topic of empirical investigation. Financialisation demonstrates that the management of the financial sector was not static, but a dynamic and continuous process. The concept of economy incorporates these processes and should also be understood as conceptualized above where it is used in this thesis.

Colonial exchange was informed by the changing roles of money and finance. Generally, money performs the functions of mediating exchange, being a store of value and wealth as well as a unit of account or standard of deferred payment.²⁷ In settler states such as Southern Rhodesia, power was simplified by comparable units of measurement to regulate markets, compare commodities and food prices effectively. With colonial monetisation, the primacy of private property and industrial labour-commodity relations, universalising standards of measurements were rationalised through the London controlled gold standard. It also created relations of power between European settlers and Africans. In Rhodesia, this was exacerbated at UDI with the cutting of imperial and colonial links. After UDI the Rhodesian State refocused its economic system to reflect local, rather than imperial, needs. The thesis sets out to see how these uses of money and finance were a source of antagonism between Empire and Colony on one hand and the settler state and Africans on the other.

These colonial financial encounters were invariably dissimilar to the liberal ideology of modern 'free market' economics, placing the Colonial state on the path of uneven development.²⁸ The colonial administrative ordering of the economy and society in Southern Rhodesia came to be based, not so entirely on international capitalism, but was founded on a 'pattern of settler prosperity and peasant misery', defined by Denoon as settler capitalism.²⁹ To control the value of the local currency and the flow of foreign exchange in the UDI economy, the Rhodesian state used a policy tool adapted from London.

²⁵ On this concept, see for example M-L. Djelic, 'Marketization: From Intellectual Agenda to Global Policy Making', in DeJelic and K. Sahlin-Anderson (eds), *Transnational Governance: Institutional Dynamics of Regulation* (Cambridge: Cambridge University Press, 2006), pp. 53-73.

²⁶ On 'financialization, see S. Bracking, *The Financialization of Power in Africa* (London: Routledge, 2015).

²⁷ Horvits, *Monetary and the Financial System*, p. 7.

²⁸ Bond, *Uneven Zimbabwe*, pp. 21, 28, 32.

²⁹ Denoon, *Settler Capitalism*, p. 71.

It put in place an Exchange Control Act (1964) modelled on financial control regulations that were implemented by London in its sterling area from 1947 onwards. Exchange controls were a product of state's power beyond the general functions of money, and were key to managing global financial politics and economic relations. This financial device in the context of international trade and exchange was central in determining territorial monetary value.³⁰ Although the power over Southern Rhodesia's exchange controls had been held by Britain since colonisation, with the retreat of sterling from international prominence, the Colony challenged British authority over the management of exchange controls policies.

The thesis examines how the metropole deployed its historic financial influence in an attempt to end the rebellion in Rhodesia. As the main financial market for Rhodesia, the metropole was convinced of its continued financial influence in an era where the Colony was confident of its capacity to function independently. The study examines the extent to which London was successful in deploying the principle that '[t]hose who hold, lend, and move money do so for a purpose, typically a self-interested purpose', in this case, to terminate the Rhodesian rebellion.³¹ However, as independent states 'try to shape the nature and extent of their interaction with the international monetary system, either to enhance domestic policy autonomy, advance foreign policy goals, or accommodate concerns for national security',³² this thesis explores the extent to which Rhodesia achieved this after illegally seizing independence. Central to the conflict over Rhodesia's independence was the dual role of financial policy as a political and coercive weapon by London and as a defensive tool by Salisbury.

Historiographical Review

The thesis makes an original contribution to colonial historiography through a study of Rhodesia's UDI financial history. The literature which this thesis engages ranges from theoretical studies on imperial and colonial capitalism; related works on African financial histories and scholarship on Rhodesia's UDI period. There are many debates around the theories of imperialism, but this thesis considers Robinson and Gallagher's 'Imperialism of

³⁰ B.J. Cohen, *The Geography of Money* (New York: Cornell University Press, 1998), p. 27; See also G.L. Clark, 'Money Flows like Mercury: The Geography of Global Finance', *Geog. Ann*, 87: 2, 2005, p. 99.

³¹ Kirshner, 'Money is Politics', *Review of International Political Economy*, 10: 4, 2003, p. 646; See also S. Bracking, *Money and Power: Great Predators in the Political Economy of Development* (London: Pluto Press, 2009).

³² *Ibid.*

Free Trade' as well as Cain and Hopkins' 'gentlemanly capitalism' as among the key explanations for British global capitalist expansion.³³ Hobson, as well as Cain and Hopkins' work on the export of capital to the colonial world, explains how Britain ascended to the pinnacle of the world financial and trading system in the period prior to the First World War.

The crucial point of Robinson and Gallagher's argument in relation to the Responsible Government status was that 'far from being a separatist device, [it] was simply a change from direct to indirect methods of maintaining British Interests'.³⁴ Indeed, much of the pre-Second World War financial arrangements in colonial Africa originated from imperial gentlemanly capitalist 'expansionist forces of investment, commerce and migration throughout the world and its dynamic was the drive to create an international trading system centred on London and mediated by the sterling'.³⁵ However, in the post-Second World War period, liberal multi-lateral trade arose under the auspices of the General Agreement of Trade and Tariffs (GATT) and the discourse of free trade re-emerged. In this new environment, a battered Britain sheltered its colonies through exchange control designed to encourage intra-area trade while pooling dollar earnings in London to boost sterling's value. This caused tension with Southern Rhodesia whose economic aspirations to exploit multilateral trade were constrained by imperial exchange control restrictions.

Rhodesia operated within the confines of Britain's exchange controls until the collapse of Federation in 1963. The RF's rise to power in the previous year denotes the beginning of a direct political confrontation between the colonial and imperial governments. Scholars have discussed the history of the subsequent political impasse over the issue of Rhodesian independence and UDI.³⁶ While these accounts cover various aspect of the political

³³ J. Gallagher and R. Robinson, 'The Imperialism of Free Trade', *The Economic History Review*, 6:1 (1953), pp. 1-15 and Robinson and Gallagher, *Africa and the Victorians: The Official Mind of Imperialism* (London: Macmillan, 1961); P.J. Cain and A.G. Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914, Vol I* (London: Longman, 1993); Cain and Hopkins, *British Imperialism: Crisis and Deconstruction, 1914-1990, Vol II* (London: Longman, 1993).

³⁴ Gallagher and Robinson, 'The Imperialism of Free Trade', p. 4.

³⁵ Cain and Hopkins, *British Imperialism Vol I*, p. 3.

³⁶ J.R.T. Wood, *So Far and No Further! Rhodesia's Bid for Independence during the Retreat from Empire, 1965-1969* (Bloomington: Trafford Publishing, 2012); C.P. Watts, *Rhodesia's Unilateral Declaration of Independence: An International History* (New York: Palgrave MacMillan, 2012). L.W. Bowman, *Politics in Rhodesia: White Power in an African State*, (Massachusetts: Harvard University Press, 1973); K. Young, *Rhodesia and Independence: A Study in British Colonial Policy* (London: Dent, 1969); F. Clements, *Rhodesia: The Course to Collision* (London: Pall Mall, 1969); R. Good, *U.D.I.: The International Politics of the Rhodesian Rebellion* (London: Faber and Faber, 1973); White, *Unpopular Sovereignty*.

experiences of Rhodesia during UDI, none of them provide any sustained discussion of financial developments of the period, in spite of them being central to sanctions.

Bowman's 1973 study, for example, examined the extent to which minority rule was entrenched through eight years of consistent growth. He concluded that because of this, and British indifference to the Rhodesian crisis, change was unlikely to come unless through violence.³⁷ Wood carefully unpacks the negotiations between Britain and Rhodesia over the question of independence, outlining the major hindrances to the attainment of a settlement. He suggests that UDI had shown the extent to which negotiations could go before stretching the political tensions of empire almost to breaking point.³⁸ Watts' book complements Wood's work by adding an international dimension to the British-Rhodesia impasse. It shows how the RF's manoeuvrings politically involved the United States, the old Commonwealth (Australia, Canada and New Zealand), Portugal, and regional players such as South Africa and Zambia in its politics of UDI.³⁹ The internationalisation of UDI would influence the outcome of British-Rhodesia negotiations and the trajectory of relations following it. Although the two authors capture the political events of this period, they entirely neglect the financial aspects which proved central to the outcome of negotiations. Economic considerations were as significant in informing British policy on Rhodesia just as they were in providing the Colony with confidence to proceed with its UDI. The second chapter of the thesis devotes its attention to this specific dimension.

Many scholars of Rhodesia's UDI have focused on issues ranging from war to political change, with some only examining UDI as part of a wider historical period.⁴⁰ Much of the work on the liberation struggle tends to be triumphalist.⁴¹ Phimister argues that such patriotic history praising the nationalist struggle tended to flatten history leading to 'the privileging of certain voices over others; and the identification of hegemonic nationalism as

³⁷ Bowman, *Politics in Rhodesia*, p. 155.

³⁸ For a discussion of this concept, see F. Cooper and A.L. Stoler (eds.) *Tensions of Empire: Colonial Cultures in a Bourgeois World* (Berkeley: University of California Press, 1997).

³⁹ An earlier title focusing on the international aspects of UDI is R. Good, *U.D.I.: The International Politics of the Rhodesian Rebellion* (Princeton, NJ: Princeton University Press, 1973).

⁴⁰ Mlambo, *A History of Zimbabwe* (Cambridge: Cambridge University Press, 2014); B. Raftopoulos and Mlambo (eds.), *Becoming Zimbabwe: A History from Pre-Colonial Period to 2008* (Harare: Weaver Press, 2009); Mlambo, Pangeti and Phimister, *Zimbabwe: A History of Manufacturing*.

⁴¹ For example Martin and Johnson, *The Struggle for Zimbabwe*; T. Ranger, *Peasant Consciousness and Guerrilla War in Zimbabwe, A Comparative Study* (London: James Currey, 1985).

the bearer of improvement and progress'.⁴² Indeed, the work, for example, of Frederikse places emphasis on the notion that it was 'none but ourselves' that triumphed over colonialism.⁴³ This thesis examines the extent to which other forces such as financial considerations and international efforts complemented or were complemented by the nationalist struggle to end UDI. It expands the historical analysis of the struggle for independence to examine the extent to which financial history influenced the course and outcome of events between 1962 and 1979.

In this company, Brownell's work stands out. He uses demographic factors to suggest that parallel to the military war was a hidden racial war of numbers. Brownell argues that Rhodesia collapsed because European population figures were declining in the face of an African population explosion.⁴⁴ This thesis will examine the extent to which demographic aspects determined the outcome of the war against the nationalist forces. It will be weighed against the question of the capacity of the Rhodesian economy to sustain its military efforts. The study will establish the extent to which Rhodesia's economic fortunes were linked to its capacity to resist sanctions or finance its rebellion. Furthermore, the question of white immigration or emigration as a result of, not the cause of the rebellious Colony's economic fortunes will be considered. Unlike Brownell's work which concentrates on demographic history, this thesis examines the history of Rhodesia's financial development under RF rule.

This study benefited immensely from pioneering works focusing on the Rhodesian economic history.⁴⁵ Such works are underpinned by their conceptual Marxist analysis of capital. This thesis extends this analysis to raise questions about what capital reveals about the structure of Rhodesia's financial system. Moreover, it examines what can be gleaned by reconciling an analysis of capital with the politics of race and imperial-colonial relations. The economic history studies have been complemented by works on manufacturing and the sugar industry

⁴² I. Phimister, 'Narratives of Progress: Zimbabwean Historiography and the end of History', *Journal of Contemporary African Studies*, 30:1, 2012, p. 28; See also, B. Raftopoulos, 'Problematising Nationalism in Zimbabwe: A Historiographical Review', *Zambezia*, XXVI:II, 1999, pp. 115-134 and T. Nyamunda, 'Insights into Independent Zimbabwe: Some Historiographical Reflections', *Strategic Review for Southern Africa*, 36:1, 2014, pp.72-89.

⁴³ J. Frederikse, *None But Ourselves: Masses Versus Media in the Making of Zimbabwe* (Harare: Zimbabwe Publishing House, 1982).

⁴⁴ See also D. Caute, *Under the Skin: The Death of White Rhodesia* (London: Allen Lane, 1983); I. Hancock, *White Liberals, Moderates and Radicals in Rhodesia, 1953-1980* (London: Croom Helm, 1984).

⁴⁵ G. Arrighi, *The Political Economy of Rhodesia* (Mouton: The Hague, 1967) and Phimister, *An Economic and Social History*.

among others.⁴⁶ To a certain degree, this thesis complements and expands this field of history. Works that have come closest to providing a more in-depth and comprehensive studies of UDI economics tend to focus on the effects of international sanctions.⁴⁷ They broadly examine the Rhodesian economy under sanctions and make important assessments in terms of its experiences. Kurebwa, for example, argues that sanctions only began to work when the international community became more committed to enforce them. His work shows that a country can navigate economic measures against it when it get the support of other countries aiding or ignoring international sanctions, making sanctions an ineffective tool to force compliance on targeted states.

The thesis expands on the work of such scholars as Henry, Sowelem and Bond. Their works pioneered academic studies on Zimbabwe's financial history.⁴⁸ Henry's work is among the earliest studies on Rhodesian financial history. It is an institutional history of the Standard Bank in its first sixty years in central Africa.⁴⁹ Although its focus is limited to the experiences of the bank from its establishment in the Colony, the Standard Bank became one of only two commercial banks to operate in Southern Rhodesia until 1950. As the bank of the British South Africa Company (BSAC) and other subsequent Southern Rhodesian governments, much can be gleaned about the influence of expatriate commercial banks' financial policies on the Rhodesian economy. An examination of archival documents at the Standard Bank in Pretoria confirmed this. The Standard Bank's policies were decided in London, and it strongly influenced the colonial financial landscape. This thesis goes beyond the institutional

⁴⁶ A.S. Mlambo and E.S. Pangeti, *The Political Economy of the Zimbabwe Sugar Industry* (Harare: UZ Publications, 1996); Mlambo, Pangeti and Phimister, *Zimbabwe: A History of Manufacturing*.

⁴⁷ J. Handford, *Portrait of an Economy: Rhodesia Under Sanctions* (Salisbury: Mercury Press, 1976); H.R. Strack, *Sanctions: The Case of Rhodesia* (Syracuse, NY: Syracuse University Press, 1978) and J. Kurebwa, *The Politics of Economic Sanctions on Rhodesia [Zimbabwe] 1965 to 1979* (Harare: UZ Publications, 2012).

⁴⁸ Students from the Economic History Department at the University of Zimbabwe have shown growing interest in financial history producing the following works: G. Karekwaivenane, 'A History of the Rhodesia Stock Exchange, 1946-52: The Formative Years', *Zambezia*, xxx:i (2003), pp. 9-34; A. Mseba, 'The Establishment and Operations of the Southern Rhodesia Currency Board: A Study of Monetary Dependence in Southern Rhodesia, 1938-1956', BA Special Honours Dissertation, University of Zimbabwe, 2005; Mseba, 'Money and Finance in a Closed Economy: Rhodesian Monetary Experience 1965-1980', MA Dissertation, University of Zimbabwe, 2007; T.I. Mawango, 'The Early History of Building Societies in Southern Rhodesia 1951-1965: Boom and Crisis', BA Honours Dissertation, University of Zimbabwe, 2006; T. Madimu, 'International Finance and Energy Development: A Case Study of the International Bank of Reconstruction and Finance (IBRD) in Southern Rhodesia, 1945-1965', MA Dissertation, University of Zimbabwe, 2010.

⁴⁹ J.A. Henry, *Sixty Years North of the Limpopo: the Story of the Coming of the Standard Bank to Rhodesia and Nyasaland* (Salisbury: The Rhodesia Printing and Publishing Company, 1953).

history of commercial banks, mainly focusing on the state and its financial regulations and institutions and how they affected the economy.

Sowelem's work examined the establishment of the Reserve Bank of Rhodesia and Nyasaland focusing on financial independence.⁵⁰ Complementing the work of such scholars as W.T Newlyn, who pioneered monetary history in Africa⁵¹, Sowelem's monograph delineated the functions of the new Reserve Bank and its role in the economic development of the Federation of Rhodesia and Nyasaland. His work established that, in spite of the appearance of independence because of the establishment of a central bank which had the power to determine interest rates, its operations were limited by the maintenance of the Federation's currency link to the sterling, and was thus subject to the Bank of England's monetary policies.

Mseba's work confirms this analysis. It focuses on Rhodesia's attempts to establish monetary autonomy from 1932, only managing to achieve this through UDI when it was expelled from the sterling area. His work demonstrates how Britain's actions of dismissing Salisbury from sterling only played into the rebellious Colony's interests as Rhodesia had always agitated for autonomy in financial policy and exchange control.⁵² Mseba's study updates Sowelem's work and provides a historiographical starting point on which this study partially departs from. This thesis takes the narrative further, analysing how the autonomy which was a product of UDI was employed to facilitate economic development in Rhodesia until the eve of majority rule. Other works on Rhodesian financial history are scattered throughout economics journals from the 1970s but they mostly focused on short term cyclical changes or the impact of inflation. Although they provide what was regarded as contemporary analysis in the period, they do not go far enough in providing a broader history of financial developments.⁵³

⁵⁰ Sowelem, *Towards Financial Independence*.

⁵¹ See Newlyn and Rowan, *Money and Banking*; Newlyn, *Money in an African Context*.

⁵² Mseba, 'Money and Autonomy in a Settler Colony'.

⁵³ See for instance L.J. Buckle, 'Banking and Finance', *Rhodesia Science News*, 2:3 (1977), pp. 1-14; J.A.C. Girdlestone, 'The Rate of Exchange of the Rhodesian Dollar: Limited Objectives', *Rhodesian Journal of Economics*, 7:3 (1973); Girdlestone, 'The Rate of Exchange of the Rhodesian Dollar: Longer Term Questions', *Rhodesian Journal of Economics*, 7:3 (1973); Girdlestone, 'The Rate of Exchange of the Rhodesian Dollar: A Rejoinder', *Rhodesian Journal of Economics*, 8:2 (1974); D.I. Ramsey. 'Devaluation of the Rhodesian Dollar-A Comment', *Rhodesian Journal of Economics*, 8:1 (1974); this is not to say academic inquiry on the state of the Rhodesian economy was only limited to Rhodesian journals. Other international journal outlets took interest

Bond's work focuses on finance and underdevelopment in Zimbabwe, with a specific focus on the real estate. In taking a case study of the uneven development of the property market, his work provides the first comprehensive study covering the country's colonial and post-colonial financial history to the mid-1990s.⁵⁴ It examines how race was the determining factor in developing the colonial financial system and in the subsequent allocation of finance for housing projects and purchases. Building upon these foundations, this thesis examines developments under a specific political regime, in a demarcated historical period dominated by the Rhodesia's UDI and examining the location of finance in specific political, economic and historical events of the period. Finance is considered in terms of how it was reassembled in the early 1960s to sustain a UDI and generally coordinated to drive the entire economy from 1962 to 1979.

Although focusing on Rhodesia's financial experiences, the thesis engages with broader studies of imperial and international financial development. Two notable studies making the connection between empire and colonial finance are by Schenk and Krozewski. Schenk discusses the decline of sterling and its gradual retreat from international prominence from 1945 to 1992.⁵⁵ Krozewski focuses on the period when London unsuccessfully sought to regain international prominence by passing the Exchange Control Act (1947). Although the sterling area remained in name, the restrictions and discriminatory character of the exchange controls were only relaxed in 1958. Within a few years, many African colonies gained their independence, and notably increased their autonomy over financial and exchange control policy options. Resisting majority rule, Rhodesia rebelled and illegally formed its own system. In doing so, it remained theoretically under sterling throughout the UDI period. More specifically, these studies show that the international influence of sterling was waning, in the very period that Rhodesia's financial system was becoming more diversified and developed. By the time hostilities between London and Rhodesia erupted in the mid-1960s, sterling's historical influence had been compromised to the extent that its capacity to determine developments in Rhodesia was limited. An engagement with this literature was necessary as it directly informed the nature and form of imperial-colonial

also. See for example C.A. Erbman and J.R. Sheen, 'Some Reasons for the Low Rate of Inflation in Rhodesia since the Unilateral Declaration of Independence', *American Economist*, 18:1 (1974), pp. 89-104.

⁵⁴ Bond, *Uneven Zimbabwe*.

⁵⁵ Schenk, *The Decline of Sterling*; Krozewski, *Money and the End of Empire*.

financial relations between a retreating empire and an economically developing but delinquent Colony.

The thesis does not take for granted the perception that imperial-colonial financial arrangements are determined by the authority and control of metropolitan powers.⁵⁶ It seeks to determine whether the historical moment of Rhodesia's UDI provides a context in which a peripheral colony challenged the authority of the metropolitan powers in financial terms. Following its UDI from Britain in 1965, Rhodesia became a pariah state subject to financial sanctions and trade restrictions whose effects were meant to defeat its rebellion in a matter of weeks. It was widely assumed in London that Salisbury's historical dependency on the sterling area and markets as well as direct metropolitan policy control made the latter vulnerable to pressure applied to its economy. Such economic dependency, Kirshner contends, entraps peripheral countries and exposes them 'to political consequences that are virtually immeasurable'.⁵⁷ The thesis examines how, in spite of these imperial financial links, Rhodesia survived the effects of financial sanctions, trade embargoes, global recessions and the liberation war for fifteen years. It traces the imperial origins of the making of Rhodesia's monetary and banking system and explores the process through which the Colony established its own post-sterling financial policy and exchange controls to sustain its rebellion economy.

Methodology

The thesis contributes to the field of African Economic History where there is a global resurgence in interest.⁵⁸ Although conversant with economic history methodologies that resulted in the 'new economic history of Africa' or 'new institutional economics/history'

⁵⁶ See especially J. Kirshner, *Currency and Coercion: The Political Economy of International Monetary Power* (New Jersey: Princeton University Press, 1995); M. Flandreau and F. Zimmer, *The Making of Global Finance, 1880-1913* (Paris: Development Centre of the Organisation for Economic Co-operation and Development, 2004); B.J. Cohen, *The Geography of Money* (New York: Cornell University Press, 1998).

⁵⁷ Kirshner, *Currency and Coercion*, p. 167.

⁵⁸ G. Austin and S. Broadberry, 'Introduction: The renaissance in African Economic History', *The Economic History Review*, 67:4 (2014), pp. 893-906. In fact, this was an introduction dedicated to a special issue under the theme of a renaissance in African Economic History; See also, Austin, "The reversal of Fortunes" Thesis'.

spurred by Acemoglu, Johnson and Robinson, Nunn and Easterly and Levine among others⁵⁹, it does so by using qualitative research techniques discussed below. The thesis uses a country case study focusing on a specific historical moment from the angle of comparative economic history. It utilises a perspective suggested by Gardner and Fourie of the 'internationalisation of economic history' as it consults both imperial and colonial archives to provide broader perspectives with regard to Rhodesia's financial experiences from 1962 to 1979.⁶⁰

The study utilises qualitative research methods that involve documents analysis, the use of archival material such as correspondence, annual reports, commission reports, newspapers, periodicals, budget speeches, parliamentary debates, Cabinet reports and minutes of meeting as well as Cabinet memorandums and proceedings. Also, correspondence between, among others, Britain and Rhodesia, South Africa and Rhodesia and Portugal and Rhodesia, Commission reports and international conference and UN reports were used. The research was conducted at six international archives: the National Archives of Zimbabwe in Harare; the Standard Bank Archives in Johannesburg; the National Archives of South Africa in Pretoria; the Cory Library at Rhodes University in Grahamstown; the Bank of England archives in London and documents formerly housed in Rhodes House library which have now been moved to the Weston library at the University of Oxford. These archives provided material of a different form and character, but when triangulated, helped towards a first substantive reconstruction of Rhodesia's financial history.

Rhodesia's post-Federal dissolution financial system was a product of its preparations for UDI. The Bank of England provided crucial material on British historical links and influence on Rhodesia. This thesis is the first academic study on Zimbabwean history to make an extensive use of Bank of England archives. The archives contain numerous files on British colonial financial policy on Rhodesia from 1890 to the early 1980s. They tell a story of how

⁵⁹ D. Acemoglu, S. Johnson and J.A Robinson, 'Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution', *Quarterly Journal of Economics*, 117:4 (2002), pp. 1231-1294; Acemoglu, Johnson and Robinson, 'The Colonial Origins of Comparative Developments: An Empirical Study', *American Economic Review*, 91:5 (2001), pp. 1369-1401; N. Nunn, 'Historical Legacies: A Model Linking Africa's Past to its Present Underdevelopment', *Journal of Development Economics*, 83 (2007), pp. 157-175; W. Easterly and R. Levine, 'Africa's Growth Tragedy: Policies and Ethnic Divisions', *Quarterly Journal of Economics*, 112 (1997), pp. 1202-1250.

⁶⁰ L. Gardner and J. Fourie, 'The Internationalization of Economic History: A Puzzle', *Economic History of Developing Regions*, 29:1 (2014), pp. 1-14.

British sterling became the mother and prime controller of Rhodesia's colonial financial fortunes to 1964. Following the dissolution of the federation, especially as it became clear that Southern Rhodesia was headed for a rebellion, London made contingency arrangements in case of this. The files trace the plans made at the Bank of England in consultation with the Treasury and the Foreign and Commonwealth Office (FCO) to impose financial sanctions as a method of reversing its UDI. After 1965, the files show how the British government imposed exchange controls and trade embargoes as well as deployed imperial authority to suspend the colonial government and its Rhodesian Board of the Reserve Bank, replacing it with a London Board to manage frozen Rhodesian funds. The actions of the Bank of England, Treasury and the FCO were crucial in the unravelling Rhodesian crisis and were viewed in Rhodesia as constituting an economic war. Used with information from the Smith Papers, they help reconstruct a more complete story of the financial experiences of UDI Rhodesia.

The National Archives of Zimbabwe provided material related to the Ministry of Finance operations. From reports and correspondence, one could sketch a trajectory of Ministerial and Reserve Bank of Rhodesia operations in response to changing historical circumstances. This material was crucial as no other archives could provide this dimension. However, as informative as the material was, much of it became much less available especially for the period in the 1970s. The explanation for this could be that much of the material was destroyed by the Smith regime on the eve of independence as it possibly held incriminating evidence on sanctions busting and other things. Some of the other material was actually removed, particularly Cabinet proceedings, and deposited at Rhodes University in Grahamstown.

The 'Smith Papers' consists of some nineteen boxes containing several files. The material comprises all Cabinet proceedings of the RF government from its assumption of power between 1962 and 1979. Unfortunately, there is not much material on the Reserve Bank of Rhodesia. The Reserve Bank documents from this period are exceedingly difficult to get, if at all accessible. However, part of the Reserve Bank's story is re-constructed through the use of the Cabinet documents throughout the thesis. Cabinet proceedings include MECC memorandums, reports and correspondence. The MECC, which was chaired by the Ministry of Finance, presided over the financial coordination of the Rhodesian economy. The papers

reveal that although the Reserve Bank facilitated certain monetary policies, the major decisions on financial issues rested with the Minister of Finance in consultation with other key member ministries. As such, the MECC features more prominently than the Reserve Bank in the discussion that follows. Moreover, the financial policies and coordination efforts of the MECC, the discussions, correspondence, memorandum and reports produced show the effects of financial policies on selected ministries and by extension, the private sector and the Rhodesian public. The Smith Papers were crucial in reconstructing Rhodesia's financial experiences.

The information from the above archives was complemented by research in other archives where important information was researched but did not produce as much of the volume of information as collected elsewhere. The information collected from Rhodes House, which was recently moved to Weston library, provided extra useful material. Much of it was in the form of government publications such as Economic Surveys and Ministerial and Reserve Bank annual reports. These are not indicated in terms of their library call numbers but just as publications. Rhodes House was useful in the sense that much of this published material was organised and collected into one library, filed in terms of the series of years in which they were released.

The Standard Bank archives provided crucial information in the pre-1962 period, mostly used in chapter two, the background chapter. The bank was an important institution which influenced, through its expatriate links, monetary policy in issues such as lending and money supply in Southern Rhodesia before and after the formation of the Southern Rhodesia Currency Board but prior to the establishment of the Reserve Bank of Rhodesia in 1956. The Central Archival Repository of South Africa in Pretoria provided a useful regional perspective to the making of the Rhodesian crisis and especially South Africa and Portugal's role in it. Given that South Africa, as did Portugal, provided an alternative financial and economic outlet to Rhodesia when it was expelled from the sterling area following UDI in 1965, this perspective is crucial. Pretoria not only corresponded with Rhodesia on certain financial aspects, but also formulated its Rhodesia policy from closely following and discussing global dialogue and resolutions on Rhodesia especially at the UN.

Using information gleaned from all these archives, this thesis is the first in depth contribution to Zimbabwe's UDI financial history. In terms of broader economic history

research, it is the first to use Bank of England files, Standard Bank archives and among a handful to have utilized the Smith Papers as well as the National Archives of South Africa material. The story emerging, especially when looked at from this regional and international comparative perspective demonstrates how Rhodesia's experiences were not a product of its own making, but were also influenced and informed by many external factors which this thesis directly examines. It is hoped that the issues examined here can help spur more discussions on financial history.

Chapter Outline

The thesis is divided into eight chapters. Following the Introduction, the second chapter outlines the establishment of the colonial monetary system under the auspices of the sterling link, but especially takes the application of the empire wide Exchange Control Act (1947) as its main point of departure. It traces the history and implications of pooling Rhodesia's financial arrangements with those of Britain and other sterling area countries until 1962, on the eve of the election of the RF government which would usher in conservative economic policies and planning as part of preparation for a UDI. Sketching the imposition of sterling and imperial control provides an important background that sets the scene for the reconstruction of Rhodesia's financial system in the post-Federal period to 1965. It also dissects the growth of an internally racialised state, financial and economic structure that ultimately shaped the dimensions of the Federation dissolution debates.

The third charts the course of independence negotiations between Britain and Southern Rhodesia from 1962 to 1965. The year 1962 coincided with shifting political thinking from what the right wing RF regarded as the liberalism of the United Federal Party (UFP), defeating them in the elections of December 1962. The radicalising political landscape occurred on the eve of the dissolution of federal financial arrangements. Federal liquidation involved the territorial allocation of assets and liabilities such as buildings, equipment, machinery, personnel and loan advances towards for such projects as the construction of Kariba Dam. The chapter also examines the construction of post-Federal as well as post-sterling financial institutions and their regulation. The establishment of the Reserve Bank of Rhodesia and the passing of territorial Exchange Control regulations in 1964 were of particular importance. To support its new financial and exchange control system, Rhodesia not only created crucial political and economic alliances with South Africa and Portugal in

1964, but also entered into a series of trade agreements with many other countries. This helped prepare the delinquent Colony for post-sterling monetary arrangements which contributed to its survival against the vagaries of the international financial system and UN sanctions. Britain-Rhodesia negotiations from 1962 to 1965 stretched the tensions between the imperial authority and its colony especially as they were informed by conflicting power struggles manifested through the use of financial links as tools of coercion and resistance.

The fourth chapter looks at the British exchange control measures against Rhodesia from November 1965 to December 1966, before the failed Anglo-Rhodesian HMS *Tiger* settlement negotiations. In trying to reverse UDI and force Rhodesia's return to legality, sanctions were imposed gradually, mainly starting with British financial restrictions and economic embargoes. Although tracing aspirations and the process through which London applied these measures, the chapter also examines the Rhodesian response. It interrogates the extent to which these sanctions were effective, but crucially also, how they stimulated the modification of the country's financial system in the immediate aftermath of the breakout of the British-Rhodesia economic conflict. Specifically, the chapter examines the consolidation of legal and institutional instruments framing new financial arrangements under UDI, and how this was incessantly reviewed through the creation of the MECC in the Prime Minister's office for purposes of mainstream ministerial consultation. In response to Britain's stopping the export of currency notes from London, freezing the Colony's international financial reserves and excluding it from both sterling scheduled territories and commonwealth preferences, Salisbury responded by, among other actions, freezing British funds held in Rhodesia thus creating excess liquidity which would finance development and diversifying its production and trade.

The fifth chapter covers the period from the imposition of financial and economic selective mandatory sanctions from December 1966 to March 1970. It looks at, among other issues, the failed settlement talks aboard the HMS *Fearless* and the consequent imposition of comprehensive mandatory sanctions by the UN in May 1968. With Rhodesia successfully survived sanction because of its financial policies, its government builds up confidence to declare Rhodesia a republic in March 1970. Although Rhodesia had hoped that its illegal independence would ultimately be recognised as a *fait accompli*, this never materialized hence influencing the Rhodesian state to declare a republic as a form of expressing full

autonomy and severing any last remaining links with the British crown. A number of developments influencing the course of events are covered. First, the state began the process of decimalizing its currency in 1967 and this was completed in 1970. Secondly, although the Bank of England had frustrated its import of notes from Germany in 1966, the Rhodesian government acquired a printing press from Germany and started printing their own money. Moreover, even as exchange control measures were designed to embargo certain products and restrict trade and the flow of finance, Rhodesia diversified its production portfolio and markets successfully to the effect that it survived sanctions. With a functional financial and closely coordinated economic system, the rebellious Colony confidently declared itself a republic in 1970.

Chapter six examines the turning fortunes of Rhodesia in the 1970s. These were marked by a shift from financial stability and economic growth in the wake of international pressures such as the collapse of the Bretton Woods system in 1971, the rejection of the British-Rhodesia Agreement in 1971 by Africans and the resumption but also escalation of the liberation war in 1972, the 1973 oil price hike and the impact of the 1974 coup in Portugal and independence of Mozambique in 1975. Occurring within the context the South Africa-Zambia *détente* settlement arrangements for Rhodesia and the intensifying Cold War, the above developments all contributed towards the changing diplomatic attitudes towards Rhodesia. This led to the intensification of pressure on the rebellious Colony. As the economic situation worsened, Rhodesia's financial sector changed from circumstances of benefiting from excess liquidity to managing a worsening liquidity crunch. Consequently, there was increasing agitation from the business community over tight exchange controls that were reaching diminishing returns and caused many frustrations. This was worsened by budgetary constraints and austerity measures in spite of the demand for increased subsidies, especially for tobacco farmers. Security spending began to escalate as the second and bloodier phase of the second *chimurenga* gathered momentum. The chapter runs to 1975, analysing how the sum of these developments affected Rhodesia's financial and exchange control arrangements especially as the Colony lost its key allies.

The seventh chapter traces how the guerrilla war and the consequent defence expenditure escalated as Rhodesia became increasingly isolated from 1976 to 1979. This occurred amid failed settlement negotiations under the auspices of the Anglo-American plan and the

internal settlements. Foreign currency reserves diminished with a negative trade balance. Consequent discoordination of financial and exchange control by the MECC affected the stability of the economy. Also, the impact of war budgeting on recurrent expenditure and public and private investment weakened Rhodesia's capacity to continue financing its rebellion leading to the Lancaster House settlement and a return to legality in December 1979, pending democratic elections in 1980.

The concluding chapter evaluates the extent to which the crucial research questions have been addressed. It reflects on the arguments while assessing what the Rhodesian historical account of financial and exchange control contributes to the knowledge of monetary issues in Africa. Although a pioneering study on the origins and developments of financial transitions from colonial to postcolonial state in Zimbabwe, the thesis makes important regional and international connections. On the basis of its findings, it comments on, and locates Rhodesian financial history within the discourse of, first, the resurgence of economic history as a discipline. Secondly, the account will be important in contextualizing, not just Rhodesia, but generally late colonial Africa's position in global financial and exchange systems as a way of making sense of the legacy of colonial monetary developments and their antecedents.

Chapter Two

From Accommodation to challenge: Sterling Imperialism, Settler Colonialism and Southern Rhodesian Financial Arrangements, 1890-1962

Introduction

The chapter outlines Southern Rhodesia's financial history from colonisation in 1890 to the rise to power of the Rhodesian Front (RF) Party in 1962. It provides the context in which the Colony was integrated into the British sterling area. Although most historiography on British monetary experiences in this period aptly demonstrates how Empire utilised established imperial-colonial links, scholars generally use a one size fits all approach, paying little attention to local colonial developments.¹ This chapter begins by discussing the establishment of Southern Rhodesia's financial system in the pre-Second World War period. The development of a local exchange standard emerged in 1891 with nascent fiscal institutions enduring teething problems, high costs of establishing and borrowing in a financial system controlled by London. By 1945, the colonial economy had developed and diversified to the extent that colonial legislators began agitating for a local independent Central Bank to govern the burgeoning financial sector.

The post-Second World War period, coinciding with British decolonisation in India and South-East Asia, led the Empire to consolidate its African colonies. London wanted to use these colonies to earn US Dollars to service wartime debts. These events led to the rise of African nationalism but, it was only from the 1950s that sub-Saharan African countries began to gain their independence. Although this is well covered in the literature, what is less clear are the financial considerations that influenced these developments. The chapter will show their importance in the 'second colonial occupation'² after 1945 as well as the question of independence in the 1960s. Britain initially financially consolidated its colonies through the Exchange Control Act (1947) and Federations such as that of the two Rhodesias

¹ These scholars include, among others, G. Krozewski, *Money and the End of Empire: British International Economic Policy and the Colonies, 1947-1948* (Hampshire: Palgrave, 2001); C. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945-1992* (Cambridge: Cambridge University Press, 2010); P. J. Cain and A. G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914-1990* (London: Longman, 1993).

² The term was first coined by D.A. Low and J. Lonsdale, 'Introduction', Low and A. Smith (eds.), *The Oxford History of East Africa* (Oxford: Oxford University Press, 1976), pp. 1-64.

and Nyasaland (1953-1963) to rebuild pre-war imperial metropolitan status. Salisbury was an important part of this project. However, as London abandoned this strategy and began the process of African decolonisation, Southern Rhodesia's RF government exploited Britain's imperial retreat to demand independence by minority rule from 1962 before ultimately seizing it in 1965.

What follows is divided into three sections. The first sketches the establishment of Southern Rhodesia's financial system as part of Britain's sterling network from colonisation to 1945. Section two examines the rise and fall of post-Second World War Britain's discriminatory sterling area into which African colonies, including Southern Rhodesia, were integrated. It also looks at the creation of the Federation of Rhodesia and Nyasaland (hereafter Federation) and latterly, its establishment of the Reserve Bank of Rhodesia and Nyasaland in the context of financial dependence. The final section illustrates how the decline of Federation from 1958 onwards in the context of rising nationalism resulted in the shift towards white right wing politics in Southern Rhodesia. The intensification of right wing politics from the mid-1950s challenged the relatively liberal Garfield Todd led United Rhodesia Party (URP) and the Edgar Whitehead premired United Federal Party (UFP) governments from 1953-1962, altering imperial-colonial relations as the chapter will explore.

Establishment and Operation of Southern Rhodesia's Financial System, 1890-1945

In search of gold, or the famed 'Second Rand', the pioneer column financed by the Cecil John Rhodes' British South Africa Company (BSAC) brought with it a new monetary concept in what became the British colony of Southern Rhodesia.³ Immediately after occupation, S. Hyman set up the Colony's first stock broking firm in 1891 to act as an intermediary for settlers who wanted to buy shares on the London and Johannesburg Stock exchanges. However, the stockbroking firms had collapsed by 1902 in response to the burst of the

³ Initially known as South Zambezia, the name Southern Rhodesia was designated in 1898. For an in-depth discussion on early capitalist development, see I. Phimister, 'Zimbabwe: The Path of Capitalist Development', D. Birmingham and P. Martin (eds.), *History of Central Africa* (London: Longman, 1983), p. 251; See also Phimister, 'Rhodes, Rhodesia and the Rand', *Journal of Southern African Studies*, 1:1 (1974), pp. 74-90.

speculative bubble created by the BSAC.⁴ Southern Rhodesian settlers had to depend on agents to buy and sell shares for them on the London and Johannesburg stock exchanges. The monetary standard issued by the first banks in the Colony was Cape and British currency.⁵ The Standard was the first bank to be set up in 1892. It was followed by the African Banking Corporation in 1893 and the Bank of Africa in 1895, which were ultimately bought by the Barclays Bank Dominion, Colonial and Overseas (DCO) in 1912.⁶ The BSAC also set up a Post Office Savings Bank in 1905 and the Land Bank in 1912.⁷ However, Southern Rhodesia was not allowed to have any monetary governing body by London.

At its establishment, the Colony's white pioneer community faced a serious shortage of specie. Although this was alleviated by the issuing of stamped coupons, such as the Marshal Hole notes issued in 1896 and redeemed in 1900 or the latter Falcon and Globe and Phoenix mines' notes issued in 1914, this did little to resolve the problems.⁸ Efforts to alleviate financial teething problems always proved insufficient in the rough and ready environment of early colonial society.⁹ The first major effort to establish a locally managed financial framework was made by an economist called W. Fosciety. He suggested to Rhodes in 1896 that a State and Public Bank be established to regulate the Colony's financial arrangements.¹⁰ Advocating for financial autonomy as a solution to the Colony's problems, Fosciety stated that 'such an institution [w]ould be conducted to ensure safety to the public and profit to the chartered company, as well as providing a favourable investment for

⁴ G.H. Karekwaivenane, 'A History of the Rhodesia Stock Exchange, 1946-52: The Formative Years', *Zambezia*, xxx:i (2003), p. 15-16.

⁵ National Archives of Zimbabwe (Hereafter NAZ) D3/9/1, The Currency Media of Rhodesia: from the Time of the Charter to the federation.

⁶ T.W. Baxter, *Guide to the Public Archives of Rhodesia, 1890-1923* (Salisbury: National Archives of Rhodesia, 1969), p. 4.

⁷ *Ibid.*

⁸ Marshal Hole issued the notes in his capacity as the Civil Commissioner of Bulawayo. See *The Rhodesian Herald*, 9 August, 1900; See also NAZ D3/9/1, The Currency Media of Rhodesia: From the time of the Charter to the Federation; The stamped coupons issued by the mines were only allowed because of severe silver shortages as well as the government's slow pace in resolving the problems, NAZ, T2/29/39/1-2, Report on Facilities for Obtaining Silver for Native Trade Purposes, October 1914.

⁹ The challenges associated with cash shortages and other problems associated with the establishment of the early monetary system in Rhodesia are well documented through recollections of early settlers which were collected before 1914. They are contained in NAZ, T2/29/24-27, 'Reminiscences on operations of the Standard Bank. These were prepared for but not used in the publication of G.I. Amphlet, *History of the Standard Bank of South Africa: 1862-1913* (Glasgow: Robert Maclehose and Co Ltd, 1914). See also H.M. Hole, *Old Rhodesian Days* (London: Frank Cass and Co, 1928).

¹⁰ NAZ, T2/1/1, Letter to C.J. Rhodes, from W. Fosciety, 24 August 1896.

capitalists'.¹¹ The issue of the State and Public Bank was among the first Ordinances to be considered at the opening of the first ever Legislative Council meetings in 1899.¹² Although independent of London, the State Bank was to be modelled on the Bank of England. It would be divided into two separate departments, 'the one confined to the issue, circulation and payment of notes, and the other the ordinary business of deposit and discount'. Based on gold mined locally, the BSAC would issue a strictly convertible currency.¹³ Although this seemed far sighted in 1899 for a colony with virtually no infra-structure and its government officials speculating on the London stock exchange, Rhodes considered Fosciety's request.

After some alterations, the Ordinance to Regulate Banking and Note Issue included clauses of the Cape Bank Act (1891).¹⁴ However, 'the exercise of responsibility over currency management was always subject to the reserved power of the home government'.¹⁵ Asking for a greater level of financial autonomy, London initially suggested some changes to the Ordinance but eventually rejected it in 1907, retaining complete authority over the Colony's financial arrangements.¹⁶ This policy was applied to the rest of the British colonies. Lord Egerton, the Governor of Southern Nigeria made a similar request that he be granted 'authority to manage currency issues of notes for British West African Dependencies'.¹⁷ The Barber commission set up to look into this recommended that it was premature to facilitate such an arrangement for the region. But when the question of the creation of a currency for Nigeria was raised again, this led to the creation of the West African Currency Board in 1912.¹⁸ Southern Rhodesia had only been assented to manage internal state finances when the departments of the Chief Accountant, Audit, Posts, Telegraphs, Mail and Customs were

¹¹ *Ibid.*

¹² Opening Speech the Administrator of Southern Rhodesia W.H. Milton, *Southern Rhodesia Legislative Council Debates*, 15 May 1899.

¹³ *Ibid.*

¹⁴ Correspondence leading to the alterations contained in NAZ, A11-2/15/1-2, 'Ordinance to Regulate Banking and Note Issue'.

¹⁵ W.F. Crick, 'The Framework of Inter-Relations', W.F. Crick (ed.), *Commonwealth Banking Systems* (Oxford: Clarendon Press, 1965), p. 47.

¹⁶ NAZ, A11-2/15/1-2, Letter to L. Mitchell, Administrator of Southern Rhodesia, from Sir William, London Office, 7 January 1907.

¹⁷ T.M. Carland, 'The Colonial Office and the First West African Note Issue', *The International Journal of African Historical Studies*, 23:3 (1990), p. 496.

¹⁸ *Ibid.*

absorbed into what became the Treasury division.¹⁹ But beyond this, Southern Rhodesia operated without its own currency or even a board to manage issues until the 1930s.

The early request for a State and Public Bank, although premature, reveals that colonial development was strictly circumscribed by imperial interests. Although the experiences with cash shortages and other financial challenges continued until the passing of the Coinage and Currency Act (1932), economic developments in the Colony were dependent on imperial interests. Mining and agricultural development was determined by imperial markets. Finance approved through the expatriate commercial banks for agricultural and mining ventures was usually offered based on what was to be produced, thereby regulating economic intercourse. London, at the helm of the international financial system, used its control of sterling to direct financial policy and trade. As Hopkins notes,

...the interests of leading Western nations lay in ensuring that the currencies of countries engaged in international trade were soundly based, readily convertible, and otherwise compatible with the working of the gold standard so that world commerce could be conducted and expanded with smooth efficiency.²⁰

The ultimate beneficiary of Southern Rhodesia's colonisation was London. However white settler producers in Southern Rhodesia were accommodated in the imperial project. They used 'primary'/'primitive' accumulation or non-market mechanisms to access cheap waged or forced African labour to derive profit from production in mining and agriculture.²¹ Although accommodated, the settler community was never satisfied with the extent of imperial influence in the colonial economy.

The flipside of settler economic development was African exploitation and underdevelopment. In other words, settler colonialism was not just about imperial benefit, but

...is in many ways a story of how a small immigrant white minority arrogated to themselves the right to determine the pace and direction of the nation's

¹⁹ Baxter, *Guide to Public Archives*, p. 2.

²⁰ A. G Hopkins, 'The Creation of Colonial Monetary System: the Origins of the West Africa Currency Board', *African Historical Studies*, 3 (1970), p. 101.

²¹ G. Arrighi, 'Labour Supplies in a Historical Perspective: A Study of the Proletarianization of the African Peasantry in Rhodesia', *Journal of Development Studies*, 6:3 (1970), p. 222.

development at the expense of the majority and how the African majority struggled to ascertain their rights.²²

It was this position of privilege that the settler population was eager to preserve and consolidate. Given the enduring shortage of specie and challenges of raising capital through expatriate commercial banks for the settler community, the end of chartered rule and the coming of Responsible Government resuscitated questions of internal financial control. The colonial status of Southern Rhodesia brought increased autonomy for the operation of settler colonialism hence the rise of such demands. Although issues of currency control loomed large in the discussions over the 1923 constitution, metropolitan interests prevailed over colonial considerations. The safeguards that hedged metropolitan interests included clauses that precluded the Colony's Legislative Assembly from passing laws with regard to Africans, the railways, mining revenue and special taxation on minerals, extra territorial matters as well as measures affecting currency and the imposition of differential duties.²³

The colonial state was forced to accommodate metropolitan imperialism to the extent of compromising even some of the problems it encountered locally, including in areas of finance. Only partially resolved by the Bank Notes Ordinance of 1922 which allowed local branches of the Barclays and Standard Banks to issue a limited amount of bank notes, the problems in the financial sector persisted.²⁴ Raising commercial capital, for example, for farmers, whose only alternative was the persistently undercapitalised Land Bank, proved problematic. Coinage shortages were somewhat eased when the Colony was given assent for the Southern Rhodesia Coinage and Currency Act (1932). Southern Rhodesia's notes would then be printed by the Bradbury and Wilkinson Company in London and regulated and shipped by the Bank of England.²⁵ The Southern Rhodesia Currency Board (SRCB) was ultimately established in 1938 to issue London printed notes and South African minted coins on behalf of the Bank of England for a one percent commission. The Board was also required

²² A.S. Mlambo, *White Immigration into Rhodesia: From Occupation to Federation* (Harare: UZ Publications, 2002), p. 3.

²³ Phimister, 'Accommodating Imperialism', p. 281.

²⁴ NAZ, S1671/4337/5622, Letter to the Administrator of the Chamber of Mines from Secretary to the Treasury, 27 November 1932.

²⁵ NAZ, S1671/4337/5622, Letter to Fyn, Southern Rhodesia Treasury Division, from Deputy Master of the Royal Mint, 12 March 1932.

to issue currency on behalf of the colonies of Northern Rhodesia and Nyasaland.²⁶ However, given that commercial banks were expatriate and not regulated by any monetary authorities, raising capital remained problematic for Southern Rhodesia's settler community.

The Treasury division and the SRCB were also agitated by its failure to control the movement of currency by migrant labourers into neighbouring colonies of Northern Rhodesia and Nyasaland.²⁷ This made it difficult to control specie, account for the monetary stock and shortages of coins persisted, albeit to a limited extent compared to the period before 1938. The Southern Rhodesian government was also frustrated by its failure to determine the extent of capital formation. The Prime Minister of Southern Rhodesia elected in 1933, Godfrey Huggins resuscitated the question of a State Bank which had been suspended since 1907. He suggested that the Colony had to

...strain a nerve... for the prosperity and general welfare of [the] colony...[s]o... we have to look for means of cheapening our costs of production before all else, and I submit that the only way we can get cheaper money is for government to start a national bank.²⁸

Huggins complained in the context of the depression in the 1930s, that expatriate banks where acting as 'more or less a kind of garage for money rather than fulfilling their proper function which is to turn the wheels of industry'.²⁹ Even those businesses with greater access to capital in the Colony tended to be local subsidiaries of multi-national companies such as Anglo American. Karekwaivenane observes that the 'fact that foreign companies came and listed... meant that locally generated savings were used to invest in expatriate firms and no new capital was brought into the country'.³⁰ As such, capital gains accrued to foreign beneficiaries. Central Bank regulations could have prescribed and monitored the movement of capital, but only the creation of the SRCB was assented as the financial autonomy demanded by Southern Rhodesia was deemed to be against metropolitan interests.

²⁶ NAZ, S3292/11/3/4/1, Currency Board Correspondence, 1935-1945, 'Notes on the Meeting on the subject of Proposed Currency Agreement between the governments of Southern Rhodesia, Northern Rhodesia and Nyasaland', 15-22 December 1939.

²⁷ NAZ, S1671/4337/5889, Letter from Fyn to Secretary to the High Commissioner in London, 27 August 1938.

²⁸ Southern Rhodesia Legislative Assembly Debates, 1933, c.447.

²⁹ Ibid, c. 448.

³⁰ Karekwaivenane, 'A History of the Stock Exchange', p. 33.

The demand for financial autonomy was largely disrupted by the outbreak of the Second World War from 1939 to 1945. By then, Southern Rhodesia had not only been generally 'linked through systematic primary product export to the wider international economy'³¹, but also to serve the early colonial settler economy and its trade with Britain. By the 1940s, the colonial monetary system had displaced indigenous exchange traditions, subjecting Africans to the interests of settler colonial capitalism and more broadly, imperial capital and the British economic system. Settler colonialism's main problem was the extent to which it was forced to accommodate metropolitan interests which determined the pace and direction of development to some degree. Having conceded much and gained less, successive colonial governments in Southern Rhodesia pursued dominion and financial autonomy as a path towards full self-government especially in the post-Second World War period.

Sterling Recovery: The British Discriminatory Sterling Network and the Politics of Southern Rhodesia's Financial Economy, 1945-1958

Two world wars and a depression led to the collapse of the classical gold standard and also drained British financial resources, triggering the decline of sterling. Aided by the Anglo-American agreement of 6 December 1945, the United States dollar rose to the pinnacle of the international financial system, also known as the reformed gold standard.³² What follows is a discussion of how this was an important backdrop to the shifting global financial balance of power and its impact on the monetary relationship between Britain and Southern Rhodesia.

Southern Rhodesia faced many political and economic changes in the post-Second World War period, partially in response to settler interests as well as imperial post-war

³¹ D. G. Clarke, *Foreign Companies and International Investment in Zimbabwe* (Gweru: Mambo Press, 1980), p. 15.

³² Following the collapse of the sterling classical gold standard system of based fixed exchange rates, the Bretton Woods agreement, although arguably a de facto fixed exchange rate system, was designed as an adjustable peg combining fixed exchange rate stability with the advantages of a limited degree of floating to allow states to pursue independent 'full employment policies'. The adjustable peg would only be utilised in cases of fundamental exchange disequilibrium. The Bretton Woods system survived was used for years, being introduced on 18 December 1946 to 15 August 1971 when USA President Richard Nixon announced its abandonment. See M. Bordo, 'The Bretton Woods International Monetary System: A Historical Overview', in Bordo and B. Eichengreen (eds), *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform* (Chicago: Chicago University Press, 1993), p 3 and p. 5; C. Schenk, *The Decline of Sterling*, p. 52.

reconstruction efforts. The Empire's need to maximise US dollar earnings from its African possessions led Britain to implement what was known as the second colonial occupation. Despite efforts to resuscitate pre-war imperial dominance, 'the days of colonial empire were numbered'³³, as Britain had 'emerged from the war victorious but bankrupt'.³⁴ With the retreat of British imperialism, successive Southern Rhodesian governments increasingly consolidated the vision of becoming an independent state through, in part, laying the foundations for an autonomous financial system. British policies such as the Exchange Control Act (1947) discussed below, was made without due consideration of colonial conditions.

The Customs Agreement that came into force between Salisbury and Pretoria in 1948 was complicated by elements of economic protectionisms, some of which emerged from London's exchange control restrictions.³⁵ Although Phimister discusses how the agreement was convoluted by considerations of Industrialisation and protectionism on both sides until 1954, it is suggested here that a further dimension can be added, that is, imperial restrictions to colonial trade. From being 'the world's principal currency of international transactions'³⁶ prior to the Second World War, Britain's 'economic resources were stretched beyond their limit' after 1945.³⁷ The impact of the Second World War, with its considerable human and capital losses, produced a significant financial change point in which the decline of the sterling world system delivered a new global monetary order at Bretton Woods.

As agreed in the Anglo-American Loan Agreement (1946), sterling became convertible to all currencies on 15 July 1947.³⁸ The ascendancy of the US dollar, particularly under Bretton Woods and the loan agreement, assisting Britain to settle war time debt, or as they were called-sterling balances, specified economic liberalization and multi-lateral financial

³³ J. Darwin, *Britain and Decolonisation: The Retreat from Empire in the Post War World* (London: MacMillan Press, 1988), p. 126.

³⁴ Schenk, *The Decline of Sterling*, p. 37.

³⁵ Phimister, 'Secondary Industrialisation in Southern Rhodesia'.

³⁶ Krozewski, *Money and the End of Empire*, p. 16.

³⁷ Darwin, *Britain and Decolonisation*, p. 69.

³⁸ This was in exchange for a loan given at 2 percent per-annum under which the Americans and Canadians provided US\$3.75 billion (US\$57 Billion in 2014 values) and US\$1.19 billion (US\$16 billion in 2014) respectively. In spite of being denounced in the British house of Lords who instead expected a gift or grant for their contribution to the war, The USA and Canada viewed it as 'a very favorable loan'. It was only settled on 29 December, 2006, six years in default of the agreement. See Schenk, *The Decline of Sterling*, p. 60.

arrangements.³⁹ It was within this context of decolonisation and retreating sterling that Southern Rhodesia tried to transform itself into a financially independent territory, developing all the embellishments of a modern state complete with its own monetary arrangements and financial system. However, this was halted by the fact that an ill-fated fourth British empire emerged through the consolidation of a discriminatory sterling system to prop its currency's waning international influence.⁴⁰ This entailed the consolidation of, rather than withdrawal from African colonies and, despite its internal political autonomy, Southern Rhodesia became a crucial part of this policy.

The discriminatory sterling area, created in response to a convertibility crisis triggered by the immediate effects of Bretton Woods and the Loan Agreement are viewed as a short-lived and temporarily successful mechanism to bolster the international influence of the British currency, and ultimately, its managed retreat.⁴¹ This was done through the joint efforts of the Bank of England, the Treasury and the Dominions and Colonial Office. Setting-up the new sterling arrangements required 'that colonial territories understood and appreciated the principles and practice of exchange control in the United Kingdom, with particular reference to the Exchange Control Act, 1947', especially in the backdrop of 'the economic crisis and the plans for meeting it, and to emphasize the need for dollar (and sterling) economy.'⁴² Thus, '[i]t was important in this connection that the orthodox British monetary and marketing arrangements were preserved, since this meant that exchange surplus would automatically accumulate as sterling balances'.⁴³ As Krowzewski highlights, 'British policy was mainly concerned with import control, the boosting of exports and the control of financial and currency arrangements'.⁴⁴

³⁹ E. C, 'Sterling in 1947: The Problem of Convertibility', *The World Today*, Vol. 47, No. 2 (1947), p. 63.

⁴⁰ Krowzewski, *Money and the End of Empire*, p. 61.

⁴¹ Krowzewski shows in *Ibid* p. 21 that 'Economic and currency matters remained the prerogative of British government departments until the formal move of individual territories to independence'. On p. 22, he argues that although the requirements of the discriminatory sterling area increased colonial governments' roles, this 'supported Britain's management of the sterling area because it minimized competing interests in trade', as a way of 're-establishing the pound as a world currency', p. 24; Shenck, on the other hand, contends that the primacy of sterling waned after 1952, when it ceased to be a reserve asset in the commonwealth. Although poorer members retained the link with sterling until the 1960s, but as colonies approached independence from the mid-1950s, 'the sterling held in their reserves became an element of Britain's management of the process of decolonisation, but never a primary driver': Schenk, *The Decline of Sterling*, p. 420.

⁴² BoE (OV) 44/79-397.19, 'Tour of African Territories, November 1947', Report submitted to the Bank of England Overseas Department by H.E Brooks December 1947.

⁴³ Krowzewski, *Money and the End of Empire*, p. 95.

⁴⁴ *Ibid*, p. 90.

Prior to the new exchange control regulations, Southern Rhodesia, like other British colonies operated on the basis of the Defence (Finance) Regulations (DFR) of 1939.⁴⁵ On this pretext, the authorities and institutions presiding over the new exchange control legislation had then to adapt it to specific territorial contexts. This was crucially aided by a tour undertaken by W.J. Jackson, an official of the foreign branch of the Bank of England, and H.E. Brooks, from the Treasury, to the colonies and also specifically to Southern Rhodesia. While all east African colonies were advised at a conference in Nairobi, and those of West Africa at a conference in Accra, Southern Rhodesia was consulted separately, demonstrating its importance in the British post-war recovery programme.⁴⁶ The consultations were necessary as 'it was felt in London that the colonies had been too long at the end of a limb, trying to work a control the nature of which they could not fully understand'.⁴⁷ In the ensuing sterling crisis of 1947 and 1952, 'the empire occupied a prominent position in Britain's external economic relations and fulfilled a pivotal role in the discriminatory management of the sterling area'.⁴⁸

Southern Rhodesia was briefed by Brooks that the setting up of the area aimed at achieving the restoration of 'the economic position of the UK'. The sterling empire's 'Facts of Life' related to the problem of reconversion in the wake of the 1947 convertibility crisis.⁴⁹ The loss of other major imperial and colonial territories and investments aggravated the decrease in 'invisible earnings' which had hitherto offset balance of payment deficits, hence the need to consolidate African colonies through exchange controls. Although the 'general plan' of recovery had 'details of the assistance available to us from the American Loan and Bretton Woods (and the strings attached)', the consultations emphasized the area's need for 'saving dollars' through 'import licensing in relation to exchange control'.⁵⁰ Export of

⁴⁵ BoE (OV) 44/79-397.19, Letter from H.E Brooks to M.E. Allen (official of the Dominions Office), 23 April, 1947.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Krozewski, *Money and the End of Empire*, p, 81.

⁴⁹ BoE (OV) 44/79-397.19, Letter from H.E Brooks to M.E. Allen (official of the Dominions Office), 23 April, 1947.

⁵⁰ BoE (OV) 44/79-397.19, 'Tour of African Territories, November 1947', Report submitted to the Bank of England Overseas Department by H.E Brooks December 1947.

currency notes and economic and trading activity were closely supervised and banks monitored. This controlled the rate of inflation which had the potential to harm sterling.⁵¹

In Southern Rhodesia, which desired increased political autonomy and with it a greater degree of discretionary monetary authority, exchange controls only enhanced further entrenchment to sterling. Because of Southern Rhodesia's Responsible Government status, the Colony was treated differently compared to other colonies. This explains why Jackson and Brooks made a separate visit to the country during their Bank of England sponsored colonial tours on exchange control, instead of grouping Southern Rhodesia with the colonies at conferences held in Nairobi or Accra.⁵² This unique treatment of Southern Rhodesia in British colonial relations impressed upon the Secretary to that colony's Treasury, A.H. Strachan, who reiterated to parliament the need to take the lead in following imperial exchange control instructions.⁵³ Indeed, Brooks believed that Southern Rhodesia would be exemplary in complying with Imperial instructions. He represented the thinking that 'colonial development and British recovery were the same'.⁵⁴ This rationale became increasingly disrupted by diverging imperial and settler economic interests in the case of Southern Rhodesia in the late 1950s. Where London desired the resuscitation of sterling's global role, Salisbury wanted the independence to deal even with non-scheduled territories. The Colony felt stifled by imperial control and wanted the opportunity to freely make its own financial and trading decisions.

Meanwhile, the 'native question' only became important to settler politicians in Southern and Northern Rhodesia only as far as it could be used to justify Federation. Whatever benefits that accrued to Africans were unintended. Brooks' tour led him to believe that the African was 'becoming more "truculent" and more "insistent on his rights" with the result that government "pampers him" to the detriment of the Europeans to whom the development and the progress of the country have been and are mainly due'.⁵⁵ In spite of nationalist 'grumbings, insignificant in themselves...but they do indicate that the natives...

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Krozewski, *Money and the End of Empire*, p. 94.

⁵⁵ BoE (OV) 44/79-397.19, 'Tour of African Territories, November 1947', Report submitted to the Bank of England Overseas Department by H.E Brooks December 1947.

are growing up politically'.⁵⁶ Although admitting that 'the native is now the fertile field for the labour agitator', Brooks undermined their importance arguing that, 'unfortunately the native does not appreciate or understand what a trade union is when he has joined one'.⁵⁷ Settler nationalist attitudes had prevailed when confronted with the 1945 and 1948 strikes in Southern Rhodesia.⁵⁸ As the 'native question' could, apparently, only be considered 'to the detriment of the Europeans', Godfrey Huggins' ruling United Party appeared to shift the vision of a Rhodesia governed by an island of white in a sea of black towards one of racial partnership to justify closer central African integration and accommodating rising commercial and industrial interests which sought a stabilised labour force in the urban areas. It was also in tune with a vision of eventually attaining dominion status.⁵⁹

Southern Rhodesia's economic growth soared as, '[i]ndustrial expansion during and after the Second World War was fueled by a combination of import-substitution, war needs and increasing domestic demand.'⁶⁰ It stimulated urban growth, increasing demand for construction of residential suburbs complete with the necessary municipal infrastructure, the commerce to serve the increased urban population, where blacks doubled to 200,000 by 1956 and whites increased from c. 80,000 in 1945 to c.125, 000 in 1956. The number of factories increased from '294 in 1939 to 473 in 1948, and over the same period their gross output grew from 5.4 million to 25.8 million. By 1947, manufacturing was second only to capitalist agriculture as a source of the Colony's income.'⁶¹ The state benefited from increased revenue.⁶² These developments transformed Southern Rhodesia into a state with all the trappings of a modern economic system, an urbanized proletariat and diversified industrialising economy.

Although exchange controls tied Southern Rhodesia to the British economic system, financial compliance did not necessarily translate to the political abandonment of the

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

⁵⁸ See for example, I. Phimister and B. Raftopoulos, "'Kana sora rikatswa ngaristwe": African Nationalists and Black Workers-The 1948 General Strike in Colonial Zimbabwe', *Journal of Historical Sociology*, 13:3 (2000), pp. 289-324.

⁵⁹ D.M. Rowe, *Manipulating the Market: Understanding Economic Sanctions, Institutional Change, and the Political Unity of White Rhodesia* (Michigan: The University of Michigan Press, 2001), p. 40.

⁶⁰ Mlambo, 'From the Second World War to UDI, 1940-1965', in Raftopoulos and Mlambo (eds), *Becoming Zimbabwe*, p. 76.

⁶¹ Mlambo (et.al), *Zimbabwe: A History of Manufacturing*, p. 31.

⁶² *Ibid.*, p. 32.

pursuit of full dominion status. Within Southern Rhodesia, the major problems threatening to reverse industrial progress produced by economic developments during the Second World War was indeed the convertibility crisis from August 1947, what the Southern Rhodesian Minister of Finance called the Dollar Crisis.⁶³ Working by imperial instruction, the colonial government introduced Exchange Control measures, 'on the general lines of the United Kingdom Exchange Control Act, suitably adjusted to local conditions'.⁶⁴ However, British exchange controls were not necessarily suited to Southern Rhodesia's local conditions. With the Colony intending to liberalise its trading options beyond the limits of sterling limitations, the metropole stifled its outlook by insisting on restrictive import controls within the sterling area and pooling dollar earnings in London, more for the benefit of the metropole and at the expense of the Colony.

Compliance was not so much because of what Dilley termed the Empire effect, namely 'an interrelated [imperial-colonial] political life' and 'assumptions about race, shared Britishness, and loyalty to the empire'.⁶⁵ Rather, it was because of the immediate problems presented by the 1947 drought, contracting fiscal performance as well as broader aspirations for greater freedom from Britain through the attainment of dominion status. While the import of capital and producer goods was favourable in the short term for rapid development, accounting for the value of such imports rising from 53 percent in 1945 to 58 percent in 1947 and set to increase to 60 percent in 1948 as a proportion of all imports, the 1947 drought had also necessitated '[a]bnormal imports of food', worsened by other non-essential imports. This had prompted a trade deficit of approximately £10 million as the balance of imports was worth £33,490,000 and exports were £23,649,000 in 1947.⁶⁶

Meanwhile, Huggins and Roy Welensky, the Prime Minister of Northern Rhodesia campaigned for greater political and economic integration of the two Rhodesias. A greater economic entity was viewed as a more convincing justification for creating a Central Bank which was seen as prerequisite for an independent economy. In pursuance of this, the two leaders formed the United Central African Association (UCAA) in 1948 as a form of regional

⁶³ The Minister of Finance Budget speech, *Southern Rhodesia Legislative Assembly Debates*, 18 May, 1948, c. 106.

⁶⁴ *Ibid*, p. 106.

⁶⁵ Dilley, *Finance, Politics and Empire*, p. 91.

⁶⁶ The Minister of Finance Budget speech, *Southern Rhodesia Legislative Assembly Debates*, 18 May, 1948, cc. 107-108.

political cooperation.⁶⁷ In Southern Rhodesia, Huggins proceeded to nationalise the railways, as they were critical to the country's development. Control of the railways gave the ability to the financial costs of transport and communication, essentially cushioning business from the profiteering of the previous owners, the BSAC. The Huggins administration raised £32 million on the London Stock Exchange, which was all but £2 million needed to cover the costs of nationalisation.⁶⁸

In spite of adopting British exchange control arrangements, Southern Rhodesia continued to pursue other forms of monetary autonomy. Krozewski notes that

[u]p to a point, Britain was able to shape colonial states, and colonial governments were running and controlling economic institutions with close considerations to the requirements of the British economy. However, colonial states were also subject to constraints from the diverse local socio-economic contexts which found their political expression by focusing on a given state framework.⁶⁹

Although Southern Rhodesia with its Responsible Government status complied with imperial instructions, it was constitutionally possible to retain some measure of control in determining trade relations with neighbouring trading partners such as South Africa.⁷⁰ Because of 'friendly relations' which stood 'together for furtherance, or defence of their common interests... the most important of which is that our two countries are outposts of European civilization',⁷¹ the two countries eventually crafted a Customs Agreement in 1948.⁷² Edgar Whitehead, the Southern Rhodesia Minister of Finance argued that

The stage has been reached in the development of the Colony at which we are no longer able to accept, without question, the monetary policy of the United Kingdom.

⁶⁷ Ibid, c. 57.

⁶⁸ Murphy, "'Government by Blackmail: The Origins of the Central African federation Reconsidered', p. 58.

⁶⁹ Krozewski, *Money and the End of Empire*, p. 87.

⁷⁰ See a more in depth analysis of Southern Rhodesia and Union of South Africa trade, especially focusing on the customs agreement of 1948 and its impact on the two countries' economies in I. Phimister, 'Secondary Industrialisation in Southern Africa: The 1948 Custom Agreement between Southern Rhodesia and South Africa', *Journal of Southern African Studies*, 17:3 (1991), pp. 430-442.

⁷¹ National Archives of South Africa, Pretoria (Hereafter NASA-P), Box BLM 51/4-52/8-4B13: BB131B132/27, Sub file No, 52/3 (1965 Southern Rhodesia: External trade, Extract of Speech by Eric Louw, Minister of Economic Affairs in visit to S. Rhodesia, 1952. A reading of the History of Southern Rhodesia and South African trade agreements shows however that the relations were not always cordial, also demarcated by power politics. South Africa tended to take advantage of Southern Rhodesia's weaker position, especially the 1930 trade agreement abandoned in 1931. See I. Phimister, *An Economic and Social History of Zimbabwe, 1890-1948: Capital Accumulation and Class Struggle* (London: Longman, 1987), p. 245; see also p. 248.

⁷² NASA-P, Box BLM 51/4-52/8-4B13: BB131B132/27, Sub file No, 52/3 (1965), Southern Rhodesia: External trade, Extract of Speech by Eric Louw, Minister of Economic Affairs in visit to S. Rhodesia, 1952; See also Phimister, *An economic and Social History of Zimbabwe*, p. 258.

If Dominion status is granted, we shall in an event require to have a Central Bank of our own and it is becoming more evident from day to day that the Colony must control its own monetary system. It is essential that the Colony should maintain the levels of the reserves which back our credit system...⁷³

The freedom to pursue independent monetary policy by Southern Rhodesia would have allowed it to derive maximum benefit from extra-sterling trade, as it did with South Africa through trade agreements. Although Southern Rhodesia benefited from tobacco exports to Britain as part of sterling trade in the late 1940s, close links with sterling were thought to hinder other areas of colonial trade.

The benefits of more autonomy can be demonstrated in those areas where Southern Rhodesia's regional trade benefited the Colony. Her local industry grew in response to regional export markets in the post-Second World War period.⁷⁴ With much British and South African capital rushing to Southern Rhodesia because of lower production costs, the latter's exports to the Union more than doubled in 1949 and increased by a further 70 percent in 1950. Net capital inflow to Southern Rhodesia amounted to £139 million apart from government borrowing and stock issues. This was invested in light consumer goods industries and food processing increasing gross output from £25.8 million in 1948 to £61.9 million by 1953.⁷⁵ Exports jumped from £1.2 million in 1948 to almost £7 million in 1953. Although Pretoria's trade in the same period grew from c. £10.5 million to c. £23.5 million, the customs agreement was viewed as mutually beneficial until 1953. It encouraged the industrialisation of Southern Rhodesia.⁷⁶ To regulate all this, a Central Bank was deemed necessary.

The argument advanced by Whitehead for the creation of a Central Bank was justified by the idea that it would actually benefit the sterling area. Because of exchange control measures adapted to Southern Rhodesia, the Minister of Finance suggested, gold would account for 77 percent of total dollar earnings, supported by chrome and other hard currency exports by March 1949.⁷⁷ A Gold Subsidy Act had been passed to boost gold

⁷³ The Minister of Finance Budget speech, *Southern Rhodesia Legislative Assembly Debates*, 18 May, 1948, c. 112.

⁷⁴ Phimister, 'Secondary Industrialisation in Southern Africa', p. 432.

⁷⁵ *Ibid*, p. 437.

⁷⁶ *Ibid*, p. 434-436

⁷⁷ Minister of Finance Budget Speech, *Southern Rhodesia Legislative Assembly debates*, 18 May 1948, c. 106.

production.⁷⁸ This increased the pressure on the Bank of England to agree to a Central Bank. It was also suggested that the institution was necessary, not just for the expanding financial sector, but also to monitor monetary policy geared towards dollar earnings under the exchange control mechanisms to which SRCB was not suited.

The state also crafted 'infra structural policy to establish "a basis on which private enterprise can then build its own industry"' through tariff protection.⁷⁹ This was part of locally designed solutions to cope with the Colony's own balance of payment issues. From 1948 to 1949, a Development Coordination Commission set out

...a "programme of priorities for projected developments", designed to avoid industrial indigestion'.⁸⁰ This achieved "a greater measure of consistency" between different sectors of the economy in a period when dollars were in short supply and sterling faced mounting pressure to devalue.⁸¹

A Cabinet committee set up to assess the reports of the Development Coordination Commission 'recognised that future plans would also depend on the state taking powers to control Rhodesia's money supply. The first steps in this direction were made in 1949 when the government engaged the services of a senior government adviser "to lay the foundations of a Central Bank"'.⁸² Southern Rhodesia approached the British Government with 'a proposal that a Central Bank should be established as soon as practicable, as another step on the road towards the attainment of full dominion status'.⁸³ For Sowelem, this meant 'greater monetary autonomy and a recognition of the waste involved in maintaining a 100 percent foreign exchange coverage against local currency' which was now viewed as retarding colonial development.⁸⁴

Because of the campaign, a Bank of England official, HCB Mynors was instructed to investigate the feasibility of a Central Bank for Southern Rhodesia. He submitted his report to the Treasury in March 1949. N.R. Bertram, acting Secretary to the Southern Rhodesia treasury explained to Whitehead that the

⁷⁸ Ibid.

⁷⁹ Phimister, *An Economic and Social History of Zimbabwe*, p. 252.

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² Ibid.

⁸³ Minister of Finance Budget Speech, S. Rhodesia Legislative Assembly debates, 18 May 1948, c. 113.

⁸⁴ R.A. Sowelem, *Towards Financial Independence in a Growing Economy: An analysis of the Monetary Experience of Rhodesia and Nyasaland, 1952-1963* (London: George Allen and Unwin, 1967), p. 30.

...essence of Mynors' report is that the economy and finance of Southern Rhodesia are so dependent on external influences that they could not be directed to any extent through the mechanism of a Central Bank and to utilize such mechanism for internal control will be tantamount to using a sledge hammer to crack a nut.⁸⁵

Given that Mynors felt that the SRCB operated with 'admirable efficiency and economy'⁸⁶, instead of a Central Bank, he proposed that there should, at this stage, be

a man of proven knowledge and banking experience to act as liaison between the Government and the Commercial Banks and to keep in touch with banking and other financial trends elsewhere and to advise the Minister of Finance upon what is required. This official, he suggests, should combine with these duties the chairmanship of the Currency Board.⁸⁷

The alternative to a Central Bank, that is, the appointment of a banking technocrat, was a short term expedient because Southern Rhodesia's financial system was not yet diversified. There were only two expatriate commercial banks and a stock exchange by 1950. Plans to draft a Building Society Bill were still being worked out.⁸⁸ Yet pursuit for monetary autonomy intensified. The government thus appointed a London Merchant banker- Gordon Munro in March 1950, as an interim measure towards establishing the Central Bank.⁸⁹ The Colony's Cabinet amended the Currency Board Act to appoint Munro, in part, to 'pave way for the Central Bank which the government believes is needed in the Colony'.⁹⁰

Although the recommendations of the Mynors report were reluctantly implemented, the campaign for a Central Bank was reinforced by the deteriorating balance of payment situation in Britain, which prompted the imperial centre to consider devaluing sterling and proposing even more painful cuts in dollar purchases. At a Southern Rhodesia Cabinet meeting held on 20 October 1951, it was concluded that further sterling devaluation would hurt the tobacco boom that had begun in the late 1940s.⁹¹ It was becoming clearer to the Government that Southern Rhodesia had to have its own Central Bank, yet economies of scale dictated that the economy of Northern Rhodesia had to be integrated to make the Central Bank a viable proposition.

⁸⁵ NAZ, S2225/5, Cabinet Memorandum, 'H.C.B Mynors' Report On The Question Of A Central Bank', with attached letter from Bertram to Whitehead, 1 March 1949.

⁸⁶ NAZ, S2225/4, H.C.B Mynors, Southern Rhodesia: Report On The Question Of A Central Bank

⁸⁷ *Ibid.*

⁸⁸ Minister of Finance Budget Speech, Southern Rhodesia Legislative Assembly, 27 April, 1949, p.47.

⁸⁹ Sowelem, *Towards Financial Independence in a Growing Economy*, p. 35.

⁹⁰ *Ibid.*

⁹¹ NAZ, S2223/28, Conclusion of a Cabinet meeting, 20 October, 1951.

Although British colonies had been co-opted in imperial external economic relations through the sterling area, London's 'discriminatory management of Empire was unlikely to last, for two main reasons: its inevitably diminishing returns, and the fact that colonial economic development undermined selective discrimination'.⁹² In Southern Rhodesia, three key issues included her own external economic relations with South Africa, calls for increased financial autonomy as well as closer political integration with Northern Rhodesia. The colonial government's immediate alternative was for Southern Rhodesia to join the Union banking system, controlled by South Africa.⁹³ As this option had negative political implications for Britain, the imperial power ultimately prescribed that Northern Rhodesia and, with British insistence, Nyasaland be part of the Central Bank in the event of the formation of Federation.⁹⁴

Markets for settler producers had been established in the region, which were subsequently crystallised by the 1948 Customs Agreement between Southern Rhodesia and South Africa.⁹⁵ However, the post war convertibility crisis in Britain prompted the establishment of a restrictive trade policy through the passing of the Exchange Control Act (1947) which created a discriminatory sterling area for Britain and her African colonies.⁹⁶ London attempted to resuscitate its own economy on the back of African colonies. This caused problems in Southern Rhodesian trade relations, especially with South Africa. Consequently, Southern Rhodesia began increasing its demands for discretionary financial authority from the Britain.

Having initially campaigned for amalgamation, central African British colonies exploited Britain's discomfort with the apartheid South Africa's regional influence and settled for Federation. This was principally 'Government by blackmail'.⁹⁷ As campaigns against the mineral rights of the BSAC and its control of the railways, particularly in Northern Rhodesia, intensified, '[w]orryingly for London, the campaign against the company threatened to

⁹² Krozewski, *Money and the End of Empire*, p. 100.

⁹³ NASA-P, Box BLM 51/4-52/8-4B13: BB131B132/27, Sub file No, 52/3 1965, Southern Rhodesia: External trade, This explicitly stated in the Speech by Eric Louw, Minister of Economic Affairs in visit to S. Rhodesia, 1952.

⁹⁴ NAZ, S2223/28, Conclusion of a Cabinet meeting, 20 October, 1951.

⁹⁵ I. Phimister, 'Secondary Industrialisation in Southern Africa: the 1948 Customs Agreement between Southern Rhodesia and South Africa', *Journal of Southern African Studies*, 17:3 (1991), pp. 430-442.

⁹⁶ See Krozewski, *Money and the End of Empire*.

⁹⁷ Murphy, "'Government by Blackmail'".

become bound up with the political demands for settler nationalism'.⁹⁸ In trying to avert this, and curb the influence of a brand of Afrikaner nationalism in the region, Andrew Cohen, the assistant under secretary in charge of the African department at the British Colonial Office became one of the architects of Federation.⁹⁹ However, the envisaged Federation 'had to be palatable to Africans', suggesting the creation of an African Affairs Board in which Africans from the three territories of Southern Rhodesia, Northern Rhodesia and Nyasaland would be represented.¹⁰⁰ Nevertheless, Africans were not on board, increasingly preferring majority rule. Welensky and Huggins, on the advice of secretary for the colonies, Arthur Creech Jones that 'no scheme that failed to completely satisfy African interests or win African approval had the slightest chance of success', exploited the idea of racial partnership.¹⁰¹ Even with the election of the Conservative government in 1951 which was more receptive to Northern and Southern Rhodesia, the Federation emerged not from British benevolence. Instead, it was 'as a product of essentially local political pressures' and its genesis conforms to other 'imperial endgames'.¹⁰² The British Government, although using its colonies to bolster the recovery of sterling, had to use Federation to forestall settler nationalism of the apartheid type which threatened to destabilise the Southern African region.

With an expanding and diversifying financial sector, Federation was viewed in Southern Rhodesia as a further step towards financial autonomy through the creation of the Reserve Bank of Rhodesia and Nyasaland in 1956. The creation of Federation was 'the most controversial large scale imperial exercise in constructive state-building ever undertaken by the British government'.¹⁰³ These developments in the 1950s, also coincided with Britain's gradual retreat from discriminatory sterling towards some degree of economic liberalisation in her economic financials relations. Krozewski observes that, especially under the Conservative government, the 'transformation towards a more liberal British welfare state

⁹⁸ *Ibid*, p. 57.

⁹⁹ *Ibid*.

¹⁰⁰ *Ibid*, p. 62.

¹⁰¹ See R. Hyam, 'The Geopolitical Origins of the Central African Federation: Britain, Rhodesia and South Africa, 1948-1953', *Historical Journal*, 30: 1 (1987), pp. 148.

¹⁰² Murphy, "'Government by Blackmail'", p. 73; See also A. Cohen, 'Settler Power, African Nationalism and British Interests in Central African Federation, 1957-1963', PhD Thesis, University of Sheffield, 2008.

¹⁰³ Hyam, 'The Geopolitical Origins of the Central African federation', p. 145.

and move towards the convertibility of sterling impacted on imperial relations.¹⁰⁴ These relations became increasingly complicated with increased settler nationalism and demands for settler political autonomy by the Southern Rhodesia.

On 1 August 1953 the Federation of Rhodesia and Nyasaland, neither a crown colony nor a dominion, was born. Politically, Southern Rhodesia remained under Responsible Government, while Northern Rhodesia and Nyasaland remained as protectorates controlled by Whitehall en-route to 'democratic self-governance based on universal adult suffrage in step with the Empire'.¹⁰⁵ Wood argues that this was the 'fatal flaw which would condemn her to a short life'.¹⁰⁶ Federation, which Lord Blake remarked as 'a quite extraordinary mistake, an aberration of history, a deviation from the inevitable historical trend of decolonisation'¹⁰⁷ was a trade-off for dominion status in Southern Rhodesia. London saw it as a safeguard of 'a doctrine of trusteeship, a steady Colonial Office tradition of trying to provide protection for African interests against the vociferous and importunate demands of white settlers'.¹⁰⁸ However, as Cohen succinctly argues,

Lord Blake's beguiling remark notwithstanding, the Federation was far from an aberration of history. Its formation in 1953 fitted comfortably into the post-Second World War restructuring of European colonial possessions, and raised few serious objections outside the territories African population.¹⁰⁹

Federation coincided with the Conservative Government's cautious shift towards a liberal external economic relations and a *de facto* convertibility of sterling from 1953-1956. British policy was geared towards a return to convertibility which was seen as imperative lest sterling's role as an important means of international exchange was jeopardised. This, and the fact that '[p]olitical perspectives of "multi-racial" partnership were also better ideologically suited to external investors than the "twin pyramid" segregationist policy of the 1930s'¹¹⁰ had the effect of opening up Southern Rhodesia to Foreign Direct Investment (FDI), for example from the United States from the mid-1950s.¹¹¹

¹⁰⁴ Krozewski, *Money and the End of Empire*, p. 107.

¹⁰⁵ Wood, *So far and No Further*, p. 12.

¹⁰⁶ *Ibid.*

¹⁰⁷ Hyam, 'The Geopolitical origins of the Central African Federation', p. 145.

¹⁰⁸ *Ibid.*, p. 146.

¹⁰⁹ Cohen, 'Settler Power, African Nationalism and British Interests in Central African Federation', p. 282.

¹¹⁰ Clarke, *Foreign Companies and International Investment in Zimbabwe*, p. 26.

¹¹¹ See for example US Department of Commerce, *Investment in the Federation of Rhodesia and Nyasaland*, 1956.

The British Empire had to be cautious for two reasons; first: 'the colonial monetary mechanism favoured the accumulation of sterling balances under conditions of discriminatory trade management and commodity price booms'.¹¹² In Southern Rhodesia, this was facilitated by the boom in tobacco exports. Yet under the *de facto* sterling liberalization, this 'was no longer a welcome property'. Nonetheless, dismantling these arrangements was equally undesirable because 'this might enhance pressures on Britain's reserves and encourage peripheral economies to loosen their ties with sterling'.¹¹³ Secondly, 'arrangements that helped to provide development finance and capital flows to the colonies contradicted liberal principles because they implied state intervention, which in turn distorted market forces'.¹¹⁴ Thus, even as the Reserve Bank of Rhodesia and Nyasaland was established, its currency was still entirely covered by sterling as had been the Central African Currency Board (CRCB) before it. The CRCB had replaced the SRCB at the establishment of Federation. The Bank of England, in the process of liberalizing sterling towards *de jure* convertibility still kept control of sterling as a coercive and control mechanism.

Krozewski observes that;

The rationale of British policy at the territorial level had a distinctly political dimension. The limits of political reform were defined by Britain's need to retain her sovereignty and authority in matters affecting external economic policy. Debates about constitutional changes in the colonies were directed with these limitations in mind.¹¹⁵

But as Gordon Walker, parliamentary under-secretary of state in the Commonwealth Relations Office observed in 1949, the British government consented to Federation because 'they had no real power to control their settler communities'.¹¹⁶ As white settlers' grew in numbers and wealth, they became 'potential American colonies-very loyal, but very determined to have their own way'.¹¹⁷ As would materialise in 1965 in the event of Rhodesian defiance of Britain, Walker added, 'there will be nothing we can do about it'.¹¹⁸

¹¹² *Ibid*, p. 109.

¹¹³ *Ibid*.

¹¹⁴ *Ibid*.

¹¹⁵ Krozewski, *Money and the End of Empire*, p. 96.

¹¹⁶ *Ibid*, p. 155

¹¹⁷ *Ibid*, p. 155.

¹¹⁸ *Ibid*.

Instead of granting more financial autonomy to Southern Rhodesia, Federation actually curtailed it.¹¹⁹ The Federal Government assumed authority over defence, external affairs, the economy and revenue responsibilities, limiting the territorial Government to handling African affairs.¹²⁰ Although the Federation achieved a rise of 54 percent in gross domestic product from the export of copper, tobacco and tea exports from 1954 to 1963, Bowman argues that this cannot be attributed to Federation, but instead to the specific territories.¹²¹ Hazlewood buttresses this point by showing that it was only in Southern Rhodesia that the economy grew in the first five years of Federation compared to the first five years preceding it, and that actually, the economy of the Federal area grew faster from 1949 to 1953 compared to the period from 1954 to 1963.¹²² Although Gardner demonstrates how the Federation was a sound fiscal entity for state revenue purposes, this made little difference in terms of broader economic performance.¹²³

The Federal set-up resulted in some economic benefits such as job creation accruing to individual territories as well as increasing FDI opportunities. Because of the dollars to be earned, the Federal state welcomed investors to propel its economy. In spite of American investments, trade with non-sterling countries was restricted through the 1954 Control of Goods Act, which was also a uniform customs tariff for the Federation. The Act regulated import control, specifically quotas and licensing under which 'goods originating from the sterling territories do not require import licenses', whereas those from elsewhere did.¹²⁴

According to the United States Department of Commerce, some economic progress was made during the early years of Federation. By 1956, manufacturing in Southern Rhodesia expanded to encompass food processing, which constituted 119 of the 702 establishments, with a gross output of £22.211.000, that is, nearly 36 percent of all manufactured goods.¹²⁵ Food processing included maize and corn mills, distilleries, sugar refineries, meat curing and

¹¹⁹ L.A. Bowman, *Politics in Rhodesia: White Power in an African State* (Cambridge: Harvard University Press, 1973), p. 21.

¹²⁰ *Ibid.*

¹²¹ *Ibid.*

¹²² A. Hazlewood, 'The Economics of Federation and Dissolution in Central Africa', in Hazlewood (ed), *African Integration and Disintegration: Cases Studies in the Economic and Political Union* (Oxford University Press, 1967), p. 205.

¹²³ L. Gardner, *Taxing Colonial Africa: The Political Economy of British Imperialism* (Oxford: Oxford University Press, 2012).

¹²⁴ NAZ, S3605/1/1/1, The Control of Goods Act (import and Export) Commerce Amendment Order No. 5, Southern Rhodesia Government Notice, 1963.

¹²⁵ US Department of Commerce, *Investment in the Federation of Rhodesia and Nyasaland*, 1956, p. 45.

canning plants, as well as soft drink bottling plants but still had room for expansion and investment by American companies, given the increased market.¹²⁶ Tobacco curing and processing and exports produced, in 1953, for example, 2.6 million, 'and were a third point of value, exceeded only by metal and textile manufacturing'.¹²⁷ The tobacco boom had emerged from sterling targeted trade, particularly the fact that '[a] shortage of dollars forced Britain's tobacco merchants to turn to Rhodesia as a primary source of leaf', as opposed to the traditional American market.¹²⁸

By 1953, the number of industrial firms had more than doubled from 299 in 1938 to 700, with a gross output which rose from £.5 million with £.62 million.¹²⁹ Mainly,

[a] large part of this expansion came in local food processing- a relatively natural starting point given the agrarian economy's developed export capacity. But capital goods production and consumer goods for an expanding local market also measured up well.¹³⁰

The urban and manufacturing sector had grown to the extent that, whereas in 1921 white farmers had comprised over one quarter of Rhodesia's working population, by 1956, their share had slid to approximately one twentieth, even though the actual numbers of farmers in Rhodesia had remained roughly constant.¹³¹ As such, although traditionally farmer dominated and biased towards white rural interests, Rhodesian politics in the 1950s, increasingly favoured the economic interests of commerce and industry.¹³² By then, a variety of industrial crop production and processing, including the 'spinning and weaving of jute and cotton, the expressing of vegetable oils for soaps, and the extraction of tung oil and tanning' had been developed.¹³³

Timber production and processing and pulp and paper manufacturing in Rhodesia was growing. These produced, for example, 'brooms and baskets, ceilings and plaster boards, cardboard boxes and cartons, windows and doors, furniture, fencing, matches, plywood and veneers, parquet flooring, pulp and paperboard, railroad slips, chip board, paper bags, toilet

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*, p. 46.

¹²⁸ D.M. Rowe, *Manipulating the Market*, p. 40.

¹²⁹ Clarke, *Foreign Companies and International Investment*, p. 26.

¹³⁰ *Ibid.*

¹³¹ *Ibid.*, p. 41; See also D.J. Murray, *The Governmental System in Southern Rhodesia*, (Oxford: Clarendon Press, 1970), p. 18.

¹³² D.M. Rowe, *Manipulating the Market*, p. 41.

¹³³ US Department of Commerce, *Investment in the Federation of Rhodesia and Nyasaland*, 1956, p. 46.

rolls, and wrappings of all kind' some of which were for import substitution or actually exported elsewhere.¹³⁴ In the minerals sector, there was processing at Redcliff by the Rhodesian Iron and Steel Commission (RISCOM)'s works of 'ore crushing and screening plants, two-9 foot blast furnaces, two open heath furnaces...and two rolling mills', producing up to 80,000 tons of pig iron and 65,000 tons of steel'.¹³⁵ This was augmented by ferrochrome production by Rhodesia Alloys (Pvt) Ltd. Of course, the biggest earner in the Federation was copper mined in Northern Rhodesia during this period.¹³⁶

The volume of American investment in the Federation was also increasingly represented by, among others, Rhodesian Selection Trust, Roan Antelope Copper, Bikita Minerals and Rhodesia asbestos.¹³⁷ These expanded financial services would best be regulated by a Central Bank. Federal trade was further propelled by the Federal government's decision to liberalize imports from the Organisation of European Economic Community (OEEC), to the extent of 90 percent of their trade in July 1955, with the exception of motor vehicle, paper and textile which remained protected by tariffs.¹³⁸

Economic progress enhanced the political bargaining position of the Federal state. Although there were only two commercial banks by 1950, they had risen to five by 1953.¹³⁹ Meanwhile, the financial sector had also expanded to include seven building societies by 1954 with a total share capital 'amounting to £3.261.600; total deposits, £4.319.500; liabilities, £7.755.400; and loans, £5.320.000'.¹⁴⁰ Insurance business expanded, with the companies rising to 90 in 1954, from 57 in 1948. Finance houses emerged, including the London sponsored African Finance Corporation (Ltd) formed in 1950 in Salisbury, the Anglo-America Rhodesian Development Corporation (Ltd) of 1955 and the Barclays Bank Development Corporation.¹⁴¹ By this time, the expanded economy and financial sector could adequately justify the necessity for a Central Bank.

¹³⁴ *Ibid*, p. 47

¹³⁵ *Ibid*.

¹³⁶ *Ibid*, p. 48.

¹³⁷ *Ibid*, p. 97.

¹³⁸ SB GMO 3/1/189/ July to September, Letter from the Deputy General manager G.W Gatt to Standard Bank secretary in London detailing the Minister's finance speech, dated 19 July, 1955.

¹³⁹ Sowelem, *Towards Financial Independence*, p. 57.

¹⁴⁰ *Ibid*, p. 96.

¹⁴¹ *Ibid*.

Only disturbed by arrangements for Federation, the passage of the 1954 Coinage and Currency Act was actually entitled 'an act preparatory to the establishment of a Central Bank' which started operation on 15 March, 1956.¹⁴² A.P. Graffety-Smith, having succeeded Munro as the chairman of the Currency Board became the first Governor of the Bank until his death and was succeeded by B.C.J. Richards, former Assistant chief cashier of the South African Reserve Bank.¹⁴³ The Bank became the sole note and coin issuing authority. However, the foreign exchange reserve maintained by the Bank consisted mostly of sterling assets. Only a small proportion was held in the form of balances with the Federal Reserve System and the Reserve Bank of South Africa. Principally, the Federation was still heavily dependent on Britain for its credit while currency remained under complete sterling cover. Although Britain began moving away from dependence on the sterling area especially with the onset of the OEEC, sterling remained as an anchor currency right until the mid-1950s. This was viewed by London as necessary as the Federation undertook huge development projects funded by the International Bank of Reconstruction and Development (IBRD). The loans for the project were approved on the basis of British surety. Federal currency remained valued on the basis of an imperial standard. Because of this, the Reserve Bank of Rhodesia and Nyasaland did not have the desired discretionary powers associated with independent Reserve Banks. The Southern Rhodesian economy was still prone to sterling exchange rate swings. The economy still did not bear the real cost of obtaining its currency. In many ways, because of the absence of discretionary authority, the Reserve Bank still operated as a glorified currency board.

Development thinking emerging, especially in the wake of W. Arthur Lewis' seminal paper, encouraged grand state projects.¹⁴⁴ The 'most prestigious development project undertaken in Africa in the 1950s and the controversial national-building experiment', was the construction from 1954 and completion of Kariba dam on 17 May 1960 at the cost of £77.6 million undertaken by the Federation of Rhodesia and Nyasaland to 'provide energy for the rapidly growing industrial sector... a cornerstone of the Federation's development

¹⁴² *Ibid*, p. 36.

¹⁴³ *Ibid*.

¹⁴⁴ W. Arthur-Lewis, 'Economic Development with Unlimited Supplies of Labour', *Manchester School of Economics and Social Studies*, 22 (1954), p. 139-191.

programme which set all hopes on economic expansion'.¹⁴⁵ A “triumph” for the “international world of technology and finance”, marking a transition from colonial “development” to international “modernization”.¹⁴⁶ Its funding by the IBRD was ‘an attempt to revitalize empire through development... gradually increas[ing] African opportunities for economic and political participation, [which] turned out to be “a quite extraordinary mistake”’.¹⁴⁷

Other important loans, according to Larry Butler, were acquired from the Rhodesia Selection Trust and Anglo American.¹⁴⁸ However, economic redistribution in the Colony benefited various contractors and labourers, produced a market for commerce, banking, urban construction and other activities.¹⁴⁹ There were other projects such as construction of a university, airport, and numerous other infra-structural developments. But they were mostly financed by revenue accruing from Zambian copper sales. Many of these projects aimed at modernising state and economy but were seen by right wing white politicians as the product of the colonial state policies to be protected from black political aspirations.

Britain’s shifting desire for a majority ruled central Africa increased after considering in 1957, ‘something like a profit and loss account of our colonial possessions’, which ‘revealed a cold calculation that the benefits and costs of continuation of colonial rule had to be set against the economic and political advantages of good relations with ex-colonial states’.¹⁵⁰

The British Prime Minister Harold MacMillan resolved that

if defending colonial rule would be expensive, the key to policy would be managing the transition: “during the period when we can still exercise control in any territory, it is most important to take every step open to us to insure, as far as we can, that

¹⁴⁵ J. Tischler, *Light and Power for a Multi-Racial Nation: The Kariba Dam Scheme in the Central African Federation* (London: Palgrave MacMillan, 2013), p. 2. The construction of the dam led to the eviction of more than 57,000 Gwembe-Tonga people who were settled north and south of the Zambesi River and wild game from the area. In that context, while electric power generated economic progress for the capitalist sectors, this has been seen, as in the case of the Cahora Bassa as well, as an illusion of development for the displaced local black population. See A. Isaacman and B.S. Isaacman, *Dams, Displacement and the Delusion of Development: Cahora Bassa and its legacies in Mozambique, 1965-2007* (Ohio: Ohio University Press, 2013).

¹⁴⁶ Tischler, *Light and Power*, p. 2.

¹⁴⁷ *Ibid.*

¹⁴⁸ See for example SB, GMO 3/1/192, April to June, Letter to the London Secretary of the Standard Bank from the Deputy General Manager, G.W Gatt dated 21st June 1955 which, among other things, discussed banking business opportunities and possibilities by other investors who would require banking facilities and services in Kariba.

¹⁴⁹ *Ibid.*

¹⁵⁰ F. Cooper and A Stoler, *Tensions of Empire: Colonial cultures in a bourgeois world*, Berkeley: University of California Press, 1997, p. 43.

British standards and methods of business and administration permeate the whole life of the territory.” Officials’ best hope was that ex-colonial states would become western-style nations.¹⁵¹

Macmillan suggested that the ‘wind of change’ was blowing across Africa.¹⁵² However, these changes would not be so smooth in the context of the Federation. Cohen observes that ‘[w]hile the Federation’s birth and adolescence were relatively benign, its adulthood and death provided the British government with one of its most intractable problems during the period of decolonisation’.¹⁵³

This section has outlined how the post-Second World War period was characterised by London’s attempts to recover its metropolitan status on the back of its African colonies. Southern Rhodesia’s interests of achieving greater political and economic autonomy were circumscribed by imperial planning, both with the creation of Federation and the manner in which the Federal Reserve Bank was established. Realising that its interests would not be realised if it continued accommodating British interests, there was a shift in colonial political attitude towards the right, characterised by a determination to maintain white rule in Southern Rhodesia.

Finance and the shift to the Right, 1958-1962

The development of the Federation between 1958 and 1962 was influenced by rising nationalist activity in a significant way. In the process of trying, not just to accommodate African interests but also control nationalist activity, the URP government premised by Garfield Todd from 1953 to 1958 and the UFP government led by David Whitehead from 1958 to 1962 had tried to make liberal reforms to fit within the context of the Federation’s concept of racial partnership.¹⁵⁴ In the end, these governments failed to do enough to

¹⁵¹ *Ibid.*

¹⁵² The wind of change speech was made in the South African parliament on 3 February 1960. See R. Owendale, ‘MacMillan and the wind of change in Africa, 1957-1960’, *The Historical Journal*, 38:2 (1995), pp. 455-477.

¹⁵³ Cohen, ‘Settler Power, African Nationalism and British Interest’, p. 282.

¹⁵⁴ The extent of liberal white politics has been as embodied by Todd has been critiqued. Examples in which such liberalism has been questioned was, for example, in Todd’s the handling of the 1947 Dadaya school strike when he was principal of the school, viewed as one of the precursors to liberation struggle. In that case, there was an antagonistic relationship between Todd and one of the teachers his at his school who happened to be Ndabaningi Sithole (who would become a prominent nationalist) whom he saw as the instigator of the strike. See M. West, ‘Ndabaningi Sithole, ‘Garfield Todd and the Dadaya School Strike of 1947’, *Journal of Southern African Studies*, 18:2, 1992. Also, Todd’s handling of the 1954 Wangi Colliery strike shows the limits of Todd’s

appease opposed interests of African nationalists seeking immediate majority rule and right wing politicians seeking the maintenance of white supremacy. From 1957, the Southern Rhodesia African National Congress (SRANC), led by Joshua Nkomo had been rejuvenated by merging with the City Youth League to create a more effective political voice in pursuance of a more rapid attainment of African majority independence.¹⁵⁵ Just as Huggins had viewed, racial 'partnership' during Federation was that of a horse and rider in which white settlers were riders and Africans were the horses.

Income disparities and exclusion from the means of production, very crucial not least in determining qualifications to the common voters roll but also in the basic standards of living, were a critical demonstration of this. White workers generally earned ten times as much as blacks for the same job and there was also an effective job colour bar. In this context, labour power was given a racialised monetary value which also directly influenced elections and politics. African nationalism thus established strong grounds for opposing the Federation. This resulted in political instability, especially in Northern Rhodesia and Nyasaland. Although African nationalism was suppressed by the colonial security apparatus in Southern Rhodesia, it managed to extract a few concessions from the Todd and Whitehead governments. These included some electoral reforms. At best, these Southern Rhodesian governments unsuccessfully tried to overhaul the racial legislation that governed colonial society. It was only with the rise to power of the RF in 1962 that racial reforms were completely abandoned in favour of reinforced racial segregationist policies packaged as community development programmes.¹⁵⁶

In spite of the economic developments propelling Federation, some Southern Rhodesian commercial farmer and white working class constituencies became progressively disgruntled by the territorial government's attempts to move towards a type of liberalism which threatened to dismantle the Colony's racial laws. Until their central role in the Federation dissolution process in 1963, issues of finance and economy were overshadowed by the polarization of shifting racial politics in the Colony. Whitehead's premiership

liberalism, see for example, Phimister, *Wangi Colia, Coal, Capital and labour in Colonial Zimbabwe 1894-1954* (Harare: Baobab Books, 1994).

¹⁵⁵ Rowe, *Manipulating the Market*, p. 57.

¹⁵⁶ See, for example, W.A. Munro, *The Moral Economy of the State: Conservation, Community Development and State making in Zimbabwe* (Ohio: Ohio University Press, 1998).

culminated, by 1962 in increasing the white electorate's insecurity about the pace of change. This 'only increased the economic anxieties of the other groups in white society- in particular, white farmers and white workers'.¹⁵⁷ Although the consistent vision of all Rhodesian governments was independence from Britain, the URP sought this through a gradual revision of colonial laws to accommodate multiracialism.¹⁵⁸ Its opposition, the right wing politicians wanted minority 'independence on record' before the dissolution of Federation to prevent the granting of rapid majority rule which the black nationalists wanted.¹⁵⁹

Steps towards multiracialism, for example, were shown by the URP's implementation of the recommendations of the commission of enquiry led by Federal Chief Justice, Sir Robert Tredgold in 1957, prompting the modification of the common voters roll to attract more African voters and Members of Parliament for the first time. However, its suggestion failed to appease the Africans as it demanded high qualifications based on income and property values while enraging right wing politicians who saw the move as 'threatening the whites' hold on power'.¹⁶⁰ The qualifications prescribed that voters who were literate and earning an average annual income of £720, occupying a property valued at £1500, or who had eight years schooling while earning £480 per annum and owning property valued at £1000, or ten years schooling with an annual income of £300 and in possession of property worth £500 were eligible to vote.¹⁶¹ Even as the Todd administration tried to incorporate more Africans citing colonial historical disadvantage by lowering literacy requirements and income qualifications to £180 per annum for the special vote, black votes would never count for even half the votes in any constituency.¹⁶² Because of the fears of the less liberal elements

¹⁵⁷ Rowe, *Manipulating the Market*, p. 43.

¹⁵⁸ J.R.T. Wood, *So far and No Further! Rhodesia's bid for Independence during the Retreat from Empire 1959-1965* (Trafford: Canada, 2005), p. 13.

¹⁵⁹ L.J. Macfarlane, 'Justifying rebellion: Black and White Nationalism in Rhodesia', *Journal of Commonwealth and Political Studies*, 6:1 (1968), p. 54.

¹⁶⁰ Wood, *So Far and No Further*, p. 13.

¹⁶¹ *Ibid.*

¹⁶² These historical disadvantages in education were established by racial colonial laws that guaranteed white supremacy and curtailed black development. The oft cited phrase of Sir Godfrey Huggins speech of 1933, where he argued that colonial policy had to protect the islands of white from a sea of black, which if not controlled, would eventually erode the shores and attack the centre captures white colonial attitudes until the liberal phase of the 1950s. Even with the liberal moment of the Federation years, education reform by government only forced by Todd's interference in Patrick Fletcher's portfolio of Native Affairs when he 'dismembered the Native Department to create the department of African education, African agriculture and Labour Relations.' Much to the annoyance of Fletcher, Todd did this 'in the belief that the policy of racial

in Todd's government, the income qualification was temporarily raised to an annual income of £240 for the special African vote until the premier threatened to resign over the issue, forcing it to come down to £120 per year.¹⁶³ This only resulted in many of the Africans who qualified boycotting to register and siding with African nationalists who wanted nothing short of majority rule.

Following the Plewman Commission of 1958 with its suggestion to overhaul the Land Apportionment Act (LAA) and the Quinton Report's recommendation of 1960 to abolish 'this central pillar of Rhodesia's race relations'¹⁶⁴ in line with British policy of unimpeded progress towards majority rule, there was a rapid 'transformation in the Rhodesian political system from a reforming to a restrictive regime'¹⁶⁵, which became centred 'on the issue of racial policy'.¹⁶⁶ In response to the rapid changes, the Dominion Party, which had been formed in 1956, created a more coherent platform for its 'grassroots' white supporters against the business interests of the UFP which sought a contented black labour force. Whereas the ruling UFP campaigned for cautious multi-racial advances in 1958, the Dominion party advocated for native policy that would entrench separate development. Although white fears were worsened by these suggested reforms, viewed as too liberal and which led to the overthrow of Todd as Prime Minister in 1958, the white electorate re-elected the UFP government under Sir Edgar Whitehead. But the Dominion party, led by Winston Field had made an impact and would continue to influence right wing politics until 1962, when another right wing party would emerge in the form of the RF.

partnership was incompatible with leaving the conservative and paternalistic Native Department to control all aspects of the lives of Africans'. Quoted in Wood, *So Far and No Further*, p. 13. With regards to income and access to employment, legislation such as the Masters and Servants Act of 1901, the Land Apportionment Act of 1930 and Industrial Conciliation Act of 1934 among others had secured whites access to paying employment in which they earned ten time more than Africans for similar work-only where Africans were allowed to work as the more lucrative semi-skilled and skilled employment was reserved for the whites, having labour representation and access to financial and natural resources. Having benefited from over a half century of primitive accumulation, the white electorate had secured the necessary capital resources to access the franchise to the extent that the devaluation of the common voters role was a seen by some as a threat to white political and economic supremacy and yet ironically, blacks were so disadvantaged that such changes to the roll made an insignificant impact. See for example, C. Masakure, "'An Unfulfilled Step": An examination of the Commission to Investigate the Socio-Economic Conditions of Africans Employed in Urban Areas, 1944', BA Dissertation, University of Zimbabwe, 2001.

¹⁶³ Wood, *So Far and No Further*, p. 13.

¹⁶⁴ Rowe, *Manipulating the Market*, p. 38.

¹⁶⁵ S.E.C Hintz, 'The Political Transformation of Rhodesia, 1958-1965', *African Studies Review*, 15:2 (1972), p.182.

¹⁶⁶ *Ibid*, p.182.

The Monckton Commission of 1960, commented on the widespread opposition to the Federation amongst Africans, particularly in the two northern territories. It recognised the economic benefits Federation had brought to the region and stated that it was desirable that these links remain. However, it suggested that, like Nyasaland, Northern Rhodesia should concede political power to an African majority. However, this would likely have encouraged the territory to request the right to secede from the Federation. It also called for a wider franchise in Southern Rhodesia to secure greater African representation.¹⁶⁷ This deepened white anxieties of African rule. Even as 'black nationalism needed majority rule before independence to prevent another South Africa'¹⁶⁸, the more right wing whites hoped to maintain white rule because there was a real desire, according to L. J Macfarlane, 'to prevent another Kenya.'¹⁶⁹ As M. Evans found of settler colonial attitudes, 'the descent of the Belgian Congo into anarchy convinced many Rhodesians that African rule was synonymous with barbarism'.¹⁷⁰ For Sir Roy Welensky, who had by now replaced Huggins as Prime Minister of Federation any suggestion for Federal dissolution was a 'lingering sentence of death' to racial relations.¹⁷¹

In the 1962 elections, the UFP used the ticket of repealing the LAA 'necessary to insure long range racial tranquillity and to avoid a racial explosion within ten to fifteen years', a move that the RF vehemently opposed.¹⁷² Instead, the RF campaigned for white independence from Britain. They campaigned for pro-white policies, arguing that the 'repeal [of the LAA as suggested by the Plewman commission] would bring Africans into white neighborhoods, resulting in declining property values, and argued that eventually whites would be forced to leave the country' and so had to avoid "the handing over" of Rhodesia to the Africans'.¹⁷³ Rhodesia's clamour for white political and financial independence was not matched elsewhere in colonial Africa. As many colonies approached independence, some, particularly in French Africa, arguably exhibited what scholars have termed 'a fear of floating'¹⁷⁴,

¹⁶⁷ Cohen, 'Settler Power, African Nationalism and British Interest', p. 189.

¹⁶⁸ Macfarlane, 'Justifying rebellion', p. 54.

¹⁶⁹ *Ibid.*

¹⁷⁰ M. Evans, 'The Wretched of the Empire: Politics, Ideology and Counterinsurgency in Rhodesia, 1965-1980', *Small Wars and Insurgencies*, 18:2 (2007), p. 178.

¹⁷¹ Cohen, 'Settler Power, African Nationalism and British interest', p. 221.

¹⁷² Hintz, 'The Political Transformation of Rhodesia', p. 178.

¹⁷³ *Ibid.*

¹⁷⁴ The concept of the fear of floating is best discussed by G. A Calvo and C. M Reinhart, 'Fear of Floating', *Quarterly Journal of Economics*, 117 (2002), pp.379-408.

preferring to remain 'protected' under Optimum Currency Areas (OCAs) as a way of limiting exchange rate fluctuations. Most of these countries continued under the *Communauté Financière de l'Afrique* (CFA).¹⁷⁵ Others colonies, particularly former British Africa severed such colonial currency links as part of the process of decolonisation and as an assertion of economic independence.¹⁷⁶

Southern Rhodesia's financial sector was highly developed by 1962. Even without the financial independence it had so strongly pursued, the Colony had a diversified and well developed financial sector, complete with a regionally shared Central Bank by 1962. However, as the issue of the dissolution of Federation grew nearer, the question of Southern Rhodesia's independence dominated negotiations with London more than any economic considerations. More than before, the issue of financial independence came to be tied with that of political independence. It was thought that, given past precedence of failing to attain financial independence separately from political goals, the attainment of one element would be viewed as facilitating the other.

Conclusion

This chapter has covered the changing monetary relations between Britain and Southern Rhodesia. It captured key moments in the monetary development of the Colony. By the end of the Second World War, Southern Rhodesia had been integrated into the imperial economic system. However, the industrialisation, urbanisation and economic development of Southern Rhodesia encouraged calls of greater political autonomy. Associated with this campaign was the issue of financial independence which was vigorously pursued through demands for a Central bank. In the context of Britain's second colonial occupation, Southern Rhodesia never realised its aspirations but was instead consolidated with other African colonies into imperial plans for the economic recovery of Empire through London's discriminatory exchange controls from 1947 to the late 1950s. Having been granted assent

¹⁷⁵ The CFA franc is still used generally by former franc zone countries in Central and West Africa: See V. Duchaussoy, 'The Franc Zone: An International Monetary Area from Independence to Post colonialism', paper presented at the New Frontiers in African Economic history Workshop, London School of Economics and Political Science, 25-26 October, 2014.

¹⁷⁶ For a discussion of money, exchange rate regime choices and political independence, see Calvo and F. S. Mishkin, 'The Mirage of Exchange Rate Regimes for Emerging Market Countries', *Journal of Economic Perspectives*, 17:4 (2003), pp. 99-188; See also J. Kirshner, *Currency and Coercion: The Political Economy of International monetary Power* (Princeton: Princeton University Press, 1995).

to establish Federation, Southern Rhodesia's financial sector expanded and diversified and with the loosening of imperial exchange control measures, the Colony even attracted American investment. On this basis, the Federal state was allowed to establish a Reserve Bank, but whose operations were severely constrained by continued London control.

In the wake of British decolonisation of its African colonies in the 1960s, the question of independence in central Africa was connected to the collapse of Federation. With majority rule on the horizon for Northern Rhodesia and Nyasaland, there was a significant political shift to the right in Southern Rhodesia. Believing that economic development had been a result of settler efforts and that their investments would be compromised by black majority rule, the RF rose to campaign for indefinite minority rule. It no longer made separate pleas for financial independence. Instead, given the precedence whereby little had been assented to in terms of financial policy, the RF campaigned that it would no longer accommodate imperialism and pursue minority independence. All other issues were thus connected to the attainment of minority rule and the preservation of settler interests. The emerging political dispensation would no longer entertain integration within the imperial economy at the expense of local political and economic considerations. The next chapter explores these issues as they related to the Colonial financial economy from 1963 onwards.

Chapter Three

Federal Dissolution and Financial Reconstruction, 1962-1965

Introduction

This chapter explores the reconstruction of Southern Rhodesia's monetary and exchange control machinery following the Rhodesian Front (RF) election victory in December 1962. It situates these changes in the context of the dissolution of the Federation of Rhodesia and Nyasaland (hereafter Federation) and the coinciding negotiations with Britain for Southern Rhodesia's independence, the failure of which resulted in the Unilateral Declaration of Independence (UDI). The settlement negotiations were largely informed by economic considerations on the part of the Colonial government. Central to the Federal dissolution process was the transference of currency, banking and exchange control functions which would be suitably adapted to individual territorial economies.

Southern Rhodesia's financial system was reconstructed along lines appropriate to a single and independent state. The Reserve Bank of Rhodesia was established on 22 May 1964 to govern local monetary policy, backed by a fiscal framework of suitably adjusted exchange control mechanisms. Anticipating hostility from nationalist advances and countries that disapproved of its UDI, Southern Rhodesia bolstered its post-Federation economy through a number of economic concessions and trade agreements. The events of 1962 to 1965, important as they were on the question of political independence, so were they were for monetary and banking adjustment to a territorial context. They revealed the shifting power dynamics between the British metropole and the Colony of Southern Rhodesian.

The chapter is divided into four sections. The first interrogates the racial policies in relation to the colonial state's distinction between an African traditional sector and a modern monetary sector. Section two examines the politics of dissolution in the context of the question of independence in Southern Rhodesia. The third section reconciles the Federal dissolution conference with the process of rationalising the monetary and banking functions modified to the Southern Rhodesian context. The last section focuses on the renewed question of Independence while concurrently outlining financial reconstruction of a colony that was preparing for minority independence. Of particular importance were the

modifications tucked into the country's currency and exchange control regulations, the establishment of a territorial Reserve Bank and the relative economic hedging of the Southern Rhodesian economy through signing trade agreements South Africa in October 1964 and Portugal in February 1965 as a measure to counteract the economic hostility of nations opposed white minority rule. The failure of British-Southern Rhodesian negotiations culminated in the Unilateral Declaration of Independence (UDI) by the minority RF regime.

The Political Economy of Finance and Race in Southern Rhodesia

During the 1960s, Rhodesia's black population was increasingly excluded from what Barber termed the modern, industrial or cash economy. They were relegated to the so called traditional sector in a politically and artificially partitioned colonial economy.¹ Being influenced by, for example, Godfrey Huggins' dual economic policy, Barber assumed that black labour voluntarily migrated from a traditional communal sector characterised by poor productivity and low wages to the higher productivity 'modern' economy which realised better income. Barber's study was informed by W. Arthur Lewis' model of unlimited labour supplies², which G. Arrighi succinctly argues to 'have a far more limited application to the Rhodesian economy than W.J. Barber assumed'.³ Barber's conception of 'the underdevelopment of African peoples as an original state which the development of a capitalist sector gradually eliminates' was thus inaccurate.⁴ As Nesbit contends with wider reference to Europe's relationship with colonial Africa, white settlers did not discover Africa's underdevelopment, they caused it.⁵ Arrighi contends that Africans were never confined to any 'traditional' sector and compelled by independent market forces to voluntarily migrate to the so called modern economy.

Initially productive and highly competitive, African produce, trade and exchange was first fed and then later strangled by colonial capitalism.⁶ Discriminatory government policies and processes reduced peasants not just into 'marginal and dependent cultivators' but also to a

¹ W.J. Barber, *The Economy of British Central Africa: A case Study of Economic Development in a Dualistic Society* (London: Praeger, 1961).

² W. Arthur Lewis, *Economic Development with Unlimited Supplies of Labour*, Manchester School, 27 (1954).

³ G. Arrighi, 'Labour Supplies in Historical Perspective: A Study of the Proletarianization of the African Peasantry in Rhodesia', *Journal of Development Studies*, 6:3 (1970), p. 197.

⁴ *Ibid*, p. 199.

⁵ See R. Nesbit, *Social Change and History: Aspects of the Western Theory of Development* (London: Heinemann, 1969), p. 3.

⁶ R. Palmer, *Land and Racial Domination in Rhodesia* (Los Angeles: University of California Press), p. 264.

labour reserve for the primitive accumulation of the colonial economy.⁷ As such, 'Barber's failure to understand the real nature of capitalist development in Rhodesia is attributed to the general anti-historical bias of modern economics.'⁸ This section thus ascertains the colonial state's deceptive and artificial dualisation of the Colony, which was thus structured only as a way of excluding blacks from accessing the benefits of the mainstream economy.⁹

Relegated to reserves, unless as labourers on farms, mines and towns; locked out of the mainstream economy by a repressive colonial system, Africans were surveilled and regulated by the Native Affairs Department from 1897 to 1962 and by the Ministry of Internal Affairs thereafter. They were included in mainstream economic discussions in as far as labour and other peripheral community development funding projects were concerned. In the wake of the United Federal Party (UFP)'s attempts to move towards more liberal policies in the late 1950s and early 1960s, the government accepted a report of the select committee on resettlement of black people in the rural areas. The committee found in 1960 that the economic and social conditions were deteriorating, and on their recommendations, the government set up the Advisory Committee for African Agricultural Development, whose mandate was expanded to becoming the Advisory Committee of the 'Economic Resources of Southern Rhodesia with Particular Reference to the Role of African Agriculture'.¹⁰

From its surveys with a wide range of individuals and bodies in the Colony from October 1960 to March 1962¹¹, the economic Advisory Committee tabled a report that found black people's exclusion from the market along with limited availability of investments in the Tribal Trust Lands (TTLs) was detrimental to African agricultural development. In short, not

⁷ I. Phimister, 'Peasant Production and Underdevelopment in Southern Rhodesia, 1890-1914, with particular reference to the Victoria District', R. Palmer and N. Parsons (eds), *The Roots of Rural Poverty in Central and Southern Africa* (London: Heinemann, 1977), p. 241.

⁸ Arrighi, 'Labour Supplies in Historical Perspective', p. 197.

⁹ Racial laws were passed to this effect, for example, the Masters and Servants Act, 1901, The Native Affairs Act 1927, The Land Apportionment Act 1930, The Industrial Conciliation Act, 1934 all of which were designed to exclude the African from deriving maximum benefit from the state. Barber failed to consider all of this in his acceptance of the notion of a dualized colonial economy; for an appreciation of racial wealth disparity, see D.G. Clarke, *The Distribution of Income and Wealth in Rhodesia* (Gwelo: Mambo Press, 1977).

¹⁰ National Archives of Zimbabwe (NAZ), ZG2, Government of Zimbabwe Miscellenous Report 196, 'The Development of the Economic Resources of Southern Rhodesia with Particular Reference to the Role of African Agriculture, Report of the Advisory Committee chaired by John Philips (Hereafter, the Philips Report).

¹¹ Ibid, Letter of Presentation, from the 4 Advisory Committee members, J. Philips, J. Hammond, L. H. Samuels and R.J.M. Swynerton to H. J. Quinton, Minister of Native Affairs, Southern Rhodesia, dated 20 July, 1962.

only was racial inequality undermining black advancement, but it was also prejudicing wider economic development. For that reason, the Philips Report (1962) suggested issues ranging from political inclusion, giving black farmers greater access to markets through wide ranging infrastructural developments, improving African education and land resettlement, all of which would be financed, through a five year development plan at the cost of £34 million.¹² However, with the victory of the RF in the general election of 1962, the report was rejected by the incumbent government. The RF had won on the basis of playing on the electorate's anxieties, stimulated by the killing and persecution of white people at the attainment of independence in the Congo from the Belgian government. Other examples include the activities of the Mau Mau in Kenya, and the granting of Algerian independence in 1962¹³, all of which fed white paranoia influencing them to support the RF. As Bowman argues, '[t]ies to Britain, once looked on as a secure lifeline to the rest of the world, came to be viewed as an unbearable threat to white survival.'¹⁴ In contrast to the recommendations of the Philips report, a racist community development policy was alternatively adopted in 1963 under a new Ministry of Internal Affairs which succeeded the Native Affairs Department.¹⁵

The RF party presented itself as a defender of 'western civilization from the evils of communism... to preserve civilized standards from the anarchy and corruption of Black Africa'.¹⁶ Hitherto a monopoly of Native Commissioners under the Native Affairs Act of 1927, the policy of community development granted some administrative and judicial powers to the chiefs to counteract nationalist activities. However, the influence of the chiefs was monitored and supervised by the new District Commissioner of the TTLs. Thus community development was crafted to appear as if 'it ostensibly tempered administration

¹² Ibid; The Philips Report, p. xxvi.

¹³ It had formerly been a much older colony with a larger proportion of white settlers. The settler population had felt that they had been sold out by France, and such these developments created real fears in Southern Rhodesia. The thinking was that, if over a million *peid-noires* couldn't resist the wind of change, what chance did the Rhodesians, numbering well under a quarter of that stand. So the RF provided a real prospect for negotiating. See for example, A. Horne, *A Savage War of Peace: Algeria, 1954-1962* (New York: NYRB Classics, 2006).

¹⁴ Bowman, *Politics in Rhodesia*, p. 62.

¹⁵ The Native Affairs department had existed from 1897 to 1962 before its affairs became the portfolio of the Ministry of Internal Affairs. For a comprehensive academic study on this, see M. Bratton, *From Rhodesia to Zimbabwe: Beyond Community Development* (Harare: CIIR, 1978); see also J. Alexander, *The Unsettled Land: State-making and the Politics of Land in Zimbabwe, 1893-2003* (Oxford: James Currey, 2006), pp. 63-82.

¹⁵ Bratton, *From Rhodesia to Zimbabwe*, p. 18-19.

¹⁶ P. Godwin and I. Hancock, *'Rhodesia Never Die': The Impact of War and Political Change on white Rhodesia* (Harare: Baobab Book, 1995), p. 3.

from above with participation from below'.¹⁷ In real terms, there were more continuities from pre-1962 Native Affairs administration within the community development programme, as it was mostly forcibly implemented by the central state and it was really a version of the South African 'Group Areas Act [1950] in disguise'¹⁸, 'little more than a smokescreen for "apartheid, Bantustan, separate development"'.¹⁹ Thus, 'white settler colonialism was almost complete in its domination: political, economic, social and cultural... pre-empting the development of an African bourgeoisie of any significance, and determining that even the[ir] profit... would be weak'.²⁰ Moreover, in spite of increasing African unemployment in the 1960s, and the curtailment of African immigration from Northern Rhodesia and Nyasaland, the colonial governments had established an Assisted Passage Scheme for immigration from Europe in 1960, and by 1965, even subsidized air and sea transport to the value of £60. The ministry of Immigration and Tourism went as far as advertising employment opportunities overseas, creating promotion teams and offering immediate permanent residency status to new white immigrants.²¹

The above demonstrates how the UFP's policies towards revising some segregationist policies were halted under the RF after 1962. Entrenching separate development, community development programmes testify to the settler state's monopolisation of power. The state reinforced an economic system centred on white urban and settler capitalist agriculture developing on the back of the TTLs. In the latter, the state officials deviously suggested that the culture of European political and economic habit 'with its assumptions of the isolated individual making decisions of his own', was absent because a predominance of 'an "aggregate of communities" not "an aggregate of individuals" constituted "the basis of the state"'.²² The inherent principle and spuriousness of separate development and its racial connotations notwithstanding, 'community development did not really imply the ability to make choices or control finances: the DC [District Commissioner]

¹⁷ Bratton, *From Rhodesia to Zimbabwe*, p. 18-19.

¹⁸ Alexander, *The Unsettled Land*, p. 73. The Act was another piece of apartheid legislation that separated South Africa's communities on a racial basis.

¹⁹ *Ibid*, p. 74.

²⁰ I. Mandaza, 'The State and Politics in the post white settler colonial situation', in Mandaza (ed.), *The Political Economy of Transition, 1980-1986* (Dakar: Codesria, 1986), p. 47.

²¹ University of Rhodes Cory Library (URCL, popularly known as the Ian Smith Papers-Hereafter UCRL, Smith Papers), Cabinet Memorandum by Harry Reedman, Minister of Tourism and Immigration, 12 February 1965.

²² Alexander, *The Unsettled Land*, p. 76.

was still in charge, and most rates and levies went to Central Government'.²³ In fact, the development of the urban economy was founded on the underdevelopment of the reserve economy, thus administrative decentralization 'deepened underdevelopment by consigning, from central government to local government, the economic costs of maintaining the rural periphery and reproducing its migrant labour force'.²⁴ Not least in financial terms, the policies of the RF regime from 1962 intensified uneven racial and spatial development. It insured relative access of white society to financial opportunities and means of production while protecting markets from and excluding the black population.

White political solidarity during the early years of RF rule should not be overstated. As '[m]ore than half the Rhodesian population could establish a non-Rhodesian citizenship... giving them an additional or separate loyalty, and a foreign bolt-hole if necessary'.²⁵ Where 'their Rhodesian roots went no deeper than twenty-five years'²⁶, Godwin and Hancock argue that 'the statistical evidence raises questions about the extent and depth of the commitment to Rhodesia'.²⁷ The rate at which white people emigrated, reached 92,180 as compared to immigrants who amounted to 49,987 between 1961 and 1969. Although the transient whites were vindictively dismissed as 'good time Charlies'.²⁸ White emigration prior to, and following UDI, reflected 'a vote of no confidence in the country's future as a white ruled state'.²⁹ For that reason, 'White Rhodesia had to look beyond history to create a sense of Rhodesian patriotism'.³⁰ Although culturally and historically heterogeneous, a common Rhodesian identity and way of life would be manufactured from mutual present needs rather than past differences by an authoritarian state.³¹ This would be sustained by a political economy of privilege, locally constructed and defended, and this implied the attainment of political and economic autonomy from the British and the suppression of black nationalist and white liberal interests. The uneven development that accompanied it, argued Patrick Bond, 'exacerbated nationalist tendencies in opposite directions, leading

²³ *Ibid.*, p. 73.

²⁴ *Ibid.*

²⁵ The RF government was vindictive against them, arguing that they were not truly Rhodesian. Godwin and Hancock, *Rhodesians Never Die*, p. 16.

²⁶ *Ibid.*, p. 17.

²⁷ *Ibid.*

²⁸ J. Brownell, *The Collapse of Rhodesia: Population Demographics and the Politics of Race* (London: I.B. Tauris, 2011), p. 79.

²⁹ Godwin and Hancock, *Rhodesians Never Die*, p. 17.

³⁰ *Ibid.*

³¹ *Ibid.*, p. 20.

black freedom fighters [that would emerge] to a Marxist-Leninist-Maoist-inspired Guerrilla war, and whites to proto-fascism'.³²

Federal Dissolution and the Crisis of Rhodesia's Independence

By 1963, a diversified financial system was in place to finance different aspects of the Rhodesian economy and political system. Without this, or had Britain made a credible threat of military intervention, the RF would have been unlikely to have contemplated a UDI. With a diversified economy and sound financial sector, the RF state only needed to secure a successful transition from, at regional colonial level-Federal monetary arrangements, and at broader imperial level- British monetary dependency.

This section addresses the dissolution politics that arose and were complicated by the demands of the RF government which was committed to attaining independence by minority rule. But, as expressed by Colonial Secretary Oliver Lyttleton at the establishment of Federation in 1953, 'without the unanimous consent of the four governments in fact the [Federal] constitution could not be liquidated'.³³ Yet in December 1962, the British government unilaterally resolved that Nyasaland would be allowed to secede from Federation in February 1963. Soon after, the United National Independence Party (UNIP) that dominated the Northern Rhodesia Legislature successfully demanded to exit the ill-fated Federation. On the basis of the argument made by Sir Roy Welensky, the excision of Nyasaland raised the important question of the independence of Southern Rhodesia as the three nation federal system could not work if at least one seceded.³⁴

Faced with an imminent collapse of Federation, Field announced in parliament on 3 February 1963 that the best alternative was

to make a clean break and open up a way to negotiation on an equal footing- as fully independent states - and to attempt to reach agreement for the operation of various common services and with trade and economic agreements too.³⁵

A month earlier, Field had released nationalists detained under emergency regulations in 1959 and allowed their leader, Joshua Nkomo to return and form a new party under the

³² P. Bond, *Uneven Zimbabwe: A Study of Finance, development and Underdevelopment* (Trenton: Africa World Press, 1998), p. 113.

³³ Young, *Rhodesia and Independence*, p. 72.

³⁴ *Ibid*, p. 72.

³⁵ Field quoted in *Ibid*, p. 75.

limited franchise of the 1961 constitution as a gesture of good faith to the British.³⁶ However, the British government was only prepared to accept independence by majority rule. Preparing to grant this to Northern Rhodesia and Nyasaland, they avoided the question of Southern Rhodesia's independence on the basis of the 1961 constitution. Bent on attaining independence by white minority rule, Southern Rhodesia deployed the defence that the four states responsible for creating Federation: Britain as the imperial authority and her three central African colonies were required to cooperate for a speedy dissolution process. Southern Rhodesia thus used this condition to force early independence negotiations which involved the option of the maintenance of white rule by threatening to boycott the dissolution process.³⁷ This prompted British-Southern Rhodesia negotiations on the question of independence under the RF government, beginning in March 1963.

Although the British government initially suggested discussing the independence issue after dissolution, Southern Rhodesia's Prime Minister, Winston Field resisted as, according to Clifford Dupont the Minister of Law and Order,

it was the British government's intention, if they could do so, to hold a dissolution conference in which all the terms of dissolution would be tied up and agreed and when it came to the question of the independence of Southern Rhodesia they would then impose such conditions that it would be quite impossible for this country to accept them.³⁸

Field defended their 1961 constitution and insisted to the British First Secretary of State, Rab Butler, that they first resolve the question of independence and gain some guarantees before the dissolution process could commence. Moreover, Southern Rhodesia had been the leading partner in the Federation, thus her involvement was crucial.

Butler conceded that, '[i]t is clear that the two issues of independence and dissolution are very clearly interconnected. In these circumstances I am prepared to accept your suggestion

³⁶ Nkomo and his colleagues in ZAPU colleagues did not take up the offer and instead created a People's Caretaker Council which was not a political party in June 1963, just before the split which led to the creation of Zimbabwe African National Union (ZANU). See Young, *Rhodesia and Independence*, p. 85; One book that explores these issues in depth in T. Scarnecchia, *The Urban Roots of Democracy and Political Violence in Zimbabwe: Harare and Highfield, 1940-1964* (New York: University of Rochester Press, 2008).

³⁷ 'Grant of Independence to Southern Rhodesia', Quoted in presentation by the Minister of Law and Order, *Southern Rhodesia Debates of the Legislative assembly*, 4:53, 21 June 1963, Column. 167.

³⁸ *Ibid*, Column, 174

that discussion on Southern Rhodesia's independence should begin without delay....'³⁹ In the run-up to the dissolution conference, many exchanges over Rhodesian independence took place between Field and Butler. According to Young, 'Butler was playing his cards with silken skill. The prime aim was to get Field to the Federal talks; but the need for constitutional change- in the franchise, and in the Land Apportionment Act- had quietly been insisted upon'.⁴⁰

Dissolution entailed the reallocation of Federal ministries and their functions to territorial governments. Coordinated or specific responsible Federal ministries governed imperial credit in the form of the Commonwealth Loan Scheme which funded state projects in deficit.⁴¹ This also included international debt acquired with imperial surety, particularly the mainly International Bank of Reconstruction and Development (IBRD) funded Federal Power Corporation (FPC) which managed the construction and operation of the Kariba hydro-electric scheme.⁴² These issues would be discussed by representatives of the Federal Finance Ministry who had coordinated fiscal policy, taxation, currency and exchange control, public debt, pensions and important functions such as the management of Post Office Savings Funds.⁴³ Dissolution and territorial reallocation of all functions, assets and liabilities required a well-coordinated process by all three territories, vitally as the process involved the transition of Northern Rhodesia and Nyasaland to independence. Discussions between Britain and Southern Rhodesia over independence were characterized by each side's attempts to outwit the other and enhance their bargaining position.

Butler, tasked with overseeing the dissolution of Federation, insisted that

³⁹ NAZ, Southern Rhodesia Government (SRG) Report No. 4 (hereafter 4), Letter from R.A. Butler, British Secretary of State, to Winston Field, Southern Rhodesia Prime Minister, March 1963

⁴⁰ Young, *Rhodesia and Independence*, p. 76.

⁴¹ Rhodes University Cory Library –Box Number 19, contained in a collection popularly known as the Ian Smith Papers (RUCL-B 19), Dissolution of Federation Sub-Committee A-I: Committee A Report 46: Fiscal and Financial Cabinet Proceedings: Committee A Reports, tabled 12 October 1963.

⁴² RUCL –B 19, Federal Dissolution Committee B Reports: Third Report, Kariba, Timetable for Legislation and Inter-Territorial Questions, tabled 12 October 1963.

⁴³ RUCL –B 19, from notes on Oral Report by the Chairman of the Cabinet Committee on the Dissolution of Federation: Attached to a letter from D.H. Cummings, Secretary in the Southern Rhodesia Ministry of Trade, Industry and Development to I.D. Smith, Southern Rhodesia Minister of the Treasury, dated 8 October 1963.

before independence could be granted in practice to any country there is inevitably a number of matters of mutual interest which have to be considered and discussed if the transfer of sovereignty... is to be effected in any orderly and proper manner.⁴⁴

Among those interests was the segregated position of Africans in the Colony, and the demand by African nationalists of Independence by majority rule. This was a focal point of agitation because, 'while Britain claimed she was committed to the attainment of majority rule, white Rhodesians were determined to safeguard their economic and political privileges and move towards consolidating Southern Rhodesia as a "white man's country"'.⁴⁵ Despite the historically inaccurate contentions in making his case, Field argued that,

Europeans resident in Rhodesia over the years have accumulated the balance of the capital resources of the country. Investment in Agriculture is substantial, and has been accumulated as the result of ploughing-back of profits into development over a long period of years. Many of our mines, industries, shops and commercial establishments have been built up and developed by the same method. The relatively high development of the economy has been largely due to European immigrants who have made their homes here. Over a long period of years, the savings of Rhodesians over two or three generations who plough the greater part of their profits back into their businesses rather than invest them abroad, have played a large part in capital development.⁴⁶

Field was really defending a state of affairs where the distribution of income and the tools of wealth creation were heavily skewed in favour of a white racial minority.

Butler, recognising the importance of involving Southern Rhodesia, at least for the benefit of the transition of the two Northern territories to majority rule provided, without firm guarantees, some leeway for compromise discussions. Butler reiterated that,

Her Majesty's Government have also made clear their view that before any changes are made there should be discussions not only about the broad lines of a future relationship between the territories but also the transitional arrangements that will be required. In the view of Her Majesty's Government it is only when these discussions have taken place that the future course of events can be clarified and that Southern Rhodesia, having regard to her membership of the Federation, may expect to be in the constitutional position to move to independence. In any case Her Majesty's Government, in accordance with normal precedent, would expect to convene a conference to discuss financial, defence, constitutional and other matters,

⁴⁴ NAZ SRG 4, Letter from R.A. Butler, British Secretary of State, to Winston Field, Southern Rhodesia Prime Minister, 2 May, 1963.

⁴⁵ J. Mtisi, M. Nyakudya and T. Barnes, "War in Rhodesia, 1965-1980", in B. Raftopolous and A.S. Mlambo, *Becoming Zimbabwe: A history from the pre-colonial period to 2008* (Avondale: Weaver Press, 2009), p. 141

⁴⁶ NAZ SRG 4, Letter from Field to Butler, 20 April 1963, in *Miscellaneous Reports, Southern Rhodesia, 1963-1966*.

which have to be settled before self-governing dependencies are granted independence.⁴⁷

Although Britain could not give any sort of independence that would satisfy the Rhodesians especially under pressure from anti-colonial world opinion in the 1960s, the British First Secretary of State was cautious to persuade the RF government to take part in the dissolution conference in the crucial process by giving the impression that a compromise could be imminent.

Reflecting little regard for imperial authority and threatening to derail the dissolution process by excluding Southern Rhodesia, Field complained that he found contradictions between the British government's acceptance of Federal secession and its insistence on discussions of 'broad lines of a future relationship'. He stressed that

In view of what has happened to the present Federation, it is quite unrealistic to think in present day circumstances any form of association here will be lasting unless it is entered into by territories each of which has complete control of its own affairs.⁴⁸

He further argued,

Apart from the fact that I have already shown that Southern Rhodesia is not a dependency, and never has been, I think this procedure is quite inappropriate for a self-governing country like that of Southern Rhodesia's status....your suggestion amounts to a proposal to hold a constitutional conference, a proceeding which we could no longer accept. Southern Rhodesia has over the years been responsible for its own financial affairs, and has never received any financial help or contribution from the UK government other than loan moneys.⁴⁹

To that effect, Field insisted that

so long as the last remaining links remain and the impression persists that the United Kingdom has the right to interfere in our internal affairs there is danger of a series of serious incidents of disorder being encouraged from outside in order to compel such intervention by the British government.⁵⁰

The emphasis on how Responsible Government had 'managed its own internal affairs for forty years' and now demanded 'complete independence', as would be granted Nyasaland became the crucial point of debate. African nationalists agitated over economic exclusion, hence their campaign for political transformation, posing a threat of causing 'disorder'.

⁴⁷ Ibid

⁴⁸ NAZ SRG 4, Letter from Winston field to R A Butler, 16 May 1963

⁴⁹ Ibid.

⁵⁰ NAZ SRG 4, Letter from Winston field to R A Butler, 20 April 1963

Responding to Field, Butler was cautious, if only to facilitate the conference for the purpose of timely dissolution. He suggested that 'Her Majesty's Government accepts in principle that Southern Rhodesia, like other territories, will proceed through the normal process to independence.'⁵¹ At the very least, the British government was interested in fostering good race relations in a postcolonial Southern Rhodesia but were careful not to further antagonize an edgy right-wing state. Meanwhile, they were under pressure from other liberated countries and appear to have tried to sustain a positive pro-liberal image in international politics.

In as much as Southern Rhodesia was confident for improved foreign direct investment, as well as raising money through the Industrial Development Fund and a government owned private finance company called the Southern Rhodesia Industrial Assets Corporation (Pvt.) limited⁵²; the Colony still required loans from the British Treasury. For example, Salisbury required £3.5 million for the development programme of the financial year ending in 1963.⁵³ Thus, Field also had to compromise. His strategy shifted to that anchored on the premise that,

[I]f Federation were dissolved Southern Rhodesia was "to seek under a suitable constitution sovereign independence within or outside the commonwealth." This independence was to be consonant with party principles, which guaranteed the permanent establishment of Europeans in Rhodesia.⁵⁴

Although he had demanded 'unqualified recognition' of Rhodesian independence, particularly in a letter to Butler dated 20 May 1963, Field shifted from being too uncompromising. He modified his demand, 'admitting that discussion should take place "*on the terms* [emphasis in original] on which Southern Rhodesia should proceed to independence'.⁵⁵ Giving Britain the advantage, this meant that 'independence [now] depended not on an unequivocal promise but was "subject to satisfactory conclusion of the discussion"', after Federal dissolution, of the question of Rhodesian independence.⁵⁶

⁵¹ NAZ SRG 4, Letter from R A Butler to Winston Field, 2 May 1963

⁵² 'Grant of Independence to Southern Rhodesia', presentation by the Minister of Law and Order, *Southern Rhodesia Debates of the Legislative assembly*, 4:53, 21 June 1963, Column 165.

⁵³ *Ibid*, Column, 163.

⁵⁴ Bowman, *Politics in Rhodesia*, p. 63.

⁵⁵ Young, *Rhodesia and Independence*, p. 78.

⁵⁶ *Ibid*, p. 79.

Butler felt compelled to force Field's hand on the question of independence. He had received numerous letters from newly independent Asian and African countries in the Commonwealth, not to mention the views eloquently expressed by the 'Special Committee on the Situation with Regards to the Implementation of Independence to Colonial Countries and Peoples' set up by the United Nations General Assembly in 1960.⁵⁷ Of the 113 member nations of the UN in 1963, thirty four were African countries that had all experienced European colonialism. As Cohen observes, it was 'unsurprising that they used their newfound influence to draw attention to the remaining colonial presence on the continent'.⁵⁸ Although, according to Young, Butler 'did not whole heartedly subscribe to the wind of change policy and would have liked to have granted independence to Rhodesia since the right of secession had been given to the two northern territories of the Federation', the British Cabinet, 'fearful of a split Commonwealth and the possible ostracism of Britain, would not give a straight grant of Independence'.⁵⁹

At the talks that he attended in London at the end of May 1963, where Butler insisted that the terms of discussion involved 'an increased number of B roll seats, reduction of A roll franchise, lowering of both property and educational criteria, and abolition of racial discrimination', he returned to Rhodesia disappointed. Although the 'kith and kin' element arguably prevented Britain from taking sterner action, it was clear that the retention of neo-colonial relations with former colonies were more paramount. In fact, Field left believing that, 'nothing would satisfy these people but the departure of all Europeans [i.e. from Southern Rhodesia] and we were not prepared to appease them in these matters.'⁶⁰ To avoid this and going above his Cabinet, Field agreed within a fortnight of his return to Southern Rhodesia that his country would now attend the Federation dissolution conference. Although persuading Southern Rhodesia to attend the conference was an

⁵⁷ See for instance, SAB, TES 12/588, vol 1, 3144, 'Special Committee on the Situation with Regards to the Implementation of Independence to Colonial Countries and Peoples', United Nations general Assembly.

⁵⁸ A. Cohen, "'A difficult, tedious and unwanted task": Representing the Central African Federation in the United Nations, 1960-1963', in *Itinerario*, 34:2 (2010), p. 108. The paper also broadly shows how Britain's position in the UN was complicated by overwhelming newly independent countries that lay the responsibility of decolonisation in central Africa on the British government.

⁵⁹ Young, *Rhodesia and Independence*, p. 81.

⁶⁰ *Ibid*, p. 81.

achievement for Butler, it was the beginning of the end of Field's political career. Most RF members felt that he had been out-manuevered by the British.⁶¹

Given Britain's financial weaknesses and decreasing capacity to sustain its colonies in the late 1950s and early 1960s, British officials became committed to granting majority rule as the best way to maintain neo-colonial links with former colonies through the Commonwealth. These neo-colonial aspirations were viewed by Southern Rhodesia as the abandonment of the settler community. As much as Britain sought to maintain strategic perpetual influence in the region, their efforts in Southern Rhodesia were hampered by the settler community's increasing support for the RF government whose main aim was to maintain their privileged political and economic position.

Liquidation of Federation and the Birth of Rhodesia

The dissolution conference held from 28 June to 3 July 1963 in Victoria Falls in Southern Rhodesia was intended to facilitate a 'speedy transfer of Federal responsibilities to the territories'.⁶² However, there were complex issues which could not be entirely resolved at the conference, hence the territories 'set up the necessary machinery for a detailed study of these problems and to produce a timetable for the process of dissolution.'⁶³ This was done through the creation of two inter-territorial Committees A and B that managed the business of dissolving the Federation and liquidating some of its shared assets, and setting up a platform for cooperation until the business was concluded at the set deadlines for the various processes. Committee A presided over the reversion of Federal functions such as the public service, judiciary, and recommend on matters relating to Federal assets and public debt. Committee B worked out possible areas of future cooperation in matters relating to the Kariba dam, air, power, transport and railways.⁶⁴ Also, collaboration between the

⁶¹ *Ibid.*

⁶² NAZ, SRG 4, Report of the Central African Conference held at Victoria Fall, July 1963, p. 1; It must be noted that Butler had arrived on the 26th, two days before the start of the conference for further talks on Rhodesian independence, which as before, yielded no agreement. However, it was during cocktails served the evening of the 27th that, Ian Smith attending as a deputy Prime and Treasury Minister, claims he heard Butler making verbal assurances to Field that if he attended the Conference the following day, 'Southern Rhodesia's independence would be "dealt with immediately and would present no difficulties".' Butler faced the prospect of the Conferences collapsing before it had even started had he not handled Field diplomatically. However, while Butler denies ever giving any categorical assurances, this became the basis of claims and counter claims in subsequent negotiations in 1964. See Young, *Rhodesia and Independence*, p. 89.

⁶³ NAZ, SRG 4, Report of the Central African Conference held at Victoria Fall, July 1963, p. 1.

⁶⁴ Young, *Rhodesia and Independence*, p.93.

colonial office and these committees was necessary to 'work on the basis of seeing... the reallocation of functions... assets... and apportioning liability, including public debt among the three successor governments...'⁶⁵ After the conclusion of the official Congress in Victoria Falls, the committees continued working on the finer details and only concluded on 31 December 1963.

The dissolution process was crucial because,

The essential core of this association lay in the shared economic arrangements, such as the common market in goods and labour, and the joint banking, credit, exchange and currency facilities. There were here issues of great complexity and vital importance to each territory, which called for the most thorough and searching examination by each government. This was essentially a matter for their territories, and their decisions would have far reaching effects on their future finances and economy.⁶⁶

The language of the conference and the post conference machinery that worked on the 'broad conclusions... on how inter-territorial issues were to be tackled' appeared to work in the 'interest of the territories and the future prosperity of the region'.⁶⁷ Yet, the dissolution process would not necessarily benefit only central African territories. The 'benevolent' successor governments, Britain hoped, would join the Commonwealth and 'benefit' from an enlarged economic unit. Although dissolution proceeded smoothly, inter-territorial cooperation was unlikely to last beyond this process. The fact that the two northern neighbours gained majority independence and Northern Rhodesia (Zambia) supported the Southern Rhodesian African nationalist cause set the stage for hostility with the RF.

The inter-territorial committees produced well over fifty reports on the various aspects of the dissolution process relating all manner of governance. Among other machinery, they set up a Liquidation Agency which presided over the liquidation of Federal Assets and their allocation to the territories on the basis agreed upon.⁶⁸ It liquidated such institutions as the Reserve Bank of Rhodesia and Nyasaland set for 31 December 1965 after which such assets as

⁶⁵ NAZ, SRG 4, Report of the Central African Conference held at Victoria Fall, July 1963, p. 1.

⁶⁶ Ibid, p. 9.

⁶⁷ Ibid, p. 14.

⁶⁸ See for example RUCL, Smith Papers, Box 19. It contains most of the paperwork of Committee A and B and their sub-committees which presided over the practical and technical process of dissolution. See also NAZ SRG 4, Report of the Central African Conference held at Victoria Fall, July 1963 and other subsequent reports.

gold, cash, securities, outstanding loans and other financial assets will be allocated to the territorial central banks in proportion to the amount of currency of the former Federation which is handed in for redemption by the Bank of Rhodesia and Nyasaland.⁶⁹

In short, this involved the transference of responsibility for currency, banking and exchange from the Federal to Unitary territories. The Bank's capital stock would then be held by the Liquidation Agency at the dissolution of the Federation in 1963.⁷⁰ However, before this could be completed, a committee of the Finance Ministers from the territories took over the functions of the Governor General in matters relating to currency, banking and exchange control.⁷¹ The currency of the central African monetary area was scheduled to be legal tender until at the earliest, until 1 January 1965 but at the very latest, June of that year.

In setting up the new monetary system, and in spite of the retained sterling links, Southern Rhodesia adapted supporting legislation to that of a financially independent country. For example, the amendments on the Control of Goods Act (1954) departed much from the earlier arrangements. The original Act, even after its 1960 amendments on quotas and licensing, stated that 'goods originating in the sterling territories do not require import control'.⁷² At a time of strong sterling backing and pooling of colonial financial reserves in Britain, there was little threat of inflationary pressure. However, this stipulation had to be altered in 1963 to make safeguards for a unitary national currency that could rapidly become delinked, thus protecting it from inflationary pressures and for the benefit of local industry.

Some of the safeguards already guaranteed under the Federal Treasury and supporting legislation such as the Exchange Control Act (1954) and the Currency and Exchange Control (temporary) Act (1961), and its 1963 amendment would only need to be adapted to territorial conditions to prevent the export of capital, which would damage the economy as

⁶⁹ Ibid. See also BoE (OV) 191/40, Reserve Bank of Rhodesia, Memorandum from Parsons (BoE Chief Cashier) to Cromer (BoE Governor), 23 July 1965. The Memo noted that the Reserve Bank of Rhodesia was supposed to receive 63 percent of the Bank of Rhodesia and Nyasaland assets, representing a ratio of 25 percent gold to currency liabilities.

⁷⁰ South Africa Central Archival Repository/ *Sentrale Argief Bewaarplek*, Pretoria (Hereafter SAB), TES 12/588, vol. 1-3144, from Press Statement released by the Southern Rhodesia Information service. From a Cabinet statement by Southern Rhodesia Minister of the Treasury, I. D Smith, 24 March 1964.

⁷¹ Ibid; other aspects of reallocation included the Kariba Dam Scheme, the Railways and the Airways among others.

⁷² NAZ, S3279, 'Import of Sterling Origin in Southern Rhodesia', in memorandum for the information of Importers, 1954.

a result of the depletion of foreign currency.⁷³ Restrictions to capital transfers were applied mainly through the banking system whereas other measures covered ‘the import and export of currency notes, postal orders, insurance policies and financial instruments as well as the control, issue and transfer of securities’.⁷⁴ While other aspects directly affected such sectors as agriculture or commerce among others with financial implications, for example, as provided for by the Federal laws like the Price Control regulations (1954), the Weights and Measurements Act (1962) were also adequately adjusted.⁷⁵

An Order-in-Council was published in July 1963, stating that the public and relevant departments,

on the day following the day in which Federation is dissolved... the Control of Goods (Import and Export) order 1960...[would be] amended by the omission of “the Federation” wherever its occurs and by the substitution of “Southern Rhodesia” in place thereof.⁷⁶

In designating responsibility over the regulations, the Secretary for Law and Order reiterated that,

It is necessary for various reasons for the import and export of certain goods to be controlled and provided that the legal means exist to exercise control it is of little or no interest to police which ministry may be technically responsible for supervising the control. It would appear to be logical that where any control is for commercial or trade reasons the Ministry of Trade, Industry and Development should be responsible thereof and where any control is for some other reason the ministry primarily concerned with the commodity in question should be responsible thereof.⁷⁷

The new ‘rules for importation of merchandise’ were applied at the discretion of the Ministry of Trade, Industry and Development. Thereafter, an Open General License (OGL) was awarded only to those who had applied to the treasury and were deemed to qualify on the basis that their imports were for production purposes, such as importing spare parts for agriculture and industries. OGLs were granted particularly to applicants with projects that

⁷³ RUCL Smith Papers, B.19, Federal Dissolution Committee B Reports: Third Report, Kariba, Timetable for Legislation and Inter-Territorial Questions, tabled 12 October 1963.

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ NAZ, S3605/1/1/1, The Control of Goods (Import and Export) (Commerce) Amendment Order 1963 (No.5), Southern Rhodesia Government Notice of 1963.

⁷⁷ NAZ, S3605/1/1/1, Letter from the Secretary for Law and Order to Secretary to the Ministry of Ministry of Trade, Industry and Development, 11 March 1965.

boosted the country's export earning capacity instead of competing with locally produced commodities.⁷⁸

Effectively, certain import businesses' operations were compromised as they failed to access the OGLs required in the formal acquisition of foreign currency. This was because access to foreign currency became exclusive to those whose business operations fulfilled the requirements of the state, unlike the previous period when they took advantage of the common monetary arrangements under the sterling pool. To boost the domestic economy, this Import Substitution Industrialisation (ISI) instrument was consolidated with the creation in 1964 of the Industrial Development Corporation.

In discussing amendments of the Exchange Control Act in 1963 which would be passed in 1964, the government felt that responsibility was too variegated posing the kind of problems illustrated in a letter from the Secretary for Law and Order;

The difficulty is that, if one is not careful there is a multiplicity of authorities issuing import and export permits and this serves to confuse importers and exporters, the public generally and to some extent the police. Moreover the ministry primarily concerned with a commodity is not always the one to have direct interest in control. For example, rain making rockets mentioned by the acting secretary of Trade, Industry and Development, presumably the ministry responsible for these would be Mines and Lands if they are explosives or Internal Affairs if they are ammunition, but one of the main objections of them is that they are dangerous to aircraft. Surely it would not be suggested that the import of such things should be controlled by the Ministry of Transport and Power (Civil Aviation) or by the Ministry of Defence (RRAF). It is inevitable that there is considerable overlapping of interests and in many instances Ministries will have to work on the views of every Ministry.⁷⁹

As such, responsibility for 'import and export controls (was) neither centralized nor logically de-centralized.'⁸⁰ The direction the economy was taking required 'centralizing responsibility for these controls and prohibitions.'⁸¹ Unlike before, the need to restructure the country's economy and protect it from various external forces manifested with these developments. As the Federal dissolution committees A and B concluded their work in December 1963, it was to territorial governments to then functionally adapt territorial legislation and institutions to their unitary economies.

⁷⁸ Ibid.

⁷⁹ NAZ, S3605/1/1/1, Letter from the Secretary for Law and Order to Secretary to the Ministry of Trade, Industry and Development, 18 May 1965

⁸⁰ Ibid.

⁸¹ Ibid.

‘No more independent than the money that is in your own pocket’: Colonial Financial Reconstruction and Constitutional Stalemate

The beginning of 1964 closed the chapter of Federal dissolution and opened a new one of political and economic reconstruction. The pursuit of independence through constitutional negotiations proceeded with much frustration on both British and Rhodesian sides, ultimately leading to increasingly hardening settler government attitudes. The positive economic developments from 1964 to 1965 gave the RF state confidence to ‘go it alone’, an option they would not have considered otherwise. On the back of a retreat of British imperial influence, the Southern Rhodesian government created financial machinery that reconstituted the monetary and exchange system. This included the establishment of the Reserve Bank of Rhodesia on 22 May 1964 and a territorial currency by 1 January 1965. Although sceptical of the RF, opposition leader and MP for Highlands South, A. D Butler, best captured the changes by likening the Anglo-Rhodesian relationship to that of a parent with a young person coming of age; the British imperial authorities being the parent and the Southern Rhodesia being the child. Arguing that real independence can only be realised more through economic rather than constitutional means, he argued,

A strong economy is much more important than a bit of paper that contains these words or those words. Constitutions and papers and documents themselves cannot create prosperity. I would compare it to a man coming of age. When you become 21 years of age theoretically you can do what you like, legally you have every opportunity to be fully independent but of course *you are no more independent than the money that is in your own pocket*, or your ability to earn a satisfactory living and pay your own way. Exactly the same thing applies to a country as it does to a person who becomes 21 years of age and so I look for the future of this country through its economic strength and not through a mass of constitutional bits and pieces. If you take any other course then you will not have real independence. You will merely be taking orders from those people who control your economic affairs or you will be absorbed by some other country with a stronger economy than yours.⁸²

Although seemingly at variance, RF legislators shared the vision to ‘reassure people that they, in fact, had a future in Rhodesia, and accordingly would be prepared to invest their money, their efforts and their industry in this country.’⁸³ As this section will show, the RF

⁸² The words of Butler, leader of the RP, opposition party. The quotation is from the motion on various economic issues he raised following his inaugural to serve on the Committee on standing Rules and Orders, *Debates of the Legislative Assembly*, Southern Rhodesia, 17 February 1965, c.1593.

⁸³ R.T.R. Hawkins, MP for Charter, quoted in *Ibid*, c.1608.

government was concerned with making a post-Federal Southern Rhodesia financially and economically self-sufficient from 1964.

The only criticism levied by Butler was that these efforts were hampered by the structure of an economy that excluded black economic participation. He argued that the state should have adopted the recommendations of the Philips report whose object was to sustain a rate of economic development that matched population increase.⁸⁴ Although criticised for lacking a comprehensive, inclusive economic plan, because of 'planning and making a declaration of independence unilaterally- that is all the government is occupied with'⁸⁵; on the financial front, the RF government crafted a vibrant post-Federal economic system designed to benefit the white minority.

In as much as the constitutional crisis culminated in UDI, Watts argues that other options that could have prevented UDI remained under-explored.⁸⁶ Concurrently outlining territorial financial reconstruction and the question of Rhodesian independence, the current section sketches the financial aspects of the drive towards UDI, exploring British anxieties and Southern Rhodesia preparations for it. It disrupts accepted wisdom that UDI only became a central consideration from mid-1965, by showing that the RF state had begun making financial preparations for it from 1964.⁸⁷ The RF state, however, could only implement it once the option was acceptable to the electorate. Their strategy was to initially declare that the RF's commitment was United Drive (or Demand) for Independence, but not necessarily a Unilateral Declaration.⁸⁸ The timing also had to be critical, occurring at a point when the Rhodesian economy could withstand external economic pressure from disapproving nations.

To sustain a functional monetary, exchange and broader economic system, crucial interventions needed to be made in the economy. Among the first of these was to change the customs and excise system which was implemented on 28 February 1964.⁸⁹ The

⁸⁴ See NAZ, ZG2, Miscellaneous Reports 196, The Philips Report, p. 5.

⁸⁵ P.E. Chigogo, MP for Gwokwe quoted in *Ibid*, c.1628.

⁸⁶ Watts, *Rhodesia's Unilateral declaration of Independence*, p. 5.

⁸⁷ See for example Watts, *Rhodesia's Unilateral Declaration of Independence*; Bowman, *Politics in Rhodesia*; Young, *Rhodesia and Independence*.

⁸⁸ Bowman, *Politics in Rhodesia*, p. 80.

⁸⁹ J. J. Wrathal's motion for the Committee on Ways and Means in Southern Rhodesia, Debates of the Legislative Assembly, 15: 56, 19 March 1964, c. 1033.

exchange control system that had existed on the basis of British controls from 1947 had created preferential tariff regimes, initially for a discriminatory Sterling Area and subsequently for former British colonies that became members of the Commonwealth. After the creation of Federation, Southern Rhodesia operated in a common monetary area, allowing free inter-territorial movement of goods between itself, Northern Rhodesia and Nyasaland. Although remaining a Colony after 1963, Southern Rhodesia reconstituted a territorial tariff system which to enable it to industrialise through protection.

In moving a motion on the Ways and Means proposals on 19 March 1964, Finance Minister John Wrathal recapped the wisdom behind the tariff changes made earlier that year. He noted that even the former Federal partners of Zambia and Malawi would not only attempt to industrialise, but also doubly protect their local industries while reducing dependence on Rhodesian manufactures.⁹⁰ In the case of a smaller internal market following dissolution, external competition would be high and industrial capacity compromised. Not only would tariffs protect the domestic market for local enterprises, it would also raise revenue. The tariff system would also act as 'One of the Government's essential tasks in streamlining the fiscal system'.⁹¹ If deployed efficiently, excise duties and tariffs were crucial exchange control tools that governed domestic and export trade, insulating the local currency by eliminating the importation of inflation.

Also as a result of Federal liquidation, the Southern Rhodesia government established the Reserve Bank of Rhodesia on 22 May 1964 to subsequently assume currency and banking regulation ahead of the formal termination of the central African common monetary on 1 April 1964 and liquidation of the Federal Central Bank on 31 December 1965.⁹² Although modelled on the Federal Central Bank, the Reserve Bank of Rhodesia Act (1964) was modified to suit unitary territorial arrangements, particularly in its currency.⁹³ The bank started out on a sound footing as its general reserve fund was quite strong, at £.1 million sterling. The newly appointed Governor had been the chief cashier of the Federal Central

⁹⁰ Ibid; see also BoE (OV) 191/40, Letter from a newly appointed Reserve Bank Governor, N.H.B Bruce to the Governor of the Bank of England, Cromer, dated 1st June 1964.

⁹¹ J. J Wrathal's motion for the Committee on Ways and Means in Southern Rhodesia, Debates of the Legislative Assembly, 15: 56, 19 March 1964, c. 1036.

⁹² From a Budget statement of 1 July 1965 by Wrathal, Minister of Finance, Legislative Assembly (Salisbury: Government printers, 1970), p. 3.

⁹³ Ibid.

Bank, Noel Bruce and his deputy, C.G. Gough, had been the chief cashier of the Bank of England.⁹⁴

During the 1960s and with the attainment of political liberation in African countries, the establishment of Reserves Banks was seen as an expression of economic independence. However, as in the case of the Franc zone, retaining currency links allowed the imperial centre to continue exercising some degree of economic influence over the country's economy. The Southern Rhodesian Reserve Bank only assumed a greater degree of autonomy by its new authority to call upon commercial and merchant banks to maintain their statutory reserves with them. For Bruce, 'it was considered desirable to have a more direct means of controlling credit, in addition to the other powers vested in the bank', a condition that had hitherto not been available prior to the establishment of a territorial monetary authority.⁹⁵ The creation of the Reserve Bank of Rhodesia reduced Southern Rhodesia's financial dependence on London. In a letter congratulating Southern Rhodesia on the formal establishment of the Reserve Bank, a Bank of England official also mentioned how relations between the two banks would now become one of banker and client, with the Bank of England being the banker and the Reserve Bank of Rhodesia an independent client rather than an adjunct or colonial branch.⁹⁶ In the Colony, the financial system became subject to greater exchange control measures. This was achieved through the finance ministry's close coordination of other ministries and departments such as customs, trade and agriculture.⁹⁷

The controls were allocated to relevant ministries, for example, the control of goods was given to Trade, Industry and Development which was later consolidated into Commerce and Industry. This Ministry, in conjunction with the revenue collection department, was directly responsible for determining the customs tariffs and which goods made the import list under the new amendment to the Exchange Control Act (1964).⁹⁸ To get an OGL, individual companies would apply, stating the intended use of the license. It was left to the discretion of the Ministry whether to grant it or not. Industry and Commerce also had to work with

⁹⁴ BoE (OV) 191/40, Letter from Bruce to Cromer, dated 1 June 1964.

⁹⁵ Ibid.

⁹⁶ BoE (OV), 191/40, Letter from Jasper to Bruce, 15 June 1965.

⁹⁷ Subject to subsequent and regular amendments, such controls had adapted to a unitary political economy in 1963 as Federation dissolution took place in preparation for a territorial financial and economic system.

⁹⁸ NAZ, S3605/1/1/1, cited as: 'The control of goods (import and export) Amendment Order 1966'.

other ministries to determine to identify goods to be listed as controlled, and those regarded essential imports.⁹⁹ Traders or citizens making a case for imports to be deemed essential could also use appropriate ministries such as agriculture, for instance, to make their case that certain inputs or chemicals were crucial to their businesses or venture. Those ministries would then approach the Ministry of Commerce and Industry with such requests.¹⁰⁰ The customs and excise department was also crucial in policing imports, operating under the direction of the Ministry of Commerce and Industry. In coordination with other portfolios, the Ministry of Finance continuously revised and adequately adjusted monetary and exchange arrangements, informing all government departments through circulars and the public through gazette.¹⁰¹ All of this was done initially as a precursor to the creation of an inter-ministerial coordination machinery that would assess manage these economic issues.

At the termination of the common monetary area in April, 'Rhodesia assumed full sovereignty in matters of currency, banking and exchange control on 2 June'.¹⁰² The banking sector, now fully governed by the Reserve Bank, was required to make statutory deposits of funds. This was followed by the replacement of Federal notes with those designed only for Southern Rhodesia on 16 of November 1964. Coinage was replaced on 25 January 1965.¹⁰³ Currency exchange between Southern Rhodesia and other countries, including sterling scheduled territories and even the former federal partners, became subject to exchange control. Goods and capital movement became regulated with the Reserve Bank fully employing the money supply and interest rate function to regulate the economy and manage the value of the national currency. Although theoretically designed to be independent of the central state, the Bank worked closely with the government Ministry of Finance.

⁹⁹See NAZ, S3279, Money, Accounts General, Noted in letters/circulars from V J Handley to all heads of department or other officials, for example as noted in Treasury circular no. 53 of 1966.

¹⁰⁰ Many applications can be found in NAZ S3605/1-22, Import and Export control/ Currency miscellaneous.

¹⁰¹ NAZ, S3279 Treasury circular no. 50 entitled Acceptance of Payment on Government account, from V. J Handley to all Heads of department, 9 August 1966.

¹⁰² Budget statement of 1 July 1965 by Wrathal, Minister of Finance, Legislative Assembly (Salisbury: Government printers, 1970), p. 6; for a discussion of Faber and economists' views see Handford, *A Portrait of an economy*, p. 3.

¹⁰³ Budget statement of 1 July 1965 by Wrathal, Minister of Finance, Legislative Assembly (Salisbury: Government printers, 1970), p. 6.

As a result of these post-Federal adaptations, Wrathal reported that the economy was growing. This was in spite of negative predictions that had been made by some economists about the impact of the fall of Federation or the vote of no confidence of the large number of emigrating White, Coloured and Asian people.¹⁰⁴ Being the first financial policy since 1953 in which Rhodesia had full unitary responsibility over its economic policy, not least diminished British exchange control interference compared to the 1947 to 1956 period, the economy which was characterized by almost five percent increase in Gross Domestic Product (GDP) had gained some welcome buoyancy to previous years.¹⁰⁵ The Finance Minister reported that the Gross National Product (GNP) had risen by £6.6 million from £309.6 million to £316.2 million from 1962 to 1963. This soared even further to £331.7 million in 1964. Although per capita income in relation to GNP had slightly declined from £61.9 to £61 per head, improved export-import performance in 1965 was set to offset this. Among the reasons for the boom was the restored confidence in the economy.

Although growing slower compared to the boom of the early to mid-1950s where GDP rose to a high of 13.5 percent for the year 1955 to 1956, the post dissolution economy improved from the slowdown of the years from 1957 to 1961, growing by five and half percent in 1964.¹⁰⁶ Although there were disappointing white emigration figures for the RF regime, as well as a depressed construction industry, other sectors performed well as reflected in the increase of African employment. African earnings increased earnings by four percent, an increase of over ten percent in the export of domestic products to countries other than Zambia and Malawi, the record exports of Virginia flue cured tobacco, rising industrial production and increased tonnage hauled by the Rhodesia railways.¹⁰⁷

On the back of this economic growth but facing the frustration of failing constitutional talks, Southern Rhodesia started making the financial preparations for a possible UDI. On 9 November 1964, Ian Smith appointed two Cabinet committees. Committee 'A' was tasked with considering 'all aspects of a unilateral declaration of independence with a view to the eventual publication of a white paper document for public information'.¹⁰⁸ This was chaired

¹⁰⁴ Ibid; for a discussion of Faber and economists' views see Handford, *A Portrait of an economy*, p. 4-5.

¹⁰⁵ See *Economic Survey of Rhodesia*, July 1966, p. 1.

¹⁰⁶ 'Economic Survey of Rhodesia for 1965', in *Rhodesia Economic Report*, p. 1.

¹⁰⁷ Ibid.

¹⁰⁸ RUCS-Smith Papers (Unprocessed), 'Committees on Independence', Note to Cabinet from Cabinet secretary. B. Clarke, 9 November 1964.

by the Prime Minister Ian Smith, with other members being the Deputy Prime Minister Clifford Dupont, the Minister of Internal Affairs William Harper, the Minister of Law and Order Desmond William Lardner-Burke, and the Minister of Trade, Industry and Commerce George Wilburn Rudland.

Committee 'B', tasked with considering the economic aspects of UDI, was chaired by Wrathal, with other members being George Rudland of Trade, Industry and Commerce, the Minister of Agriculture Lance Bales Smith, and R. H Coates Palgrave of the Cabinet secretariat acting as the secretary.¹⁰⁹ Also, to establish a sustainable UDI economy, the Cabinet also established coordination machinery such as the National Economic Advisory Committee (NEAC) and the Ministerial Economic Coordination Committee (MECC), and various other sub-committees such as the Treasury department's Development Coordination Commission in November 1964.¹¹⁰ Initially established in 1963, the MECC had been replaced by the Ministerial Development Coordination Committee on 19 November 1964 but reconstituted on 2 February 1965.¹¹¹ These committees thus constructed an economic system principally structured to finance rebellion. This centralised economic planning led to improved agricultural yields, enhanced production in mining and an expanding manufacturing sector in 1965. In fact, although the country was a primary commodities exporter, 'of the 20 most important exports, over half were manufactured or processed goods, many of which did not appear or were of very minor significance four or five years earlier'.¹¹²

With the prospect of UDI looming, external diplomatic pressure mounted against a recalcitrant Southern Rhodesia. Even before Salisbury openly expressed the possibility of a UDI, it was clear that the Colony would not compromise on the independence issue. On 22 April 1965, the UN committee for the liberation of colonised countries and peoples reported that the situation in Rhodesia was, at the very least, grave. At meetings held between 30 April and 6 May, the Security Council considered a letter submitted by 35 African states

¹⁰⁹ Ibid.

¹¹⁰ RUCL-Smith Papers (Unprocessed), 'Aide-Memoire for the Prime Minister on Item 8, Economic Planning and Economic Services', 13 November 1964.

¹¹¹ RUCL-Smith Papers (Unprocessed), Cabinet Note submitted by Clarke, 2 February 1965.

¹¹² 'Economic Survey of Rhodesia for 1965', in *Rhodesia Economic Report*, p. 2.

‘requesting the Council to examine the very serious situation in Southern Rhodesia’.¹¹³ The Council thus adopted a resolution 202 of 1965. The resolution encouraged the United Kingdom government to grant independence by majority rule. In the event of a rebellion by the RF, London was encouraged, along with all UN member states not to recognize a UDI by a minority government. It encouraged the imperial government not to transfer ‘any of the powers or attributes of sovereignty, but to promote the country’s attainment of independence by a democratic system of government in accordance with the aspirations of the majority of the population’.¹¹⁴

Britain continued to push for a negotiated compromise. However, following collapsed settlement negotiations during July to August 1965 in which Rhodesia refused to accept the principle of unimpeded progress towards majority rule, British Prime Minister Harold Wilson reiterated that in the event of a UDI, Britain ‘would not allow Rhodesia to go unpunished’.¹¹⁵ Underlying this threat was the belief that Britain still pulled the strings in the Rhodesian situation. Whilst some in Rhodesia believed this, the politicians were beginning to view their position differently. Business civil society groups felt threatened by British utterances as well as the disapproval of other countries of Southern Rhodesia’s possible UDI. The organisations’ privately submitted eight reports to the RF government which were overwhelmingly against the prospect of UDI in mid-January 1964. The Rhodesia Tobacco Association (RTA), for example, feared the loss of Commonwealth preference which would in turn endanger a London agreement between British manufacturers and Rhodesian producers in the form of an embargo.¹¹⁶

Dismissing such association as bogeymen as they had done in the case of economists who had predicted economic collapse at the dissolution of Federation, the RF government published its own White Paper on 26 April 1965. They argued that Britain ‘would not fully impose sanctions and even if she did, Rhodesia was sufficiently prepared’. The White Paper argued that,

¹¹³ SAB, TES 12/588, Vol. 1-3144, ‘Question of Southern Rhodesia, Working Paper Prepared by the Secretariat of the Special Committee on the Situation With regard To The Implementation Of The Declaration On The Granting Of Independence To Colonial Countries And Peoples in the United Nations General Assembly, p. 2.

¹¹⁴ Ibid, p. 3.

¹¹⁵ Ibid.

¹¹⁶ Bowman, *Politics in Rhodesia*, p. 78

Economies in the country to the North could be crippled; Withdrawal of preference and trade was a two edged-sword; Rhodesia could redirect her trade for there was no sentiment attached to money; Britain would not attempt to destroy Rhodesia's economy and stable government when countries to the North give every direction of submitting to Communist influences; An embargo on Rhodesia tobacco would give America a virtual monopoly; Rhodesia could repatriate foreign workers to Zambia and Malawi; Economic sanctions would hurt all races; Counter measures had been prepared to protect Rhodesia's national interests, economic and otherwise; History has shown that sanctions will not work; and in the long run Rhodesians had nothing to lose but all to gain by accepting their responsibilities and becoming completely independent as a sovereign nation.¹¹⁷

Although still not admitting to the electorate that government was considering the possibility of UDI, the writing was on the wall. The issue had shifted from the question of the possibility of UDI and its possible economic consequences towards one outlining the preparedness of the RF to retaliate in the event of sanctions.

Business civil society, for example, the RTA responded by publishing its report. Others however, such as the Rhodesia Institute of Directors, Associated Chamber of Commerce of Rhodesia (ACCoR), Association of Rhodesian Industries (ARInI) and the National Commercial Distribution and Office Workers Association (NCDOWA), did not release theirs to avoid 'getting involved in politics'.¹¹⁸ The reports which represented segments of Rhodesian industry and commerce, all expressed concern over possible trade and financial difficulties that would emerge with the withdrawal 'from the sterling area, diminishing foreign investment, the freezing of Rhodesian assets abroad, loss of entry to the London money market, withdrawal of Commonwealth Preference, loss of access to raw materials, and loss of Rhodesian export markets'.¹¹⁹ This was prompted by the agitation of the United Nations General Assembly member countries over the constitutional crisis that was escalating in Rhodesia. The Colony dominated the agenda of a UN special committee set up to monitor the implementation of independence to colonial countries. This committee applied pressure, not just on the Rhodesian government, but also British imperial authorities to resolve the constitutional crisis in the Colony to make way for majority rule.¹²⁰ Member

¹¹⁷ *Ibid*, 78-79; See also *Rhodesia Herald*, 27 April 1965: where the full text of the *Economic Aspects of a declaration of Independence* was reprinted.

¹¹⁸ Except that of NCDOWA which expressed optimism with the Government's quest for independence by all means. Bowman, *Politics in Rhodesia*, p. 79.

¹¹⁹ *Ibid*.

¹²⁰ SAB, TES 12/588, vol 1, 3144, 'Special Committee on the Situation with Regards to the Implementation of Independence to Colonial Countries and Peoples', United Nations general Assembly.

countries threatened to apply economic pressure on Southern Rhodesia if it did not facilitate progress towards majority rule. Thus, the Colony's business civil society feared a credit squeeze, hurtful import and exchange controls and possible currency devaluation. However, the government remained undeterred, continuing to accuse the dissenters of being 'bogeymen'.

For its part, Britain found that applying financial and economic pressure on Southern Rhodesia was more complicated than the UN special committee envisaged. The notion of kith and kin partially influenced imperial actions, particularly in their expression that armed intervention in Southern Rhodesia was off the cards. Yet there were real economic anxieties that the British Treasury and Bank of England had to consider before using punitive exchange control pressure on the Colony.¹²¹ Although London could apply the Emergence Laws (Re-enactment and Repeals) 1964 on the Exchange Control Act (1947) to block Southern Rhodesian assets under the code name 'Blacksmith', the imperial authority was anxious of the possible impact of the Colony's reprisal.¹²²

At imperial-colonial level, Britain could expel Southern Rhodesia from the Sterling Area; impose tighter exchange controls which meant denying the Colony access to preferential Commonwealth trade. The third stage would involve blocking, with the help of the British Board of Trade, both official and private colonial accounts held in London in sterling to the value of £34 million.¹²³ Although looking at the Reserve Bank of Rhodesia as a body corporate independent of the state which the Bank of England could not take political action of blocking funds on¹²⁴, it was ultimately resolved to monitor its accounts.¹²⁵

Suspicious of the financial motives of Southern Rhodesia which could lead to a withdrawal of gold denominated assets of close to £3 million pounds and other assets worth about £24 million, Sir William Armstrong of the Treasury instructed the bank of England that 'If any

¹²¹ For a more comprehensive examination of the question of military intervention in Southern Rhodesia, see Philip Murphy, "'An intricate and distasteful subject': British Planning for the Use of Force against the European Settlers of Central Africa, 1952-65", *English Historical Review*, cxxi, 492 (2006), pp. 747-777.

¹²² Much of the correspondence and notes on meetings and memos on the subject are contained in BoE file on 'Exchange Control Arrangements with Rhodesia', dated from 01 July 1965 to 31 October 1965.

¹²³ Although Britain wanted to use currency as a coercive tool, this would not be effective for a number of reasons as will be established in the passages that follow. For a conceptual appreciation of how currency can be deployed to force rebellious nations to capitulate, see Kirshner, *Currency and Coercion*.

¹²⁴ BoE (OV) 191/40, Letter from J.A.M Oliver of the Treasury to J Keogh of the Bank of England, 28 June 1965.

¹²⁵ Ibid, Letter from Armstrong (Treasury) to Cromer (Governor-BoE), 25 October 1965.

unusual orders are received [from the Reserve bank of Rhodesia], it will be necessary to consult urgently as to the action to be taken'.¹²⁶ Indeed, alarm had been raised when Southern Rhodesia unilaterally acquired 100 bars of gold at the cost of £500 000 worth of gold from South Africa instead of London to increase their gold to currency ratios to 25 percent.¹²⁷ The reason for this, Bruce Noel explained, was that 'We did not approach you with a view to purchasing additional gold because we felt that, in the present circumstances, there would have been every justification for some reluctance to accede to such a request'.¹²⁸ Although the Bank of England officials felt that Salisbury could still make purchases from London with little effect, these actions proved that Southern Rhodesia was working towards diversifying into non-sterling denominated assets, which were a preparation for a possible UDI.¹²⁹ As such, counteractive measures were necessary to counteract any possibility of Southern Rhodesia suddenly wishing to withdraw all her financial assets from London. This was an important financial bargaining chip which represented a degree of London's influence in the Colony's finances. Southern Rhodesian retaliation, however, meant that Britain would face a greater financial loss on balance. First, such actions would mean the repudiation of colonial debt held by British stockholders which amounted to £75 million. Moreover, on top of restricting copper exports which were crucial to Britain, Southern Rhodesia could also expropriate British investments in the Colony.¹³⁰

At a wider level, British financial authorities were worried that blocking Southern Rhodesian assets could also provoke other countries/scheduled territories to consider withdrawing their own sterling holdings from the Bank of England.¹³¹ By the 1960s, Britain had lost many former sterling investments following the post-Second World War Bretton Woods arrangements which facilitated the ascendancy of the American dollar to leading international reserve currency.¹³² Applying 'Blacksmith' threatened Britain's financial position in the global political economy. First, the expulsion from the sterling would not really hurt the Colony, but it compromised sterling's historical position. As described by

¹²⁶ Ibid.

¹²⁷ Ibid, Letter from Noel to Cromer, 14 June 1965.

¹²⁸ Ibid.

¹²⁹ Ibid, Memorandum from Cromer to Parson (BoE Chief Cashier), 23 June 1965.

¹³⁰ In BoE file on 'Exchange Control Arrangements with Rhodesia', Letter from A.K. Rawlinson (Treasury official) to P.R.W Legh (Bank of England), dated 1 October 1965.

¹³¹ Ibid.

¹³² See G. Krozewski, *Money and the End of Empire: British International Policy and the Colonies* (Hampshire: Macmillan, 2001); Schenk, *The decline of Sterling*.

Treasury official A. K. Rawlinson, this was 'a matter of grave concern'.¹³³ Although the Commonwealth governments were likely to support London, their economic advisors would possibly advise for the withdrawal of their sterling balances, prompting a run on the Bank of England.

The Bank of England held £2.3 billion belonging to scheduled territories on the balance of a total net worth of £4.4 billion.¹³⁴ Moreover, for the full exchange measures to be effective, Britain needed South Africa's cooperation in removing Southern Rhodesia from its scheduled currency list. However, given the racial geopolitics of the region, this was unlikely. As such, Southern Rhodesia could, and did make adequate preparations to circumvent punitive exchange controls by using other countries. The representative of the Standard Bank, for example, noted how the Southern Rhodesian branch was unlikely to be affected by British asset freezes as it had little funds in London. Rawlinson observed that,

if however the Rhodesians took that [UDI] course, Mr Hamilton was quite sure that short of armed intervention, which H.M.G [Her Majesty's Government] did not intend, there was no hope of unseating the rebel government and replacing it with another more amenable to HMG's wishes.¹³⁵

Although the options remained open and Britain sought the compliance of the Commonwealth and the UN on this matter, its position was built on sand. Given the shortcoming of 'Blacksmith', the imperial centre resolved to continue negotiations.

Facing mounting internal and external pressure from 1964, the Southern Rhodesian government not only allied with the pro-white regimes in the region, but had also created an Export Trade Promotion Council in March 1963 to court other extra sterling or Commonwealth trade partnerships.¹³⁶ The council funded many Southern Rhodesian missions for export promotion.¹³⁷ Colonial officials particularly worked towards creating an economy grounded on economic alliances with like-minded territories of South Africa and Portugal with whom the government entered into trade agreements and other areas of

¹³³ BoE file on 'Exchange Control Arrangements with Rhodesia', Letter from A.K. Rawlinson (Treasury official) to P.R.W Legh (Bank of England), dated 1 October 1965.

¹³⁴ Ibid.

¹³⁵ Ibid, Letter from Rawlinson to Legh, 4 October 1965.

¹³⁶ RUCL-Smith Papers, Cabinet Memorandum, 'External Trade Representatives: Paris and Lisbon, 18 August 1965. The council managed to identify areas of potential trade in France, Germany and other countries although the nature of their cooperation never quite equalled that which they moulded with Lisbon.

¹³⁷ Ibid, Speech from the throne, Southern Rhodesia Governor, 1 June 1965.

cooperation. But, although adjusted by imposing some tariffs on the two former northern Federal partners, for example with the introduction of protective duty on phosphate fertilizer, Rhodesia also concluded a trade agreement and an economic arrangement with both Malawi and Zambia. Although Zambia publicly dissociated itself from Southern Rhodesia because the 'Zambian government is obviously under pressure to be seen not to help Rhodesia', Rudland concluded from the discussions held with officials of the Ministries of Commerce and Industry and of Finance that 'Our prospects of maintaining a steady flow of trade into Zambia are good'.¹³⁸

In this period just after their independence, Zambian authorities were keen to maintain steady supplies of coal, electric power as well as access to the Southern Rhodesia tobacco auction floors and the Beitbridge-Chirundu transit route in return for accepting some Southern Rhodesian manufactures into its market.¹³⁹ This was done in 'keeping the pattern of trade between the territories much as it was in the Federal days-at least for the time being.'¹⁴⁰ Emerging political differences aside, historic economic arrangements between the three territories could not be relinquished overnight. Thus some degree of cooperation was vital.¹⁴¹

Other trade arrangements involved numerous less central trading partners classified under column D of the excise and customs regulations, but which were nevertheless crucial to Southern Rhodesia's economic plans. A good example was the tariff arrangement with countries such as Cyprus with whom for the first nine months of 1964, tobacco exports amounted to £81,092 compared with £289 imports.¹⁴² In another case involving Malta, tobacco exports totalled £20,900 against imports of £700. Although the amounts varied,

¹³⁸ Ibid, Rudland, 'Report on Discussions in Lusaka between officials of the Ministry of Trade and Representatives of the Zambia Ministry of Commerce and Industry', 21 December 1964.

¹³⁹ Ibid.

¹⁴⁰ Handford, *A Portrait of an Economy*, p. 14.

¹⁴¹ For example, Zambia consumed some 25 percent of Rhodesia's manufactured goods, not to mention coal and their cooperation with regards to the railways, electricity and the supply of coal among other things. See Butler's speech on 'an introduction of an economic plan in *Debates of the Legislative Assembly*, Southern Rhodesia, 17 February 1965, c.1596. There was consensus among the legislators not to antagonise Zambia in spite of different political philosophies. In fact, J. A. Newington, MP of Hillcrest argued that Zambia had to accept the philosophies 'forced upon her' as she had 'on her back the Organisation of African Unity and however much she may be aware of her economic necessities, nevertheless, those had to be disregarded or played down'. Quoted in Ibid, c.1636.

¹⁴² RUCL-Smith Papers (Unprocessed), Cabinet Memorandum, Rudland Cabinet Memorandum, Tariff treatment of Cyprus, 21 January 1964.

similar concessions were made with Malaysia, Tanganyika, Jamaica, Trinidad and Tobago, Uganda, Sierra Leone, Kenya and Zanzibar among others.¹⁴³ The sum of the balance of trade was not only beneficial to Southern Rhodesia, but also made available capital for further investment into local industry.

The most important trade agreements that would benefit Southern Rhodesia for at least a decade were signed with South Africa and Portugal in 1964. On the basis of discussions, the first round of which were held in Pretoria between 14 and 18 September and the second from 13 to 17 October 1964 in Salisbury, Southern Rhodesia signed a preferential trade agreement in which they secured beneficial concessions from South Africa.¹⁴⁴ It would run for five years from 1 January 1965 after which it was subject to renewal. The agreement was influenced, to a large degree by the geopolitics of the region, the desire to sustain Southern Rhodesia as an important economic front for the defence of white rule. It was meant to counter any economic measures against the Afro-Asian countries that condemned the maintenance of white rule in the region.

Geopolitical, as much as economic factors were also crucial in the agreement between Portugal and Southern Rhodesia. Rudland had visited Lisbon during his tour of Europe to prod the Portuguese government to negotiate a Trade Agreement to replace the Portugal-Federation Agreement. Interested not just with a Trade Agreement but a wider field of economic cooperation encompassing Mozambique, Angola and even South Africa, a Portuguese delegation made a follow up visit to Salisbury.¹⁴⁵ On 19 December 1964, Calvet de Magalnaes and a fifteen men delegation arrived in Salisbury for exploratory talks with the Rhodesian Ministry of Trade. Citing the 'long experience in the work of disseminating throughout the world the benefits of the western culture', Magalnaes emphasised the need to preserve 'what we built with so much sweat and with so much blood [which] represent[ed] a second heritage'.¹⁴⁶ He regarded Southern Rhodesia as 'our neighbour in

¹⁴³ RUCL-Smith Papers (Unprocessed), Cabinet Memorandum, Rudland Cabinet Memorandum on Tariff treatment of Malta, 21 December 1964.

¹⁴⁴ RUCL-Smith Papers (Unprocessed), Trade relations between Southern Rhodesia and South Africa', Report of a Delegation of Officials on discussions with South African Officials held in Salisbury from 13 to 17 October 1964, submitted to Cabinet on 21 October 1964.

¹⁴⁵ RUCL-Smith Papers (Unprocessed), 'Economic Cooperation: Rhodesia-Portugal, Mocambique and Angola', Ministry of Trade, Industry and Development Cabinet Memorandum, 27 November 1964.

¹⁴⁶ Ibid, Adress by Joze Tomaz Calvet de Magalnaes: Head of the Portugal Delegation, 17 February 1965.

Africa' which would do business with our provinces of Angola and Mocambique'. The subsequent agreement covered such matters as

the power supply from Mocambique to Rhodesia (already in existence and drawn from the Revue Hydro-electric Scheme), the oil pipeline, Veterinary and phyto-sanitary matters, the utilization of the waters of rivers forming international boundaries... as well as railway matters, general transport and tourism.¹⁴⁷

However, not least because the information was being supplied by the South African consulates in Lorenzo Marques and Salisbury with collusion with the Ministry of External Affairs in Rhodesia, the agreement was of strategic interest to Pretoria.

Dupont, Southern Rhodesia Deputy Prime as well as Minister of External Affairs, and Rudland as well as the leader of the Portuguese delegation, Colonel Bento and their Director of Information and Tourism all stressed the need for South Africa to be involved and represented in the negotiations even if they were bilateral.¹⁴⁸ The major reason for this was because the Southern Rhodesian government wanted to establish a number of technical committees to convene over time in matters relating to trade and economics, agriculture, veterinary, transport, international rivers, hydroelectric power, information and popular culture, cartography, education and health. In the case of trade and economics, the committee would discuss and occasionally review the trade agreement, investment in regional projects, tobacco exports, petrol from Angola, and to consider the idea of a common market.¹⁴⁹ It was also hoped that over time, other territories within the sub-region which included Swaziland, Basutoland and Bechuanaland, as well as other countries that had problems with international organisations such as the UN and the Organisation of African Union (OAU) would be included

to demonstrate to the world that Southern African countries who are not members of the OAU are tackling technical and scientific problems in an efficient and positive manner and to provide a mouthpiece which could in effect project the accomplishment in this field, particularly as far as they benefit the Bantu population, to the world at large.¹⁵⁰

¹⁴⁷ SAB, BLM-15/4-52/8, 4b13: BB131, Ministry of Foreign Affairs South Africa, In a Letter from R.J Montgomery, Accredited Diplomatic Representative in Lorenzo marques to the Secretary of Foreign Affairs, 17 December, 1964.

¹⁴⁸ SAB, BLM-15/4-52/8, 4b13: BB131, Ministry of Foreign Affairs South Africa, In a Letter from Montgomery to the Secretary of Foreign Affairs, 7 January, 1965.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

Clearly, the agenda was to create a front of white rule against the disapproval of liberal western countries, liberated countries elsewhere in the world and the tide of majority rule sweeping across the African continent. For example, the committees considered extending the existing railway link between Mocamedes in Angola with the Southern Rhodesia railway system for purposes of trade in transistors, radios and clothing, for instance, instead of the cheaper and more strategic option of a rail link with Zambia and by extension, Tanzania. In the end, because the Rhodesia-Angola rail link was economically unviable, the alternative was air transport.

By 14 February 1965, a delegation was in Salisbury to finalise, among other issues the important arrangements on the Trade Agreement which was regarded as 'by far the most important single item to be dealt with'. The other equally important item was the common market from which Southern Rhodesia was eventually excluded as the External Affairs Ministry feared that

the planned market might stunt industrial growth in Rhodesia and that the latter might well become nothing more than a market for South African industry. The reasoning behind this reaction is that South African industry can produce so many things so much more cheaply than Rhodesia can.¹⁵¹

Agreements were thus reached in many of these areas, between Portugal and Southern Rhodesia with the active involvement of South Africa in the those areas of technical cooperation agreed to, the most important in relation to the current work being in finance and trade.¹⁵² Clearly, in the midst of the international contentious politics over Southern Rhodesia's constitutional crisis, the Colony was aligning itself with countries that would help cushion it from the negative impact of any economic fall outs, even sanctions, from disapproving countries interested in the attainment of majority rule.

For the better part of 1965, and with a mandate to move rapidly on the question of independence, Smith's Cabinet pursued a type of independence that would come 'without strings' on the basis of the 1961 constitution. In the debate that raged on between the RF and the Rhodesian Party (RP-formerly the United Federal Party during Federation), the

¹⁵¹ SAB, BLM-15/4-52/8, 4b13: BB131, Ministry of Foreign Affairs South Africa, in a Letter from Montgomery to the Secretary of Foreign Affairs, 4 February, 1965.

¹⁵² A good example is the agreement on the Beira-Umtali oil pipeline. For a closer examination of this particular agreement, see Andrew Cohen, 'Lonhro and Oil Sanctions against Rhodesia in the 1960s', *Journal of Southern African Studies*, 34: 4, 2011, pp. 715-730.

options for accessing independence were either UDI, or handing over power to the nationalists, or the third way which involved negotiations.¹⁵³ Like the RP, Smith's RF seemed

to support the third way. But if negotiations failed, would that not mean for the Whites that The "[t]hird Choice" means a Black Future for *all*.... It either progresses or declines. Look what happened to the Kenya farmers... the B.S.A. Company millions...the massacre of white and blacks in Stanleyville. THIS IS WHAT THE THIRD CHOICE MEANS¹⁵⁴

As much as it was true that there was infighting amongst African nationalists, they all wanted the same thing, majority rule. However, the state took advantage of any disunity and instances of violence between African nationalist parties, using propaganda and other tools to play on White fears and argue that an 'African Nationalist Government would mean an end of the European in Rhodesia'.¹⁵⁵

In August 1965, Smith argued in a way that prepared the electorate for UDI that, 'if we had taken matters into our own hands 12 months ago, it would have proved disastrous'.¹⁵⁶ Now that the Colony had 'strengthened' its case, It had insured measures of getting money into its own pocket through strategic trade agreements and appropriate financial and exchange control arrangements. Salisbury also made internal economic adjustments through for instance, the creation of an Industrial Development Corporation which would assist in a programme of Import Substitution Industrialisation. UDI was no longer just a possibility, but a concrete plan in the event of collapsed negotiations. As Bowman succinctly observed, '[o]nce UDI was seen as an acceptable end to negotiations, there was little negotiating room'.¹⁵⁷ Despite its economic threats, Britain had severely weakened its own bargaining position by revealing that it would not use force against Southern Rhodesia if the latter rebelled. Moreover, London's influence was waning in the face of her own broader financial vulnerability. Confident of the economic safeguards that Salisbury had cautiously prepared, various Cabinet committees were tasked to monitor and study ways of sustaining the political economy following UDI.

¹⁵³ Bowman, *Politics in Rhodesia*, p. 77.

¹⁵⁴ Bowman, *Politics in Rhodesia*, p. 77.

¹⁵⁵ Young, *Rhodesia and Independence*, p. 131.

¹⁵⁶ Bowman, *Politics in Rhodesia*, p. 85.

¹⁵⁷ *Ibid.*

Smith took advantage of Britain's vulnerable position. He tested Southern Rhodesian public opinion by creating controversy when he bet on 12 October 1965 that Southern Rhodesia would be independent by Christmas.¹⁵⁸ Although UDI was initially set through Cabinet agreement for 25 or 26 October 1965, it was delayed for two reasons. The first was the intervention of Wilson who flew to Southern Rhodesia for more negotiations and the second was that the Colony wanted to maximize the income from the marketing of tobacco which was in season.¹⁵⁹ The Special Committee on the Independence of Colonial Countries and Peoples adopted a further three resolutions on the same day under which the general assembly condemned any attempts by Southern Rhodesia to seize independence illegally, which would be flouting

the principle of equal rights and self-determination of people proclaimed in the Charter of the United Nations and in the declaration of the granting of Independence to Colonial Countries and Peoples contained in the General Assembly resolution 1514 (XV) of 14 December 1960.¹⁶⁰

This committee called upon London

to take up all possible measures to prevent a unilateral declaration of independence and, in the event of such a declaration, to take all steps necessary to put an immediate end to the rebellion, with a view to transferring power to a representative government in keeping with the aspirations of the majority of the people.¹⁶¹

In spite of all the expressions of disapproval from outside, the Southern Rhodesia state continued to consolidate its unpopular position and disregard Britain's calls to concede to nationalist pressures. Salisbury argued that even the Africans in the Colony were satisfied with the RF government, the 1961 constitution and the proposals they suggested which amounted to the maintenance of minority rule.

Wilson had little option but to continue negotiating with Smith over the constitutional problems in the Colony. The talks culminated on November 3 with Wilson proposing a Royal Commission to test the Southern Rhodesia proposals to which Smith rejected. Unsettled by nationalist agitation and the condemnation of the UN General Assembly and its

¹⁵⁸ SAB, BLM-15/4-52/8, 4b13: BB131, Ministry of Foreign Affairs South Africa, In a Letter from Montgomery to the Secretary of Foreign Affairs, 4 February, 1965, p. 19.

¹⁵⁹ Bowman, *Politics in Rhodesia*, p. 87.

¹⁶⁰ SAB, BLM-15/4-52/8, 4b13: BB131, Ministry of Foreign Affairs South Africa, In a Letter from Montgomery to the Secretary of Foreign Affairs, 4 February, 1965, p. 19.

¹⁶¹ *Ibid.*

Independence Council, the Rhodesian government responded by declaring a three month state of emergency throughout Rhodesia, increased the pay of its police and withdrew Reserve Bank statistics from publication.¹⁶² Moreover, in the last few days before UDI, Wilson again attempted to negotiate with Smith. He sent a message to the Rhodesian Prime Minister suggesting that if the British government

undertook to commend to Parliament a unanimous report by the royal commission to the effect that the 1961 constitution was acceptable to the people of Southern Rhodesia as a whole as a basis for Independence, would the Southern Rhodesian Government give a corresponding undertaking that if the 1961 constitution was not so acceptable they would abandon their claim in this respect and agree that a royal commission should then devise an acceptable new constitution...¹⁶³

Smith's announcement that 'there was no prospect of agreement on the amendments to be made to the 1961 constitution', signalled the collapse of independence negotiations.¹⁶⁴ As such, the remaining option of gaining independence was 'to take it, seize it, assume it... call it what you will, the end result is exactly the same.'¹⁶⁵ Much economic historiography shies away from focusing on the implications of the prospect of the removal of imperial monetary links from colonies at the attainment of independence.¹⁶⁶ On the 3 November 1965, arguing that he wanted to stabilise the country's external reserves and maintain levels of imports comparable to 1964, but really in preparation for UDI, Wrathal imposed controls on all imports into the country.¹⁶⁷

In a 20 minute radio broadcast, Smith announced the UDI on 11 November 1965 on the basis of the 1961 constitution amended to suit sovereign independence.¹⁶⁸ Going it alone and maintaining that a 'stand has to be made for principle'; Smith ignored the condemnations of the UK and several other countries which vowed not to recognise

¹⁶² Bowman, *Politics in Rhodesia*, p. 89.

¹⁶³ Wood, *So Far and No Further*, p. 20.

¹⁶⁴ National Archives of South Africa-Pretoria (hereafter SAB), TES 12/588, Vol 1-3144, 'Special Committee on the situation with regard to implementation of independence to colonial countries and peoples', Secretariat working paper for the United Nations General Assembly, p. 18-19.

¹⁶⁵ Bowman, *Politics in Rhodesia*, p. 81.

¹⁶⁶ See for example, Wood, *So far and No further*; Watts, *Rhodesia's Unilateral Declaration of Independence*; J. Kurebwa, *The Politics of Economic Sanctions on Rhodesia [Zimbabwe], 1965 to 1979* (Harare: University of Zimbabwe Press, 2012).

¹⁶⁷ SAB, TES 12/588, Vol. 1-3144, 'Question of Southern Rhodesia, Working Paper Prepared by the Secretariat of the Special Committee on the Situation With regard To The Implementation Of The Declaration On The Granting Of Independence To Colonial Countries And Peoples in the United nations General Assembly, p. 18.

¹⁶⁸ 'UDI: Rhodesia Goes It Alone', *The Rhodesian Herald*, 11 November 1965.

Rhodesian independence.¹⁶⁹ In spite of the calls for refraining from rendering an support to the minority regime by members of the UN General Assembly made in the previous week on 5 November to pre-empt the UDI that was imminent¹⁷⁰, the alliances forged with Portugal and South Africa insured that Rhodesia was not entirely isolated. A new chapter in the Rhodesian crisis began. What then unfolded was to be determined by the manner in which London and other countries approached the Rhodesian crisis, and whether their actions would be enough to stop the Rhodesian rebellion.

Conclusion

This chapter has demonstrated how money, exchange control and the economy informed the politics of dissolution and the constitutional crisis in Southern Rhodesia. Central in all state and private transactions, finance was a crucial element of decolonisation, particularly as a post-sterling order was imminent. With UDI, the continued exclusion of Africans from the mainstream economy except in the exploitation of their labour was guaranteed. Following the dissolution of the Federation, the Rhodesian financial system was reconstituted for the exclusive benefit of foreign companies and white capital under the direction of the state's newly created economic coordinating machinery. It would operate on the basis of monetary policies of the new Reserve Bank and the state's financial and exchange control regulations. Although the Bank of England still had some limited influence as the Banker of the Reserve Bank of Rhodesia, with London's Bradbury and Wilkinson still supplying its currency, Salisbury's financial machinery was designed to quickly adjust to a severance of such links.

Even the Colony's historical dependence on London financial markets was diversified through new trade arrangements and the exchange control measures could easily be modified to sustain a post-sterling economy. The expectations wrought with dissolution injected some buoyancy into the economy which was further bolstered by new trade arrangements with political allies, Portugal and South Africa, with a view to maintaining white rule in the Southern African region. This was occurring amid an international outcry by many countries, both in the OAU and the UN General Assembly over the authoritarian and

¹⁶⁹ Ibid.

¹⁷⁰ SAB, TES 12/588, Vol. 1-3144, 'Question of Southern Rhodesia, Working Paper Prepared by the Secretariat of the Special Committee on the Situation With regard To The Implementation Of The Declaration On The Granting Of Independence To Colonial Countries And Peoples in the United Nations General Assembly, p. 4.

discriminatory situation in Southern Rhodesia. With overwhelming condemnation and having defied a legal process, Rhodesia's political actions were illegal; the economic consequences of its actions unequal and the state rebellious, racist and autocratic. As subsequent chapters will unpack, UDI introduced a phase where Rhodesia deployed its political alliances and economic strategies and safeguards to navigate contentious domestic and foreign affairs characterised by an emerging and subsequently escalating internal nationalist struggle for majority rule and the pressure from the community of nations through sanctions and other means.

Chapter Four

'Going it alone'? Financial Policy and the Rhodesian Economy under British Sanctions, 1965-1966.

Introduction

The Unilateral Declaration of Independence (UDI) was as much an assertion by white Rhodesia that it wanted its independence as it was 'a blatant challenge to Britain to assert its proclaimed [imperial] authority'.¹ The British government swiftly deployed punitive financial and economic sanctions. On 12 November 1965, the *Rhodesia Herald's* headline read 'UDI: Rhodesia goes it alone'.² Although two columns on the front page led with 'Wilson calls UDI "An illegal Act"' and 'America deplores action', there was also a counter-balancing article quoting Smith's conviction that a 'stand has to be made for principle'.³ With blank columns appearing in the 12 November *Rhodesia Herald* issue, the Rhodesian Front (RF) promptly introduced press censorship as the UDI constitution provided parliament with powers to make constitutional changes.

Further pre-emptive anti-sanctions measures included price controls, tougher curbs on imports and encouragement for industrialists 'to keep industry wheels turning'.⁴ This chapter focuses on the period when Rhodesia was the sole responsibility of the British government. The errant Colony was subjected to British financial sanctions from 12 November 1965 to 16 December 1966. This was followed by Rhodesia becoming considered as an international threat to peace subject to United Nations (UN) Security Council selective mandatory sanctions. Much of the literature on the economics of UDI examines oil sanctions and other embargoes, with only a fleeting mention of British financial measures although they constituted the most important and immediate responses of the British government to UDI.⁵ What follows explores how Rhodesia's reconstituted financial system facilitated post-

¹ L.W. Bowman, *Politics in Rhodesia: White Power in an African State* (Massachusetts: Harvard University Press, 1973), p. 117.

² 'UDI: Rhodesia Goes It Alone', *The Rhodesia Herald*, 12 November 1965.

³ *Ibid.*

⁴ *Ibid.*

⁵ See among other works on sanctions on Rhodesia: K. Flower, *Serving Secretly: An Intelligent Chief on Record Rhodesia into Zimbabwe, 1964-1981* (London: John Murray Publishers, 1987); H.B. Strack, *Sanctions: The Case of Rhodesia* (Syracuse: Syracuse University Press, 1978); J. Kurebwa, *The Politics of Economic Sanctions on*

sterling arrangements. This chapter examines the extent to which these measures insulated the Rhodesian economy from British sanctions while defending the RF rebellion. The chapter is divided into two sections. The first section focuses on the immediate effects of British exchange control measures in November and December 1965. These included the suspension of the Reserve Bank of Rhodesia (RBR) Board resident in Salisbury, its replacement by a London Board and the ensuing struggles as well as the effects of trade embargoes on the Rhodesian economy.⁶ The second section looks at British voluntary sanctions and the Rhodesian response in the year 1966 up to the constitutional talk aboard the HMS *Tiger* on 3 to 4 December. It then examines how the collapse of the constitutional talks culminated in the involvement of the United Nations which then imposed Selective Mandatory sanctions on Rhodesia on 16 December 1966.

‘[S]afeguard the balance of payments and the value of the Rhodesian pound’:

Rhodesian Financial Strategy and British Sanctions, 11 November to 31

December 1965

Rhodesia’s UDI constitution repudiated the British parliament’s power over Salisbury and rejected the operation of the Colonial Laws Validity Act (1865) thus undermining the imperial authority.⁷ In turn, London condemned UDI as an ‘act of rebellion against the Crown and against the Constitution as by law established’.⁸ London promptly withdrew its High Commissioner from the Colony and instructed the Rhodesian High Commissioner to

Rhodesia [Zimbabwe, 1965 to 1979] (Harare: UZ Publications, 2012); C.P. Watts, *Rhodesia’s Unilateral declaration of Independence: An International History* (New York: Palgrave and MacMillan, 2012); J.R.T. Wood, *A Matter of Weeks rather than Months: The Impasse between Harold Wilson and Ian Smith, Sanctions, Aborted Settlements and War, 1965-1969* (Canada: Trafford Publishers, 2008); W. Minter and E. Schmidt, ‘When Sanctions Worked: The Case of Rhodesia Re-examined’, *African Affairs*, 87:347 (1988), pp. 207-237; A. Cohen, ‘Lonrho and Oil Sanctions against Rhodesia in the 1960s’, *Journal of Southern African Studies*, 37:4 (2011), pp. 715 -730.

⁶ In the book written by former Rhodesian Central Intelligence Organisation (CIO) Chief: Flower, *Serving Secretly*, p. 4. The author describes how the Rhodesian regime either destroyed important information or repatriated it to South Africa on the eve of Zimbabwe’s Independence in 1980. See also the index of some of the top secret papers he kept, pp. 281-317. Bowman also notes that the economic impact of sanctions is difficult to measure ‘because the data are limited and not fully reliable’ as a result of ‘an almost complete statistical blackout in Rhodesia from November 1965 to early 1967. Since then limited data [was] issued, but detailed trade statistics have been completely withheld’, Bowman, *Politics in Rhodesia*, p. 113. The methodological limitation is overcome by using Bank of England primary evidence with the Smith Papers to explain the Rhodesia counter sanction measures.

⁷ S. A de Smith, ‘Southern Rhodesia Act 1965’, *The Modern Law Review*, 29:3 (1966), p. 301.

⁸ South Africa Central Archival Repository/ Sentrale Argief Bewaarplek (SAB), TES 12/588, Vol 1 – 3144, Report of the Special Committee on the Situation with Regards to the Implementation of Independence to Colonial Countries and Peoples, United Nations General Assembly, p. 22.

return to Rhodesia. On 16 November 1965, the United Kingdom parliament passed the Southern Rhodesia Act (1965) revoking the Colony's 1961 constitution, and through its governor Sir Humphrey Gibbs, dismissed the RF government. Ian Smith responded that 'any powers which the Prime Minister of the United Kingdom attributed to Sir Humphrey Gibbs... were fictitious'.⁹ Under the 1965 constitution, the RF regime was the *de facto* government of Rhodesia. Dismissing Gibbs, Ian Smith appointed Clifford Dupont, his Deputy Prime Minister, to perform the duties of a Governor as the 'Acting Officer Administering Government'.¹⁰ Dupont subsequently delivered speeches 'from the throne' at parliamentary sittings until the fiction of loyalty to the crown was ended with the declaration of a republic in 1970.¹¹

The Anglo-Rhodesian impasse was a consequence of Smith's RF seeking to avert majority rule indefinitely while Harold Wilson favoured its gradual attainment. Following the RF's re-election in May 1965, its Cabinet no longer had any question about Rhodesia's independence, but whether it could be seized without London's endorsement.¹² While the UN General Assembly Committee on the Independence of Colonised countries and Peoples campaigned for immediate majority rule enforced by military intervention to reverse the seizure of independence, Whitehall effectively ruled out that option.¹³ Ultimately, the commitment to sanctions against Rhodesia would be characterised by extremes of opposition to, and support for Salisbury, providing it with vital room to manoeuvre.¹⁴ To contain UN and Commonwealth intervention, Britain claimed imperial authority over the Rhodesian affair. In the absence of a constitutional settlement granting independence, Rhodesia remained a British colony and therefore her responsibility. London however shielded white Rhodesia from outside pressure by rejecting all calls for military intervention

⁹ *Ibid.*

¹⁰ C. Dupont, *The Reluctant President: The Memoirs of the Hon. Clifford Dupont, G.C.L.M., I.D* (Harare: Books of Rhodesia, 1978), pp. 256.

¹¹ *Ibid.*

¹² L. White, *Unpopular Sovereignty: Rhodesian Independence and African Decolonisation* (Chicago: University of Chicago Press, 2015), p. 106.

¹³ For a more comprehensive study, see P. Murphy, "'An intricate and distasteful subject": British Planning for the use of Force against the European settlers of Central Africa, 1925-1965', *English Historical Review*, 121:492 (2006), pp. 746-77.

¹⁴ See G. Arnold and A. Baldwin, *Rhodesia: Token Sanctions or Total Economic Warfare* (London: The Africa Bureau, 1972).

in the delinquent Colony.¹⁵ Moreover, divided global opinion over Rhodesia had provided Smith with an incentive to unilaterally seize independence.¹⁶

The sanctions were applied gradually. The first were the British selective sanctions from 12 December 1965 to 16 December 1966 followed by UN selective mandatory sanctions. These were succeeded by UN comprehensive mandatory sanctions of 29 May 1968. This chapter focuses on the impact of British sanctions when the Rhodesian problem was a domestic imperial problem before it became an international matter to be dealt with at the level of the UN. British sanctions were designed to create a major economic slowdown, high unemployment, reduce incomes, prompt disinvestment of capital and generally stimulate a depression to rapidly and bloodlessly force Rhodesia back to legality.¹⁷

Sanctions were viewed as the best alternative to military intervention. As explained by British Foreign Secretary Michael Stewart, London was reluctant to confront Rhodesian forces because they were well armed, trained and willing to fight. Instead of a quick colonial expedition, the invasion was likely to result in 'a medium sized war of uncertain duration'.¹⁸ *Prima facie*, sanctions were appealing because the nature of the 1960s Rhodesian economy appeared ideal for punitive economic measures. The Colony was landlocked and dependent on its neighbours for export and import transit routes and ports. Rhodesian economic development had also been financed by foreign capital, technology, skilled manpower, oil imports and the foreign exchange earnings from primary exports. Up to 1964, Britain was Rhodesia's major trading partner, accounting for 22 percent of the Colony's exports and 30.4 percent of its imports.¹⁹ Moreover, 35 to 40 percent of export GDP paid for imports. Also, tobacco accounted for 33 percent of the total Rhodesian exports, with 40 percent

¹⁵ Bowman, *Politics in Rhodesia*, p. 111.

¹⁶ R. Good, *U.D.I.: The International Politics of the Rhodesian Rebellion* (Princeton, NJ: Princeton University Press), p. 69. Beyond the politically sensitive kith and kin factor in Britain was a colonial paternalism shared by some of the older British dominions. For instance, Robert Menzies, the Australian Prime Minister, expressed the view that even in the event of a compromise, the immediate continuation of white rule was desirable to allow African advancement prior to majority rule. See also Bowman, *Politics in Rhodesia*, p. 105.

¹⁷ Watts, *Rhodesia's Unilateral Declaration of Independence*, p. 24.

¹⁸ Watts, 'Killing Kith and Kin: The Viability of British Military Intervention in Rhodesia, 1964-5', *Twentieth Century British History*, 16:4 (2005), p. 383.

¹⁹ Government of Rhodesia, *Economic Survey for Rhodesia for 1966* (Salisbury: Government Printers, 1966), p. 1.

destined for the British market. Over 35 percent of imports were manufactured goods.²⁰ In spite of these seemingly overwhelming odds, Salisbury mobilised its capacity for economic diversification and Import Substitution Industrialisation (ISI). The Colony anchored anti-sanctions survival strategies on its exchange control and banking initiatives, including the strategic signing of trade agreements with South Africa and Portugal in 1964 to 1965.²¹

Rhodesia's economic survival crucially depended on its own internal financial controls, particularly the establishment of a sustainable post-sterling financial system. Salisbury's monetary initiatives coincided with the retreat of sterling and the ascendancy of the United States dollar as international key currencies.²² Global financial regulations in the 1960s were consequently uncertain, particularly as the International Monetary Fund (IMF) and the International Bank of Reconstruction and Finance (IBRD) had no effective authority until after the collapse of the Bretton Woods system in 1971. In this context, Britain struggled to maintain former monetary influence as her colonies became sovereign states with independent currencies and economies. Although failing to secure independence on the basis of minority rule, Salisbury exploited these 1960s developments to inventively reconstitute its financial landscape to limit British influence.²³

Following UDI, London attempted to assert its imperial authority. It swiftly deployed exchange control sanctions, passed the RBR Order in Council (1965) and imposed embargoes on oil imports and other export of commodities such as sugar and tobacco. Although the oil embargo has been studied, rather less work has been done on sugar and tobacco. Nevertheless a comprehensive account is outside the scope of this study, and the embargoes are examined only to the extent that they informed Rhodesia's post-sterling

²⁰ E. S. Pangeti, 'The Economy Under Siege: Sanctions and the Manufacturing Sector', A. S. Mlambo, E. S. Pangeti and I. Phimister, *Zimbabwe: A History of Manufacturing, 1890-1995* (Harare: University of Zimbabwe Publications), p. 54.

²¹ For a background of Rhodesia's tariff policy before these mentioned agreements, see R.L. Cole, 'The Tariff Policy of Rhodesia, 1899-1963', *Rhodesia Journal of Economics*, 2: 2 (1968), pp 28 - 47.

²² See G. Krozewski, *Money and the End of Empire: British International Economic Policy and the Colonies, 1947-1948* (Hampshire: Palgrave, 2001); C. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945-1992* (Cambridge: Cambridge University Press, 2010); P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914-1990* (London: Longman, 1993).

²³ Exploring this specific aspect is, D.M. Rowe, *Manipulating the Market: Understanding Economic Sanctions, Institutional Change and the Political Unity of White Rhodesia* (Michigan: University of Michigan Press, 2001).

financial system. While certain of these developments have been the focus of other academic studies²⁴, the perspective of British-Rhodesian financial relations.

With the passage of the Southern Rhodesia (Bank Assets) Order (1965) on 11 November, the British government empowered its Treasury to obtain all information about financial assets held by British banks on behalf of Rhodesia. In attempting to bring 'an end to the illegal regime in Rhodesia', the Treasury blocked the Colony's accounts with British banks.²⁵ Prepared earlier in 1965, these measures included the cessation of aid and export credit guarantees, banning the export of arms, expulsion from the sterling area, withdrawal of Commonwealth preferences on Rhodesian exports and the exclusion of Salisbury from the London money market, the Colony's major source of finance.²⁶ In addition to tobacco and sugar which covered 70 percent of Rhodesian exports to Britain, embargoes were placed on asbestos, copper and copper products, iron and steel ores and concentrates of antimony, chromium, lithium and tantalum, maize, meat and edible meat products and other foodstuffs.²⁷

Although the initial measures were undertaken by Britain on the premise that the Colony of Rhodesia was its responsibility, London sought the support of various international organisations affiliated to the UN. On 17 November 1965, the Food and Agricultural Organisation (FAO) complied with Britain's request that 'it did not wish to proceed with its application for associate membership for Southern Rhodesia'.²⁸ The General Agreement on Tariffs and Trade (GATT) stated 'that it had severed all contacts with the Ian Smith regime and that it would have no further communication with it'.²⁹ On the same date, the International Labour Organisation (ILO) adopted a resolution that it 'would do everything in its power to contribute in its own sphere to such action as might be decided upon by the

²⁴ For example, the most comprehensive account of the sugar embargo is in Chapter Four in Mlambo and Pangeti', *The Political Economy of the Sugar Industry in Zimbabwe, 1929-90* (Harare: University of Zimbabwe publications, 1996), pp. 53-61; Although the book offers interesting insights into the sugar industry in Rhodesia under UDI, it does so as part of a much broader path breaking work covering the development of the sugar industry during 60 years of colonial rule and 10 years of independence.

²⁵ Ibid.

²⁶ Minter and Schimdt, 'When Sanctions worked', p. 213. See also SAB, Box 52/8 BLM 4 B 13, Sub File 52/8, African Affairs General.

²⁷ SAB, Box 52/8 BLM 4 B 13, Sub File 52/8, Foreign Affairs Report on the Prime Minister Conference, African Affairs General, February 1966.

²⁸ Ibid.

²⁹ Ibid.

Security Council; refrain from having any official or unofficial contact, direct or indirect, with the illegal regime in Rhodesia'.³⁰

Other organisations suspending relations with the Rhodesian government in November 1965 included the World Health Organisation (WHO), the Expanded Technical Assistance Programme (EPTA) and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).³¹ These organisations condemned the RF regime. African countries at the Commonwealth Prime Ministers Conference held in Lagos between 11 and 12 January 1966 condemned Rhodesia. This put pressure on Ian Smith to consider fresh Anglo-Rhodesian negotiations.³² Beyond this, the condemnations had minimal effect as the illegal regime continued to financially and economically consolidate its UDI.

Moving from partial and voluntary to comprehensive and mandatory between 1965 and 1968, sanctions were never designed 'to bring Smith to his knees, but to make him reasonable' enough to accept eventual majority rule and 'return Rhodesia to legality'.³³ Although meant to deprive the Rhodesian economy of access to British and Commonwealth markets, the potential success of sanctions was ultimately dependent on Britain's influence over the colonial economy. The belief that these measures would work was anchored on British influence in the sterling currency area and commonwealth trade.³⁴ Applying diplomatic pressure on other countries to follow her lead, the British Government 'prohibited all imports of Rhodesian goods and purported to ban the export of a wide range of products from Rhodesia to any other country' in February 1966.³⁵

As Rhodesia's monetary system had been sterling backed prior to its seizure of independence, Britain believed that the Colony would collapse once it had been expelled from the sterling area, the loss of Commonwealth trade preferences and exclusion from the London financial markets. With Britain and the Commonwealth constituting the biggest markets for Rhodesian exports, this belief appeared well-founded. After all, as contemporary scholars of the French colonial empire suggest, many former colonies whose economies did not compare in size with those of the West, particularly *Communauté*

³⁰ Ibid.

³¹ Ibid.

³² Ibid; Among the countries that were anti-Smith include Nigeria, Zambia, Ghana, for example.

³³ Minter and Schimdt, 'When Sanctions worked', p. 212.

³⁴ *Economic Survey for Rhodesia for 1966*, p. 1.

³⁵ Ibid.

Financière de l'Afrique (CFA) countries, exhibited 'a fear of floating'.³⁶ The removal of British monetary cover from the Rhodesian currency was expected to expose it to violent fluctuations on the global money market. London assumed that in the absence of a sterling cover and without commonwealth markets, the Rhodesian economy would not be able to earn enough foreign exchange to back the required level of imports without compromising the value of Salisbury's currency. The rapid inflation which this was thought likely to generate would cause economic dissatisfaction among the settler community, culminating in pressure on the government to end the rebellion.

A key measure implemented on 3 December 1965, under the Southern Rhodesia Act (1965), was the RBR Order (1965). It involved the suspension of the RBR Board in Southern Rhodesia and its replacement by officials appointed by the Bank of England in consultation with the Commonwealth Relations Office (CRO). These new officials, constituting the RBR Board (London), presided over the freezing of Rhodesia's financial and gold reserves held in London.³⁷ CRO Officials were confident that the RBR Order was

far and away the most potent step that we could take in the financial field. Whether this is true or not, we all believe that it will create a great deal of confusion and disturbance to normal trade and financial transactions between Rhodesia and the outside world.³⁸

The overall object of these financial measures was

...subject only to the as yet undetermined attitude of South Africa, supported by the domestic pressures of Zambia and Malawi to continue trade with Rhodesia, the likely outcome of the operation will be a practically total suspension of all payments on RBR accounts both in London and abroad and the virtual cessation of trade for Rhodesia.³⁹

³⁶ This is discussed by V. Duchaussoy, 'The Franc Zone: An International Monetary Area from Independence to Post-colonialism', Working Paper, New Frontiers in Economic History, London School of Economics and Political Science, 2014; The concept of 'fear of floating' has been attributed to G.A. Calvo and C.M. Reinhart, 'Fear of Floating', *Quarterly Journal of Economics*, 117:2 (2002), pp. 379-408; See also C.P. Ball and J. Reyes, 'Inflation Targeting or Fear of Floating in Disguise? A Broader Perspective', *Journal of Macroeconomics*, 30: 1 (2008), pp. 308-326.

³⁷ BoE (OV) 191/40, Reserve Bank of Rhodesia, 'Cablegram despatched at 4:30 PM to the Chief Cashier of the Reserve Bank of Rhodesia, Salisbury by the Bank of England, Friday 3 December, 1965'. The file dedicated to the financial tug of war that took place the RBR (London) Board and the RBR (Salisbury) Boards contains material from 1 May 1965 to 31 December 1966.

³⁸ BoE (OV) 191/40, CRO views being represented by Treasury Official S. Bancroft in letter to the Bank of England under the reference, 'Control over the Reserve Bank of Rhodesia', 30 November 1965.

³⁹ BoE (OV) 191/40, Letter from S. Goldman of the British Treasury to R. P Fenton of the Commonwealth Relations Office, 2 December 1965.

Similar fears were also expressed by representatives of Rhodesian commerce and industry who were sceptical of the prospect of UDI. Industry and Commerce was represented by four main organisations; the Association of Rhodesian Industries (ARNI), Associated Chamber of Commerce of Rhodesia (ACCoR), Rhodesia National Farmers Union (RNFU) and the Chamber of Mines.

In dialogue with the state through the National Economic Advisory Council (NEAC), the business organisations used this opportunity to express their fears, ultimately conducting independent sectorial studies in 1964 which discouraged plans of a UDI because of its possible economic effects. Although the NEAC was discontinued after UDI in order to silence industry and commerce, Rhodesian businesses were forced to innovate under trying circumstances after UDI. The 1964 reports of these organisations nevertheless provided the state with crucial information which it used to anticipate and prepare for Britain's economic sanctions. While formal businesses were indeed affected by these British measures, and where London sought access to official data from company annual reports to measure their progress against Rhodesian companies, the Rhodesian state shifted towards highly irregular business practices, even calling for the withdrawal of the publication of company annual statements.⁴⁰

Although there was a *de facto* government in Rhodesia, it had been officially dismissed by Governor Gibbs. Its Minister of Finance, John Wrathal, like other RF officials, was deemed to be operating illegally. As a step towards externally seizing control of Rhodesia, Britain attempted to take over the RBR from London. Britain intended to isolate Salisbury's financial institutions from international monetary networks. London issued the RBR Order (1965) to implement action 'proposed by the [British] Treasury under the Southern Rhodesia Act to exercise over the Reserve Bank of Rhodesia', to suspend the RBR Rhodesia Board and replace it with a new one resident in London which would take authority and freeze all Rhodesian accounts and reserves held with foreign banks.⁴¹

These financial measures were dependent

⁴⁰ Flower, *Serving Secretly*, pp. 69-77.

⁴¹ BoE (OV) 191/40, Letter referenced 'Reserve Bank of Rhodesia: Replacement of Directors', from Rootham (Chief Cashier) to Keogh (Bank of England), 30 November 1965.

on the assumption that [with] all frozen Rhodesian balances in their present form, that a very substantial body blow would be delivered to the Rhodesians [so that] they would be starting from scratch with only their gold (£3 million) as reserves, unless they were able to borrow funds elsewhere to get them started.⁴²

The major weakness of London's initiatives was that it never seriously considered South Africa's response. Yet the British Treasury and Bank of England who were central to planning the financial measures against Rhodesia recognised Pretoria as 'an important cog in the plan'. If it continued conducting business with Rhodesia, it would be providing an important lifeline for the rebel Colony. While the British Treasury was well aware that South Africa 'might take on themselves to instruct [their] Reserve Bank, for example, under indemnity, to carry on allowing operations on the Reserve Bank's account on instructions from Salisbury', the topic was never discussed in any depth.⁴³ The British government proceeded with its actions without establishing 'the extent to which non co-operation by South Africa would void the objectives of our action'.⁴⁴

Although aware that it would be 'unlikely in the extreme that the bank in Salisbury will be allowed to acknowledge in any way the existence of the London Board', London Treasury officials hoped to gain the cooperation of the Chief Cashier of the RBR (Salisbury) and use him to channel instructions to the RBR.⁴⁵ It is not clear from the evidence why they thought this would happen as the Chief Cashier was new. He had replaced G.C Gough who had joined the Bank at its establishment in 1964 who had been seconded from the Bank of England. At UDI, Gough had been recalled and offered the position of Deputy Governor of the RBR (London) Board by the Chancellor of the Exchequer which he had turned down.⁴⁶ So it was always unlikely that the Chief Cashier would comply with London as he could have faced treason charges from the Rhodesian government had he done so. Nevertheless, they hoped that Rhodesia would not want to entirely break trade ties with the former members of the Federation, Zambia and Malawi, and that Salisbury would accept

instructions from the new Board in London to make necessary payments in Rhodesian pounds, and in the other direction taking the initiative to get the London Board to issue instructions for payments in sterling between Zambia/Malawi and

⁴² Ibid.

⁴³ BoE (OV) 191/40, Letter referenced 'Reserve Bank of Rhodesia: Replacement of Directors', from Rootham (Chief Cashier) to Keogh (Bank of England), 30 November 1965.

⁴⁴ Ibid.

⁴⁵ BoE (OV) 191/40, Letter from S. Goldman (Treasury) to R.P. Fenton, 2 December 1965.

⁴⁶ BoE (OV) 191/40, Note for record at the Bank of England, 3 December 1965.

Rhodesia which have been authorised by the Zambia and Malawi controls on a sterling basis.⁴⁷

Because Salisbury did not comply, London proceeded with the 'total suspension of Reserve Bank of Rhodesia accounts in London and abroad and the virtual cessation of trade for Rhodesia'.⁴⁸

Finding members of the new London Board proved difficult. The Treasury even failed to appoint anyone to the position of Deputy Governor. Other Board members were anyway appointed post-retirement.⁴⁹ Housed at 19 Old Jewry Road, the new RBR (London) Board had as its Governor Sir Sidney Caine. Other members were Lord Harcourt, Lord Poole, Sir Norman Kippling, Sir Gordon Munro and Mr S.G. Warburg, all of whom had considerable professional experience in financial and economic fields.⁵⁰ The Board also employed Edward Smith as secretary. Board members did not receive a salary; Smith was remunerated. The six member Board served until the RBR Order (1965) was amended in April 1967, when its members were replaced by a sole Governor and Trustee under the authority of Sir Gordon Munro.⁵¹

The first action of the London Board was to prevent the export of Rhodesian bank notes with a face value of £20 million that had been printed by Bradbury and Wilkinson Company of London, which Salisbury had dealt with since the passing of the Colony's Coinage and Currency Act (1932). Although the order for the currency notes had been had been placed

⁴⁷ BoE (OV) 191/40, Letter from S. Goldman (Treasury) to R.P. Fenton, 2 December 1965.

⁴⁸ Ibid.

⁴⁹ BoE (OV) 191/40, Note for Record at the Bank of England, Biographical Note, 3 December 1965: Housed at 19 Old Jewry Road, those members that were assembled included the new Governor, Sir Sidney Caine. Born in 1902, Caine was the Director of the London School of Economics from 1957, had been the chairman of the British Caribbean Fiscal Commission of 1955, Vice Chancellor of the University of Malaya from 1952 to 1956, Head of the UK Treasury and Supply delegation to Washington from 1949 to 1951, was the third Secretary of the Treasury in 1948 and had served in the Colonial Office from 1926 to 1948.

⁵⁰ In Ibid, for example, born in 1895, and having been the Economic Minister at the UK Embassy in Washington from 1946 to 1949, Sir Gordon Munro had become the financial adviser to the Government of Southern Rhodesia and Chairman of the Southern Rhodesia Currency Board from 1950 to 1952. He also became High Commissioner for Southern Rhodesia in London from 1953 and thus his experience of the Colony would be invaluable for the board's operations. Another prominent figure of the Board was Siegmund George Warburg. Born in 1902, he founded S.G Warburg and Company in 1946 as a London - based investment bank. Listed on the London Stock Exchange and once a constituent of the FTSE 100, the bank firm was ultimately acquired by Swiss bank Corporation in 1995 and became part of UBS. For a comprehensive biography of Warburg, see N. Ferguson, *High Financier: The Life and Times of Siegmund Warburg* (New York: Penguin Publishing Group, 2010), pp. 576. The experience of these individual was supposed to be useful in the event of a successful take - over of the RBR.

⁵¹ BoE (OV) 191/40, Note for Record at the Bank of England, 29 January 1965.

before 3 December 1965 when the RBR Order 1965 came into effect, the fact that RBR (Salisbury) Governor, Noel Bruce, had not supplied his signature for stamping provided London with justification for preventing their shipment to Rhodesia. Ultimately, Salisbury refused to settle the note printing bill as it never received the consignment. Given the liability Britain had assumed by suspending the RBR (Salisbury) Board and replacing them in London, the new Board was forced to use Rhodesia's blocked funds to pay Bradbury and Wilkinson £64.337 in August 1966.

The London Board's attempt to seek the cooperation of the Chief Cashier of RBR (Salisbury) backfired. The new cashier opted to follow instructions given by Salisbury.⁵² With no Rhodesian connections, London had no influence over domestic financial initiatives and activities taken by Salisbury. RBR (Salisbury) continued to have *de facto* control, able to influence development within its borders and secure financial cooperation with countries that were willing to cooperate with them. These included South Africa, Portugal, Malawi and West Germany among others. Instead, London sought to assert its authority outside Rhodesia, the most successful instance of which was the freezing of external Rhodesian accounts in Europe and the United States of America.

Following the suspension of the RBR Board (Salisbury), RBR (London) Governor Caine announced to the British press that:

Governments and Central Banks of other countries are being notified of the making of the [RBR] Order [1965] and its effects. The new Governor is giving appropriate instructions to those banks which hold accounts for the Reserve Bank as to the authority under which they should operate... to ensure that the assets of the Reserve bank of Rhodesia held abroad are safeguarded in the interests of the people of Rhodesia, and to help achieve H.M Government's aim of bringing about a return to constitutional government in Rhodesia.⁵³

The suspended Salisbury Board comprised its Governor, Noel Bruce and other member, namely; C.A Bolt, T.E.S Francis, B.G Hewitt, J MacIntyre and Sir Henry McDowel.⁵⁴

The London Board's cablegram sent to the Chief Cashier of the RBR (Salisbury) seeking his cooperation, was ultimately responded to by Governor Bruce. His reply stated that Salisbury

⁵² BoE (OV) 191/40, Note for Record at the Bank of England, 3 December 1965. See also BoE (OV) 191/40, Cablegram despatched at 4:30 PM to the Chief cashier of the Reserve Bank of Rhodesia, Salisbury by the Bank of England, 3 December 1965.

⁵³ BoE (OV) 191/40, Press Release: Reserve Bank of Rhodesia, 3 December 1965.

⁵⁴ Ibid.

was 'unable to recognise authority of anyone other than the Rhodesian Board to deal with assets of the Reserve bank of Rhodesia'. Bruce threatened that Salisbury would 'take such action as we deem necessary if any assets held for our account are disposed of other than on instruction authenticated in accordance with standing directives issued from Salisbury'.⁵⁵ This included payment for the undelivered notes from Bradbury and Wilkinson. London did not respond to Salisbury, instead instructing Bradbury and Wilkinson to store the currency notes in the hope that a rapid political settlement and return to legality would then allow them to be released and shipped to Rhodesia. For its part, Salisbury legally challenged the authority of London over the RBR and sought alternative suppliers for the country's currency notes.

The battle lines between the contesting London and Salisbury Boards over control of the RBR were demarcated from the start. In an effort to destabilise Rhodesia's financial system, London seized control of the RBR's external assets, froze its foreign accounts, and restricted money transfers to the rebellious Colony.⁵⁶ Salisbury viewed this assault on the RBR as well as other British exchange control measures against Rhodesia as a declaration of economic war. Having anticipated London's actions, Salisbury applied the financial initiatives it had prepared in 1964 to safeguard the economy. Significantly, Salisbury was able to assemble the necessary institutional and regulatory provisions to match the gradually increasing intensity of sanctions invoked by British in December 1965.

Given the crucial shifts in international financial power dynamics in the 1960s, Britain was overconfident about its political and economic capacity to force Rhodesia to capitulate. This was influenced by the fact that British economic planners dealt with their country's declining influence in international trade by shifting attention from the shrinking colonial empire. Instead, London sought to rekindle its global financial influence by joining the European Economic Community (EEC). In this context, Salisbury was not London's biggest political priority. London erroneously assumed that Salisbury's historical dependency on imperial and sterling markets would be the rebellious Colony's mortal weakness. The

⁵⁵ BoE (OV) 191/40, Telex received from Bruce (RBR, Salisbury) to Cromer (BoE), 4 December 1965.

⁵⁶ BoE (OV) 191/40, Cablegram to the Credit Suisse-Zurich, Swiss Bank Corporation-Basle, Union bank of Switzerland- Zurich, Deutsche Bank- Frankfurt on Main, Dresdner bank-Frankfurt on Main, Credit Lyonnais-Paris, Comptoir National D' Escompte De Paris, Bank National Pour Le Commerce Et L'Industry- Paris, Societe generale- Paris, Banca Nazionale Deltavoro- Rome, Banca Commerciale Italiana- Milan, Credit Italiano- Milan, Banco Do Roma- Rome.

imperial authorities were deluding themselves in believing that a six man RBR (London) board, some exchange control measures and embargoes on selected products would be sufficient to rapidly break the Rhodesian rebellion.

The retreat of sterling from global prominence meant that even its effect on the Rhodesian economy was also waning. British financial influence in its last remaining colony of Rhodesia and other newly liberated former colonies was undermined by the gradual global retreat of sterling and its replacement by the United States dollar.⁵⁷ In fact, Rhodesia had begun vigorously demanding discretionary financial authority from Britain in the post- Second World War period. Salisbury felt that imperial control had curtailed autonomous economic development.⁵⁸ In contrast to London that viewed the expulsion of Rhodesia from sterling as fatal blow to the rebellious Colony's financial arrangements, Salisbury viewed this as a fulfilment of Rhodesia's interests in attaining a post-sterling monetary system. What remained to be seen was whether Rhodesia would attain the progress the state claimed would happen from going it alone.

When Britain applied to join the EEC, France was concerned with the extent to which the sterling area's international position would compromise the EEC's plans for a currency union. London '... counter[ed] claims that the sterling area biased Britain towards global rather than European priorities', arguing that 'the sterling area was now [*just*] a "banking nexus" rather than a tight economic/ financial bloc.'⁵⁹ The first round of negotiations failed because, '[o]n the global scene, the United Kingdom saw its interests most closely linked with those of the United States'.⁶⁰ In fact, 'British policy with regard to international monetary reform focused on developing a joint Anglo -American view rather than engaging with the six'.⁶¹ With these shifting monetary priorities, the effects of British measures on the Rhodesian economy would not be enough to alter Salisbury's political goals.

Among Salisbury's provisions in the new banking regulations was a shift away from the expatriate nature of Rhodesia's banking system. As Sowelem observed,

⁵⁷ Shenck, *The Decline of Sterling*, p. 117; See also Krozewski, *Money and the End of Empire*, pp. 178-187.

⁵⁸ See the background Chapter Two focusing on the period from 1945 to 1962.

⁵⁹ D.M. Rowe, *Manipulating the Market*, p. 126-127.

⁶⁰ *Ibid.*

⁶¹ *Ibid.*, pp. 119; 132. The 'six' mentioned above should not be confused with the RBR (London) Board. In this specific case, the committee of 'six' comprised the six original members of the EEC which were West Germany, France, Italy, Belgium, the Netherlands and Luxembourg.

local institutions had access, through their head offices abroad, to external money markets, the position and influence of the central bank as lender of last resort was compromised... the source of liquidity, in case of need, [was] the London Money Market, supported in the last resort by the Bank of England. A banker of last resort has little relevance to the needs of these institutions.⁶²

Moreover, money supply was regulated by the sterling link. In that sense, the Reserve Bank prior to 1964 had been a glorified currency board. Colonial monetary authorities could not stimulate economic performance effectively as they did not fully control key central banking tools such as money supply and lending policies. Following the imposition of Britain's exchange control sanctions, the Colony suspended the export of all resident finance capital and legally bound all banks to be locally registered with the RBR (Salisbury) Registrar of Banks and Building societies under whom they would be regulated. This weakened expatriate links and indigenised their capital to a certain degree. All financial institutions became subject to domestic control.⁶³ The RBR became the Banker of Banks and lender of last resort to all commercial banks and other financial institutions operating in Rhodesia.⁶⁴

Rhodesia's tight financial controls were also designed to avert the risk of capital flight triggered by UDI. Crucially, capital locked in the country, including funds retained because of Prime Minister Ian Smith's announcement of debt default in response to London's freezing of £10 million worth of external financial resources would cumulatively amount to £160 million. On 16 November 1965, RBR Governor Noel Bruce announced that his bank would buy all gold produced in the country, as support for Rhodesian currency. Fourteen days later, Rhodesia announced the abolition of Commonwealth preferences on British goods entering the Colony, stating that 'this would enable Southern Rhodesia to seek friendly trading arrangements with countries which until then had been excluded from participating in special arrangements because of Commonwealth preferences'.⁶⁵

At the beginning of December 1965, Rhodesia retaliated against London's freezing of the country's foreign financial assets by suspending all credit payments.⁶⁶ Soon afterwards, Smith announced that Rhodesia would renege on its loan payments to the IBRD. He

⁶² T. Chimombe, "The role of banks and financial institutions in the accumulation and reinvestment of capital in Zimbabwe." Unpublished MPhil Thesis, University of Zimbabwe, 1983.

⁶³ NAZ, S3605/2/1, Financial Policy Reports, 1966-1969.

⁶⁴ Admire Mseba, 'Money and Finance in a Closed Economy', p. 5.

⁶⁵ SAB, Box 52/8 BLM 4 B 13, Sub File 52/8, African Affairs General.

⁶⁶ Ibid.

‘contended that since the United Kingdom had seized Southern Rhodesia’s London reserves, it should also pay for Southern Rhodesia’s external debt’.⁶⁷ Although London stated that it was not liable for the Colony’s debt even though it had acted as surety for Salisbury in loan applications for the Kariba hydroelectric project from the IBRD, Rhodesia only took advantage of worsening financial relations to postpone repayments.

Exchange controls brought ‘the entirety of Rhodesian International dealings under government purview’.⁶⁸ Rhodesia created alternative sources of capital as well as markets for tobacco and other products. The Colony was aided by the trade agreements entered into with Portugal and South Africa, in addition to which, Rhodesia linked her financial markets to the Johannesburg Stock Exchange. London thus underestimated Salisbury’s financial strategies. Instead of succumbing to British sanctions, Rhodesian initiatives instead produced a ‘hothouse’ atmosphere for economic development.⁶⁹

Given the limitations in the short term of financial and exchange control measures, Britain passed the Southern Rhodesia (Petroleum) Order (1965) on 17 December to cut off oil supplies to Rhodesia. The overall intention was to undermine the country’s industrial and export potential and foreign exchange earnings, and hence suffocate Salisbury’s financial system.⁷⁰ The embargo was a result of political pressure from the UN Security Council, as well as thirteen African countries who threatened to terminate diplomatic relations with London if the Rhodesian rebellion was not brought to an end.⁷¹ The terms of the embargo stipulated that

any person except under licence granted by the Minister of Power, from supplying or delivering or agreeing to supply or deliver any petroleum to any person in Rhodesia or to any person who, he knows or has reasonable cause to believe, will deliver it to Rhodesia or to anything, such as acting as an agent, calculated to promote the supply of oil.⁷²

⁶⁷ Ibid.

⁶⁸ P. Bond, *Uneven Zimbabwe: A Study of Finance, Development and Underdevelopment* (Trenton, Africa World Press, 1998), p. 119.

⁶⁹ Bond, ‘The Rise and Fall of the UDI Economy’, African Studies Seminar Paper, African Studies Institute, University of the Witwatersrand, 22 February, 1993, p. 1.

⁷⁰ Information obtained from British House of Commons, Hansard, 21 December 1965. This was on the motion made and questions proposed with regards the Southern Rhodesia (Petroleum) Order (1965), Col 2019-2057.

⁷¹ Cohen, ‘Lorrho and Oil Sanctions in the 1960s’, p. 720.

⁷² British Attorney General, Sir Elwyn Jones in a motion for the Order’s approval at Whitehall, Hansard, 21 December 1965, p. 2020.

Most of Rhodesia's 400 000 tons a year worth of oil came from the Iranian oil fields by tanker to Beira where they were discharged into a pipeline destined for the Rhodesian refinery.⁷³ To enforce the embargo, London had to require 'the companies concerned not to sell it or transport it to Rhodesia, or it had to blockade Beira'.⁷⁴ The pipeline owned, by London and Rhodesia Mining and Land Company (Lonhro) and co-managed with the *Companhia do Pipeline Mocambique-Rodesia* (CMPR), started pumping oil in December 1964 and was officially opened on 27 April 1965. Oil, supplied by five major oil companies: Shell, British Petroleum, Mobil, Caltex and Total had hitherto been transported through railway tankers from Maputo to Feruka. Most of the oil companies were headquartered in either Britain or the United States.

Given that the Beira-Umtali pipeline was the main route for petroleum supply to Zambia⁷⁵, the effect of the Order was 'the immediate cessation of oil supplies to Zambia'.⁷⁶ As revealed in the House of Commons debates, British legislators were aware that oil sanctions on Rhodesia were inadequate from the beginning. The Conservative Member of Parliament (MP) for Thirsk and Malton, R. W. Turton predicted that

...the Order is likely to be ineffective. It will effect legal sanctions on British subjects. It appears too to affect Rhodesian citizens, but it cannot be enforced. It has no effect at all on any American citizen who is supplying oil to Rhodesia. Unless we get agreement from Portugal and South Africa to enforce an oil sanction, we will not make an effective oil sanction without force.⁷⁷

Further, MP Conservative for Stafford and Stoner, Hugh Fraser observed that, 'the people who will be most damaged by this sanction are not the people of Rhodesia, but the people of Zambia'.⁷⁸ Although Lonhro had voluntarily stopped transmitting oil to Rhodesia through the pipeline on 31 December 1965⁷⁹, oil companies such as Shell and *Compagnie Francaise des Petroles* (Total) continued its supply via the Mozambique rail link and road, including

⁷³ Young, *Rhodesia and Independence*, p. 343.

⁷⁴ *Ibid.*

⁷⁵ Flower, *Serving Secretly*, p. 64.

⁷⁶ Nigel Birch, the MP for Flint West in Britain arguing in the British House of Commons, Hansard, 21 December 1965, c.2019.

⁷⁷ *Ibid.*

⁷⁸ *Ibid.*

⁷⁹ Cohen, 'Lonrho and Oil Sanctions in the 1960s', p. 721.

South African road routes as well.⁸⁰ The sanctions that had depended on South Africa and Portugal's cooperation were thus doomed to fail.

The tobacco industry had become the major foreign-exchange earner in the post Second World War period and was key to the Rhodesian economy. The Colony produced 25 percent of global tobacco output in the non-communist world. It earned c.£46 million from an annual average produce of 250 million tonnes. This key product became subject to an embargo on 17 December 1965.⁸¹ As Britain was Salisbury's biggest market, the embargo would damage the Colony's revenue export earning capacity. This prompted Wrathal, the Rhodesian Finance Minister, to complain that 'the British government [was] going to the most extraordinary lengths to interfere with the disposal of the tobacco crop'.⁸²

Rhodesia responded to the embargo by reducing the production of tobacco from 250 million tonnes to an average of 132 million tonnes per year.⁸³ Starting in December 1965, 'agriculture shifted from the production of export crops to the production of industrial and food crops for the light manufacturing and food processing industry'; for example, cotton production was expanded by 800 percent between 1965 and 1972.⁸⁴ However, tobacco exports continued to be marginally important, although the Finance Minister never disclosed any export figures as

[t]he British Government would give a great deal to know how successful we have been in this matter; therefore I do not intend to disclose any information on this subject beyond saying that so far sales have so far gone much more satisfactorily than most people expected.⁸⁵

Also, the state maintained a policy of encouraging the remaining tobacco farmers on the land.

If tobacco exports did not meet expected returns, the government utilised the Tobacco Company to mop up excess produce. It held the produce anticipating to dispose of it in the event of a settlement with Britain when Salisbury would once again have unhindered access

⁸⁰ T.H. Bingham and S.M. Gray, *Report on the Supply of Petroleum and Petroleum Products to Rhodesia: to David Owen, Secretary of State for Foreign and Commonwealth Affairs* (London: Her Majesty's Stationery Office, 1978), pp. 296.

⁸¹ Bowman, *Politics in Rhodesia*, pp. 113-114.

⁸² Minister of Finance, Budget Speech (Salisbury: Government Printers, 21 July 1966), p. 6.

⁸³ Bowman, *Politics in Rhodesia*, p. 114.

⁸⁴ Pangeti, 'The Economy under Siege', p. 57.

⁸⁵ Minister of Finance, Budget Speech (Salisbury: Government Printers, 21 July 1966), p. 7.

to the international market. In the meantime, that tobacco which could be sold was clandestinely marketed through irregular routes through agents of sanctions breaking. Although tobacco export earnings had been compromised, import control and agricultural diversification insured the sustenance of the local currency. Moreover, not only would textiles enhance the variety of goods exported, but Rhodesia had trade agreements with various other countries for the export of tobacco which also helped sustain a level of foreign exchange earnings which were badly needed to acquire crucial oil supplies and the import of agricultural, mining and industrial machine parts. Indeed, the cutting of tobacco production was a crucial sanctions breaching measure that stimulated agricultural and broader economic diversification.

The sugar industry lost many preferential markets, for example, their lucrative United States quota and the entire Zambian market. Rhodesian sugar producers also lost the advantageous prices offered by the Commonwealth Sugar Agreement which Rhodesia had signed in January 1965.⁸⁶ Additionally, all the foreign companies such as Hulleys that had invested in Rhodesia were required to be fully registered in the Colony under the new restrictive exchange control measures to arrest capital flight. The advantage for the remaining companies was unhindered access to domestic markets under the emergency control measures imposed by Wrathall on 4 November 1965.⁸⁷ All subsequent external purchases became subject to strict import controls. Given that the embargo on sugar exports, of 17 December would be recognised by the World Sugar Council, one way of sustaining sugar production and the industry's profitability was to generate greater domestic demand. Although sugar became a marginally important ISI product central to the saving of foreign currency, most sugar producers such as Mkwazine and Triangle, located in Rhodesia's Lowveld region, were forced to diversify into such crops as wheat, cotton, bananas, maize, animal feeds and tobacco.⁸⁸

By the end of 1965, all the measures Britain had prepared to break the Rhodesian rebellion had failed. London's financial sanctions aimed to cripple Rhodesia's external trade by freezing RBR (Salisbury) international accounts to disturb its international transfer channels. By dismissing the RBR (Salisbury) Board and replacing with officials in London, Britain was

⁸⁶ Mlambo and Pangeti, *The Political Economy of the Sugar Industry in Zimbabwe*, p. 54.

⁸⁷ NAZ S3605/1/1/1, cited as The Control of Goods (Import and Export) Amendment Order, 1966.

⁸⁸ Mlambo and Pangeti, *The Political Economy of the Sugar Industry in Zimbabwe*, p. 54.

attempting to assume legal authority which Rhodesia refused to recognise. While the sugar and tobacco embargo specifically aimed at compromising the rebellious Colony's foreign exchange earning capacity, the oil embargo was designed to slow down domestic economic activity. Through these measures, London expected to destabilise Salisbury's efforts at monetary management with reduced foreign currency earnings meant to trigger the devaluation of the Rhodesian pound. Inflation and economic crisis, it was expected, would compromise white livelihoods and cause political discontent against the RF government which would be forced to capitulate. The result however, was quite the opposite. In fact, '[b]y December 1965 Rhodesia was swimming in liquidity. It was easy to balance the national budget and to defray the cost of economic sanctions with no great risk'.⁸⁹ Two months into Rhodesia's UDI, the economic prospects for the Colony were positive, But Britain faced embarrassment for failing to control one of her rebelling colonial possessions. As the centre could not hold, imperial authorities faced a further challenge of being accountable to the international community over the unravelling Rhodesian problem.

Applying Pressure? Further British Measures and Rhodesia's Financial Response, January to December 1966.

The year 1966 began with a brief economic decline as the Rhodesian economy was adjusting to the sanctions conditions. Britain entered the new year determined to force a quick resolution. On 20 January, London decided 'to embargo Southern Rhodesia trade in any specified product', followed by a total ban of trade ten days later.⁹⁰ This was designed to destabilise the Colony's financial adjustments and diversification of markets. This section examines some examples of how Rhodesia managed to survive and frustrate further British sanctions to December 1966.

With British financial sanctions in place and with much international focus on Rhodesia, many countries became cautious of openly trading with the rebellious Colony. However, Rhodesian counter-measures were sufficient to defend its economy. Reacting to London's attempts to undermine the Colony's capacity to raise funds internationally by warning people and countries such as South Africa to refrain from buying Southern Rhodesia's

⁸⁹ Flower, *Serving Secretly*, p. 62.

⁹⁰ SAB, Box 52/8 BLM 4 B 13, Sub File 52/8, African Affairs General.

independence bonds, the illegal regime put in a place a number of further financial counter-measures.

Having started a programme of stockpiling commodities from the mid-1965, these 'counter-measures were successful in that although there was a fall in imports there was no serious shortage of essential commodities'.⁹¹ According to the 1966 economic survey, 'Rhodesia benefited at Britain's expense from the restriction on invisible transactions, the reduction in imports was considerably less than the drop in exports'.⁹² In other words, Britain no longer benefited from the repatriation of funds from its colonial companies operating in the Colony as they were legally required to register in Rhodesia and inhibited by exchange controls from externalising funds. Although British sanctions resulted in a reduction in Rhodesian exports, the Colony also reduced its imports to maintain a Balance of Payment (BOP) equilibrium. This stimulated Import Substitution Industrialisation (ISI). Sustaining a sufficient level of foreign currency had a direct bearing on the maintenance of the value of the local currency. Although it was no longer a case of business as usual, given altered agrarian, commercial and industrial livelihoods as farmers, businesspeople and industrialists had to adjust to shifting market conditions, there was not much change to the daily lives of white settlers except 'the shortage of a few luxury goods such as cornflakes, port, imported wines and scotch whiskey'.⁹³

The Rhodesian economic survey of 1966 revealed that the

total value of domestic exports [fell]... from £142.5 million in 1965 to £89.8 million in 1966. The value of Rhodesia's re-export also suffered a decline- from £15.4 million to £8.5 million. Gold production was valued at £6.3 million compared to £6.8 million in 1965'.⁹⁴ However, '[b]y means of import control the value of imports was restricted to £84.2 million, which was 30 percent below the 1965 level'.⁹⁵

Although 'the unit prices, other than mineral fuels, were 4 percent higher than in 1965', and '[t]he import prices for consumer goods increased on average by 5.6 percent during 1966, while the prices of raw materials for industry decreased by 0.2 percent, compared with an increase of 5.8 percent in 1965', imports for end use by consumers accounted for a

⁹¹ Government of Rhodesia, *Economic Survey of Rhodesia for 1966* (Salisbury: Government Printers, 1967), p. 1.

⁹² *Ibid.*

⁹³ Pangeti, 'The Economy under Siege', p. 57.

⁹⁴ *Economic Survey of Rhodesia for 1966*, p. 1.

⁹⁵ *Ibid.*, p. 1.

decreasing proportion compared to 1965 when it was 18 percent, accounting for only 12 percent in 1966.⁹⁶ Although London's exchange control measures constrained Salisbury's exports, as the above figures demonstrate, Rhodesia's response of strategic import minimisation, long term ISI and domestic economic diversification were immediately effective.

The immediate impact of sanctions was not significant enough to alter Rhodesia's political course. Instead, aided by the gradualist application of sanctions, Salisbury readily adjusted its economy in response to emerging political-economic conditions at household, business and national levels. For example, in January 1966 the Rhodesian Legislature amended the Banking Act (1964). On top of applying the Emergency Powers (Financial provisions) Regulations (1965), to restrict 'the publication of the summaries of statements of assets and liabilities be suspended until further notice'⁹⁷, particularly those of registered institutions, the amendment to the Banking Act also

revised the provisions concerning liquid assets of the banks and financial institutions operating in Southern Rhodesia. Before the Act was amended, the list of permitted liquid assets included balances and money at call in Britain and British Government treasury bills.⁹⁸

As such, 'these could no longer be regarded as appropriate liquid holdings because they were blocked or frozen in London.'⁹⁹ The Banking Amendment Act (1966) substituted, 'in the list of liquid assets, balances withdrawable or repayable on demand with any bank outside Rhodesia approved by the Registrar'.¹⁰⁰

The freezing of Rhodesian liquid assets and that of its financial institutions also resulted in an equal and opposite reaction against British assets in Rhodesia. Moreover, on 28 January 1966, Rhodesia announced that its currency would now be fixed in terms of gold rather than sterling. This meant that following the removal of Rhodesia from the list of sterling scheduled territories, the RBR (Salisbury) was no longer obliged 'to follow any adjustment in the exchange parity of sterling'.¹⁰¹ Given the new exchange control measures, there was

⁹⁶ Ibid.

⁹⁷ Rhodes House Library, Oxford University (Hereafter RH Treasury Department), Box 624.14.28, Report of the Registrar of Banks and Financial Institution for the year ended 31st December 1966, p. 5.

⁹⁸ Mseba, 'Money in a Closed Economy', p. 41.

⁹⁹ RH Treasury Department, Box 624.14.28, Report of the Registrar of Banks, 1966, p. 3.

¹⁰⁰ Ibid.

¹⁰¹ Mseba, 'Money in a closed Economy', p. 6.

also an increase in commercial bank deposits from £78.1 million in 1965 to £88.3 million in December 1966. The insurance business responded to domestic investment and grew in terms of value from £69.1 million to £70.7 million during the same period.¹⁰² Government issued stock totalling £19.4 million, successfully floating a £1 million loan for the Electricity Supply Commission, as well as an increased in revenue collection from direct taxation as a result of expanding domestic activity.¹⁰³

This buoyancy was partially because of Salisbury's political response to London. Where Rhodesian financial assets worth some £10 million had been frozen, with some of the other money having withdrawn before UDI, Salisbury had also frozen British investments amounting to £26 million.¹⁰⁴ This figure excluded capital that would be released from Salisbury's default on external debt, for example, its avoidance to service twelve issues of Rhodesian bonds on the London financial markets, which by 1976, were estimated to be worth £60 million. All such funds were thus reinvested towards domestic economic expansion in the short and intermediate terms. Held by Pension Funds, Trustee Companies and Individuals, the RBR held some 19 000 accounts for investors.

To avoid the enlargement of Rhodesia's blocked funds through international transactions, the Treasury declared that all payments from the sterling area, excluding South Africa and United Kingdom, had to be made in US dollars, Canadian or West European currencies. Payment was to be made before the shipment of goods.¹⁰⁵ Moreover, RBR (Salisbury) filed a lawsuit against RBR (London) Board for freezing of Rhodesia's external financial reserves. Nevertheless, this gave Salisbury justification to postpone loan repayments and blocked British funds became a crucial strategy for capital retention for injection into Rhodesia's productive sectors.

The success of all these financial strategies can be accounted for, not just by the money and exchange control measures by the Ministry of Finance and the Reserve bank's efforts, but also by the coordinated efforts of the government through the Ministerial Economic Coordination Committee (MECC). The key actors in the MECC were the Prime Minister's

¹⁰² *Economic Survey of Rhodesia for 1966*, p. 5.

¹⁰³ *Ibid*, p. 5-6.

¹⁰⁴ SAB, Box 52/8 BLM 4 B 13, Sub File 52/8, African Affairs General, Rhodesia, SA High Commission, 1966.

¹⁰⁵ See NAZ, S3605/ 1-22, Imports and Export control/ Currency miscellaneous, November 1965 to December 1966.

Office, the Ministry of Finance, the Ministry of Commerce and Industry, the Ministry of Agriculture, and of Mining. Those central to the coordination of financial activities were the Ministry of Finance, Customs and the Ministry of Trade and Industry. According to Ken Flower, head of the secret service from 1963 to 1981, the Central Intelligence Organisation (CIO) was involved in all the activities through the Prime Minister's office.¹⁰⁶

In order for the financial system to work, prices had to be stabilised at a rate that benefited economic actors at different points in the production and marketing value chain. With this vision, the MECC coordinated sectorial development with a view to reconciling profitability, affordability with broader economic stability. It aimed to sustain wages at levels that would ensure sustainable labour reproduction by securing the basic standard of living for white workers and black wage earners despite racially determined income structures.¹⁰⁷

Consumer Price Indices (CPI) measured this, although whites's CPI was different from that of the blacks. Confident of securing efficiency and economy from these initiatives, Salisbury appointed a commission on 17 May 1966 to look into the question of a new constitution hoping to secure freedoms for white Rhodesia which were not guaranteed by the 1961 constitution. The RF also hoped that its UDI would ultimately be accepted as *fait accompli*.¹⁰⁸

The CIO was also involved in assisting the RBR (Salisbury), for example, in the surreptitious ordering of £29 million worth of Rhodesian Bank notes from Giesecke and Deviant, a Munich based company. As with the case of the Bradbury and Wilkinson £20 million worth of notes whose shipment had been blocked by London, the RBR (London) Board unearthed this scheme and blocked their transportation to Salisbury. As Rhodesia refused to pay for the notes, seeking an interdict to prevent them from paying the costs, Giesecke and Deviant sought legal recourse in German courts to secure the payment of £64,000 for their

¹⁰⁶ Flower, *Serving Secretly*, p. 72-73.

¹⁰⁷ RUCL, Smith Papers (Unprocessed) proceedings to 1970, 'Dairy Industry', Cabinet memorandum by Minister of Agriculture, A. P. Smith, 3 January 1966.

¹⁰⁸ RUCL, Smith Papers (Unprocessed) from 1 January 1967 to March 1968, Cabinet Memoranda from by R.M. Thompson (Secretary to the Cabinet), 9 January 1967. The French term *fait accompli*, which literally translates to 'accomplished fact', refers to 'something that has been done and cannot be changed', according to the *Merriam Webster Dictionary*. It is used to explain how the Smith regime hoped UDI would be *fait accompli* not just in Rhodesia, but the international community: See K. Young, *Rhodesia and Independence: A Study in British Colonial Policy* (London: Eyre and Spottiswoode, 1967), p. 303.

services from London.¹⁰⁹ Using Salisbury funds held in London, Giesecke and Devrient were asked to store the notes in the event of a settlement, at which point the notes would then be shipped to Salisbury. As the costs fell on the Bank of England, Rhodesia would go on and print notes using a printing machine that was smuggled from Germany.¹¹⁰

The MECC coordinating functions can also be illuminated by developments in the agricultural sector. For example, Rhodesia moved away from relying on tobacco as its main export crop, for example, diversifying into the commercial production of such crops as cotton, wheat and grain; but also because Rhodesia was expanding her markets beyond Britain.¹¹¹ Although government policy on African agriculture still revolved around conservation aspects of land husbandry, but there was an increasing awareness that it needed to be improved and harnessed for the UDI economy.¹¹² In the commercial farming sector, on top of diversification was a reorientation in certain policies and the use of subsidies to maintain economic profitability and sustain production.¹¹³ For instance, the milk and dairy products such as butter, ice cream, yoghurt and cheese among others were important in urban diets. Whereas most dairy products were still being imported at this time, actual milk was increasingly supplied by the growing Dairy industry of Rhodesia but its profitability was being compromised by external competition and other internal economic dynamics, of which the most prevalent was the effects of sanctions in 1966.¹¹⁴

Although the volume of milk supply was increasing, the price had been steadily declining since 1959, threatening the viability of an important ISI industry. For 13,559,450 gallons of milk supplied in 1959 to 1960, the producer price per gallon was 37.45 pence. In 1960 to 1961, for 14,286,807 gallons, the price was 36.07 pence, and by 1965 to 1966, for 17,600,000 gallons, the price had declined to 35.00 pence, which was considered an uneconomic return,

¹⁰⁹ BoE (OV) 191/40, Reserve Bank of Rhodesia (London), Sidney Caine's note to the London Board, 3 November 1966.

¹¹⁰ Ibid.

¹¹¹ Pangeti, 'The Economy under Siege', p. 63.

¹¹² Deputy Minister of Agriculture, Lance Bales Smith, Ministerial Statement: Agricultural Policy, Parliamentary Debates, Rhodesia, No. 25, Vol. 2, c.1955- c.1958.

¹¹³ For a comprehensive discussion on this see also Kurebwa, *The Politics of Economic Sanctions*, p. 188.

¹¹⁴ For a history of the origins and development of colonial Zimbabwe's Dairy Industry, see Godfrey Hove, 'The State, Farmers and Dairy farming in Colonial Zimbabwe (Southern Rhodesia), c. 1890-1951', PhD Thesis, Faculty of Arts and Social Sciences, Stellenbosch University, South Africa, 2015; See also Hove, 'Creating Order and Stability? The Dairy Marketing Board, Milk (over)production and the Politics of Marketing in Colonial Zimbabwe, 1952-1970s', *Historia*, 58:2 (2013), pp. 119-156.

especially as costs of production were rising.¹¹⁵ The solution of the MECC, with Cabinet approval, was to set up a committee under the chairmanship of R. Williamson and representative from Treasury and the Ministries of Commerce and Industry and of Agriculture.¹¹⁶

The Williamson committee consulted the Dairy Marketing Board (DMB), the RNFU and the Dairy Producers Association (DPA) about costs of production and their recommendations on an economic producer price for the 1966-67 fiscal year. This important dairy supply was estimated increase by a further 1000 gallons to the previous year.¹¹⁷ By setting the supply price, the MECC was avoiding wage inflation. They feared that if they failed to do so, the multiplier effect would destabilise the UDI monetary system. The committee set up a quota system of milk to be supplied limited to 18.5 million gallons to be subsidized at 36d. for the year 1966-67.¹¹⁸ Anything outside of the quota allocated to farmers would be purchased at the market dairy market price without subsidy. This move, which would be adjusted adequately over the years, made the dairy industry viable again.

Specific details of how the system would be implemented were left to the Ministry of Agriculture working in consultation with the DMB, the RNFU and the DPA.¹¹⁹ Although the subsidies increased government expenditure, the import substitution and associated economic benefits of price and wage stability were positive tradeoffs. Such tight economic control through the MECC steered the UDI economy through the worst effect of British sanctions. Although 'the increase in the value of total agricultural production was limited to 1.4 percent because of the fall on £7.4 million in the value of the tobacco crop'¹²⁰ as well as a decline in sugar production, it still registered marginal growth with diversification accelerating in the following season, the agricultural continued to improve. Similar planning, through the MECC's agricultural sub committees focused on agricultural marketing, beef

¹¹⁵ RUCL, Smith Papers (Unprocessed), MECC proceedings to 1970, 'Dairy Industry', Cabinet memorandum by Minister of Agriculture, A. P. Smith, 3 January 1966.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ *Economic Survey of Rhodesia for 1966*, p. 3.

production, infrastructural developments such as construction of dams and deep tanks, fertilizer manufacture and supply, as well as research and extension services.¹²¹

In mining, the MECC were advised by a Select Committee on the Mining Industry which establishment of the Mining Promotion Council (MPC) which had been established in October 1964.¹²² The council submitted mining policy recommendations in the form of a long-term development plan for the mining industry by December 1964 to the Ministry of Mines, a Mining Select Committee, Chamber of Mines and the Mining Affairs Board.¹²³ After amendment by the council, it resubmitted the plans in March 1965 to obtain reactions from all sectors of the mining industry by the time of a mining congress on 7 April 1965.¹²⁴ Once the fears and aspirations about mining policy emerging from the congress were factored into the development plan, among which included the creation of a Minerals Development Corporation along the lines of the Industrial Development Corporation from where some mining projects were financed, the development plan was accepted by 1966.¹²⁵ The effect was that, although there had been increased mineral production from 1963 and 1965, there was a further increase to £32.6 million in 1966.¹²⁶ In consultation with the MPC, Cabinet developed a policy that would assist the mining through sanctions ultimately leading to the restructuring of the mining industry in 1966.¹²⁷

The restructuring of the mining industry improved industries involved in gold mining and refining, chrome, asbestos, copper and lithium production, for example. Although there had been declining gold production prompting support through the Gold Mining (Financial Assistance) Act, gold would now only be sold to the RBR (Salisbury). Following the recommendations of the Ministry of Mines and Lands and the Public Sector Investment Committee, the MECC began coordinating the establishment a local refinery with the

¹²¹ For example RUCL, Smith Papers (Unprocessed), MECC proceedings to 1970, as demonstrated by most Cabinet memoranda and reports from Minister of Agriculture, A. P. Smith, to the MECC.

¹²² Deputy Minister of Mines and Lands, Ian Birt Dillon, Ministerial Statement: Mining Policy, Parliamentary Debates, Rhodesia, No. 25, Vol. 2, c. 1958 to c. 1962.

¹²³ *Ibid.*, c.1959.

¹²⁴ *Ibid.*

¹²⁵ *Ibid.*, c.1962.

¹²⁶ *Economic Survey of Rhodesia for 1966*, p. 3.

¹²⁷ Deputy Minister of Mines and Lands, Ian Birt Dillon, Ministerial Statement: Mining Policy, Parliamentary Debates, Rhodesia, No. 25, Vol. 2, c. 1958 to c. 1962.

intention of cutting costs and foreign exchange loss through overseas refining.¹²⁸ This initiative in self-sufficiency was one more arsenal in the 'economic warfare' against Britain. A temporary arrangement had been made with Rio Tinto (Rhodesia) to use its Que Que roasting plant for that purpose since November 1965. The state decided to incorporate a permanent refinery with the roasting plant after considering that of the average 542, 328 fine ounces produced a year, it cost up to £92. 168, or 3s. 4. 78d. to refine overseas compared to only £43. 972 for capital costs and £26. 944 running costs for a local refinery.¹²⁹ Although the figures for establishing a refinery were underestimated as it eventually turned out, the comparative advantage encouraged the establishment of a local refinery. The Reserve Bank indicated its support and through the MECC, advanced £3000 for the planning of the refinery to begin.¹³⁰

By March 1966, both short term economic progress and the prospect of sustained growth in the future had given Salisbury enough confidence to prepare for the decimalization of its currency. Its introduction was scheduled for 16 February 1970. Politically, this would be a strong statement signalling the complete severing of links between what would become the Rhodesian Dollar (R\$) and sterling.¹³¹ Although Wrathal suggested that the new unit of currency should be called the Rhodesian dollar as 'it was undesirable to relate to the name of one personality, community, product or emblem of the country as this lay emphasis on one aspect of the country which could be unacceptable to some sector of the population'¹³², the suggestions subsequently tabled underscored the parochialism of white Rhodesian parliamentarians.

The suggested names included Rhodes (in honour of Cecil John Rhodes); Dyke (in reference to the great dyke that contained much of the country's mineral wealth); Sable (the animal regarded as part of Rhodesia's national emblem), Starr (in honour of Leander Starr Jameson, one of the first administrators of the Colony under the British South Africa Company rule); Leaf (in reference to Virginia leaf tobacco which had been the country's major export crop,

¹²⁸ RUCL, Smith Papers (Unprocessed), MECC proceedings to 1970, Establishing a Gold Refinery, Cabinet Secretariat, 12 January 1967.

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ RUCL, Smith Papers (Unprocessed) 1965-1966, Cabinet Memorandum: Decimal Coinage, Unit of Currency, tabled by J. J Wrathal 4 June, 1966.

¹³² Ibid.

also regarded the leaf of gold); an unspecified vernacular word probably suggested by one of the African parliamentarians; Royal (in reference to the Monarchy of England), as well as the Rand.¹³³ The Rand, which received more support, celebrated Salisbury's political association with Pretoria. The latter provided Rhodesia with a back door to international trade and was central to the rebellious Colony's sanctions breaking strategies. As with all the other suggestions, Wrathal rejected 'Rand'. He contended that 'the Witwatersrand, being the main source of wealth in South Africa, has special economic significance for that country but no such significance attaches it to Southern Rhodesia'.¹³⁴ Instead, Wrathal suggested that the currency simply be called the R\$. The name was neutral, easily identifiable and related to the contemporary major trading currency, the United States dollar US\$.

Another crucial factor in the consolidation of financial control was the ability of the state to marshal and control industrial capital. The manufacturing sector contributed to currency stability through the export of its products to Malawi, Mozambique, Angola and further afield. It also enhanced the country's ISI capability and thus crucially informed the direction of exchange control policy. Manufacturing had benefited from years of consistent new investment averaging 11.7 percent from 1955 to 1964.¹³⁵ Although it fell in 1964, by UDI it had been recovered in response to the exchange control measures that stopped capital flight.

Although reinvestment declined to an annual average of just over four percent from 1964 to 1972 particularly because of the loss of some exports markets, the expansion of the domestic markets and the protection accorded secondary industry expanded the domestic market making Rhodesia more self-reliant in manufacturing.¹³⁶ Manufacturers took advantage of bottled up capital and excess liquidity which was reinvested in expanding production in areas such as of food processing, chemical manufacture, clothing and footwear, furniture, sawmilling and electrical machinery.¹³⁷ The excess financial liquidity had thus been crucial in stimulating higher levels of production by the last quarter of 1966

¹³³ RUCI, Smith Papers (Unprocessed), 1965-1966, Cabinet Memorandum: Decimal Coinage, Unit of Currency, tabled by J. J Wrathal, 6 June, 1966.

¹³⁴ *Ibid.*

¹³⁵ Bond, 'The Rise and Fall of the Rhodesia Economy', p. 5.

¹³⁶ *Ibid.*

¹³⁷ *Economic Survey of Rhodesia for 1966*, p. 3.

compared to the same period in 1965 although the value for the total year of manufacturing had declined from £198.8 million to £183.4 million in the same period.¹³⁸

Even the business lobby represented by ACCoR and ARNI which had opposed UDI in early 1965 had little option but to adapt to changing economic circumstances. Trying to recover from the manufacturing gross output decline of 6.5 percent, and the manufacturing volume decline of 9.3 percent in early 1966, 'Rhodesian businessmen were showing a remarkable degree of optimism, ingenuity and determination that the economy must not be destroyed by the new conditions of world sanctions'.¹³⁹ Indeed, with the aid of South Africa, Portugal and other international friends and clients of Rhodesian industrialists made arrangements with overseas organisations, set up backyard and alley industries at the rate of 'one thousand new industries in a few years'.¹⁴⁰ By December 1966, these efforts ensured 'a quick resumption of high growth in GDP'.¹⁴¹ In a statement on economic policy, Wrathall even expressed optimism about the start of Rhodesia's 'industrial revolution'.¹⁴²

Coordinated backward and forward linkages between primary and secondary industry facilitated manufacturing diversification, not only for ISI, but also for stabilising producer prices of primary commodities and the finished processed products. For example, to cut agricultural costs and enhance manufacturing ISI but with a view to stabilizing agrarian products and processed commodity prices, the MECC considered establishing a nitrogen fertilizer factory.¹⁴³ The MECC scheduled its construction at between 32 to 36 months, inviting Sable chemicals, Rhodesia Chemicals (RhoChem), with Mozambican and South African interests through C and I Girdler International to partner in the project.¹⁴⁴ Capital for the project would be raised by South African investors, the local money market and loans from the Industrial Development Corporation. Although immediate short term expenditure fell on the government's revenue account, the MECC viewed the project in terms of its long

¹³⁸ *Ibid.*

¹³⁹ Head of Dunlop's Rhodesian subsidiary quoted in Bond, 'The Rise and Fall of the Rhodesia Economy', p. 6.

¹⁴⁰ Handford, *A Portrait of an Economy*, p. 6.

¹⁴¹ D.G. Clarke, *Foreign Companies*, p. 30.

¹⁴² Minister of Finance, Ministerial Statement: Aspect of Economic Policy, Rhodesia Parliamentary Debates, Rhodesia, February 1967, c. 1416.

¹⁴³ RUCL, Smith Papers (Unprocessed), MECC proceedings to 1970, Nitrogenous Fertilizer factory, Memorandum by Minister of Commerce and Industry Bernard Horace Musset, 19 January 1967.

¹⁴⁴ RUCL, Smith Papers (Unprocessed), MECC proceedings to 1970, Letter from the General Manager of Credit Guarantee Insurance Corporation of Africa Limited, M. De Clerk, to the Directors of C. & I Girdler International Southern, Eastern, Central Africa (Ltd) titled 'Proposed Contract to supply a Fertilizer Pant to Sable Chemical Industries- Rhodesia', 16 January 1967.

term benefits such as the provision of affordable chemical fertilizers such as ammonium nitrate that would help lower agricultural production costs and ultimately affect the prices of food processed for retail in the urban areas.¹⁴⁵

The above developments during 1966 occurred amid an interim economic slowdown. This was because the economy was adjusting to changing economic circumstances and the downturn was short-lived. By mid-1966, state capital investments indicated the success of a drive for crucial economic realignment. In addition to the above factors, economic stimulation was also a result of the stabilisation of wages of the over 655,000 black formal workers who were a source of potential urban industrial and political unrest.¹⁴⁶ Although unsustainable in the long run, the state also governed general African affairs through the Ministry of Internal Affairs' community development programme in a highly securitised fashion. With the first phase of the liberation war beginning with the Sinoia battle of 28 April 1966, the government installed more security measures to the effect that subsequent nationalist insurgencies were contained until 1972 when the bloodiest phase of the liberation struggle began. Also, in spite of the oil embargo, even British companies continued to provide fuel supplies to Rhodesia even after the Beira blockade which resulted in the shutting down the Beira-Feruka pipeline.¹⁴⁷ When accused of not prosecuting British companies that aided the busting of Rhodesian sanctions, London defended BP (London) by arguing that it was its South African subsidiary that had been involved and which was subject only to South African laws. London was careful not to extend the blockade to South Africa as it feared compromising lucrative trade arrangements with Pretoria.

In the end, not only were the oil sanctions unsuccessful in the short term, they also created expenses for London as Lonrho demanded up to £54 000 per month as compensation for the loss of revenue resulting from the closure of its pipeline. Roland "Tiny" Rowlands, the Managing Director of Lonrho argued that the funds would also be used to service the debt

¹⁴⁵ Ibid.

¹⁴⁶ African employment figure obtained from Minister of Finance, Budget Statement (Government Printers: 21 July 1966), p. 5. Although the Industrial Conciliation Act (1934) and its subsequent amendments still forbade racially inclusive Trade Unions, African workers were now better represented than before. However, government actively sought not to have wages increased because of potential inflationary pressures although the salaries earned by waged employees supported more than 60 percent of the African population. What they sought to do rather, was stabilise prices of all basic commodities and living and transport costs through coordinated policies as demonstrated in this chapter. For more on African wages policy, see Peter S. Harris, 'Government Policy and African Wages in Rhodesia', *Zambezia*, 2:2 (1972), pp. 39-45.

¹⁴⁷ Cohen, 'Lonrho and Oil Sanctions', p. 722.

acquired from the South African Industrial Development Corporation at the rate of £200 000 per annum and other incidentals.¹⁴⁸ Lonrho even threatened to sell the pipeline to Britain's Cold War rivals or to South Africa, making the pipeline a contested asset between, on the one hand, Lonrho and its partner CPMR and the British government, and on the other, between the British and the Portuguese government.¹⁴⁹ Britain feared losing control of the pipeline which was crucial to Zambian oil supplies. The blockade had forced Britain and Zambia to incur expenses of airlifting oil which they hoped would be short-lived as London erroneously anticipated a rapid break in the Rhodesian rebellion. Meanwhile, Rhodesia incurred additional expenses to maintain supplies through illicit means and was forced to impose petrol rationing. However, given the context of these developments, particularly the point that these measures kept the wheels of industry turning, the RF regime viewed the extra costs and paperwork as just a necessary inconvenience in an economic war in which they gained an upper hand in the short term.

By 21 July 1966, Wrathal reported in his budget speech that the

introduction of import control was of course not the only one of the steps taken by Government to safeguard the balance of payments and the value of the Rhodesian pound. Although these measure have been successful it remains vital to Rhodesia's economic strength that we continue to husband our resources. I may add that the situation is constantly under review and that controls and restrictions will not be maintained longer than is necessary for the country's welfare.¹⁵⁰

He added that although exports were the lifeblood of the country, hence the need for extending export outlets, there was a continued need to diversify and reduce 'Rhodesia's former over-dependence on certain commodities and certain markets', to avoid becoming 'so dependent upon the whims of other governments' in order to secure 'both economic and political independence'.¹⁵¹ As Rhodesia was successfully weaning itself from financial and economic dependency on Britain, its survival became crucially tied to South Africa and Portugal, through the Pretoria-Lisbon-Salisbury axis.¹⁵² In fact, 'So pivotal was South African

¹⁴⁸ *Ibid.*

¹⁴⁹ *Ibid.*

¹⁵⁰ Minister of Finance, *Budget Speech* (Salisbury: Government Printers, 21 July 1966), p. 7.

¹⁵¹ *Ibid.*

¹⁵² Kurebwa, *The Politics of Economic Sanctions*, p. 115.

support for Rhodesia that it accounts for both the seizure and demise of UDI under RF rule'.¹⁵³

Rhodesia's trade with South Africa and Portugal and its colonies increased almost tenfold in 1966. The axis provided Salisbury with a backdoor 'into an intricate cobweb of relations with many different countries'.¹⁵⁴ Furthermore, as Flower reveals that, 'in the opening years of UDI, Rhodesia enjoyed more affinity in economic terms around the world rather than opposition'.¹⁵⁵ In fact,

[t]hose who worked behind the scenes in the evasion of sanctions were legion: Senators and Congressmen from the United States of America; representatives of British and French companies who concealed their origins by dealing through South Africa or elsewhere; Swiss, Italian and Japanese businessmen who came and went without any qualms; West Germans who, amongst other things, arranged to send an expensive printing press in a disguised Rhodesian Air Force plane so that Rhodesian bank notes could be printed locally, not in Britain; Greeks and Jews who were more than ready to set up dummy companies and disguise the Rhodesian origins or destination of certain goods; and Russians who plied their ships in and out of Mozambican ports to load Rhodesian chromite.¹⁵⁶

In spite of America's public condemnation of Rhodesia's UDI, some of its powerful politicians privately 'believed that little old Rhodesia had to be helped to "put the *niggers* [emphasis original] right back where they belonged".'¹⁵⁷ Watts' argues that Britain's 'kith and kin' considerations for the small group of Europeans in Rhodesia resulted in an 'error of judgement [that] contributed to the "many uncomfortable moments" with which successive British Governments were burdened' for the 15 years before majority rule.¹⁵⁸

Nonetheless, Smith still wanted to compromise so that the controls and restrictions would not become a permanent feature of the Rhodesian economy and the Colony would not have to be dependent for its economic survival on the Pretoria-Salisbury-Lisbon axis. The CIO, wary that not a single country had recognised Salisbury's UDI and that London would not allow the rebellious Colony to succeed by default, was cautiously worried that 'Rhodesia's present financial buoyancy and currency strengths [were] the result of abnormal and largely

¹⁵³ *Ibid*, p. 113; Ian Smith himself makes a similar point, at least regarding the collapse of white rule in his autobiography: I.D. Smith, *The Great Betrayal* (London: Blake Publishing Limited, 1997).

¹⁵⁴ Kurebwa, *The Politics of Economic Sanctions*, p. 123.

¹⁵⁵ Flower, *Serving Secretly*, p. 72.

¹⁵⁶ *Ibid*.

¹⁵⁷ *Ibid*, p. 73.

¹⁵⁸ Watts, 'Killing Kith and Kin', p. 415.

temporary benefits'.¹⁵⁹ However, Salisbury's MECC had effectively coordinated its policies to ensure economic success. However, having convinced Smith, the CIO privately began arranging 'talks about talks' from 1966.

Facing the reality that financial and other measures had failed, the RBR (London) Board became increasingly irrelevant. Its Board asked the CRO to resign, especially as the British Treasury acknowledged their lack of financial control over Rhodesia. The unremunerated Board was frustrated by the fact that they presided over a small fund that they could not use for anything. Even payments for sundry expenses, the salary of its sole employee-clerk Edward Smith, or litigation fees in court cases against the RBR (Salisbury) or Giesecke and Devrient in international courts had to be approved by Treasury and partially incurred by the Bank of England.¹⁶⁰ With these pressures, Britain realised that as 'long as sanctions were limited to Rhodesia, and her neighbours were prepared to ignore them, Rhodesia had a very good chance of survival'.¹⁶¹ To absolve international anxieties, London pursued selective mandatory sanctions through the UN. However, the imperial power first attempted a further round of talks which were ultimately held aboard HMS *Tiger* on 2 December 1966.

The *Tiger* talks can be regarded a lost opportunity for the Smith regime, even in the absence of African nationalists at the negotiations. The British proposals, based on Rhodesia's 1961 constitution, went further than before in giving more power to the RF and would have established some modicum of independent white rule.¹⁶² However, Salisbury only had to restore the Governor, Sir Humphrey Gibbs, create a few more African seats in the House of Assembly and set a timetable for the attainment of majority rule as Africans 'became more enfranchised through educational and income earning opportunities'.¹⁶³ Although both Smith and Wilson signed the document, there was no commitment to it, with Rhodesia only set to give its response after a Cabinet consideration.¹⁶⁴

Smith would have accepted the resolutions of *Tiger* talks but he backtracked under pressure from three members of his government. These included Dupont whose post as Officer

¹⁵⁹ Flower, *Serving Secretly*, p. 82.

¹⁶⁰ BoE (OV) 191/40, Reserve Bank of Rhodesia (London), Letter from Allen to Rootham, 29 September 1966.

¹⁶¹ Bowman, *Politics in Rhodesia*, p. 112.

¹⁶² *Ibid.*, p. 121; for a more comprehensive and detailed discussion of the *Tiger* talks, see also Young, *Rhodesia and Independence*, pp. 458 – 503.

¹⁶³ Bowman, *Politics in Rhodesia*, p. 121.

¹⁶⁴ *Ibid.*

Administering the Government was threatened by Gibbs return as Governor; Harper, the Minister of Internal Affairs; and Rudland, Minister of Agriculture Rudland.¹⁶⁵ Another factor that influenced Smith's final rejection of proposal was his character. Flower suggests that Smith

...appeared strongest when saying 'No'; and he would say 'No' not because he was convinced it was the right answer but because he feared being wrong by saying 'Yes'. He would delay decisions until there was absolutely no alternative but to make up his mind, at which point he would usually accept a minority decision in Cabinet rather than allow the majority to override the minority. Added to this, his concept of negotiation was 'not – to – negotiate' but to leave it entirely to the other side to make all the concessions.¹⁶⁶

For the above reasons, the *Tiger* proposals were rejected plunging Britain into further crisis over the Rhodesian question. The Colony braced for more sanctions by further tightening economic control.

Indeed, the United Kingdom government had become increasingly desperate by the time of the talks aboard HMS *Tiger* in December 1966. It seems, as one African Member of Parliament (MP) for Ndanga, J.M. Gondo had observed that in agreeing that 'independence for Rhodesia could be granted before majority rule' London had 'bent over backwards' in providing a settlement 'as favourable as any British government could have offered him [Smith] after all that has happened'.¹⁶⁷ Perhaps missing this 'golden chance'¹⁶⁸, the Smith regime would not settle for anything short of indefinite minority rule. As another African MP for Bindura, C.M. Chipunza observed, had Salisbury accepted the proposals, 'the return to legality would have been an admission of guilt'.¹⁶⁹ For him, the Smith government comprised of '...men who are not prepared to stand the challenges of our times and to establish a way of life in which human dignity and the opportunities of advancement to the individual are the most important'.¹⁷⁰ The Smith regime chose instead, to 'shield themselves'.¹⁷¹

¹⁶⁵ Flower, *Serving Secretly*, p. 85.

¹⁶⁶ *Ibid.*

¹⁶⁷ Rhodesia Parliamentary Debates, Vol 66-27 February 1967, c.828.

¹⁶⁸ *Ibid.*, c.832.

¹⁶⁹ *Ibid.*, c.845.

¹⁷⁰ *Ibid.*, c.846.

¹⁷¹ *Ibid.*

Following the collapse of the *Tiger* talks, Wilson withdrew his settlement offer, introducing the principle of No Independence Before African Majority Rule (NIBMAR). He approached the UN, whose measures obligated other countries to observe sanctions against Rhodesia. London now realised that the Rhodesian crisis would be protracted as opposed to Wilson's initial predictions of it ending in just weeks. In fact, the Rhodesian Cabinet had already begun plans towards a complete severing of links with Britain through what Salisbury called 'constitutional advance' but which would ultimately result in the declaration of a republic in 1970.¹⁷² For the RBR (London) Board, the writing was on the wall. Their initiatives had failed and new strategies to break the Rhodesian rebellion were needed.

With UN selective mandatory sanctions against Rhodesia imminent, the RBR Board argued that British-Rhodesian relations were entering a new phase in which the Board could not participate.¹⁷³ It had been mandated with keeping Rhodesia's external financial assets in trust pending a return to constitutional legality. Even British sanctions failed to end the Rhodesian rebellion, the inclusion of the UN and its imposition of selective mandatory sanctions this did not disqualify the RBR (London) initiatives. The Chancellor of the Exchequer negotiated with the members of the Board to extend its tenure of office until the first quarter of 1967.¹⁷⁴ From that point on, the British Treasury sought to implement a new system of custodian or trusteeship under a sole Governor and Trustee succeeded the six-member Board in April 1967.¹⁷⁵

Following the collapse of the *Tiger* talks and the failure of British sanctions, Rhodesia became more than an imperial problem, becoming classified as a 'threat to world peace' and therefore involving the UN.¹⁷⁶ On 16 December 1966, the United Nations' Security Council, under resolution 232 applied selective mandatory sanctions on principal Rhodesian exports, particularly, asbestos, pig iron, tobacco, copper, chrome, iron ore, meat products,

¹⁷² RUCL, Smith Papers (Unprocessed), Cabinet memorandum: Constitutional Advance, tabled by R. M. Thompson, 9 January 1967.

¹⁷³ BoE (OV) 191/40, Reserve Bank of Rhodesia (London), Letter from Sir William Armstrong (Treasury) to the Chief of the Overseas Department, 1 December 1966.

¹⁷⁴ Ibid, Reserve Bank of Rhodesia (London), Letter from A. R. H Glover (Treasury) to Allen (BoE), 8 December 1966.

¹⁷⁵ Ibid. The experiences of the Board to April 1967 as well as those of the sole Governor and Trustee will be examined in the following chapter.

¹⁷⁶ Minter and Schmidt, 'When Sanctions Worked', p. 212.

sugar, hides, skins and leather.¹⁷⁷ This translated to '60 percent, by value of Rhodesia's exports, and 15 percent by value, of its imports (military equipment, aircraft, moto vehicles and petroleum). Failure of any member state to implement the mandatory sanctions constituted a violation of article 25 of the UN charter'.¹⁷⁸ The day following the imposition of UN sanctions, Wilson announced a more hardened stance against Rhodesia, abandoning the principle of persuading Ian Smith to become more reasonable and accept gradual majority rule as well as advocating for NIBMAR in Rhodesia.

While the declaration of NIBMAR appeared as a positive step for advocates of nationalist independence, it only reinforced the will of the Smith regime to maintain minority rule. Moreover, the period between voluntary British selective sanctions in November 1965 and UN Security Council selective mandatory sanctions in December 1966 had been gradual, giving the rebellious Colony enough time to manoeuvre effectively within what was increasingly a political economy of sanctions.¹⁷⁹ It remained to be seen how the selective and fully mandatory sanctions would affect the Rhodesian rebellion prior to the declaration of the Rhodesian republic in March 1970, the focus of the next chapter.

Conclusion

British financial and exchange control sanctions failed in their intended target of defeating UDI 'in a matter of weeks rather than months'.¹⁸⁰ Instead, Salisbury utilised its allies to continue gaining access to international markets. The United Kingdom government committed a 'classic strategic blunder', by consistently dismissing the option of a military

¹⁷⁷ Bowman, *Politics in Rhodesia*, p. 112.

¹⁷⁸ Minter and Schmidt, 'When Sanctions Worked', p. 212.

¹⁷⁹ For a comprehensive discussion of UN sanctions against Rhodesia, see R.B Sutcliffe, 'The Political Economy of Rhodesian Sanctions', *Journal of Commonwealth Political Studies*, 7 (1969), pp. 113- 125.

¹⁸⁰ These words by the British Prime Minister were said to Commonwealth delegates in Nigeria on 10 January 1966, under pressure from African delegates of the commonwealth who advocated for a military intervention in Rhodesia to bring about immediate majority rule. Arguing that military action risked leading to the destruction of Kariba dam, Wilson tried to reaffirm Britain's responsibility over Rhodesia, noting how instead 'the cumulative effects of the economic and financial sanctions might well bring the rebellion to an end' rapidly. See Wood, *A Matter of Weeks rather than Months*, p. 47. For a more detailed history of the strategic importance of the £.77, 6 million 'high modernist' hydroelectric project, see Julia Tischler, *Light and Power for a Multiracial Nation: The Kariba Dam Scheme in the Central African Federation* (Palgrave Macmillan: Hampshire, 2013).

invasion which the UN Committee on Independence had strongly suggested.¹⁸¹ Although the Rhodesian government hoped UDI would result in *fait accompli*, Salisbury still had to consolidate its position. By the end of 1966 it 'appeared more as a sovereign state than a colony'.¹⁸² Minter and Schmidt argue that British sanctions worked 'the primary purpose of British sanctions against Rhodesia was to dissipate international calls for tough measures, rather than to bring about the end of white rule in Rhodesia'.¹⁸³ Thus, doing 'little more than "provide a satisfying theatrical display" which avoided "the high cost of war"', the 'sanctions not only failed to topple the Smith regime, they did not even alter its policy'.¹⁸⁴ The British concept of a sanctions enforced 'return to legality' in Rhodesia aimed at little more than force Ian Smith to be 'reasonable' and concede to a gradual rather than immediate commitment to majority rule, arguably to appease such discontent as that of the UN Independence Committee, and African members of the Commonwealth.

Salisbury inventively manipulated the fluid nature of the international financial system, notably the retreat of sterling and the complexities of global geopolitics, to survive the first set of sanctions. Rhodesia's expulsion from sterling did not deliver the expected economic shocks as its economy had become structured for a post sterling eventuality. Monetary stability against imported inflation or local economic contraction, monitored through a close monitoring of CPIs in the urban areas was also reconciled with export promotion balanced by targeted import restriction through foreign exchange allocation and control. Furthermore, the British only targeted the visible formal economy, yet beneath the surface, Rhodesia's irregular economy benefited from underhanded dealings and clandestine trade. Whereas the formal economy demonstrated initial stress in 1966, the MECC financially coordinated the Rhodesian economy through the worst effects of sanctions, ultimately prompting high rates of economic growth by the end of 1966. Rhodesia also demonstrated its ability to utilise geopolitical allies in its navigation of the oil embargo. It also diversified its economy, especially as tobacco and sugar was embargoed to deter the Colony already expelled from the sterling area from being able to earn foreign currency. Although the object of the sanctions was designed to trigger a recession leading to unemployment, force

¹⁸¹ Watts, *Rhodesia's Unilateral Declaration of Independence*, p. 53.

¹⁸² Kurebwa, *The Politics of Economic Sanctions*, p. 135.

¹⁸³ Minter and Schmidt, 'When Sanctions Worked', pp. 207-237; See also Cohen, 'Lonrho and Oil Sanctions', p. 715.

¹⁸⁴ Cohen, 'Lonrho and Oil Sanctions', p. 716.

inflation and local commodity prices up forcing the local white population to pressurise their government, these measures were doomed to fail because of the gradualist approach in application. Moreover, other countries either supported Rhodesia's UDI or wanted its exports. Through the meticulous planning of its main Cabinet committee, the MECC, the Colony survived British the immediate effects of British sanctions forcing the UN ultimately to intervene with selective mandatory sanctions in December 1966. At this point, Rhodesia ceased to be just a British problem but became an international pariah. The above experiences also reveal an important factor, that financial arrangements could no longer be directed by sterling considerations as had prevailed prior to the 1960s. They were successfully reconstituted to suit local economic conditions while at the same time taking advantage of global market dynamics. Finance came to be guided by inventive territorial exchange control mechanisms suited to a specific historical moment in which a rogue colony defied the authority of a metropolitan power that had imperial authority and control over it for three quarters of a century.

Chapter Five

Rhodesia against the World: Navigating Global Sanctions through Financial Adjustment, 1967- 1970

Introduction

In 1967, the Rhodesian Front (RF) government aimed to consolidate the economy as it recovered from an economic slowdown caused by adjusting to British exchange control sanctions. Its Cabinet's Ministerial Economic Coordination Committee (MECC) innovated policies defending against UN selective mandatory sanctions of 16 December 1966 and comprehensive mandatory sanctions imposed on 29 May 1968. Although there were settlement talks aboard the HMS *Fearless* between 10 and 13 October 1968, their collapse because of 'a difference on fundamental issues'¹ drove a further wedge between Britain and Rhodesia, leading the rebellious Colony to declare a republic on 2 March 1970. This chapter examines these developments within the context of Rhodesia's monetary responses.

Much of the literature on UN sanctions against Rhodesia in the 1960s limits its scope to the results of the sanctions efforts, concluding that they were ineffectual in the short run but began to bite from the mid- 1970s.² As much as some discuss the sanctions busting methods employed, mentioning the irregular economy that consequently emerged, there is scarcely any attention to the trajectory of financial developments and its effects.³ The current chapter looks at the mechanics of international financial sanctions from 1967 onwards. It examines exchange control and central banking mechanisms adopted by London, which

¹ Rhodes University Cory Library (Hereafter RUCL), Smith Papers (Unprocessed), MECC, 'Sanctions Note', Cabinet Secretariat, 12 June 1968.

² Contemporary literature that envisaged the possibility over a drawn out struggle to reverse UDI include, for example, T.R.C. Curtin, 'Rhodesian Economic Development under Sanctions and "the Long Haul"', *African Affairs*, 67 (1968), pp. 100- 110; See also, D.M. Rowe, *Manipulating the Market: Understanding Economic Sanctions, Institutional Change and the Political Unity of White Rhodesia* (Michigan: University of Michigan Press, 2001); C.P. Watts, *Rhodesia's Unilateral declaration of Independence: An International History* (New York: Palgrave and MacMillan, 2012).

³ See K. Flower, *Serving Secretly: Rhodesia into Zimbabwe 1964-1981* (London: John Murray, 1987); H.R. Strack, *Sanctions: The Case of Rhodesia* (Syracuse: Syracuse University Press, 1978); J. Kurebwa, *The Politics of Economic Sanctions on Rhodesia [Zimbabwe], 1965 to 1979* (Harare: University of Zimbabwe Publications, 2012); E.S. Pangeti, 'The Economy Under Siege: Sanctions and the Manufacturing Sector', A. S. Mlambo, E. S. Pangeti and I. Phimister, *Zimbabwe: A History of Manufacturing, 1890-1995* (Harare: University of Zimbabwe Publications, 2000); J.R.T. Wood, *A Matter of Weeks rather than Months: The Impasse between Harold Wilson and Ian Smith, Sanctions, Aborted Settlements and War, 1965-1969* (Canada: Trafford Publishers, 2008).

occupied the commanding position in the economic war against the rebellious Colony. Conversely, it evaluates Salisbury's reaction through the Rhodesian Reserve Bank (RBR)'s policies and the organisational graft of the Rhodesian Front (RF) Cabinet's Ministerial Economic Co-ordination Committee (MECC) from January 1967 to May 1970. Financial policies of the period 1966 to 1970 were designed to endure economic isolation. The three policy directives to sustaining the UDI economy in equilibrium focused on the maintenance of positive balance of payments, a high level of domestic economic activity and the avoiding inflation.⁴ On top of import-limiting tariff measures, the state began to closely monitor commodity prices to maintain workers' wages and living standards at the same level for as long as possible. This was aimed at insulating the value of the Rhodesian pound until a settlement could be reached and Rhodesia could operate in the global economy without isolation. Until then, the RF government also planned the decimalisation of currency which was ultimately achieved on 17 February 1970. To further signify the cutting of imperial links with Britain, the RF government declared a republic in 1970.

This chapter is divided into three sections. The first examines financial policy responses to UN selective sanctions. Secondly, it examines comprehensive mandatory sanctions and their financial implications influenced the decision to hold talks aboard HMS *Fearless*, as well as the economic reasons why Rhodesia was confident enough to reject the settlement proposals. The final sections focus on the subsequent developments. After frustrating these sanctions measures, Rhodesia took advantage of a lack of international political commitment to sanctions to maximise economic benefits.

UN Sanctions and the challenges of London's Financial Measures

The selective mandatory sanctions imposed by the UN on Rhodesia on 16 December 1966 targeted 60 percent of Rhodesia's exports and 15 percent of its imports, particularly military equipment, aircraft, motor vehicles and petroleum.⁵ They were designed to deny the country of foreign exchange while restricting the crucial imports to enhance its military capability and economic mobility. On top of measures already applied by the British,

⁴ Characteristic of all budget speeches by Minister of Finance John Wrathall. He invariably opened his speeches by identifying these three principles as the anchor of his financial policy. See J. Wrathall, *Budget Statements* (Salisbury: Government Printers, 1966-1969).

⁵ W. Minter and E. Schmidt, 'When Sanctions Worked: The Case of Rhodesia Re-examined', *African Affairs*, 87: 347 (1988), pp. 213.

selective mandatory sanctions were designed to force international compliance in breaking the Rhodesian rebellion through reversing its economic progress. However, many countries such as Germany, South Africa, Portugal, Australia, Japan, Switzerland and even some African countries including a very economically vulnerable Zambia had not observed British sanctions because they were voluntary.⁶ UN sanctions theoretically substituted the voluntary aspect as it declared that any member state that did not observe its measures would be violating Article 25 of its Charter.⁷ With member countries obligated to comply with the UN directive, it appeared, Rhodesia would be isolated and forced to rapidly capitulate. However, the 'mandatory' sanctions were inconsistently enforced, allowing Rhodesia to consolidate the export of the 40 percent of products not embargoed while also clandestinely and irregularly trading in the 60 percent that was.

The failure of the United Kingdom government to rapidly break the Rhodesian rebellion was a source of great embarrassment. It had been forced to approach the UN to assist with the Rhodesian problem, turning it into an international rather than just an imperial problem. Even after the UN Security Council Resolution 232 extended further selective but mandatory sanctions on 16 December 1966 and still insisting on avoiding military intervention, London took the lead in stepping up its own financial measures in the hope that other countries would be legally required to observe them. London also wanted to regain control over the rebellious Colony. The consequence of the progressively worsening relations between London and Salisbury, including the involvement of the UN, prompted calls in Rhodesia to 'stand up to these hardships', encouraging particularly the average white citizen to 'be prepared to pay the premium necessary to safeguard his investment, especially as he knows so well what the alternative means', with the reward being 'the preservation of this, our land, our homes, our Rhodesian way of life'.⁸

⁶ J.R. Paul, 'Economic Sanctions Against South Africa?- Lessons from Rhodesia', *The Fletcher Forum*, 2, p. 110.

⁷ Central Archival Repository/*Sentrale Argief Berwaarkplek* (Hereafter SAB), TES 12/ 588, Vol 1, 3144, Security Council Resolution 232 of the UN Charter.

⁸ Speech by Rhodesian Prime Minister Ian Smith, 'Relations between Rhodesia and the United Kingdom Governments', Rhodesia Parliamentary Debates, Vol 66 – 27 February 1967, C. 826. African parliamentarians protested against what was a clearly racialised speech that excluded black people, for example African parliamentarian C.M. Chipunza who argued in response that if the four million or so Africans in Rhodesia were 'left to the tender mercies of ruthless and untrustworthy Government [the Rhodesian Front (RF)] there is no future for the black man in this country', C. 843-844.

Given that financial sanctions imposed on Rhodesia were not as effective as initially envisaged, London accordingly revised timelines and approaches. The British government realised that sanctions would not reverse the Rhodesian rebellion rapidly and therefore had to reconstitute their main tool for financial sanctions, the Reserve Bank of Rhodesia (RBR) London. The London Board of the bank had initially comprised of six voluntary members and one salaried employee to protect Rhodesian funds from the rebel government until constitutional government was restored. A return to legality had been mistakenly estimated to be rapid. By 20 December 1966, the London Board had become fully aware that the rebellion would continue for the 'long haul', and its members indicated to the Chancellor of the Exchequer their desire to be relieved of duty by 31 December 1966.⁹

The Chancellor of the Exchequer accepted the Board's wish to resign, but requested that they briefly extend their tenure until he could assemble appropriate successors.¹⁰ The Reserve Bank of Rhodesia Order (1965), however was only replaced on 1 April 1967.¹¹ This was because of one of two reasons. The Chancellor needed an Order in Council permitting the successor of the London Board, to be constituted under just one person, Sir Sidney Caine. Caine agreed act as the Governor and Trustee of the Bank until the middle of 1967. Also, the retiring of the Board was delayed by a pending case in a German court. RBR (London) had blocked the shipping of currency notes worth £29 million which had been secretly ordered by RBR (Salisbury). Conflict arose over who would be held responsible for settling the bill for the note printing of the Munich based Giesecke and Devrient Company. The RBR (Salisbury) refused to settle the account on the basis of non-delivery. Giesecke and Devrient took the matter to court, dragging RBR (London) into the matter, arguing that because they had stopped the shipment, they were liable for the payments.¹²

By January 1967, the London Board could claim success only in as far as they had frozen Rhodesian external accounts, prevented the expatriation of both Bradbury and Wilkinson bank notes in 1965 as well as those of Giesecke and Devrient in 1966. Their task had been 'to ensure so far as possible that the assets of the Reserve Bank were safeguarded in the

⁹ Bank of England Archives (Hereafter BoE), Overseas (OV) 191/41, Reserve Bank of Rhodesia files, Note for Chancellor dated 5 January 1967.

¹⁰ BoE (OV) 191/41, Letter to D.W.C Allen (Bank of England), from G.E.H, 6 January 1967.

¹¹ BoE (OV) 191/41, Draft Press Notice, 21 march 1967.

¹² Ibid.

interests of the people of Rhodesia and to prevent such assets being used for the benefit of the Smith regime'.¹³ Apart from these actions, the London Board had no access to the RBR (Salisbury)'s books and no control over its other non-financial assets. Moreover, the Board 'could be forced [By the United Kingdom government] to act from political motives as distinct from normal banking reasons', and with its transactions through the Bank of England subject to Exchange Control approval, they were in fact only a political tool.¹⁴

Being merely a political window dressing, RBR (London) Board took orders from the Commonwealth Relations Office (CRO). The Board members became the lead actors in the United Kingdom government's theatrical display of power over Rhodesia when in fact their action actually indirectly benefited the Colony. Its members were frustrated by their incapacity to take any practical action of their own with regards to, for example, the German note issue court case. Holding the RBR external funds in trust, even the payment of their solicitors had to be approved by the first Secretary of State for Colonies. The Munich note issue case was eventually settled out of court on 6 March 1967 with Giesecke and Deviant for an amount of £275.000, equivalent to D.M 3 million including a fee for the storage of the notes amounting to D.M 6.000 per quarter. Moreover, the note printers were directed not to print currency notes for Rhodesia in the absence of a settlement and to destroy the note printing material by mutual consent after two years. The London Board felt that the costs involved had to be settled by the United Kingdom government as they needed to maintain RBR funds in trust. However, at the direction and insistence of the Secretary of State, the settlement was covered by the RBR funds held by the Board.¹⁵ Other costs that included the payment of their advisor and secretary Edward Smith, separate out of pocket expenses for stationary, telegraphs and so on as well as payment of other accounting and secretarial consultancy by Freshfields and Deloitte amounting to a total of £5.500 per annum were all covered by the Bank of England.¹⁶ Increasingly, except in the case of those actions in which they were directed to take, the RBR (London) Board had no real influence over Rhodesian developments.

¹³ BoE (OV) 191/41, Quoted in Notes attached to a letter to C. J. Morse (Bank of England), from D.H.F. Rickett (Treasury), dated 10 July 1967.

¹⁴ Ibid.

¹⁵ BoE (OV) 191/41, Notes attached to a letter to Hubback, from A.R.H. Glover, dated 19 April 1967.

¹⁶ Ibid, Memorandum by Sidney Caine, 25 January 1967.

Even where questions of Rhodesia's default over the payment of interest to the IBRD for the Kariba hydroelectric project loans were increasingly directed to the Chancellor of the Exchequer and the Secretary of State in the CRO.¹⁷ The responses of the other two offices were that they were not responsible for Rhodesia's defaulting on its debt obligations, but having acted as guarantor to the loan facilities in the 1950s, London had to settle at least the loan interest until such a time when a return to legality would be achieved in Rhodesia. The IBRD project also made Zambia a hostage state of Rhodesia with regards to electricity supply. As such, the authorities in Lusaka hastened their plans to approach the IBRD seeking a loan to develop their north bank of Kariba for power generation to free themselves of Rhodesia's control of power and supply for the development of the Zambian economy.

Zambia's application to the IBRD presented problems. The IBRD had financed the Kariba scheme in the late 1950s which involved colonial Zambia (Northern Rhodesia) and Southern Rhodesia with Britain as the guarantor of last resort and calculated to elapse in 1989.¹⁸ The Central African Power Corporation (CAPC) created to develop the Kariba hydroelectric station was equally owned by the colonies in 1957. The new IBRD loan of US\$40 million was to be made to the governments of independent Zambia and rebel Rhodesia. The challenge was that under UN sanctions to Rhodesia, the UN could not aid an illegal regime for any development involving its territory.¹⁹ Also, although Zambia continued servicing its part of the Kariba loan, Rhodesia had not only flouted the conditions of the Colonial Loans Act (1949) but defaulted on its repayment of Kariba liabilities leaving London to reluctantly pick up the tab.²⁰ The negotiations, which excluded Rhodesia, held between the IBRD, Britain and Zambia were characterised by Zambia's insistence that Britain should guarantee Rhodesia's part of the new Kariba North Power Station (KNPC) project while Zambia guaranteed its part. Rhodesia would then pick up the loan after its return to legality.²¹ Although the agreement was reached in 1969 and development commenced in 1970, Britain

¹⁷ Ibid, Letter to Hubback, from Glover, 19 April 1967.

¹⁸ BoE (OV) 191/37/324.14, Kariba Dam Financing, Letter from M.G. Hignet (Overseas Office), to Byatt, 4 July 1968.

¹⁹ Ibid, Letter from J.E. Hansford (Treasury Official) to P.J.M. Lynch (UK Treasury and Supply Delegation to the IBRD, Washington, 22 August 1968.

²⁰ Ibid.

²¹ Ibid, Report: Draft Final: Kariba North Power Station: Summary of Proposed Arrangements, IBRD, 1 August 1969.

was again forced to comply to guaranteeing the rebellious regime's half of the KNPC loan. Clearly, the financial sanctions cost London.

Facing wider financial costs with the IBRD loans and realising that Rhodesia managed to frustrate their financial measures, the United Kingdom government replaced the RBR (London) Board on 31 March 1967, with a sole Governor and trustee. The RBR could not perform any other functions regarding Rhodesia's obligations except keep frozen RBR (Salisbury) reserves until legal government was restored in Rhodesia. The RBR retained Sir Sidney Caine as Governor and Trustee as well as the secretarial services of Edward Smith.²² However, as Caine had indicated his desire to resign by mid- June of that year, the Bank of England looked for a possible successor to underwrite the Governor and found the suitable candidate to be Sir Henry Harding.²³ Increasingly, the role of the RBR (London) became obscure as the Governor and Trustee simply sat on Rhodesian funds while the treasury and the Bank of England were more prominent in the Rhodesian financial sanctions issue, with the CRO managing the politics.

By the time that Caine resigned in September 1966, even Edward Smith was complaining of being underemployed. He had decided to also resign at the same time as Caine. The incoming Governor, Henry Harding, would only make use of the services of some staff of Deloitte and Touch whenever it was deemed necessary, and judging by Smith's experience, work for the RBR (London) was scarce.²⁴ This had important implications. The fact that the RBR (London) now only consisted of a single voluntary employee as Governor and Trustee showed the lack of control by London over Rhodesian developments. While London held onto some £10 million worth of Rhodesian financial reserves and other Rhodesian bonds that had been invested on the London financial markets, its ability to use authority was highly diminished.

Thereafter, the Governor and trustee retreated into the background. The main decisions he took during this period differed from the previous Board which had kept Rhodesian funds idle. Instead, it was decided to invest the money, with Treasury approval, in United States treasury bonds which would mature after a period of 14 years. After this, Hardman only

²² BoE (OV) 191/41, Draft Press Notice, 21 March 1967.

²³ Ibid, Letter to Payton from J.M, 3 July 1967.

²⁴ Ibid, Letter J. Morse to D. Rickett (Treasury), 7 July 1967.

became central to the UDI narrative when London investors demanded dividends payments of their Rhodesian bonds from RBR (London). A particularly important reference case was one which involved of a bond holder called Harry Franklin²⁵ who had begun his claim initially through correspondence from 1966 that payments of their dividends be made on the RBR (London) account, but he was frustrated by RBR's position that it would not be responsible for that payment as it would deplete its funds if all debts were to be settled from it. His 'claim was regarded as a test case for thousands of other stockholders, many of them pensioners and widows, who have received no payment since UDI'.²⁶ As the reference point of all British investors' whose dividends payments had been defaulted by the rebellious Colony, Franklin eventually took his case to the British courts from October 1972 to March 1976.²⁷

The Governor and trustee also presided over the question of the destruction of Bradbury and Wilkinson Notes as well and the Giescke and Devriant notes following Rhodesia's currency decimalisation. Apart from these activities, the Governor and trustee of the RBR in London was no longer as prominent and visible as the earlier London Board had been. Rhodesia had taken advantage of the freezing of its accounts to default on major credit payments, including twelve Rhodesian stocks and Bonds issued in London.²⁸ By comparison, Rhodesia strategically benefited more from the prevailing circumstances than did London. Moreover, a prolonged stalemate over the Rhodesian question provided the Colony with more financial resources to invest in productive sectors of the economy than would have been the case were she to commit to settling, as an example, the £67.5 million plus interest owed to the IBRD.

As far as financial measures were concerned, apart from the freezing of Rhodesian accounts, the restriction of the shipment of the Bradbury and Wilkinson as well as the Giesecke and Devriant notes as part of other exchange control measures, there was not much else London could do. London argued that these measures, consolidated with other trade embargoes and recognised and implemented by other countries would be ultimately

²⁵ BoE (OV) 8A99/44, RBR (London), Franklin Case; Franklin was a retired Minister of Transport and Works for colonial Northern Rhodesia, now settled in Britain. He had invested in Southern Rhodesia government bonds

²⁶ N. Hare, *The Daily Telegraph*, 3 March 1973.

²⁷ Some of the correspondence on Harry Franklin's crusade to fight for Rhodesian bondholders is contained in BoE (OV) 8A99/44.

²⁸ *Ibid.*

effective. The next section focuses on the effects that the December 1966 UN sanctions on the rebellious Colony and examines how the Rhodesian state responded to these developments.

The Rhodesian Response: ‘the balance of payment battle’ and the Economy, 1967 to March 1968.

Rhodesia’s monetary system was developed in part as a response to UN sanctions, but also with an eye towards the establishment of a sustainable post-sterling financial system. Rhodesian policy was driven, according to its Minister of Finance, John Wrathal, by three guiding principles. These were the need to secure a positive balance of payments, the maintenance of a high level of economic activity and the need to avoid inflation.²⁹ Except for passing remarks about the non-observance of UN measures by many countries, the period from 1966 to 1970 received little scholarly attention, particularly in terms of the policy and implementation undertaken by the MECC and Ministry of Finance. With a view to erecting further safeguards to the economy, the Rhodesia government’s also commissioned a study by a University of Cape Town Professor, J.L. Sadie who submitted his report in 1968.³⁰ Using Cabinet commissions’ reports and studies such as that of Sadie, the MECC’s ultimate actions responded to the economic challenges wrought by the 1966 selective mandatory sanctions as well as the succeeding comprehensive mandatory sanctions of 1968.

The legislative and institutional amendments introduced were increasingly in response to the UN rather than to British financial measures. The RBR (Salisbury) operated without recognising the existence and activities of either the London Board prior to March 1967 or the succeeding Governor and Trustee thereafter. Rhodesian financial policy, although geared towards commodity export, became increasingly ‘closed’ as stringent exchange control measures were adopted. In February 1967, the Reserve Bank of Rhodesia Act was amended to ‘establish ... a closed banking system.’³¹ The amendments, Wrathal noted,

will be such that banks, financial institutions and discount or accepting houses [including Building Societies] will be required to maintain in Rhodesia assets equal to or greater than the total of their liabilities to the public in Rhodesia and their paid up

²⁹ Wrathal’s Budget Statement, Presented to Parliament (Salisbury: Government Printers, 20 July, 1967), p. 26.

³⁰ The report was published as J.L. Sadie, *Planning for the Economic Development of Rhodesia* (Salisbury: Government Printers, 1967).

³¹ Rhodesia, Parliamentary Debates, Vol.66 October 1966-February 1967, Col 1784.

equity, capital and unimpaired reserves which they are required to maintain in accordance with the Banking Act.³²

In rationalizing this strategy, Wrathall stated that,

[a]lthough ... adequate legal powers for the operation of a closed banking system are provided by the Exchange Control Act, I believe it is more appropriate that such powers should be enshrined in the Reserve Bank of Rhodesia Act which is the prime source of the bank's authority to regulate monetary policy and the banking system.³³

The degree of closure was nevertheless dependent on the extent to which Rhodesia could control imports. Although the banking and exchange control system of Rhodesia was severely restrictive after 1967, it allowed free movement of capital through trade concessions with its major allies, South Africa and Portugal, but also to a lesser degree, such other countries as Israel, Japan, West Germany and France to accommodate some business, whether formally or clandestinely.

Locking up financial resources would protect the Colony's finances from London interference while supporting economic development without external support from London or elsewhere. Wrathal emphasized that '[t]he crux of Rhodesia's struggle is the balance of payments'.³⁴ Winning it meant that, 'a sufficient level of employment and economic activity can be carried and the struggle carried on, if need be, indefinitely'.³⁵ To facilitate this, Wrathal resolved that there was need 'to continue to restrict imports of non-essential items and external spending on invisibles, especially if industry's requirements of capital expenditure [were] to be met'.³⁶ Although there was a slight decrease in foreign earnings in early 1967, this was compensated by the fact that domestic economic activity was able to sustain a level of imports that was 20 percent higher than the first half of 1966. The economy had been sustained by increased economic activities. In comparison to the previous year, by May 1967, industrial production was five percent higher, retail trade had grown by ten percent and wholesale increased by 22 percent.³⁷ The European Consumer Price Index (CPI) reflected only a slight increase of some one percent compared to December 1966. With all other indicators for the first half of 1967 generally positive,

³² Ibid, c.1785

³³ Ibid.

³⁴ Wrathal's Budget Statement, Presented to Parliament, p. 7.

³⁵ Ibid.

³⁶ Ibid, p. 7- 8.

³⁷ Ibid, p. 6.

Wrathal was confident that '[n]o one doubts that Rhodesia's long term economic prospects are most favourable... [with] potential for economic growth immense'.³⁸

Crucial to preserving foreign currency and consolidating development was Rhodesia's continued default on the c.£160 million debt.³⁹ Default was justified as a retaliation to Britain's freezing of Rhodesia's external financial reserves. Wrathal complained of Britain's 'taking steps to deprive Rhodesia of the means to either earn foreign exchange or the revenues to meet her commitments'.⁴⁰ The external debt commitments included 'London market debt, except that part held by residents of Rhodesia, Malawi and South Africa'.⁴¹ Salisbury's default put British investors who held Rhodesian government stocks at a disadvantage. In an attempt to recover their investments, they formed the Council of Foreign Bondholders (CFB) in Britain. The RBA's struggle to recover their funds came to be epitomized by Harry Franklin's legal claim on Rhodesian frozen funds held by the RBR Governor and Trustee in London.⁴² In Salisbury, Wrathal argued that Rhodesia could not 'be expected to, nor will she, resume responsibility for this obligation'.⁴³ Such British investors as Franklin, 'who ha[d] shown confidence in Rhodesia', nevertheless had to 'look to the British Government for satisfaction'.⁴⁴ Wrathal epitomized the RF's rhetoric that the British Government first had to make 'good such damage as has been made to the Rhodesian economy by its actions and its instigation'.⁴⁵ As much as the basis for this position was Rhodesia's resentment of the British use of 'economic and financial pressures in pursuit for political ends', the argument that they 'must bear the consequences'⁴⁶ was likely underscored by the trade-off. As such, Rhodesia's external debt burden of over £160 million was indefinitely suspended. Salisbury only had to honour comparatively insignificant internal obligations totalling £8.4 million in the period to 1973.⁴⁷ This allowed Salisbury to invest in economic diversification and Import Substitution Industrialisation (ISI) initiatives in fighting the broader economic war.

³⁸ *Ibid.*, p. 8.

³⁹ *Ibid.*

⁴⁰ *Ibid.*, p. 12.

⁴¹ *Ibid.*

⁴² BoE (OV) 8A99/44, The Reserve bank of Rhodesia: The Franklin Case, memoranda, correspondence and news articles, 1972 to 1976.

⁴³ Wrathal's *Budget Statement*, p. 12.

⁴⁴ *Ibid.*

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*, p. 13.

Among the uses of the locked-up capital was its employment in the agricultural sector, particularly in research and extension services as well as crop payment subsidies where needed. The Minister of Agriculture reiterated how '[n]o sector of the economy rates a higher priority than agriculture'⁴⁸, although for it to survive it depended on financial support from the Treasury. Although he always reiterated how '[e]ach and every farming unit [wa]s a business', controlled pricing and marketing arrangements continued for selected commodities such as tobacco and wheat.⁴⁹ Tobacco was subsidized and produced mostly for stock-piling to eventually be disposed of whenever sanctions were lifted or if irregular routes permitted and alternative markets emerged. This was meant to keep tobacco farmers productive and financing and subsidising them was like investing in futures. Wrathal expressed satisfaction that 'as a holding operation, the rest of the economy has been able to sustain the production of large quantities of tobacco for stockpiling purposes'.⁵⁰

Failure to support tobacco farmers on the basis of trying to avoid investing the country's resources 'into an activity which makes a negative contribution to the main battle of the economic war, the balance of payments battle', the counterfactual was seen as being 'equally damaging to Rhodesia's long term interests if there were to be an exodus of European farmers from the land'.⁵¹ Balancing tobacco subsidisation and stock-piling was diversification into other crops such as wheat. Wheat production was in its infancy but was being encouraged to substitute wheat imports and encourage wheat self-sufficiency. It was to be subsidised at 67/6d. per bag but without necessarily increasing the price of flour from the milling companies and wheat products from the bakeries.⁵² The producer price would run from 1967 to 1970 before another review was necessary. Given that the incentive price for wheat production in South Africa was 65s., the producer price in Rhodesia was regarded sufficient incentive.⁵³ Maintaining a stable price, particularly of bread which was a major product in the consumer price index, was crucial to stabilizing both African and European wages as well.

⁴⁸ Rhodes University Cory Library (Hereafter RUCL), Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC on Agricultural Policy and Marketing by Minister of Agriculture, G.W Rudland, 26 January 1967.

⁴⁹ *Ibid.*

⁵⁰ Wrathal's *Budget Statement*, p. 7.

⁵¹ *Ibid.*

⁵² RUCL, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC on Agricultural Policy and Marketing by Minister of Agriculture, G.W Rudland, 26 January 1967.

⁵³ *Ibid.*

A further example of agricultural diversification was the proposed planning of a Nitrogenous fertilizer factory. Although meant at once to preserve foreign currency while reducing agricultural costs, the Minister of Commerce and Industry, Bernard Musset proceeded with the inquiry into the establishment of the factory.⁵⁴ The phased establishment, which was to be partially financed by the Treasury, was expected to be complete by 1971. It led to the reduction in the cost of such inputs as Compound D fertilizer, helping the state to maintain profitability in the agrarian industry while providing the domestic capacity to control factory prices.⁵⁵ Although a separate policy of price control guided by the principle of acceptable profit margins for commercial and industrial sustainability under the Emergency Powers (Price Maintenance) Order 1967⁵⁶; other factors such as import substitution, subsidizing production and economic coordination became crucial in stabilizing prices, saving foreign currency and fighting inflation.

If a high liquidity facilitated expeditious economic planning, then some of the funds were wasted on highly ambitious projects that were ultimately fruitless. For example, the oil embargo prompted Rhodesia to pursue an ambitious oil exploration project. Believing oil could be discovered on the south-eastern border of the country, Cabinet approved the Ministry of Mines special prospecting grant of £125,000 to Alex Hutchings' Rhodesian Petroleum Company for a period starting from 1 December 1966 to 28 February 1967.⁵⁷ Having failed in its mission, further grants to Hutchings' company were withdrawn on 18 April 1967. Despite this, the Ministry of Mines approached an unnamed Swiss Geologist to start off where the Rhodesia Petroleum Company had failed.⁵⁸ Oil exploration would continue on and off, with government financing, until 1979.

Another area of spending was in security, although it was limited in the late 1960s compared to its escalation in response to the intensifying liberation war in the 1970s. It was generally agreed in the 1960s when there was much less of a military threat that '[i]n the circumstances pertaining since the Declaration of Independence, the first priority of the

⁵⁴ RUCI, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC on Nitrogenous Fertilizer Project, Minister of Commerce and Industry, H.B Musset, 3 March 1967.

⁵⁵ Ibid.

⁵⁶ RUCI, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC on Price Control, H.B Musset, April 1967.

⁵⁷ RUCI, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC Oil Exploration, tabled by G.B Clarke (Secretary to the Cabinet), 28 April 1967.

⁵⁸ Ibid.

country was to win the economic war'.⁵⁹ Although the Chiefs of Staff agreed with this position, even noting 'the fact that cost-wise the Rhodesian armed services probably produce better value for money than any in the world', but the 1966 attacks by nationalist insurgents led to the onset of demands for investment in training and recruitment. Although the rebellious Colony was 'winning the economic war', the Chief of Staff also argued that the 'security of the country is of paramount importance'.⁶⁰ He further noted that 'while the situation is currently under control, no guarantee can be given that it will remain so'.⁶¹ As he explained the duties and activities of the army which consisted of the Regular Force, the Territorial Force and the Reserves and their various battalions, he emphasised how finance was needed for acquiring arms and equipment, training for counter insurgency both on the ground and in the air. As a pre-emptive security measure, the state deployed sub-units, at some cost to Treasury, to the Eastern border, the Midlands and Victoria, the main centres of Salisbury, Bulawayo and Umtali.⁶²

To maintain and attempt to expand foreign currency reserves, Salisbury was sensitive to increasingly fluctuating exchange rates during a period of expanding world trade⁶³, and thus used import restricting exchange controls to avoid inflationary pressures.⁶⁴ As a way of attracting foreign exchange, the Ministry of Finance allowed the payments of government accounts to be made in the currencies of the countries considered Rhodesia's closest trading partners. The currencies included, according to circulars that were intermittently issued from 1966 onwards, South African Rands, Malawian Pounds, Australian Shillings, Belgian Francs, Canadian Dollars, Danish Kroners, West German Deutsch marks, French Francs, Italian Lire, Japanese Yen, Netherlands Guilders, Norwegian Kroners, Portuguese

⁵⁹ RUCL, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC on 'Financial Provision for Defence Purposes', by Chief of General Staff, Major General R.R.J. Putterill and Chief of Air Staff, Air Vice Marshal H. Hawkins, 16 May 1967.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Ibid.

⁶³ See N. Grimwade, *International Trade: New Patterns of Trade, Production and Investment* (London: Routledge, 2000).

⁶⁴ Although inflationary pressure was on the rise because of the adoption of a post-sterling currency, inflation from 1966 to 1967 was avoided by a preservation of foreign currency particularly through import restriction and ensuring price and wage stability and maintaining internal economic activity through ISI, agricultural diversification but also promoting state sponsored tobacco stockpiling for future redemption. Wrathal noted inflationary aspects in his *Budget Statement*, p. 4.

Escudos (metropolitan only), Spanish Pesetas, Swiss Francs, and the United States Dollar.⁶⁵ The list included sterling. Although the British were reluctant to admit it, some of their citizens exploited the lucrative underground trade developing in Rhodesia as agents of sanctions busting.⁶⁶

Rhodesia succeeded in diversifying much of its financial securities, marking a departure from a pre-UDI regime in which they were only denominated in sterling. Rhodesia's monetary system now exhibited some features of an independent country's currency. In a memorandum on the Decimal Currency Bill which was submitted to the Committee on Legislation, discussion of an appropriate symbol the Rhodesian dollar demonstrated how further independent it had become from sterling or any other currency.⁶⁷ The initially suggested alternatives of using the symbol 'R', or a crossed 'R' were dismissed for their closeness to South African Rand and Indian Rupee respectively. A uniquely Rhodesian symbol, culminating in 'R\$', was necessary in establishing independence from any monetary cushioning among other reasons.⁶⁸ Just as the question of a republican constitution for Rhodesia gained more traction⁶⁹, so too did the prospect of a possible return to the sterling network in the increasingly unlikely event of a rapid settlement.

The rebellious Colony also moved away from a system of preferential tariffs in which countries were rated from A to D in a tariff column, with 'A' being the most preferred and 'D', the least. Instead, it alternatively adopted a single tariff system. According to the Minister of Commerce and Industry, this had been necessary because of preferential 'A' treatment that sterling markets enjoyed under the sterling and Commonwealth network but the diversification of markets and Britain's expulsion of Rhodesia from commonwealth

⁶⁵ National Archives of Zimbabwe (Hereafter NAZ), S3279, Treasury Circular No. 50 and all other subsequent circulars, starting with on 'Acceptance of Payment on Government Accounts', V. J. Handley to all Heads of Departments, 9 August 1966. In the same file are also general circulars on 'Money, Accounts General and Correspondence Handley of the Treasury of all heads of Government departments.

⁶⁶ Flower, *Serving Secretly*, p. 69.

⁶⁷ RUCL, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum to the MECC on Decimal Currency Act, F.P Stephenson (Cabinet Secretariat), 6 May 1967.

⁶⁸ Ibid; The other reasons included how an 'R' symbol similar to that of South Africa would not only cause confusion, but would also invoke anger among Africans who were worried that Rhodesia would ultimately adopt apartheid.

⁶⁹ RUCL, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum on Constitutional Advance, from R.M Thompson, 9 January 1967.

preferences and markets had forced her to diversify.⁷⁰ Under sanctions conditions, particularly as trading became highly irregular, the tariff preference system had practically fallen away and Rhodesia was operating through agencies and selling when it could, on the basis partially of renewed agreements with respect to specific products for specific markets as in the case of tobacco. However, placing all countries and a general column A or single tariff system had to be done without upsetting South Africa without whom Rhodesia would struggle to gain markets. As such, the Minister of Agriculture, George Rudland suggested to the MECC that a committee discreetly approach South Africa to explain the circumstances which were so crucial to allowing Rhodesia to effectively tap into any available export markets without the necessary hindrances of tariff gradations.⁷¹

In regulating closure and instituting financial self-sufficiency, the Reserve Bank closely monitored banks. The measures adopted included, through the coordinating Ministries, the stricter enforcement under the Control of Goods (Import and Export) Amendment Order (1966) of the Open General Licenses (OGLs) as an import control measure. Thus starting in 1967, anyone intending to obtain foreign currency from the bank needed to produce an import certificate granted to a holder of an OGL, indicating what they wanted to import. Importers, in line with a 'closed' financial system, now had to first seek permission from the Ministry of Finance before making any purchases otherwise their good would be seized by customs at the borders.⁷² The Ministry then used information obtained from different Ministries over which goods would be identified as essential capital imports against those regarded consumption goods that had to be identified for import control. Most businesses that were negatively affected were those benefiting from the marketing of commercial luxury products but many had to shift their sources of supply to domestic industry. To make their case, where importers felt the required imports were essential to their businesses and ultimately beneficial to the economy, they could make an appeal through ministries specific to their business, whether in mining, agriculture, trade or commerce.

⁷⁰ RUCL, Smith Papers (Unprocessed), January 1967 to March 1968, Memorandum on Single Column Tariffs system by Minister of Commerce and Industry, H. B Musset, 30 January 1967.

⁷¹ Ibid.

⁷² NAZ, S3605/ 1/ 1, General Memoranda and Correspondence on The Control of Goods (Import and Export) Amendment Order 1966-7.

Also, it was demarcated by race with the white businesses able to access OGLs. Africans were only really considered after 1972 both in terms of licenses as well as gaining some access and technical services for their businesses.⁷³ Also, the source of imported goods, whether from South Africa or elsewhere, was also an important determinant in acquiring an OGL for security reasons. If approved, the imports were to come from a country not listed as a friend of Rhodesia, or whose agents worked with the Colony. Many of the Rhodesian business people needed connections in the networks that emerged if they were to tap into the rebel economy as it developed. As a strategy of sanctions busting, the economy increasingly became highly irregular.

Although having begun to recover from the phase of adjustment to British sanctions and successfully diversified markets and economy, UN sanctions again threatened to derail the progress of the Rhodesian regime. No longer voluntary or at the discretion of individual states, UN sanctions had legal consequences on those nations that did not observe the resolutions meant to isolate Rhodesia, at least in theory. In practice however, the threat of trade boycotts was not as effective and policing the trade of Rhodesia also proved to be difficult as the Colony created a lucrative irregular network of trade in which many local and foreign agencies profited from trafficking Rhodesian products, mostly through the South African and Mozambique as a back door to international trade. Although secured through increased domestic economic activity 'and without any rise in the value of domestic export', the Rhodesia's Gross National Product (GNP) had grown by 8.6 percent from 1966.

Coordinated economic planning continued to be centred on the MECC. The activities of other ministries, to be granted a vote from Treasury, needed to consider their contribution towards national economic priorities of cost cutting on what was regarded non-essential expenditure while promoting export activities and ISI. An example of MECC coordination was the one between the Ministries of Agriculture, Home Affairs and Commerce and Industry through its Department of Customs and Excise. Their task was to ensure strict

⁷³ Excluded from accessing financial services in the colonial Rhodesian economy, black people had sought to raise finance through adaptations of such schemes as Mutual Aid Societies, Rotating Society Credit Aid Schemes (ROSCAs) among other means. Far from being as effective as mainstream finance, they were adaptive survival strategies. See R. Parry, 'Culture, Organisation and Class: The African Experience in Salisbury, 1892-1935', B. Raftopoulos and T. Yoshikuni (eds), *Sites of Struggles: Essays in Zimbabwe's Urban History* (Harare: Weaver Press, 1999), pp. 66-77.

import restriction of products listed as non-essential.⁷⁴ The purpose was to sustain the livelihoods of the RF's main constituency, white Rhodesians. It was to defend a privileged and economic position. The RF also argued that the maintenance of a living wage for Africans would reduce the likelihood of discontent in urban areas, isolating nationalist elements and giving the state a significant degree of control.⁷⁵

The financial system was increasingly steering the economy, not just to survive sanctions, but also towards a post sterling and more post - imperial global trading environment which was crucially dependent on balancing foreign reserves and internal economic activity amid a stable wage and price increase to avoid inflation. Inflation became the main financial enemy. Given that the acceptance of *fait accompli* had not materialized and the state had to navigate sanctions in the interim, the MECC continued applying irregular stop-gap sanctions busting measures but continued planning for an eventual post settlement economy. They not only utilized five year adjustable plans, but also commissioned inquiries on long term economic prospects. The most important of these before the declaration of republic was the Sadie report which was tabled for Cabinet discussion in June 1968.

The Sadie report was pro-minority rule. It assumed that sound economic development was anchored on white skills and political administration and suggested that family planning be implemented among Africans to reduce their population as he viewed them as a burden on the country's financial Resources. Conversely, the report encouraged the growth of the white population through increased birth rates and assisted white immigration. Ironically, a constitutional commission set up in April 1967 and chaired by William R. Whaley, prominent RF member and close friend of Ian Smith, reported on the need to eventually allow political parity between black and whites in Rhodesia.⁷⁶ The commission wrote:

⁷⁴ Evident in most of the RUCL, Smith Papers, Cabinet memorandum. The whole point of the MECC was economic coordination to safeguard the economic through sustaining the value of the Rhodesian pound, and through it stability of the country's economy. As mentioned above, the major markers were price and wage stability as well as a sustainable Balance of Payment position the retained foreign currency. It was believed that any disequilibrium would have negative multiplier effects that would likely lead to the gradual collapse of its economy, especially under the pressures sanctions.

⁷⁵ Although extensively discussed in RUCL, Smith Papers (Unprocessed), see also, P. S Harris, 'Government policy and African Wages in Southern Rhodesia', there are no details as to where the paper was presented or published. It is however available online on <http://archive.lib.msu.edu/DMC/African%20Journals/pdfs/Journal%20of%20the%20University%20of%20Zimbabwe/vol2n2/juz002002005.pdf>, accessed 15 May 2015.

⁷⁶ Bowman, *Politics in Rhodesia*, p. 136.

We see the fundamental objective of any new constitutional framework for Rhodesia as being ... removal of suspicion and misgivings among Rhodesians of any one of the main races or ethnic groups that they may be permanently dominated any one or more of the other main races or ethnic groups.⁷⁷

This report was rejected by extreme right wing politicians in the RF who pushed for two other constitutional committees which both rejected the notion of political parity and instead continued to advocate for continued minority to preserve white privilege.⁷⁸

By the end of 1967, Rhodesia had survived the opening rounds of the economic warfare. Sanctions had not worked. The Rhodesian state viewed '[t]he Britain/Rhodesia dispute [a]s regarded by western countries as essentially a British domestic dispute'.⁷⁹ This raises an important question about the failure of mandatory UN sanctions in 1966. On the basis of the attitude of many western nations against majority rule in Rhodesia, the rebellious Colony was accurate in its assessment. In fact, the Rhodesian question featured in Britain's application to join the European Common Market (ECM). The Rhodesian MECC hoped the 'Rhodesian problem' would be an impediment to Britain joining the ECM to avoid the possibility of other members adopting the Rhodesian rebellion as a European problem. The MECC assessment was that the six member countries of the ECM saw it as a British domestic affair, preferring that it should not interfere with ECM business.⁸⁰ In as much as

Rhodesia would constitute a factor affecting Britain's application only if the cost of maintaining sanctions were such as to seriously damage the British economy... this cost of about a £100 m. per annum is insignificant when compared with such major questions as the weakening effect on sterling of maintaining it as a reserve currency. This, indeed, is the overriding factor in regard to any effect Rhodesia might have on Britain and the EEC; that we are simply too small to be taken into serious account.⁸¹

Nevertheless, the Rhodesian Cabinet was confident that Britain's failure to bring Salisbury down through economic measures would embarrass London in its attempt to join the European Economic Community as an important participant in European politics and economy. Apparently, French President, Charles De Gaulle 'object[ed] [to] [Britain] speaking and behaving with all the arrogance of a major world power while not possessing the

⁷⁷ *Ibid.*

⁷⁸ *Ibid.*, p. 37.

⁷⁹ RUCL, Smith Papers, Cabinet memorandum, 'Possible Effects of Britain's application to join the European Common Market', Note to Cabinet Secretary from G.B Clarke (Secretary to the Cabinet), 8 July 1967.

⁸⁰ *Ibid.*

⁸¹ *Ibid.*

economic, financial, diplomatic, political or military sinews to justify such behaviour'.⁸² This was not without precedence. Britain was facing many economic challenges which were prompting pressures for the devaluation of sterling. Facing these internal financial challenges, London's major priority was to address domestic problems in comparison to resolving the Rhodesian problem. Nevertheless, the MECC hoped to persuade France, as it had not 'really' compromised relations with Rhodesia over a British problem, to use the opportunity to force Britain to settle with Rhodesia on the terms preferred by the rebellious Colony.⁸³ In spite of the Rhodesia's 1967 success in the 'economic war', international recognition remained an important legitimizing factor which could only be gained through settling with Britain.

Although hampered by sanctions, growth in the economy 'nevertheless emphasize[d] Rhodesia's inherent ability and strength'.⁸⁴ Clifford Dupont, the Officer Administering the Government emphasized that 'Rhodesia had overcome further obstacles [UN sanctions of December 1966] placed in its path by those who wish to destroy the country... [i]n the economic field, Rhodesia continues to confound its enemies by moving from strength to strength'.⁸⁵ This all happened, the Defence Minister contended, under 'conditions of peace and tranquillity [which] is plain for all to see'.⁸⁶ Noting that a few incidents of insurgency by African nationalist fighters, he emphasized how the state needed to 'deal with incursions by heavily armed terrorists trained, indoctrinated and kitted out in communist centres abroad'.⁸⁷

Rhodesia's economy was partially affected by the 1967-1968 drought in which rainfall was less than half of what was experienced in an average season bringing the total value of production down to less than 10 percent of the 1967 figure.⁸⁸ Although the state put in relief measures for farmers, it reflected the ever increasing government austerity in spite of

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Government of Zimbabwe, *Economic Survey for Rhodesia for 1967* (Salisbury: Government Printers, April 1968), p. 7.

⁸⁵ RUCL, Smith Papers (Unprocessed), Clifford Dupont's 'Speech from the throne', submitted to MECC by G. B. Clarke (Secretary to the Cabinet), 23 April 1968.

⁸⁶ RUCL, Smith Papers, Note by John Hartley Howman submitted to MECC on point to include in Dupont's 'Speech to the throne', 26 April 1968.

⁸⁷ Ibid.

⁸⁸ Wrathal, 'Budget Statement' (Salisbury: Government Printers, 1968), p. 4.

a large drop average citizens' total incomes.⁸⁹ A National Drought Relief Committee was set up and it supervised Provincial Drought Relief Committees which assisted the Land bank in processing loans amounting to £2.125 million and state subsidies and relief grants from a revenue vote totalling £301.500. While the loans were to be guaranteed to the extent of 50 percent by the state and loan requirements for white commercial farmers' relaxed, African farmers were not supported.⁹⁰ The revenue funds, as the farmers requested, would cover free borehole drilling for those wells that yielded less than 30 000 gallons of water per day under drought conditions as well as the reduction of sorghum prices which farmers bought for their workers' rations from 41/9d. to 27/6 d. The sorghum crop was prepared by African farmers.⁹¹ However, although the state approved the loans, Minister of Agriculture, George Rudland recommended that, especially given the pressure which the state faced from pay increase demands by soldiers and policemen, 'any assistance, other than in that of maintaining prices of the prices for the 1967/68 sorghum crop at levels not less than those paid for the 1966/67 crop, should be in the form of additional seasonal loans only and not further assistance'.⁹²

Moreover, farmers wanted to continue stockpiling tobacco, through sustaining annual production of 132 million lbs per year. Given that the limited markets, costs of storage for the Tobacco Corporation responsible for storing the excess crop would have increased by £3 million that year alone.⁹³ To keep the industry going, Wrathal allowed the production of 80 million lbs which would only cost £0.92 million to store. Moreover, where the farmers were demanding increased producer prices of 26d. per ounce, he kept it at 22d. to avoid inflationary pressures emerging from a crop that was not necessarily contributing to growth but was actually supported by other sectors because of the embargo against it. Instead of holding tobacco, Wrathal now 'believed ... the direction of achieving a balance between the production and disposal of the tobacco crop'.⁹⁴ Although the affected European farmers generally faced financial challenges during that year, their African counterparts, they had access to cheap loans and had recourse to the Agriculture Assistance Board in the Land

⁸⁹ Ibid.

⁹⁰ RUCL, Smith Papers, Note by Rudland to MECC, 'Drought Relief: Sorghum Prices 1967/68 Season', 29 January 1968.

⁹¹ Ibid.

⁹² Ibid.

⁹³ RUCL, Smith Papers, Memo from Wrathal to MECC, 'Tobacco Crop: 1968/69', 5 February 1968.

⁹⁴ Ibid.

Bank.⁹⁵ Also, their sacrifice was directed at the maintenance of minority rule. Austerity rested on maintaining prices and wages, the balance of payment and fighting threats of inflation.

Other areas of concern were the use of funds, in spite of austerity, in such areas as the review of salaries was overdue such as that of teachers without standard qualifications whose wage increase demands had been put off since 1961. The state also continued to lose revenue through the exploration of oil. Following the failure of Rhodesia Petroleum to find reserves in South Eastern Rhodesia, the Department of Geological Surveys was licensed as a cheaper alternative to using private companies such as R.C Walker whose fees were regarded expensive.⁹⁶ The state invested more than £125.000 in drilling stratigraphical information holes to depths of 10,000 ft. and calling for tenders from Anglo American South African branch and another French company SCAP operating in Portuguese East Africa.⁹⁷ However, by March 1968, it had been established that oil and gas would not be easily found or cheaply produced. Although the project was a waste of money, it was secretly shelved for an interim period while it was publicly portrayed as continuing. Van Heerden rationalized this, arguing that in 'view of the apparent likelihood of the discovery of oil and gas in this area, it is in my view, for political reasons, that we should not proceed any further with this exercise'.⁹⁸ He considered that 'it is better for us to leave the world under the impression that we might discover oil in Rhodesia, than to press ahead now and prove we have no oil'.⁹⁹ Although the tender process had been done secretly, the CIO suspected such information and likely leaked through British espionage exercises and they wanted to turn the wastage into a political advantage.¹⁰⁰

The positive economic developments were marked by a seven percent increase in the volume of manufacturing production, improved retail trade which was on average thirteen percent higher than the previous year as well as mineral production which had risen by five

⁹⁵ RUCL, Smith Papers, Draft of Dupont, 'Speech to the throne', 23 April 1968.

⁹⁶ RUCL, Smith Papers, Memo submitted by Minister of Mines and lands, P. van Heerden to the MECC, 'Oil: Exploration of', 23 February 1968.

⁹⁷ Ibid.

⁹⁸ RUCL, Smith Papers, van Heerden memo to the MECC, 'Oil Exploration: Memorandum of', 12 March 1968.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

percent.¹⁰¹ Wrathal saw gold production and its acquisition by the RBR (Salisbury) as being essential to stabilise Rhodesian currency, particularly as Britain devalued sterling in 1967.¹⁰² To save costs, van Heerden ultimately abandoned the idea of establishing a local gold refinery which required a capital outlay of at least £84.678.¹⁰³ Rio Tinto had demonstrated its ability to refine 35,000 to 40,000 ounces of gold per month on behalf of the RBR (Salisbury). In line with austerity measures, the RBR was required to re-negotiate prices with Rio Tinto in entering in an extended contract.¹⁰⁴ Also, although agriculture had been affected by drought and relief options faced austerity, the state continued to support young Rhodesians 'with farming skills but no capital assisted through Tenant Farming and Deferred payment Schemes'.¹⁰⁵ Tourism was also targeted as another area for potential growth through the expansion of facilities for tourists in National Parks and Game reserves in the country and also as a show of increased confidence in Rhodesia.¹⁰⁶

This growth was threatened by the looming challenge of extended UN sanctions. The fact that the Rhodesian economy continued to expand while the political situation deteriorated ultimately led to the imposition of extended or full mandatory sanctions. However, given that Rhodesia continued to survive the worst effects of selective mandatory sanctions, the UN and the UK were no longer under the illusion that the process would be quick. They resolved that the sanctions were prepared for the long haul. Even if Rhodesia resisted in the short term, long term effects would break the Colony's rebellion.

Comprehensive Mandatory Sanctions and the Declaration of the Rhodesian Republic, 1968-1970

According to the head of the Central Intelligence Organisation (CIO), Ken Flower, '[t]he imposition of comprehensive mandatory sanctions in May 1968 made very little very little difference to the overall situation'.¹⁰⁷ He goes on to note that although 'imports continued to be expensive and exporting through devious means at cut prices presented difficulties,

¹⁰¹ Wrathal, 'Budget Statement' (Salisbury: Government Printers, 1968), p. 4-5.

¹⁰² Ibid, p. 5.

¹⁰³ RUCL, Smith Papers, van heerden memo to the MECC, 'Establishment of a Gold Refinery', 7 June 1968.

¹⁰⁴ Ibid.

¹⁰⁵ RUCL, Smith Papers, Dupont, Draft 'Speech from the throne', 23 April 1968.

¹⁰⁶ Ibid.

¹⁰⁷ Flower, *Serving Secretly*, p. 69.

but most countries continued to ignore United Nations sanctions'.¹⁰⁸ Furthermore, Flower suggested that '[o]nly Britain and some Scandinavian countries appeared to be enforcing sanctions, but even Britain did not always seem to take the sanctions seriously'.¹⁰⁹ In as much as Flower's analysis is correct, his view is based on the immediate impact of sanctions on the Rhodesian economy.

When the comprehensive mandatory sanctions were imposed, it was no longer with a view to a rapid cessation of the Rhodesian crisis. Instead, the responsible powers had accepted that the economic battle would be protracted. In a report on the short and long term impact of sanctions, the CIO accepted that even if the Rhodesian rebellion endured the immediate term, it would ultimately concede in the long term.¹¹⁰ At the UN Security Council meeting to pass extended sanctions, unlike Harold Wilson in January 1966 when he predicted a swift resolution to the Rhodesian rebellion, the British representative at the 1968 UN meeting was not hopeful for 'speedy and spectacular' victories.¹¹¹ No longer just a dependent colony, Rhodesia had become an topical subject in global politics since UDI. These factors pressed for the need for a settlement with Britain, leading once more to secret talks about talks that would culminate in the HMS *Fearless* negotiations which commenced in October 1968.

The 1968 financial year was characterized by growth in all other sectors except in agriculture which had been affected by the 1967-68 drought. The economy had grown by three percent, managing 'to sustain a level of imports for the essential needs of the economy... with capital formation ... at an exceptionally high rate', enough 'to achieve a quickening tempo of economic growth'.¹¹² Also, the Minister was happy with the results of his efforts in fighting inflation. Whereas the European CPI had risen by 22 percent in the ten year to 1968, and that of Africans by 17 percent since its inception in the 1960s, the increases of the period following UDI accounted for only 2.7 percent and 1.7 percent of the

¹⁰⁸ *Ibid.*

¹⁰⁹ *Ibid.*

¹¹⁰ RUCL, Smith Papers (Unprocessed), CIO paper, 'The Effects of Extended Mandatory Sanctions on Rhodesia in the Short and Long Terms', 17 June 1968.

¹¹¹ RUCL, Smith Papers (Unprocessed), CIO paper, 'The Effects of Extended Mandatory Sanctions on Rhodesia in the Short and Long Terms', 17 June 1968.

¹¹² Wrathal, Budget Statement: Presented to Parliament (Salisbury: Government Printers, 18 July 1968), p. 7-8.

total respectively.¹¹³ Although there was a cost inflation on imports, Wrathal continued to insist on strategic domestic austerity to avoid the monetary impetus of excessive money supply.¹¹⁴

In spite of these positive indicators, the occurrence of drought, which affected agriculture which was regarded the main pillar of the rebellious Colony's economy, on the back of the imposition of comprehensive mandatory sanctions kindled many RF government anxieties. On top of the recently tabled Sadie report on the economic prospects of the country¹¹⁵, the CIO had made their own inquiries into the effects of extended sanctions on Rhodesia.¹¹⁶ Both reports at least inspired debate, and at best influenced the direction of policy innovations. The Sadie report, for instance, with its emphasis on the need for family planning to reduce African population growth while encouraging assisted European immigration and increased birth rates as important determinants of long term growth, also suggested changes to the operations of the MECC. The MECC had become the control tower of the Rhodesian economy. The Sadie report suggested limiting its role to processing annual reports of the independent financial planning of the different ministries, eliminating the close coordination effect that had characterized the operations of the MECC.¹¹⁷ It suggested the resurrection of the National Economic Advisory Council (NEAC) which had operated as an advisory forum for the state by four private sector organisations, the Association of Rhodesian Industries (ARNI), Associated Chamber of Commerce of Rhodesia (ACCOR), Rhodesian National Farmers Union (RNFU) and the Chamber of Mines before 1965 when it was abandoned. Given state mistrust of the private sector especially as the latter had campaigned against the prospect of UDI in 1964, the government rejected the proposal. Instead of reconstituting the NEAC as a National Economic Commission (NEC), the MECC felt that the Economic Planning Section (EPS) 'should be able to make a continuous study of the national economy, determine its strength and weaknesses, and give a lead on what developments the economy could absorb'.¹¹⁸

¹¹³ Ibid, p. 8.

¹¹⁴ Ibid, p. 8-9.

¹¹⁵ RUCL, Smith Papers (Unprocessed), MECC Secretary's note on the Sadie Report, 27 June 1968.

¹¹⁶ RUCL, Smith Papers (Unprocessed), CIO paper, 'The Effects of Extended Mandatory Sanctions on Rhodesia in the Short and Long Terms', 17 June 1968.

¹¹⁷ RUCL, Smith Papers (Unprocessed), MECC Secretary's note on the Sadie Report, 27 June 1968.

¹¹⁸ Ibid.

Another reason for maintaining the MECC in the economic driving seat without any need for an NEC was because of the politicised nature of economic development. It was a crucial security matter veiled in top secrecy as a way of state discretion about economic warfare against its perceived enemies. For that reason, the MECC chose to work with internal sub-committees or government departments which explains why the CIO, instead of an NEC conducted an inquiry into the effects of long and short term impacts of the comprehensive mandatory sanctions.¹¹⁹ As much as many countries had continued to ignore sanctions, the CIO found that comprehensive sanctions would gradually squeeze their economy further. The Anglo-Rhodesian dispute, despite all nations recognising Britain as the administering power, was increasingly considered as an international rather than imperial domestic problem. Even allies of Rhodesia had begun to accept that change was needed in Rhodesia as signified by, among other things, France's vote in favour of extended sanctions for the first time since the dispute began.¹²⁰ Internally, the CIO found that the Afro-Asian bloc and such organisations as the OAU, particularly as Britain continued to reject the prospect of military invasion, would support a war of liberation. If it escalated, it was a cause for concern as '[t]he continuation of terrorist insurgency could sap the economic strength of Rhodesia'.¹²¹

A measure to avoid increasing African disillusionment with the Rhodesian state was to make solid plans for sustainable economic development. The CIO, as had the Sadie report, felt that '[t]he country's increasing African population demands a rapid growth in gross domestic product'.¹²² They were worried that adverse economic effects would be aggravated if a looming global economic crisis materialized. What the CIO conveniently ignored was that the problem was not so much a neo-Malthusian African population explosion, but really a disproportionate distribution of capital, natural and financial resources.¹²³ Perhaps, it was not even a question of missing, but actually ignoring the point in the interests of defending the politically constructed notion of 'the Rhodesian way of life'

¹¹⁹ RUCI, Smith Papers (Unprocessed), CIO paper, 'The Effects of Extended Mandatory Sanctions on Rhodesia in the Short and Long Terms', 17 June 1968.

¹²⁰ Ibid.

¹²¹ Ibid.

¹²² Ibid.

¹²³ For a more comprehensive discussion of these issues, see G. Ncube, 'African Population Dynamics and the Emergence of Neo- Malthusian and Demographic Politics in Colonial Zimbabwe, 1960s – 1970s', MA Dissertation, Department of Economic History, University of Zimbabwe, 2005.

which amounted to settler economic privilege.¹²⁴ Far from considering resource inequity, the RF government considered alternative solutions.

The CIO did not place their hopes in other state methods of family planning to fend off their construction of a neo-Malthusian explosion among Africans. Instead, they estimated that by 1976, about 2,684 million African children in the age group 0-14 would need housing, clothing, food, medical care and education, some of which would place fiscal pressures on the state as their parents' livelihoods were historically compromised. A further 1.1 million aged between 15 and 24 would need to be gainfully employed to avoid them being 'politically receptive to [nationalist] propaganda'.¹²⁵ The state feared the counterfactual position that unemployed youth would join the liberation struggle further straining security spending at least and toppling the right wing regime at best. To achieve a contented youth, the CIO figured that '[p]ost primary education ought therefore to be geared to providing the economy with technically and agriculturally trained people rather than "academic products"'.¹²⁶

The CIO also hoped that African produce would be able to earn up to £152 million by 1976 to sustain an overall export economy represented by 30.6 percent of GDP at factor cost.¹²⁷ Export restriction would have considerable effect on production, but the domestic economy was not large enough to absorb such a level of production. As such, the rebellious Colony needed to sustain, not just its export markets, but also a measure of inter-sectorial austerity to coordinate investment such key sectors as African technical education. By the end of 1968 the Rhodesian state had proposed to invest in agricultural high schools and colleges among other vocational institutions.

¹²⁴ One book that looks at the Rhodesian State's response to the African population increase and which argues the population dynamics actually constituted a hidden war that would ultimately determine which race would eventually rule the country is J. Brownell, *The Collapse of Rhodesia: Population demographics and the Politics of Race* (London: I.B Tauris, 2011). In my review of the book, I argue that the population question did not constitute a hidden war. Even if the European population had been bigger than it actually was, racial exclusion and exploitation would still have resulted in a liberation war and the cost of defending a settler state would still have broken the RF's resistance. See T. Nyamunda, Review: Brownell, *The Collapse of Rhodesia*, in *Africa Spectrum*, 48:1 (2013), pp. 151-154.

¹²⁵ RUCL, Smith Papers (Unprocessed), CIO paper, 'The Effects of Extended Mandatory Sanctions on Rhodesia in the Short and Long Terms', 17 June 1968.

¹²⁶ Ibid.

¹²⁷ Ibid.

The plan to build agricultural high schools, which would have cost £372.000 to accommodate up to 220 students, a favourable figure compared to South Africa's equivalent which cost around £576.000 was however dropped.¹²⁸ Among the reasons given were that the establishment of other vocational high schools such as Alan Wilson in Salisbury and Clifford in Bulawayo designed for industrial education had not been successful hence realigning to the standard open curriculum.¹²⁹ South African agricultural schools, on which those in Rhodesia were to be modelled, had also proved to be unsuccessful as most students in these schools tended to try pursuing other professions outside of their intended vocations.¹³⁰ For Treasury, however, the reasons given were that it needed to maintain 'a reasonable balance between income and expenditure on the revenue account'.¹³¹ Whether or not the failure to finance such a project ultimately prompted many youths to join the liberation struggle cannot be ascertained, but it seems unlikely that it would have influenced many to stay and not join the struggle. However, Wrathal considered the agricultural high schools to be linked to agricultural training institutes, arguing that the latter were more of a prerequisite.¹³² Eventually, the MECC approved plans for the establishment of farm training institutes, starting with one for Marandelas. Ultimately, the intention of providing vocations for African youth in the ages 15-24 by 1976 as had originally been planned was still undermined. In that sense, austerity measures, despite their aim at winning the economic war against Britain, could have been seen as undermining the future security of the country because of its neglect of certain areas of African education.

Austerity measures were extended to other areas. The point was to be as careful as possible with the available funds under sanctions conditions to avoid overcommitting. A case in point was when the Minister of Transport and Power suggested the need to purchase two Boeing 707 aircrafts for Air Rhodesia, the national airliner.¹³³ However, the demands such purchases would have on foreign exchange resources, particularly given rising demand from

¹²⁸ RUCL, Smith Papers (Unprocessed), A.P Smith, Minister of Education to MECC, 'Agricultural High Schools', 16 July 1968. See also Response from Wrathal to AP Smith, 16 July 1968.

¹²⁹ RUCL, Smith Papers (Unprocessed), 'Report on the Establishment of an Agricultural High School at the High School, Marandelas, 1968', submitted to the MECC by the Ministry of Education.

¹³⁰ Ibid.

¹³¹ Wrathal to A.P Smith, 16 July 1968.

¹³² Ibid.

¹³³ RUCL, Smith Papers (Unprocessed), Report of the Cabinet Committee on Long Haul jets, Submitted by A. Dunlop to the MECC, 21 June 1968; For comprehensive study of the history of Rhodesia's airline industry, see A. Mlambo, 'Civil Aviation in Colonial Zimbabwe, 1912-1980', *Zambezia*, xix: ii, 1992, pp. 99-176.

commerce and industry led the MECC to conclude that 'the purchase of the aircraft[s] would not be justifiable at this stage'. As much as their purchase were classified high priority to be reviewed 'against the day when foreign exchange resources permit', the primary goal in the immediate term was 'to maintain employment by sustaining the economy as closely as possible to present level'.¹³⁴ Any shock to the financial system from huge capital expenditure without immediate returns or contribution to preserving foreign currency, increasing domestic economic activity or fighting inflation was considered risky. Ultimately, many of the plans that were held off were suspended until a settlement could be made and the country had access to credit and other global financial services even if financial challenges set in. This all pointed to the need to seek a settlement with Britain, but this was complicated by the fact that the RF wanted nothing short of the maintenance of minority rule. Any demands to the revenue account for any form of capital expenditure were to be suspended, at least until the outcome of settlement talks with Britain.

The issue of making provisions for the eventual settling of Rhodesia's London market debt was also raised but Wrathal's response to it demonstrates how delicate the country's financial system was. Although payment continued to be made on interest and capital to holders of government bonds resident in Rhodesia, Malawi and South Africa who had purchased it before 4 December 1964, the country would not service any other.¹³⁵ Wrathal argued that he would not even consider opening a fund in which to start saving money for the future payment of Rhodesian debt in the event of a settlement. He argued that,

...in the present circumstances it is no more realistic to expect Rhodesia to find the revenue to provide for the servicing of Rhodesian London market debt than to expect her to find foreign currency. The financial and economic sanctions imposed by the British government and at their instigation have not only reduced foreign currency earnings, but have also set back normal growth of revenue.¹³⁶

Wrathal added that '[i]f money were to be set aside for the servicing of London market debt in the hands of British residents it would be necessary to increase taxation specifically for this purpose, which I am not prepared to do'.¹³⁷ This demonstrates the perception that only a settlement with Britain would improve Rhodesia's capacity to raise foreign currency and

¹³⁴ RUCL, Smith Papers (Unprocessed), Report of the Cabinet Committee on Long Haul jets, Submitted by A. Dunlop to the MECC, 21 June 1968.

¹³⁵ Wrathal, Budget Statement: Presented to Parliament (Salisbury: Government Printers, 18 July 1968), p. 15.

¹³⁶ Ibid.

¹³⁷ Ibid.

therefore service foreign debt. For that reason, pressure increased to push for further talks with Britain to try and seek a favourable settlement.

By the time the Anglo-Rhodesian talks commenced aboard HMS *Fearless*, pressure to compromise had been reduced by an improved agricultural output and new discoveries of chromite and nickel deposits. This contributed towards 'the feeling of economic well-being in Rhodesia, which in turn largely accounted for Smith's rejection of the favourable terms offered by the British...'.¹³⁸ Just as in the case of the *Tiger* talks in December 1966, the 1968 talks demonstrated that Britain no longer had a semblance of control in Rhodesia. Bowman notes that whereas in the early phases of the Rhodesian rebellion 'Britain was angry, arrogant and confident that Rhodesia would soon forego its independence' because it felt sanctions would be 'quick and effective measures', these hopes failed to materialize.¹³⁹ Abandoning its fierce posturing of imperial power, London offered favourable terms to Salisbury. The British merely wanted some sign of some contrition from white Rhodesia which they could use to justify that change would eventually come.¹⁴⁰ The article of control, Britain and UN financial measures was failing. In spite of some turbulent experiences of drought, cutting back on the production and export of key crops such as tobacco and exports restriction, the Rhodesian state had managed to reconfigure its economy in defence of its rebellion.

The year 1968, apart from a failed settlement with Britain, ended on a positive economic note. Although the imposition of sanctions could have been expected to put pressure on the balance of payment, the impact was minimal. The current account deficit of £26.8 million was actually a consequence of pressure on imports to satisfy demand for plant, equipment and material for production which could be recouped in the 1969 financial year.¹⁴¹ Because of the drought, there was a further restriction of imports but Wrathal estimated that with improved yields and exports expected to the extent of 9 percent, Finance would be a modest rise in import allocation for late 1960 and 1970. Capital formation had grown to £65 million, 35 percent better than in 1967. Despite a substantial loss of export markets and aided by import restriction, manufacturing had grown by 11 percent compared to 1965

¹³⁸ Flower, *Serving Secretly*, p. 71.

¹³⁹ Bowman, *Politics in Rhodesia*, p. 117.

¹⁴⁰ *Ibid.*

¹⁴¹ Wrathal, Budget Statement: Presented to Parliament (Salisbury: Government Printers, 18 July 1969), p. 4.

levels.¹⁴² This was aided by the continual flouting of sanctions measures. For example, France passed 'Decree Number 65-759 of 1968 that listed 73 French products as exempt from sanction'.¹⁴³ Like other European countries, France continuously imported Rhodesian tobacco and ferro-chrome through irregular means in spite of its President, De Gaulle, having voted for the imposition of comprehensive mandatory against Rhodesia earlier that year.

The value of mineral production had grown from £33 million in 1967 to £34 million in 1968, with a possibility of further increases in 1969. The Reserve Bank of Rhodesia Act had also been further amended in January 1969 to complete the Bank's control over the entire system. The intention of the amendment was to 'extend to building societies and financial institutions, the existing controls applicable to commercial banks and accepting houses.'¹⁴⁴ Following the amendments, financial institutions were required to submit monthly returns to the Reserve Bank reflecting their various liabilities to the public and the amount of their reserve balances maintained with the Reserve Bank. This meant closer monitoring and control of the institutions from the Central Bank.

There was a general feeling, at the time, that the phenomenal growth experienced by these institutions called for a closer monitoring from the Central Bank. Wrathall, for instance, stated during the presentation of the Bill that,

The measures which I have just explained are obviously designed for varying degrees of monetary control within the economy. Building societies, however, have succeeded in attracting an ever increasing volume of funds. The liabilities of all societies at the 31st December 1968, in respect of shares and deposits, amounted to £67 700 000 compared with £43 200 000 on the 1st of December 1963. The Building Societies have therefore developed to the stage where their influence on the money market is considerable. Having reached this state, however, they must accept some of the obligations and duties of banking institutions.¹⁴⁵

He went on to suggest that, 'the fact that, they should now become subject to Reserve Bank directions is an indication of their growing importance in the financial field.'

¹⁴² Ibid, p. 5.

¹⁴³ J. Mtisi, M. Nyakudya and T. Barnes, 'Social and Economic Developments during the UDI Period', B. Raftopoulos and A. Mlambo, *Becoming Zimbabwe: A History from the Pre-Colonial Period to 2008* (Harare: Weaver Press, 2009), p. 134.

¹⁴⁴ Rhodesia, Parliamentary Debates, 73, 1968-69, c. 755

¹⁴⁵ Ibid, c. 755-6

In terms of increasing African unemployment, Wrathal argued that '[t]he inability of the economy to absorb into employment the increasing number of adult Africans lies not so much in the economy itself but rather in the high growth rate of the population'.¹⁴⁶ His position was influenced by the neo-Malthusian thinking of the time which continued to ignore the inequity in the access to economic opportunities. An addition of 35,000 'able bodied Africans' each year¹⁴⁷, some of whom were incorporated into an economy characterized by cheap labour and discriminatory practices while others were added to the rising numbers of the unemployed, to sow seeds of discontent.¹⁴⁸

Given the ambers of an African rising on the horizon, the 1969 CIO report admitted that the RF's vision of indefinite white rule could not be realized. The notion of the 'Rhodesian way of life' would not be held together by race as this category was only 'stronger as a tool of exclusion than as a source of loyalty to the nation'.¹⁴⁹ In making very limited and rather cosmetic concessions as a way of responding to these above concerns, the 1969 constitution added some minority races such as Coloureds and Asians into the 'A' voters' roll.¹⁵⁰ It also attempted to coopt middle class Africans against what the government regarded as extreme African nationalism. However, extreme right wing politicians viewed such concession as unwelcome attempts in trying to reengage Britain and therefore dismissed them as irrelevant. In the end, the 1969 constitution only resulted in further entrenching 'the binary conception of colonial society as constituting white citizens and black subjects'.¹⁵¹

As 1969 ended on a positive economic note, the indices for 1970 were even better. They had been boosted by earnings from the sale of ferro-chrome to, among others, countries such as France and the United States of America (USA) which had removed the sought after mineral through its infamous Bryd amendment of 1971.¹⁵² The USA needed chrome for its weapons manufacture as it was involved in a costly military campaign in Vietnam at the time, accessing three percent of its supplies from the rebellious Colony amounting to a

¹⁴⁶ Wrathal, Budget Statement: Presented to Parliament (Salisbury: Government Printers, 18 July 1969), p. 6.

¹⁴⁷ Ibid.

¹⁴⁸ Ncube, 'African Population Dynamics', p. 27.

¹⁴⁹ Mtisi (et.al), 'Social and Economic Developments', p. 124.

¹⁵⁰ J. Muzondidya, *Walking a Tightrope: Towards a Social History of the Coloured People of Zimbabwe* (Asmara: Africa World Press, 2004), pp. 217- 22.

¹⁵¹ Mtisi (et.al), 'Social and Economic Developments', p. 124.

¹⁵² Kurebwa, *The Politics of Economic Sanctions on Rhodesia*, p. 219.

significant 1300 million kilograms.¹⁵³ Moreover, the improved rains had facilitated a better agricultural crop with more gains being made in manufacturing. Also, the decimalisation that had been planned for the Rhodesian economy was also finally implemented on 17 February 1970.¹⁵⁴ Backed by positive economic advances, the RF felt confident that it could finally cut the remaining threads of the imperial umbilical cord by declaring a republic. Arguing that 'Rhodesia did not want to seize independence from Britain [but] [i]t was forced upon us' Ian Smith declared Rhodesia a republic on 2 March 1970.¹⁵⁵

Held at Government House, the declaration went unnoticed by the country's public, let alone by the international community. The republican constitution, meant to be a celebration of Rhodesian independence with the effect of improving trade and eventual diplomatic recognition, also abolished the post of Officer Administering the Government, ending the dramatic performance of an 80 year old 'allegiance' to the British crown.¹⁵⁶ Nevertheless, even the USA, after the Byrd Amendment to purchase Rhodesian chromite, joined other nations in declaring that 'it will not recognize Smith's republic "under any circumstances"', as Harold Wilson also made clear that the British government would continue not to recognise the Rhodesian regime.¹⁵⁷ What remained to be seen was how this would be received by the increasingly disgruntled African nationalists whose support base among economically deprived Africans was expanding, and what impact their militant actions would ultimately have on the rebellious Colony's finances.

Conclusion

The Rhodesian economy endured British, UN selective and then comprehensive mandatory sanctions in the period between the UDI and the declaration of the republic. It was aided by three main monetary policy strategies; that is, the maintenance of a positive balance of payments, sustaining high domestic economic activity and fighting inflation. The government, supported by the coordination activities of the MECC, achieved these objectives by keeping commodity prices at a level which would retain a reasonable standard

¹⁵³ *Ibid*, p. 220.

¹⁵⁴ NAZ, *The Currency Media of Rhodesia*, 1970.

¹⁵⁵ 'Rhodesia declares a Republic', BBC News, 2 March 1970.

¹⁵⁶ *Ibid*.

¹⁵⁷ *Ibid*.

of living to reduce pressure to increase wages. The RF not only defended 'the Rhodesian way of life', but also made significant strides in their economic war with Britain.

As much as the Whaley report emphasized the need to remove political and economic segregationist barriers, the RF opted instead to face African discontent and the escalating security threat from the African nationalist movement and its insurgency operations in 1966 and 1968.¹⁵⁸ The government deployed the fallacious stereotype of Africans as traditionally uninterested in national politics preferring the '*dares*' or African courts in their villages as technique of exclusion.¹⁵⁹ This was prompted by the belief that allowing black people any political space threatened the privileged position of white administrators and the settler community. Economically prosperous but isolated, the RF regime was increasingly authoritarian within Rhodesia where it rejected the advice to create an NEC which would include business civil society organisations. Although business would voice their concerns through the ECF of the MECC, their views were largely ignored.¹⁶⁰ It remained to be seen how the RF, managing an increasingly isolated economy and authoritarian pariah state that faced increasing opposition from the business civil society as well as a mass of frustrated Africans would manage in the post 1970s period that would usher in a new set of challenges.

¹⁵⁸ For a more comprehensive assessment of this specific aspect, see M. West, *The Rise of an African Middle Class: Colonial Zimbabwe, 1898-1965* (Bloomington: Indiana University Press, 2002).

¹⁵⁹ R. H. James, MP for Harare City arguing in the debates over the 1969 constitution in Rhodesia Parliamentary debates, 24: 75, c.1772.

¹⁶⁰ M. Evans, 'The Role of Ideology in Rhodesian Front Rule, 1962-1980', PhD thesis, University of Western Australia.

Chapter Six

The Limits of Settler Accumulation: Financial Policy, War and the Economy, 1970-1974

Introduction

The five years following UDI were characterised by economic and market diversification as well as Import Substitution Industrialisation (ISI), yielding a steadily growing economy. As much as this growth led to the opening of new industries and the growth of established ones, diversification and expansion into crops such as cotton as well as the restructuring of the mining industry; the apparent buoyancy was partially founded on liquidity that resulted from defaulted international debt and locked up finance invested in banking, finance, manufacturing and property. Despite initial success in frustrating British and United Nations (UN) sanctions, a number of developments, local and international, conspired to compromise Rhodesia's financial capacity to sustain the rebellion in the first half of the 1970s. It is these factors that are examined in this chapter.

As UDI was a political strategy to preserve the economic and social privileges enjoyed by the European minority, African nationalists' ultimately resorted to armed struggle to fight for access and inclusion. Indeed, the nationalist movement was really about a de-racialised capitalist state, not a transformed socialist one. As this chapter discusses, the Rhodesia 'economic war' against Britain and its measures to circumvent UN sanctions assumed new dimensions as the conflict intensified. Firstly, going by the findings of the 1969 census¹, the Rhodesian Front (RF) government identified a new struggle against what it perceived to be the financially unsupportable 'African population explosion'. Secondly, the RF had to grapple with the financial and economic shocks of 1971 and 1973. Thirdly, the resumption of a nationalist military struggle not only threatened the security of the Rhodesian state, but also incurred huge costs in tightening security and financing counter-insurgency operations. Finally, the loss of a strategic alliance with Portuguese as Mozambique began the process of

¹ The ratio of the population was twenty two Africans to one European. Moreover, where the African population grew by 3.5 percent by a number equal to the entire European population every 16 months, there was a net decline in the European population particularly through emigration that reached 700 per month by 1976: see G. Hull, 'The Political Economy of Zimbabwe: Implications for the Internal settlement', *Africa Today*, 25:2 (1978), p. 28-29.

attaining its independence, not only eliminated one of Rhodesia's backdoors to international trade, but also turned the bordering eastern frontier hostile with nationalist guerrillas launching attacks from there and left the delinquent Colony more isolated than ever before.

What follows is divided into three sections. The first focuses on the UN's response to Rhodesia's assumption of republican status. The signing of a UN resolution to compel member nations to observe sanctions against Rhodesia in March 1970 heightened Rhodesian concerns, contained in a report produced for the Cabinet's Ministerial Economic Co-ordination Committee (MECC). It discusses the Rhodesian response to the resolution. The second examines the impact of sanctions against Rhodesia, as well as the role played by Britain as the rebellious Colony's imperial and regulating authority. The third section looks at the factors that affected Rhodesia's continuing capacity to finance its rebellion.

The UN Resolution and the Rhodesian Republic, March 1970

The declaration of a republic by Salisbury on 4 March 1970, provoked an immediate response by the UN. By the end of that same month, the UN Security Council had passed a further resolution on Rhodesia. It noted 'with grave concern' that 'measures so far taken have failed to bring the rebellion in Southern Rhodesia to an end'.² The Security Council was concerned that some states flouted Article 25 of the UN Charter, even as they ignored resolutions 232 (1966) and 235 (1968) by trading with Rhodesia. They included France, Belgium, Italy, Greece, some North and West African countries, Brazil, Mauritius, West Germany and Taiwan.³ South Africa and Portugal were Rhodesia's most important allies, acting as conduits for the Colony's continued international trade.

² Rhodes University Cory Library (RUCL), Smith Papers (Unprocessed), Copy of 'Security Council Resolution: March 1970', submitted by Ministry of External Affairs for discussion by the MECC, 20 March 1970; For a discussion of how ineffectual sanctions were to the 1970s, see, H.R. Strack, *Sanctions: The Case of Rhodesia* (Syracuse, Syracuse University Press, 1978); J. Kurebwa, *The Politics of Economic Sanctions on Rhodesia [Zimbabwe] 1965 to 1979* (Harare: UZ Publications, 2012); J. Handford, *A Portrait of an Economy under Sanctions, 1965-1975* (Salisbury: Mercury Press, 1976); M. Doxey, *Economic Sanctions and International Enforcement* (London: MacMillan for the Royal Institute of International Affairs, 1980), pp. 65-79; D.L. Lonsman, *International and Economic Sanctions: The Case of Cuba, Israel and Rhodesia* (Albuquerque: University of Mexico Press, 1979). A different perspective is provided by D. Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985); and W. Minter and E. Schmidt, 'When Sanctions Worked: The Case of Rhodesia Re-examined', *African Affairs*, 87:347 (1988), pp. 207-239.

³ A.S. Mlambo, 'Prelude to the 1979 Lancaster House Constitutional Conference on Rhodesia: The Role of International Economic Sanctions Reconsidered', *Historia*, 50:1 (2005), p. 155.

The assistance through trade and other forms of cooperation helped to indirectly sustain the funding of the Rhodesian rebellion resulting in ‘the situation in Southern Rhodesia continu[ing] to deteriorate’, especially as the Colony assumed republican status.⁴ As a result, the UN recognised ‘the legitimacy of the African nationalist struggle, reaffirming that the situation in Rhodesia constituted ‘a threat to international peace and security’.⁵ This struggle had evolved through various forms, starting from the colonial reformist agenda of urban social movements⁶ to negotiated settlement politics of the earlier African nationalist parties such as the Southern Rhodesia African Nationalist Congress (SRANC) formed in September 1957 and banned in February 1959, the National Democratic Party (NDP) formed in February 1960 and banned in December 1961, followed by the short-lived People’s Caretaker Council (PCC) which was banned in 1963.⁷ It was the Zimbabwe African People’s Union (ZAPU) formed in December 1961 and the Zimbabwe Africa National Union (ZANU) formed by disgruntled members of ZAPU in 1963 that endured RF repression and ultimately launched an armed struggle against the colonialism from the late 1960s to 1979 from bases, firstly in Zambia, and later from Tanzania, Botswana and Mozambique.⁸

As the UN reaffirmed ‘the primary responsibility of the Government of the United Kingdom for enabling the people of Zimbabwe to exercise the right to self-determination and independence’⁹, it acknowledged two issues. Firstly, that although British pressure had not succeeded in ending the rebellion, it remained the imperial authority over the Colony of Rhodesia. Secondly, in as much as Britain and other western nations opposed military intervention in Rhodesia, they condemned ‘political repression, including arrests,

⁴ RUCL, Smith Papers (Unprocessed), Copy of ‘Security Council Resolution: March 1970’, submitted by Ministry of External Affairs for discussion by the MECC, 20 March 1970.

⁵ *Ibid*; The notion of Rhodesia as a threat to international peace and security became more pronounced in the post 1975 period as the war in Rhodesia became viewed by western powers as representing a proxy war for capitalist versus communist penetration of the region. As such, USA Secretary of State, Henry Kissinger got involved in the pursuit of securing a Rhodesian settlement on the basis of majority rule to dilute the influence of the Soviet Union in the Colony as well as the region. See Chapter 7.

⁶ See T. Scarnecchia, *The Urban Roots of Democracy and Political Violence in Zimbabwe: Harare and Highfield, 1940-1964* (Rochester: University of Rochester Press, 2008); See also B. Raftopoulos and T. Yoshikuni (eds), *Sites of Struggle. Essays in Zimbabwe’s Urban History* (Harare: Weaver Press, 1999).

⁷ M.B. Munochiveyi, *Prisoners of Rhodesia: Inmates and Detainees in the Struggle for Zimbabwean Liberation, 1960-1980* (New York: Palgrave Macmillan, 2014), pp. 29-30.

⁸ *Ibid*, p. 30.

⁹ RUCL, Smith Papers (Unprocessed), Copy of ‘Security Council Resolution: March 1970’, submitted by Ministry of External Affairs for discussion by the MECC, 20 March 1970.

detentions, trials and executions'¹⁰ of African nationalist leaders. In the March 1970 resolution, the UN urged member states 'to render moral and material assistance to the people of Southern Rhodesia in their legitimate struggle to achieve independence' through military means.¹¹ Also, in a bid to weaken the Pretoria-Salisbury-Lisbon axis, the UN condemned the policies of the governments of South Africa and Portugal maintaining 'political, economic, military and other relations with the illegal regime in Southern Rhodesia in contravention of the relevant United Nations resolutions'.¹²

The RF regime typically dismissed the resolution as ineffectual. Indeed, the Minister of Foreign Affairs, John Hartley Howman, welcomed a statement by the British Foreign Secretary, Michael Stewart, warning that Rhodesian civil servants could become answerable in British courts. Stewart asserted that 'the functions they performed ha[d] no validity'.¹³ Stewart's declaration signalled the withdrawal of official British assent for actions performed by Rhodesian officials and institutions at domestic and international levels. With characteristic bravado, Rhodesia took this to represent acknowledgement of its republican status. Instead of viewing this as sign of increasing hostility, as manifest in the UN resolution, Salisbury was confident of its ability to survive international economic and political sanctions.¹⁴

In 'an appreciation' submitted to the Rhodesian Cabinet's Public Relations Committee, Howman assessed the likely repercussions of the UN resolution. He argued that neither

¹⁰ RUCL, Smith Papers (Unprocessed), Copy of 'Security Council Resolution: March 1970', submitted by Ministry of External Affairs for discussion by the MECC, 20 March 1970. See also a study of political prisoners and detainees in Rhodesia by Munochiveyi, *Prisoners of Rhodesia*.

¹¹ RUCL, Smith Papers (Unprocessed), Copy of 'Security Council Resolution: March 1970', submitted by Ministry of External Affairs for discussion by the MECC, 20 March 1970. For the Second Chimurenga, see variously I. Phimister, 'The Combined and Contradictory Inheritance of the Struggle against Colonialism', in C. Stoneman (ed.), *Zimbabwe's Prospects: Issues of Race, Class, State and Capital in Southern Africa* (London: Macmillan, 1988), pp. 8-27; Phimister, 'Narratives of Progress: Zimbabwean Historiography and the End of History', *Journal of Contemporary African Studies*, 30: 1 (2012), pp. 27-34; T. Ranger, *Peasant Consciousness and Guerrilla War* (London: James Currey, 1985); D. Martin and P. Johnson, *The Struggle for Zimbabwe* (London, Ravan Press, 1981), N. Kriger, *Zimbabwe's Guerrilla War: Peasant Voices* (Cambridge: Cambridge University Press, 1992), P. Moorcroft and P. McLaughlin, *Chimurenga: The War in Rhodesia, 1965 – 1980* (Marshalltown: Sygma/Collins, 1982), L. White, *Unpopular Sovereignty: Rhodesian Independence and African Decolonisation* (Chicago: University of Chicago Press, 2015), pp. 343.

¹² RUCL, Smith Papers (Unprocessed), Copy of 'Security Council Resolution: March 1970', submitted by Ministry of External Affairs for discussion by the MECC, 20 March 1970.

¹³ RUCL, Smith Papers (Unprocessed), 'An Appreciation by the Ministry of External Affairs of the likely impact in practical terms of the latest Security Council resolution', Submitted to the Public relations Committee of Cabinet, 21 March, 1970.

¹⁴ Ibid.

Britain nor the United States would closely abide by the resolution, as some of their citizens flouted sanctions.¹⁵ His assessment was influenced by the United States' anxiety to deal with the Soviet Union, and instead purchase Rhodesian chrome in the context of the Cold War arms race.¹⁶ This had culminated in the Byrd Amendment (1971) which allowed the United States to purchase Rhodesia's high quality chrome, showing that ideological considerations took precedence over a racist rebellion in Rhodesia.¹⁷ On the other hand, the British were never as effective in actually prosecuting companies that aided Rhodesia in breaking sanctions as they claimed to be when condemning the illegal state. British and American oil companies were complicit in breaking oil sanctions.¹⁸ In spite of their condemnation of the RF regime, Zambia, Botswana, Lesotho and Malawi had all been reduced to 'hostage states', as they 'were in no position to cut all trade ties with Rhodesia, dependant as they were on Rhodesian, Mozambican, Angolan and South African transportation facilities for their international trade'.¹⁹

Howman dismissed the UN assault on the Pretoria-Salisbury-Lisbon axis out of hand. He was confident that Pretoria would continue backing Salisbury while Portugal would only reduce its consular staff in order to fend off further criticism.²⁰ His assessment of the call to non-UN countries such as West Germany and Switzerland to stop doing business with Rhodesia and observe sanctions was that it would be ineffectual. Howman considered that the recognition of the nationalist struggle and the call for a periodical review of Security Council resolutions with a view to strengthening the effectiveness of sanctions on the illegal regime would have no appreciable impact. He concluded that while the UN would not allow 'time to be the healer as far as Rhodesia was concerned', the March 1970 resolution 'tend[ed] to expose the limitations of this body and to demonstrate that short of ultimate sanction-the use of force-all others can be circumvented'.²¹ Despite global condemnation of the Rhodesian regime, the RF was confident that without British or UN military intervention, Salisbury was

¹⁵ Ibid.

¹⁶ White, *Unpopular Sovereignty*, p. 144.

¹⁷ Ibid.

¹⁸ Cohen, 'Lonhro and Oil sanctions against Rhodesia in the 1960s', *Journal of Southern African Studies*, 37:4 (2011), p. 728; Mlambo, 'Prelude to the 1979 Lancaster House Constitutional Conference', p. 155.

¹⁹ Mlambo, 'Prelude to the 1979 Lancaster House Constitutional Conference', p. 155.

²⁰ Smith Papers (Unprocessed), 'An Appreciation by the Ministry of External Affairs of the likely impact in practical terms of the latest Security Council resolution', Submitted to the Public relations Committee of Cabinet, 21 March, 1970.

²¹ Ibid.

firmly grounded on domestic financial arrangements and external economic and political relations forged with states whose main interests were to maintain white rule in the sub-region.²² However, the RF regime underestimated the extent to which ‘the use of force’ brewing in their own backyard from African nationalists would amount to an expensive military war.²³ Although exposing its weaknesses as an international governing body, the UN’s resolution began a process that gradually isolated Rhodesia and ultimately contributed to ending its rebellion. Rhodesia’s economic war with Britain was undermined by, among other developments, its bloody military war with the armed wings of the African nationalist parties.²⁴

‘No Banking on the Rhodesian Funds’: The irony of Punitive Sanctions

In the early 1970s, pressure mounted on the British government as investors demanded long overdue returns on defaulted Rhodesian bond payments. Targeting the Colony’s funds managed by the RBR (London) and kept at the Bank of England, the investors’ claims became a topical legal and media issue. As guarantor of Rhodesian’s defaulted loans to the International Bank of Reconstruction and Development (IBRD) and the Commonwealth Development Corporation (CDC), London also carried the burden of settling them pending a political settlement. The British government was also forced to further guarantee Rhodesia’s half of a loan granted to the Zambian government for the construction of the North Bank Power Station in 1971 as part of the phased development of the Kariba hydroelectric complex. In reaffirming its commitment to reversing the Colony’s rebellion through the 1970 sanctions resolution, the UN reinforced Britain’s role in pursuing a lasting and widely acceptable settlement for Rhodesia. Based on historical credentials, Britain’s influence, particularly in Rhodesia, was weakened by the retreat of its currency from international prominence from post-Second World War to the collapse of the sterling area in 1972. Moreover, London’s remaining bargaining chips were its holding of frozen Rhodesian funds and exchange control sanctions against Rhodesia. Yet these measures, and Rhodesia’s

²² Ibid.

²³ See for instance, N. Bhebe and T. Ranger (eds), *Soldiers in Zimbabwe’s Liberation War* (Harare: University of Zimbabwe Publications, 1995); Bhebe and Ranger (eds), *Society in Zimbabwe’s Liberation War* (Harare: University of Zimbabwe Publication, 1996).

²⁴ One book that looks at the complexities of the various dimensions of the liberation war from a Rhodesian Front perspective is H. Ellert, *The Rhodesian Front War: Counter Insurgency and Guerrilla War in Rhodesia, 1962-1980* (Gweru: Mambo Press, 1989).

response to them, economically affected London more than it did Salisbury. A *Guardian* newspaper headline claimed that for London, there was 'no banking on the Rhodesian funds'.²⁵ What follows addresses the implications of claims, examining how Britain approached the Rhodesian crisis in the 1970s.

The origins of London's decline were traced back to the late 1940s in chapter two. They are linked to her initial failure to accept the retirement of sterling's role as a key international currency. In spite of London's actions to re-launch it through installing a discriminatory sterling area in 1947, the imperial financial unit continued to shrink as British links with its more independent members progressively weakened.²⁶ As the subsequent rate of the British economy's growth decreased in comparison to other western nations, sterling's share of global reserves shrank to just seven percent of global reserves while financing less than 20 percent of world trade.²⁷ Countries that once raised finance and traded through London were 'pulled into the orbit of more dynamic economies'.²⁸ Resultant recurrent Balance of Payment (BOP) crises prompted consistent pressures for devaluation from 1947 to the 1970s and undermined the credibility and international confidence in sterling.²⁹ Even the class of London based 'City gentlemen' who had once profited from sterling investment abroad also diversified because 'as the good ship of sterling sank, the City was able to scramble aboard a much more seaworthy young vessel, the Eurodollar'.³⁰ Like other colonies, Rhodesia had to endure the effects of a declining sterling imposed upon it through the 1947 Exchange Control Act by the Bank of England and the British Treasury. It was only in 1964, a year after the collapse of Federation, that it was able to install its own relatively independent exchange control regulations and institutions which became *de facto* autonomous because of UDI in 1965.³¹

In spite of Britain's weakening economic state, the defence of the pound remained the most important responsibility of the Bank of England in 1970. But with the EEC interested in a

²⁵ 'No Banking on the Rhodesian Funds', *Guardian*, 3 May 1973.

²⁶ P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914-1990* (London: Longman, 1993), p. 281.

²⁷ C.R. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency* (Cambridge: Cambridge University Press, 2010), 153.

²⁸ Cain and Hopkins, *British Imperialism*, p. 281-282.

²⁹ *Ibid.*

³⁰ Cain and Hopkins, *British Imperialism*, p. 293.

³¹ See Chapters Two and Three.

gradual currency union, the Six³² pressed the £33 billion indebted Britain to cede sterling's international role and end the sterling area to avoid destabilizing European economies if Britain was to be allowed to join.³³ Although 'a good deal of sentimental attachment to the idea that the reserve currency role of sterling [wa]s good for this country – good for prestige and good for business', the Chancellor of the Exchequer, Anthony Barber, pointed out in 1971 that '[t]wo World Wars, three devaluations, the rise of the dollar, the decline of sterling... ha[d] eaten away the foundations of the prestige argument...', turning the once prosperous empire into an indebted country burdened with interest payments on sterling balances of £200 million a year.³⁴ Having lost the imperial power base crucial to Britain's historical international financial influence, membership in the EEC was seen as the only viable economic option to avoid becoming 'once more nothing but an insignificant island in the North Sea'.³⁵ It is little wonder that Rhodesia had the confidence to declare a republic and was confident of defying British motivated international financial sanctions into the 1970s.

London's problems were aggravated by the devaluation of the United States dollar (US\$) which heralded the collapse of the Bretton Woods system. Under pressure from the fiscal strain of Federal expenditures because of the Vietnam War (1964-1975) and facing persistent Balance of Payment (BOP) deficits as a result, US President Richard Nixon ended the international convertibility of the US dollar to gold on 15 August 1971.³⁶ Instead of providing Britain with an opportunity to try and re-establish sterling's influence, declining confidence and pressure from the EEC removed any such possibility. Although London ultimately succeeded in transforming itself into an 'offshore [financial] island'³⁷ from industrial and commercial business growth in Europe and elsewhere, sterling featured strongly in EEC accession debates. It was used 'first as an excuse for rejection of the early applications, and as a test of genuine Europeanness for Britain'.³⁸ France, Britain's biggest critic, extracted a commitment from Edward Heath, who had replaced Harold Wilson as

³² As the EEC was known because of its first six member countries at the time.

³³ A. Sampson, *The New Anatomy of Britain* (London: Hodder and Stoughton, 1971), p. 543.

³⁴ Schenk, *The Decline of Sterling*, p. 153.

³⁵ Cain and Hopkins, *British Imperialism*, p. 291-292.

³⁶ P.M. Horvits, *Monetary and the Financial System* (New Jersey: Prentice Hall, 1979), p. 17; See also F. Hirsch, 'The Ideological Underlay of Inflation', in F. Hirsch and J.H. Goldthorpe (eds), *The Political Economy of Inflation* (London: Martin Robertson and Co, 1978), p. 264.

³⁷ Cain and Hopkins, *British Imperialism*, p. 293.

³⁸ Schenk, *The Decline of Sterling*, p. 152.

British Prime Minister on 4 March 1974, to drop the status of sterling as a reserve currency. This secured London's abandonment of its sterling area on 22 January 1972.³⁹ Following these European developments closely, the RF's always planned its actions, using Britain's misfortunes to ensure Rhodesia's continued survival and continued circumvention of international sanctions.

Aware that the financial downturns in the 1970s created competition and suspicion among the major powers in international economic relations, Rhodesia was cautious in its response to the UN resolution of March 1970. Rhodesia continued operating its economic activities in a highly irregular fashion. Using trading agents drawn from different countries, Salisbury exploited the lack of unity among countries in observing sanctions against Rhodesian products, the sale of chrome to the United States (US) and the Soviet Union. Furthermore, such financial shocks as the 1973 Organisation of Petroleum Producing Countries (OPEC) oil price hike triggered a global financial recession which left London battling resultant domestic financial challenges. Although the 1970 UN resolution on Rhodesia had long-term implications on the Rhodesian economy, it had no immediate effects on the Rhodesian economy. Instead, demand for Rhodesian chrome sustained the Colony's export earnings.

Not only did the Rhodesian problem exacerbate the financial losses on the retreating empire, it also exposed Britain's post-imperial crisis, particularly becoming an embarrassing reference in London's continuous negotiations to join the EEC. On top of undermining London's credibility and authority in resolving colonial problems, the EEC did not want to accept any territory burdened with imperial hangover. The Six were aware that on top of Second World War debts and the costs of settling sterling balances, London was also burdened with payments of Rhodesia's half of the IBRD and CDC loans of 1956 and 1964 because of its imperial role as the guarantor of its central African colonies for the construction of the Kariba hydroelectric project.⁴⁰ As another settlement with Rhodesia failed in 1972, London was forced to settle the Zambian proportion of the loan also to allow the latter to develop its own power station relatively independent of Rhodesia's control.⁴¹

³⁹ *Ibid*, p. 151.

⁴⁰ For a comprehensive study of the construction of the Kariba hydroelectric project, see J. Tischler, *Light and Power for a Multiracial Nation: The Kariba Dam Scheme in the Central African Federation* (Hampshire: Palgrave Macmillan, 2013).

⁴¹ BoE, 8A99/4, Rhodesia Limitations Act, 1939: Effects of the Servicing of Loans, Letter from H. S. Lee (Treasury Chambers to R. C. Balfour (Bank of England), 3 May 1973).

These mounting financial obligations that London was forced to carry had a significant political and social impact on British bondholders. Although some big corporations and financial institutions also held Rhodesian bonds, the hardest-hit investors were the seventeen thousand elderly widows and pensioners who desperately needed a return on their investments in Rhodesian government bonds which amounted to £53 million.⁴² Their struggle to recover the money from holdings of Rhodesian funds in London culminated in the infamous Franklin case, where Harry Franklin, former Minister of Transport in Northern Rhodesia and investor in Rhodesian government bonds, sued the British government. Franklin was among the first of twenty-seven others to seek a queen's petition to have his case heard by the High Court in seeking an Order against the Bank of England to pay interests on his investment after which he got a favourable ruling in April 1973.⁴³ His lawyers attempted to force the Bank of England to reveal the extent of Rhodesian holdings, where they were held and prompt them to settle Franklin's due interest in what became the test case for all holders of Rhodesian government bonds.⁴⁴

Issued under the Colonial Stocks Act (1877) at the London stock exchange before 1965, London became keen to restore a legal government that would take responsibility of Salisbury's obligations. The Bank of England had been forced to pay £361.4.4 and £2.681 on 4 and 5 November 1969 to Bayerische Hypotheken und Weschel Bank as others fees for destroying the Giesecke and Devriant notes, printing plates and paper that had been stored in their vaults since 1967.⁴⁵ The Bank of England and the RBR (London) were cautious in their trusteeship of frozen Rhodesian funds fearing to be held liable for the misuse of Rhodesia's London assets.⁴⁶ When settlement talks resumed in 1971, a year that marked 'the peak of white fortunes in Rhodesia'⁴⁷, Britain was facing worsening domestic demands on the Bank of England to compensate creditors owed by the government of Rhodesia, especially as the Bank had paid for the 1969 destruction of Rhodesian notes. In haste,

⁴² BoE, 8A99/4, 'The Franklin Case', D.N to Balfour, 14 May 1973; 'Southern Rhodesian Bondholder's 41 after seven years', *Financial Times*, 3 May 1973; See also 'No Banking on the Rhodesian Funds', *Guardian*, 3 May 1973.

⁴³ BoE, 8A99/4, Rhodesia Limitations Act, 1939: Effects of the Servicing of Loans, Letter from H. S. Lee (Treasury Chambers to R. C. Balfour (Bank of England), 3 May 1973.

⁴⁴ *Ibid.*

⁴⁵ BoE, 8A97/1, R.BK: Rhodesia German Bank Notes, Letter from Bank of England Chief Cashier Richard Balfour, to his Assistant Chief Cashier, 19 November 69.

⁴⁶ *Ibid.*, Letter from D.A.H. Wyatt to Chief Cashier (Bank of England), 1 November 1971.

⁴⁷ M. Meredith, *The Past is Another Country: Rhodesia UDI to Zimbabwe* (London: Pan Books, 1980), p. 82.

London signed the Anglo-Rhodesian agreement which favoured the RF regime 'with only very slow concessions to the concept of majority rule'.⁴⁸ When the settlement was initialled, it was initially not clear to London whether Rhodesia would be returned into the sterling scheduled territories or not. While the Rhodesian government had already decided after decimalisation that there would be no advantage to be derived from retaining sterling, exchange control authorities in Britain had not considered the question. Nevertheless, before these exchange control points could be clarified, there needed to be a 'test of acceptability' of the proposals to Africans in Rhodesia.⁴⁹ Not surprisingly, the Pearce Commission set up in 1972 to test the acceptability of the settlement found that Africans overwhelmingly rejected it. Calling it 'a humiliating last chapter in Britain's African colonial history', Ryan has characterised London's failure draw an acceptable settlement from Salisbury as a principled failure of British policy over Rhodesia.⁵⁰

As Britain failed to reach a settlement with Rhodesia which would have restored its liability towards foreign debt, Franklin legally targeted the Bank of England in its capacity as the registrar of Rhodesia's assets in Britain. Having held £521 of Rhodesian 6 percent stock that would mature from 1967 to 1979, the High Court awarded him a payment of £281.87.⁵¹ The victory provided a legal precedent for the other bondholders. However, when he demanded his award from the bank, Franklin was paid only £41.15.⁵² The Bank of England shattered the public perception that it held up to £40 million Rhodesian funds, stating that the money paid to Franklin had exhausted Rhodesian funds held at the Bank of England. Vowing to fight on, Franklin donated the payment from the Bank to the Rhodesian Bondholders Association that had been formed to fight for the payment of defaulted interests from funds held in London.⁵³ The Bank of England claims that Rhodesian funds had been exhausted triggered speculation over what had happened to the Rhodesian millions.⁵⁴ Franklin's lawyers indeed applied for a court ruling under the Colonial Stocks Act (1877) under which 'money held by

⁴⁸ J. Mtisi, M. Nyakudya and T. Barnes, 'War in Rhodesia, 1965-1980', in B. Raftopoulos and A.S. Mlambo, *Becoming Zimbabwe: A History from the Pre-colonial period to 2008* (Harare: Weaver Press, 2009), p. 141.

⁴⁹ BOE, Southern Rhodesia Exchange Control file, Extract from the Minutes of the Meeting between the Bank of England, Treasury and Foreign and Commonwealth Office, 24 November 1971.

⁵⁰ J. Ryan, 'Principled Failure: British Policy towards Rhodesia, 1971-1972', *The Historical Review*, 2004; see also, J.R.T. Wood, *Kwete – No! The Veto of Four Percent of the Governed: The Ill-Fated Anglo-Rhodesian Settlement Agreement, 1969-1972* (Solihull: Helion and Company, 2015), pp. 576.

⁵¹ 'Rhodesian Bondholder's £41 after seven years', *Financial Times*, 3 May 1973.

⁵² *Ibid.*

⁵³ *Ibid.*

⁵⁴ 'Riddle of Rhodesia's Missing Millions', *Daily Mail*, 3 May 1973.

guaranteed stockholders [could] be recovered through the legal device of a petition of rights'.⁵⁵ As the Rhodesian economy benefited from excess liquidity emerging from defaults on interest payments of foreign bonds, for instance, caused intensifying political problems for the Bank of England and the British government.

Not as concerned with the protracted political impasse between Britain and Rhodesia as they were with realising their returns, the bondholders did not believe the Bank of England's claims about the exhaustion of Rhodesian funds as it had never publicly declared how much it held.⁵⁶ This left the public speculating that the funds were between £9 million and £40 million.⁵⁷ The bondholders were worried

that the British Government may declare the Government of Rhodesia bankrupt in this country and then find some of the missing millions so that they can be distributed among all claimants, including the British Government and private companies whose contracts ceased at UDI.⁵⁸

As such, they feared being excluded by the government and business that commanded the power and influence to recover what they were owed as they liquidated Rhodesia reserves. However, even private companies used Franklin's campaign as a 'test case' on which they would also make legal claims for payments from the Bank of England.

Public political involvement occurred when the Lord Chancellor, Lord Hailsham, sympathising with the bondholders, claimed that RBR (London) held funds that could meet the liabilities of the Rhodesian stockholders in the House of Lords. Although aware that RBR funds held by the Bank of England 'formed only a fraction' of the required £53 million, he pushed for a Foreign Compensation Commission (FCC).⁵⁹ Lord Hailsham's position was problematic for a number of reasons. First, a FCC would politically categorise Rhodesia as a foreign country, implying that it ceased to be a colony of Britain. Moreover, Britain relied on its colonial connections with Rhodesia to stymie greater action in the UN. If Rhodesia had ceased to be a British colony, then theoretically, UN military action could have been an option. Legally, Rhodesia was still subject to British authority in principle. Secondly, if the available funds were paid out, it would cause a run on limited Rhodesian reserves. Once

⁵⁵ 'No Banking on the Rhodesian Funds', *Guardian*, 3 May 1973.

⁵⁶ *Ibid*, Note for Record (Office of the Governor of the Bank of England), from RBR (London) Governor and Trustee, R.J. Cunneen, 4 May 1973.

⁵⁷ 'Riddle of Rhodesia's Missing Millions', *Daily Mail*, 3 May 1973

⁵⁸ *Ibid*.

⁵⁹ 'That's your lot Harry: £41 empties Rhodesian account', *Daily Express*, 3 May 1973.

funds got exhausted, bondholders would seek compensation from the Bank of England as registrar of Rhodesian stocks, injecting further strain on the British fiscus. The likely payment approach based on a 'first come/first serve basis' to creditors, concluded the Bank of England, 'would not only be chaotic, but manifestly unjust'.⁶⁰ Moreover, the money held by the RBR Governor and Trustee could only be legally disbursed by a 'legitimate' Rhodesian government and not by the Bank of England or the British government.⁶¹

The Bank of England pay-out to Franklin was the first and last sum of Rhodesian money paid out to any stockholder in England since UDI. Contrary to Lord Hailsham's claim, the Governor and Trustee of the RBR (London), R. J. Cunneil, declared that his bank 'had no intention of making procedural concessions to the other side'.⁶² However, given the speculation that arose over Rhodesia's missing millions, the threat of a FCC and a possible court ruling to disclose where Rhodesian funds were held in London, the Bank of England was committed to not disclosing anything. To this end, it quickly sought a Standstill Order to counteract the FCC and 'protect monies identified as being available'.⁶³ In retaliation, Franklin's lawyers appealed to the High Court to force the Bank of England Chief Cashier, Richard C. Balfour, to appear in court for cross – examination on the matter. However, the Bank's lawyers, Clifford Turner and Company successfully attained a High Court writ to prevent court appearance. As such, protected by the Banker's duty of confidence, the bank of England could not disclose their client, the RBR's accounts as their reserves did not constitute monies of the Rhodesian government.

This only made bondholders more suspicious of the British government intentions. Bondholders feared that government would 'thwart the law', bypass the Colonial Stocks Act (1877) and create an 'unconstitutional' FCC. Franklin suggested that 'the Government would take nearly all the money he uncovers for paying off the debts of those "who had risked capital for big profits in Rhodesia"'.⁶⁴ Even Lord Hailsham's suggestion for a pro-rata payment through the FCC to everyone owed was seen by the bondholders as a plot to expose them to expensive litigation options. Bondholders feared being compromised by the

⁶⁰ BoE, 8A99/4, H. S. Lee to R. C. Balfour, 3 May 1973.

⁶¹ Ibid.

⁶² Ibid, Note for Record (Office of the Governor of the Bank of England), from RBR Governor and Trustee, R.J. Cunneil, 4 May 1973.

⁶³ BoE, 8A99/4, H.S. Lee to Richard C. Balfour, 3 May 1973.

⁶⁴ 'Government Grab': Fear by Rhodesian Bond- holder', *Daily Telegraph*, 14 May 1973.

other creditors who, as Franklin argued, had no 'legal claim whatever'.⁶⁵ Following the granting of the writ, the High Court ruled in favour of the Bank. As it was ruled that the money held by the Bank did not constitute funds belonging to the Rhodesian government, Franklin could not make any more claims against it. The Chief cashier's position 'to block everything until after a settlement' had to be upheld.⁶⁶ Despite the bondholders' campaign, London would never liquidate frozen Rhodesian funds before a settlement was agreed.

In a press statement, the Bank explained that as registrar of Rhodesian government stocks, they held cash balances of two kinds. The first represented funds that would have been paid to Rhodesia had UDI not occurred, amounting to £41.15, which Franklin had claimed.⁶⁷ The second balance, totalling £2.000 was related to specific payments either on interest or redemption money due before UDI which it had not been able to complete and this was held for various stockholders and not consisting money of the Rhodesian government. The rest was held in certain assets for the RBR, and the Bank argued that this did not constitute cash balances of the government and 'accordingly should not be regarded as available'.⁶⁸ With regards to the cash reserve assets of the RBR, the Bank invoked the non-disclosure Banker-Client principle, particularly as it was RBR and not Rhodesian government money under the assumption that the RBR was independent from the government. Cunnell argued that 'legally "money" for the purposes of the 1877 [Colonial Stocks] Act means cash and bank balances, not securities'.⁶⁹ Ironically, the RBR (Salisbury) had been central in investing liquidity arising from defaulted Rhodesian government into the rebellious Colony's economy.

Other corporate investors in Rhodesian stocks also filed High Court claims against the Bank of England in June 1973.⁷⁰ On the precedent set by the Franklin case, the claimants were awarded £2.4 million on overdue interest and capital. On the same precedent, the ruling never specified exactly how the money would be recovered as Rhodesian government funds

⁶⁵ *Ibid.*

⁶⁶ BoE, 8A99/4, D.N. to Balfour, 14 May 1973.

⁶⁷ 'Rhodesia cash: Bank sets out its case', *Financial Times*, 5 May 1973.

⁶⁸ *Ibid.*

⁶⁹ BoE, 8A99/4, Note for Record (Office of the Governor of the Bank of England), from RBR Governor and Trustee, R.J. Cunnell, 4 May 1973.

⁷⁰ 'GLC [Greater London Council] and Banks win Rhodesia Stocks Case', *Daily Telegraph*, 26 June 1973. The corporate investors were the Greater London Council and eight banks that included Barclays Bank International, Bank of Scotland Nominees, Uberior Trustees, Bank of Scotland Edinburgh Nominees, Governor and Company of the bank of Scotland, Glasgow Bank of Scotland Nominees and Barclays Trust Companies.

were 'exhausted'. Moreover, the writ against Franklin had established that the British Treasury would not, directly or indirectly, be liable for the payment of any money. The battle, particularly between Franklin as the poster child of the bondholders struggle against the Bank of England as well as the RBR (London) for the payment of interests would continue until 1976 when an ultimate ruling would rule in favour of the Banks.⁷¹ The payments of interests would be delayed until a settlement and resumption of legitimate government in Rhodesia allowing the bondholders to resume their financial claims.

Although it avoided compensating the bondholders and other investors, the British government was legally bound by its role as guarantor of the central African Kariba complex dam project to assume responsibility for the payments on interest and principal of the 1956 and 1964 loans owed to the IBRD and the Commonwealth Development Fund Corporation (CDFC) by Rhodesia.⁷² Conducted in partnership between Northern and Southern Rhodesia in 1956, the hydroelectric project had largely benefited the latter. After Zambia gained its independence by majority rule, the Rhodesian rebellion defended the maintenance of minority rule. The two countries' relationship became strained. In Zambia, 'UDI presented a geopolitical disaster', as it ultimately hosted African nationalists and guerrillas that fought against minority rule.⁷³

To stifle any of Lusaka's assistance to African nationalists fighting for majority rule in Rhodesia, Salisbury sometimes threatened to use its control of Kariba to deny electricity supply to Zambia's copper belt. Lusaka always had to battle the prospect of being an economic 'hostage' of Rhodesia.⁷⁴ To redeem itself from this dependency on power supply, Lusaka sought to implement provision of two countries' agreement over the phased development of Kariba complex. The next stage was to develop a Kariba North Bank Power

⁷¹ *Ibid.*

⁷² BoE (OV) 191,3/824.14, Kariba Dam Project Financing, the development of the Kariba complex is summarised in a letter from IBRD President Robert S MacNamara to IBRD Executive Directors referenced 'Zambia: Hydro-Electric Power Project', 11 January 1971.

⁷³ C. Chongo, 'Decolonising Southern Africa: A History of Zambia's Role in Zimbabwe's Liberation Struggle, 1964-1979', PhD thesis, University of Pretoria, 2015, p. 75.

⁷⁴ See D.G. Anglin, *Zambian Crisis Behaviour: Confronting Rhodesia's Unilateral Declaration of Independence, 1965- 1966* (Montreal: McGill-Queens, 1994), p. 140; For a broader appreciation of how the geopolitics of the Southern Rhodesian UDI affected Zambia, see also, L.F.M. Barroso, "'A Trick with Rebounds": Portugal, Zambia and the Rhodesian Crisis, 1967-1968', *Portuguese Journal of Social Science*, 12:2 (2013); See also C. Chongo, 'The Impact of Rhodesia's Unilateral Declaration of Independence on Zambia's Economic and Socio-Political Developments, 1965-1979, MA History Dissertation, University of Zambia, 2009.

Company (KNPC) wholly owned by Zambia to limit Rhodesia's influence.⁷⁵ The Kariba South project which had been financed through the Federal Power Board in 1956, was run by the Central African Power Company (CAPC) which took over after the dissolution of the Federation and was owned by the two countries in partnership. As such, Zambia needed Rhodesia's cooperation through the CAPC to raise the required capital for foreign exchange expenses for the process of construction. Although the KNPC would oversee the construction, it would lease the power station to the CAPC at a cost equal to servicing the IBRD loan as well as cover its overheads.⁷⁶

Raising the required finance was complicated by London's concerns over Rhodesia's constitutional problem. First, Rhodesia had defaulted on her half of the IBRD and CDC loan obligations in reaction to British and UN financial sanctions. Salisbury argued sanctions diminished her capacity to earn foreign currency to service debts. Secondly, UN resolutions prevented Britain and the IBRD from dealing with the illegal regime. Sanctions obliged 'member states not to sell or supply commodities to Rhodesia, nor to make available to organisations there, including publicity undertakings, any funds for investments or any other financial and economic resources'.⁷⁷ The Rhodesian problem thus complicated loan negotiation between Zambia, the IBRD and Britain. The loan for the construction of the KNPC as part of the Kariba complex development, required the involvement of the CAPC which was partially owned by Rhodesia.

The CAPC, established through the cooperation of the Higher Authority for Power (HAP): a political body composed of two Ministers each of Zambia and Rhodesia, required Salisbury's cooperation.⁷⁸ It was thus unavoidable to reconstitute the HAP so that necessary expenditure could be approved. For London, reconstituting HAP 'would... involve the overt collusion with Rhodesia'.⁷⁹ Allowing Rhodesian involvement would send the wrong message that even the IBRD, an arm of the UN; London, the regulating imperial authority; and Zambia, the main supporter of the struggle for Zimbabwe, were breaking sanctions.

⁷⁵ BoE (OV) 191,3/824.14, Letter from Minister of Finance (Zambia) to S.H Wright (Treasury Chambers, London), 2 August 1968.

⁷⁶ BoE (OV) 191,3/824.14, Letter from McNamara to IBRD Executive Directors, 11 January 1971.

⁷⁷ BoE (OV) 191/37/324.14. Letter from Hignett (Overseas Office to Wyatt, 4 July 1968. Although this is a July 1968 letter, the point remained true up to the late 1970s.

⁷⁸ BoE (OV) 191,3/824.14, Letter from McNamara to IBRD Executive Directors, 11 January 1971.

⁷⁹ BoE (OV) 191/37/324.14. Letter from Hignett (Overseas Office to Wyatt, 4 July 1968.

Although the resolution had been designed to isolate Rhodesia, the UN was however committed to assisting Zambia. This meant that a temporary cooperation with Rhodesia was necessary if Zambia was to manage the possible collateral damage wrought on her economy and society, because of electric power dependency on Rhodesia, but also as a result of the broader effects of sanctions.⁸⁰ This situation worked in Rhodesia's favour, foregrounding the country's importance in central African geopolitics. Rhodesia had been indispensable in raising the required \$40 million. Rhodesian officials were also asked to informally ratify and not to 'obstruct or frustrate the project'.⁸¹ London also reluctantly agreed to guarantee Rhodesia's half of the loan.⁸² The Loan Agreement with the KNPC and Guarantee Agreement with the Government of Zambia and of the United Kingdom for the 600 Megawatt hydroelectric station was signed on 29 June 1970, becoming effective on 7 January 1971.⁸³

In the wake of the destabilisation of global financial and commodity markets following the collapse of the Bretton Woods international monetary system in 1971, the US\$40 million loan to the KNPC proved inadequate as bids were submitted by contractors. Even the lowest bids were substantially in excess of the prices quoted in the April 1970 estimates. There was a surge in the costs of 'switchgears, cables, bus bars' among other required material. The total cost of the project soared to \$66.5 million principal capital, 39.5 percent higher than initially estimated. With interest, it amounted to \$77.6 million.⁸⁴ This called for Britain's further involvement, not just to guarantee Rhodesia's part of the loan commitment, but to assist Zambia which could not afford to carry the increased burden alone as well as help it circumvent Rhodesia's continued influence. To this end, Robert McNamara, IBRD President reiterated;

In order that Zambia should not incur a greater liability with respect to the Bank Loans for the Kariba project than she would have incurred in the absence of UDI, the Bank, with the concurrence of the United Nations, agreed to release Zambia from liabilities as guarantor of Loans 145-RN and 392-RNS, in the amount comparable to half the liability to be assumed by Zambia in connection with Loan 701- ZA.⁸⁵

⁸⁰ For a broader appreciation of the impact of Rhodesia's UDI, see Chongo, 'Decolonising Southern Africa'.

⁸¹ BoE (OV) 191, 3/824.14, Letter from D. R. Glatzel (Overseas Office) to Barnes, 16 July 1971.

⁸² Ibid.

⁸³ BoE (OV) 191, 3/824.14, Letter from McNamara to IBRD Executive Directors, 11 January 1971.

⁸⁴ Ibid.

⁸⁵ Ibid.

Britain, as guarantor of last resort, was forced to temporarily pick up the entire settlement on phased interests and principal of the first two loans of \$80 million disbursed for the development of Kariba South in 1956 and the \$7.7 million provided to install transmission lines to Livingstone in 1964. The third 1971 loan was the one for Kariba North development would be picked up by Zambia, starting in 1976.⁸⁶

Lusaka was protected from compromising its own financial position as a result of Rhodesia's rebellion. In recognising the necessity to abide by UN resolutions, McNamara argued that

The resolutions involved extend far beyond the question of finance, and the Bank's role in this instance extends far beyond that of a lender. Without the Bank's role in this instance as catalyst in the complex financial and other relationships of Zambia, the United Kingdom and Southern Rhodesia, I do not believe that agreement could have been reached on viable arrangements for the construction of Kariba North station and the satisfactory operation of the whole Kariba complex, matters which are vital to the economic life of Zambia.⁸⁷

As the Bank disbursed funds to Zambia for the Kariba North project, London faced an additional burden when her own financial position was a source of domestic political instability.

The Rhodesian rebellion and London's response to it did not result in the Colony's collapse in a matter of weeks as Wilson had initially predicted. Instead, it provided Rhodesia with an opportunity to default on international financial obligation to the benefit of its economy. This created political, economic and social problems as London had to manage claims from creditors such as the bondholders and other private companies in Britain. The United Kingdom economy faced a further burden of servicing IBRD and CDC loans which it had guaranteed. Britain's sanctions on Rhodesia, based as they had been on the imperial authority's perceived financial strength, were weakened by persistent devaluation of the sterling. The British pound was effectively retired as a global key currency in 1972, further undermining the impact of financial sanctions on Rhodesia. A combination of the factors discussed above conspired to weaken London's international political and economic influence, providing Rhodesia with much room to navigate. Although a small economy by comparison, Rhodesia exploited London's weaknesses to press ahead with the financial

⁸⁶ Ibid.

⁸⁷ Ibid.

means of sustaining its rebellion. The next section examines Salisbury's strategies to manage the circumstances that it encountered in the 1970s.

'We have to run faster merely to stay in the same place': The Limits of Rhodesia's Capacity to Finance Rebellion

The 1970s opened with a measure of sustained economic growth which was soon truncated by a financially induced global recession by the end of 1971 followed by the oil price shocks of 1973. A number of factors conspired against the Rhodesian economy and by mid-1971, boom conditions began to be eroded by gradual economic decline. Bernard Horace Musset, the Minister of Commerce and Industry, characterising the increased effort required for economic survival at previous levels of operation, commented that 'we have to run faster merely to stay in the same place'.⁸⁸ Although directly referring to the increased demand for limited foreign exchange to finance inflated imports, his observation summarises the state's efforts to continue financing its rebellion amid hostile global developments such as the global financial and oil shocks of 1971 and 1973 respectively, the resumption of the liberation war and the loss of both South Africa and Portugal as strategic allies providing a back door to Rhodesia's exports.

The 'economic war' continued to be a major influence of financial policy in the 1970s, but other wars such as the liberation struggle and what has been termed 'Rhodesia's war of numbers' would soon emerge. The main targets of financial policies remained inflation, maintaining a positive BOP and stimulating domestic economic activities or Gross Domestic Product (GDP).⁸⁹ Although the effectiveness of these strategies was to severely diminish by 1975, the Economic Survey for the 1970/71 fiscal year demonstrates how the optimism in the Rhodesian republic's economy was initially realised. Salisbury was eager to spruce up the country's development potential locally and abroad. A government publication on the Rhodesian economy celebrated the country as 'a land of opportunity'.⁹⁰ It boasted that since UDI, 3,500 new companies capitalised at R\$126 million were registered. Moreover, new buildings worth over R\$100 million were constructed, new mining ventures worth

⁸⁸ RUCL, Smith Papers, H.B. Musset, Minister of Commerce and Industry, 'Forward Planning: Availability of Foreign Exchange for Importers', Cabinet Memorandum, 5 November 1971.

⁸⁹ Government of Zimbabwe, *Rhodesia Economic Survey for 1971* (Salisbury: Government Printers, 1971), p. 1.

⁹⁰ Government of Rhodesia, *Opportunities for Development* (Salisbury: Government Printers, 1970), p. 1.

millions continued to be introduced and new manufacturing industries rapidly developing. Confident about the prospect of the republic, the publication declared that 'there emerges a picture of a country thrusting rapidly towards a great destiny'.⁹¹

Although the expansion of the economy did not match that of 1969 at 9.8 percent, the growth rate of eight percent, or 4.5 percent after factoring in price increases was not viewed as unsatisfactory.⁹² In spite of adverse weather conditions, agrarian policies that include, among others, financing water development projects and irrigation schemes and continued research and extension into many crop varieties and production systems maintained the sector contribution to GDP at 20 percent, only slightly lower than the previous year.⁹³ Despite other minerals being affected by weakening global prices the price of gold soared from US\$35 to US\$800 boosting mining revenue to R\$99 million in 1971, an increase from R\$88 million earned in 1969. Manufacturing development expanded by 14 percent, triggering an increase in the demand for electricity by 15 percent. More investment in real estate was signalled by increasing demand for building plans increasing construction activity by 14 percent to R\$74 million in 1970. About R\$43 million went towards residential property, R\$11 million towards industrial building plans and R\$20 million into commercial and other building plans.⁹⁴

Despite having successfully survived British and UN sanctions since UDI, Rhodesia's economy was not immune to global shocks.⁹⁵ The claim to the republic's great destiny was undermined by its economy's unstable foundation, centred on agriculture and mining. Although Rhodesia's development from 1965 to 1971 had been prescribed by the removal of an imperial financial system and its replacement by a state controlled territorial exchange controls, some of its main exports were relatively sustained even under sanctions. The boom conditions that prevailed in the commodities market continued for as long as the Bretton Woods monetary regime that based international trade on the US dollar as the key currency convertible into gold at the cost of US\$35 an ounce was sustained. Although other

⁹¹ *Ibid.*

⁹² Government of Rhodesia, *Economic Survey for 1970* (Salisbury: Government Printers, 1970), p. 1.

⁹³ *Ibid.*, p. 2.

⁹⁴ *Ibid.*

⁹⁵ National Archives of Zimbabwe (Hereafter NAZ) S3285, 25/28, 'Attachment to Foreign Report: Gold, the Dollar and the World Monetary Situation', 8 October 1971: The Ministry of Finance used the above information gathered from a monthly digest of a Rhodesian stockbroker to furnish Cabinet with information of how international monetary developments affected Rhodesia's financial system.

countries such as China and Japan manipulated currencies at the expense of US foreign trade, the system managed to maintain stable global commodity price upon which Rhodesia depended. In the manufacturing sector which was dominated by subsidiaries of foreign capital that had been locked into the Rhodesian economy by its Exchange Control Act (1964) and subsequent amendments that forced the companies, including the expatriate commercial banks to be registered as locally insured as little financial repatriation as possible.⁹⁶ However, with the collapse of the Bretton Woods system and its effects on global price stability, commodity markets collapsed prompting the unstable floatation of global currencies. The subsequent economic downturns negatively affected Rhodesia's export earning capacity, producing a negative domino effect on its domestic economic capacity.

Most of these *Rhodesianised* subsidiaries of mostly British and South African companies maintained their presence in Rhodesia, not just for profit's sake, but also to maintain their assets and capital. Leaving would have resulted in the loss of investment under Rhodesia's exchange control regulations. This explains David Rowe's conclusion that the 'solidarity of the business community with the Rhodesian Front government was not the spontaneous upwelling of patriotic support or racial solidarity for a beleaguered regime, but a political construction with substantial roots in the marketplace'.⁹⁷ Moreover, much of the private sector finance provided for local industrial expansion and diversification was a result of over R\$82.6 million in foreign debt.⁹⁸ On top of bottled financial resources and profits of multinationals, trapped deposits of non-residents accounted for a third of the stock of surplus funds that banks issued out as loans.⁹⁹ Under the direct regulations of the Ministry of Commerce and Industry, which reported to the MECC, domestic business boomed through a combination of state driven and directed diversification into chemical plant manufacturing such as Sable Chemicals, food and beverages, engineering works, iron and steel as well as textiles.¹⁰⁰ On the back of continued economic liaison with her major trading

⁹⁶ P. Bond, *Uneven Zimbabwe: A Study of Finance, Development and Underdevelopment* (Trenton: Africa World Press, 1998), p. 121.

⁹⁷ D. Rowe, *Manipulating the Market: Understanding Economic Sanctions, Institutional Change and Political Unity of White Rhodesia* (Ann Arbor: University of Michigan Press, 2001), p. 97-98.

⁹⁸ Bond, *Uneven Zimbabwe*, p. 119.

⁹⁹ *Ibid*, p. 121.

¹⁰⁰ See Phimister and V. Gwande, 'The State of Secondary Industry: Southern Rhodesia before and after UDI', Unpublished conference paper prepared for the World Economic History Conference, Japan, 31 July 2015.

partners, South Africa and Portugal¹⁰¹, internal developments were balanced with regulated foreign exchange allocations for imports of machinery and other capital goods.¹⁰²

The boom in the real estate market was also driven by the growth of excess liquidity to the mid-1970s. Given that residential building costs in Salisbury 'were only a quarter of those in Lusaka and 40 percent lower than in South Africa', the building society movement experienced a significant flow of capital.¹⁰³ With the significant development of asbestos¹⁰⁴ and limestone mining as well as cement production locally¹⁰⁵, a Salisbury urban suburban sprawl resulted in over 9000 mortgages being issued on 10,690 properties sales in 1971 and over 5,200 bonds issued against property sales in 1972, not to mention other property improvements and an increasing number of approved property plans.¹⁰⁶ The number of hotels built under the auspices of tourism, partially financed by national parks among other investors increased.¹⁰⁷ The advertisements and articles in the Rhodesian business periodical *Property and Finance* provide examples of the extent to which investments in real estate expanded.¹⁰⁸ This triggered a huge boost in the business of building societies which largely profited from lending towards white low density housing. Some white Rhodesians agitated for racially discriminatory residential policies as they benefited from exclusive access to the mortgage market. Segregation was seen as both the defence against the encroachment of Africans and the key to maintaining higher property values.¹⁰⁹ Real estate remained as an

¹⁰¹ See for example RUCL, Smith Papers, Ministry of Commerce and Industry, 'Portugal/Rhodesia Joint Trade and Economic Liaison Committee: Ninth Meeting, Lorenzo Marques, July 1970.

¹⁰² RUCL Smith Papers, From H.B. Musset (Minister of Commerce and Industry) to Cabinet, 'Forward Planning: Availability of Foreign Exchange for Importers', 5 November 1971.

¹⁰³ Bond, *Uneven Zimbabwe*, p. 121.

¹⁰⁴ See for example, T.J. Manyumbu, 'An Analysis of the Fluctuating Fortunes of Asbestos Mining Capital in Zimbabwe', MA Dissertation, University of Zimbabwe, 2001; See also C. Mutsikira, 'The problem of asbestos dust in Southern Rhodesia: State Mining Capital and African Labour Reactions, 1938-1970', BA Honours Dissertation, University of Zimbabwe, 2005.

¹⁰⁵ See G. Rihambe, 'A History of Cement Production in Southern Rhodesia from 1913 to 1979', BA Honours Dissertation, University of Zimbabwe, 2012; See also M. Siziba, 'A History of Cement manufacturing at Colleen Bawm, 1947-1999: Socio-Economic and Environmental Implications', BA Honours Dissertation, University of Zimbabwe, 2000.

¹⁰⁶ Bond, *Uneven Zimbabwe*, p. 121-122.

¹⁰⁷ Among numerous other references, see for example RUCL, Smith Papers, Memorandum by Minister of Information, Immigration and Tourism to Cabinet, 'Tourism facilities: Development-Wankie National Park Hotel', 20 February 1970; For a more comprehensive discussion of this, see P. Mukwambo, 'A History of Tourism during the UDI period, 1965-1979', BA Honours Dissertation, University of Zimbabwe, 2004.

¹⁰⁸ See *Property and Finance*, back to back issues, 1966-1975. The magazine published on financial issues and Rhodesian affairs, business, industry and construction.

¹⁰⁹ RUCL, Smith Papers, 'Residential Property-Owner (Protection) Bill: Twelfth Draft', Memorandum explaining the object of the Bill submitted by M.H.H. Partridge (Minister of Local Government and Housing) to Cabinet, 24 June, 1970.

investment outlet for excess liquidity, the main by-product of the Anglo-Rhodesian economic impasse.¹¹⁰

The major contributor to the economic slowdown that started in the 1970/71 fiscal year was inflation.¹¹¹ Although Wrathal's budget statement celebrated improved domestic economic activity characterised by a high rate of capital formation in all sectors, he admitted that an increased demand for imports and the consequent restriction on the level of foreign currency allocations was slowing down growth. Inflation, observed Wrathal, was the product of expensive imports from developed countries 'when prices for the developing countries' exports remained static'.¹¹² This increased cost of imported capital goods and raw materials damaged essential development programmes, inhibited the creation of employment opportunities and eroded the profit margins of primary industry. So in spite of the improved economic activity, Wrathal indicated that 'short of economic isolation, the effects of imported inflation are inescapable'.¹¹³ In spite of 'the continuing momentum of [domestic] expansion in Rhodesia', expensive imports rendered these efforts to that of a hamster running on a hamster's wheel.¹¹⁴ But in spite of Wrathal's expressed optimism in the future and instead of staying in the same place as contended by Musset, imported inflation would have an adverse effect on the balance of payment position that Rhodesia had so delicately managed from 1965 to 1971.

The UDI economy had also been sustained by price controls that maintained a stable level of the Consumer Price Indices (CPI) up to the early 1970s. This was achieved by delaying price increases on basic commodities, with a greater emphasis on bread and meat. However, in the 1970 / 71 fiscal year, Wrathal announced that the African CPI had fallen sharply, prompting pressures for a prices review on most commodities in the African consumer basket.¹¹⁵ The bakery industry, for instance, had complained of low profits, prompting Cabinet to constitute a committee on the price of bread to investigate a way of maintaining low but profitable prices along the value chain from wheat growers, flower producers,

¹¹⁰ Bond, *Uneven Zimbabwe*, p. 121-122.

¹¹¹ John Wrathal (Minister of Finance) Budget Statement, Rhodesia Parliamentary Debate, c.603.

¹¹² *Ibid.*

¹¹³ *Ibid.*

¹¹⁴ RUCL, Smith Papers, 'Forward Planning: Availability of Foreign exchange for Importers', Memorandum by H. B. Musset (Minister of Commerce and Industry) to Cabinet, 5 November 1971.

¹¹⁵ Wrathal, Budget Statement, Rhodesia Parliamentary Debate, c.603.

bakeries and retailers.¹¹⁶ The committee found that although winter production in the low veld had contributed to making the country 75 percent wheat self-sufficient, this was compromising sugar production, another important commodity in the consumer basket.

On balance, the committee found it more rewarding to suggest that sugar, instead of wheat production be reinstated in the low veld while wheat was introduced to the high-veld. This left the country temporarily dependant on wheat and flower imports. The price control committee had no option but to recommend an upward revision of producer prices of wheat and as well as wheaten products higher up the value chain pending the establishment of production and improvement in winter wheat yields in the Highveld.¹¹⁷ It also found that imports of ammonium nitrate, so crucial to wheat production, was a factor that increased production costs.¹¹⁸ For the benefit, not just of wheat farming, but of other crops dependent on the fertilizer, the MECC was forced to allocate meagre foreign currency towards the further development of the Sable Chemicals plant in excess of US\$1 million for production and inflation beating importation, stockpiling and bulk storage of ammonia nitrate.¹¹⁹ Just as it did with wheat and wheaten products such as bread, the price control committee approved price increases of other commodities affected by surging production costs.¹²⁰ This prompted increased labour agitation for cost of living adjustments in all sectors of the economy.

Despite increased inflationary pressures and calls from different sections of the business community, the state resisted currency devaluation in the 1970s. Price increases were thus only permitted to those commodities approved by government, and business was never allowed the liberty to do so without consultation. This was a desperate effort to maintain both the African and European CPIs at low levels. However, global financial instability compromised Rhodesia's domestic strategies to survive. The Bretton Woods system in which major global currencies were convertible into the United States Dollar (US\$), which in turn was convertible into gold at the rate of US\$35 an ounce, was becoming increasingly

¹¹⁶ RUCL, Smith Papers, 'Report of the Committee on the Price of Bread', submitted by Wrathal (Minister of Finance and Chairman of the Committee on the Price of Bread) to Cabinet, 20 February 1970.

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ RUCL, Smith Papers, 'Additional Financial Requirements for the Production of Ammonium Nitrate in Rhodesia', Report of the MECC submitted to Cabinet, 29 June 1970.

¹²⁰ RUCL, Smith Papers, 'Report of the Committee on the Price of Bread', submitted by Wrathal (Minister of Finance and Chairman of the Committee on the Price of Bread) to Cabinet, 20 February 1970.

unstable.¹²¹ This was because of a number of factors. Firstly, competing currencies such as the Japanese yen were artificially devalued against the US\$ to ensure that it gained an edge in international trade. Although the US had allowed Asian and European countries to fluctuate their rates to facilitate recovery from the economic ruin of the Second World War, this began to cause recurrent BOP deficits for the US economy.¹²² Secondly, the Vietnam War (1955 to 1975) cost the US the lives of almost 60,000 soldiers as well as an estimated US\$140 billion.¹²³ By the 1970s, hard currencies were manipulating their parities to the US\$ to gain a competitive edge and this was partly responsible for raising import costs for Rhodesia.

In response to the global currency instability that undermined the strength of the US\$ as the international key currency, and to contain a run on the Federal reserve stimulated by global currency speculators, the United States suspended the convertibility of the US\$ into gold on 15 August 1971. Facing political pressure to provide jobs for US citizens, fight inflation and correct the United States' BOP deficit by making the country's exports more competitive, Nixon's measures included the immediate cancellation of the United States' role in buying gold at US\$35 an ounce. He held negotiations to persuade certain nations that were fixing currencies to revalue them upwards against the US\$. The Nixon administration also included a ten percent temporary surcharge on dutiable interests except strategic minerals such as chrome, uranium, asbestos, copper, gold and other listed minerals under its Material Policy, among other measures.¹²⁴ Although Rhodesia was not directly affected by the floating of the US\$ as its minerals, which included chrome, nickel, copper among others, were exempt from the surcharge on imports into the US it was affected in other ways.

The collapse of the Bretton Woods system ushered in a new era of floating currencies which brought with it major revaluation of currencies which forced up the cost of exports from developing countries. Within Europe, members of the EEC, including Britain agreed to

¹²¹ NAZ, S3285/25/28, 'Foreign Report: Gold, the Dollar and the World Monetary Situation', Ministry of Foreign Affairs, 8 October, 1971.

¹²² <http://thevietnamwar.info/how-much-vietnam-war-cost/> accessed on 15 August 2015 ; See also, The Institute for Economics and Peace, *Economic Consequences of War on the US Economy* (Washington D. C: Institute for Economics and Peace, 2011), p. 17; accessed from <http://www.thereformedbroker.com/wp-content/uploads/2012/02/Economic-Consequences-of-War.pdf> on 15 August 2015.

¹²³ *Ibid.*

¹²⁴ NAZ, S3285/25/28, Attachment to Foreign Report: International Monetary Crisis', Ministry of Foreign Affairs, 3 September 1971.

reconcile their exchange parity against that of the US\$.¹²⁵ This became the pretext for a future common European currency but a basis for currency competition linked to trade flows.¹²⁶ This affected the capacity of Rhodesia to earn foreign exchange. Whereas the costs of Rhodesian primary commodities remained constant in R\$, they had become cheaper in foreign exchange terms, while import costs had surged affecting its BOP negatively. Whereas European countries coped through creating a banking regulatory authority at Basel in 1974 to reconcile European currencies and trade, Southern Africa was not only divided, but too dependent on European and United States Multi-National Corporations (MNCs) to forge similar cooperation.¹²⁷ Not only would these external events prompt severe austerity measures on the rising demand for foreign exchange, its shortage had a domino that affected domestic business activity. Although Rhodesia had managed to overcome a degree of financial dependency on London, it had shifted its dependency onto the United States led Bretton Woods system. Following the financial shock, Salisbury had to adjust to the new floating currency arrangements under which it struggled to cope, not least because of the effect of sanctions. Within the region, Rhodesia's reliance on South Africa and its Southern African Customs Union (SACU)¹²⁸ as well as the Portuguese territories of Mozambique and Angola would soon prove incapable of protecting the rebellious Colony, not just from sanctions, but from what would become recurrent global cyclical crises.¹²⁹

The task of managing the allocation of foreign exchange to business was delegated to the Ministry of Commerce and Industry in consultation with the ministry of Finance and the RBR. Musset, Wrathal and the Reserve Bank Governor Bruce Noel faced a mammoth task of coordinating efforts to manage a delicate balance of the country's import and export trade. Musset consulted business representative organisations such as Association of Rhodesian Industries (ARNI) and Associated Chamber of Commerce of Rhodesia (ACCoR) over the diminishing capacity to offset import requirements which were prejudiced by imported

¹²⁵ Ibid.

¹²⁶ Schenk, *The Decline of Sterling*, p. 143.

¹²⁷ R, Murapa, *The Political Economy of the United States Policy in Southern Africa*, *The Review of Black Political Economy*, 7:3 (1977), pp. 307-334.

¹²⁸ For more details, see P.M. Landell-Mills, 'The 1969 Southern African Customs Union Agreement', *Journal of Modern African Studies*, 9:2 (1971), pp. 263-281.

¹²⁹ Given the lack of any specific study of Portuguese Africa and the Rhodesian crisis, especially during the years 1970 to 1975, there is a gap in research. For the period before, see Barroso, "'A Trick with Rebounds"; see also RUCL, Ministry of Commerce and Industry Report to Cabinet, 'Portugal / Rhodesia Joint Trade and Economic Liaison Committee: Ninth Meeting, Lorence Marques, January 1970'.

inflation from the country's relatively limited capacity to earn more foreign currency.¹³⁰ Although the R\$118 million allocation that the Ministry of Commerce had at its disposal was the second largest since UDI, the continuing rise in imports made it lesser in real terms relative to previous years.¹³¹ The Ministry's bid to Treasury by mid-1971, still set to surge thereafter, had been 7 percent higher amounting to R\$126.5 million against bids totalling R\$140.3 million from industrial, building, public sector, mining and commercial projects.¹³² Facing this turning point in Rhodesian fortunes, Musset admitted that in the absence of a startling change in the country's capacity to earn more foreign currency, this was 'a clear indication that a lean period [wa]s unavoidable'.¹³³

The immediate solution that Musset announced was that 'until the foreign exchange position improves, projects involving forward [foreign exchange] commitments w[ould] have to be deferred and that those which require[d] foreign exchange for raw materials in future allocations periods w[ould] have to be rejected'.¹³⁴ The domino effect of this, Musset realised, was a contraction in industrial activity which had been so crucial to Rhodesia's economic sustenance since November 1965. This forced firms to cut back on production and in some cases retrench staff. Example of companies include Rhodesia Wire Industries, manufacturers of metal windows; Treger Group, corrugated iron factory; Berkfield Consolidated, a knitwear and clothing company, among others.¹³⁵ Without enough 'economic' foreign exchange allocations, many companies complained of their capacity to do business just to break-even.¹³⁶ The first sector to fold under pressure was the construction industry by 1972 as the economy contracted and property bubble ultimately burst. In fact, by 1975, building societies stopped providing loans for property purchases and development.¹³⁷

Other internal factors identified by government as a source economic drain was the poorly developed state of Tribal Trust Lands (TTLs). Financial and economic development had

¹³⁰ RUCL, Smith Papers, Cabinet Memorandum by H. B. Musset (Minister of Commerce and Industry), 'Forward Planning: Availability of Foreign Exchange for Importers', 5 November 1971.

¹³¹ *Ibid.*

¹³² *Ibid.*

¹³³ *Ibid.*

¹³⁴ *Ibid.*

¹³⁵ *Ibid.*

¹³⁶ *Ibid.*

¹³⁷ P. Bond, *Uneven Zimbabwe*, p. 122.

targeted major European centres with little emphasis placed on promoting African contribution to economic development except through the provision of cheap labour. Although based on the protection of European privilege and the exclusion of Africans in the mainstream economy¹³⁸, the Smith regime blamed TTLs as the source of a huge drain of the country's domestic financial resources. The government's piecemeal Community Development programme had failed to develop any significant rural enterprise to harness African business activity, and would now be replaced by a new policy of economic decentralisation guided by the principle of separate development. Designed to curb African migration into urban areas to compete for limited employment opportunities, it was hoped decentralisation would develop in the TTLs under the 'growth point' concept.¹³⁹

The government established an African Small Industrial Advisory Service (SIAS) in 1972 and the Institute of Business (IOB) in 1975 to assist African business people with personalized consultancy services, a center for collation, collection, and distribution of business relevant information such as credit control, stock control, cash management, accounting and other matters.¹⁴⁰ In spite of the promising projects supervised by these support institutions, financial support was marginal as Africans competed for loans with established white businesses and other major corporations. Most could not provide sufficient security to qualify for loans available at costly market rates. For the most prominent African business people such as Zacharia Chigumira, Ben Mucheche, Alfred Banda, Kenneth Marechera, Micah Bhebhe, Adrian Mwamuka and Ruth Chinamano¹⁴¹, their operations were 'eliminated from the towns and confined to the "locations"', or for less prominent operators, located in TTLs, further down the value chain.¹⁴² In the long run, the decentralization policy and its 'growth points' initiatives achieved little more than developing small shopping centres in rural areas.

The strategy of decentralizing development to the TTLs had gained currency in the wake of some examples of successful investment in mining, for example, at Empress Nickel Mine in

¹³⁸ For the early colonial history of this, see D. Kennedy, *Islands of White: Settler Society and Culture in Kenya and Southern Rhodesia, 1890-1939* (Durham: Duke University Press, 1987), pp. 282.

¹³⁹ RUCL, Smith Papers, Cabinet Memorandum by Musset, 'Decentralization', 8 November 1971.

¹⁴⁰ NAZ, S/in 41, *IOB Newsletter and Journal*, March 1978, p. 4.

¹⁴¹ V. Wild, *Profit not for Profit's Sake: History and Business Culture of African Entrepreneurs in Zimbabwe* (Harare: Baobab Books, 1997), p. 27.

¹⁴² B. Raftopoulos and S. Moyo, *The Politics of Indigenisation in Zimbabwe* (Research Paper, Zimbabwe: Institute of Development Studies, 1994), p. 4.

Zhombe, located in the Midlands province in north-western Rhodesia.¹⁴³ The minister of Mines, Ian Dillon, conveyed that

[f]rom virtually raw bush providing subsistence for a few tribesman, we have a mine complex providing employment for some 900 Africans and 80 Europeans. We have a thriving “township” providing shopping facilities, clinic facilities, sporting facilities ... all of which are of benefit to the surrounding tribal areas. Probably some [R\$]50,000... in wages are paid out monthly to employees to be spent in the cash economy with benefit to all.¹⁴⁴

Dillon argued that employment opportunities were thus ‘naturally’ created at the cost of private enterprise rather than ‘artificially’ through expenditure of public funds. He suggested that with government tax incentives and favourable foreign exchange allocation, other mining companies would be encouraged to invest in other TTLs where mineral deposits could be realised. This would produce the maximum beneficiation of extractive resources and raise the country’s mineral export potential. This initiative, primarily intended to discourage African migration from the TTLs to urban areas, was the origin of the growth points’ phenomena.¹⁴⁵

In trying to facilitate decentralisation of the economy and stimulate development in the so called ‘African areas’, the government, under the Tribal Trust Land Corporation (TILCOR) Act (1968), invested in rural industrial and commercial development through TILCOR, the African version of the Industrial Development Corporation, from 1972 through the Ministry of Internal Affairs.¹⁴⁶ In discussing how TILCOR could be used to decentralise the so called ‘money economy’ into the ‘African areas’, Dillon consulted a 1940’s Barlow Report. The report pointed out factors that determined the location of industry in a ‘free economy’.¹⁴⁷ Although Rhodesia’s economy was highly coordinated and state controlled, Dillon selectively selected such factors as proximity to raw materials, markets and the availability of transport facilities to make a case for the functions that TILCOR could adapt. The Rhodesian government had always viewed the African population as the source of heavy

¹⁴³ RUCL, Smith Papers, Cabinet Memorandum by Minister of Mines, I. B. Dillon, ‘Industrial development in Tribal Trust Lands: Policy’, 20 January 1970.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

¹⁴⁶ RUCL, Smith Papers, Minister of Internal Affairs Cabinet Memorandum, ‘Policy of African Affairs’, 27 January 1971.

¹⁴⁷ RUCL, Smith Papers, Cabinet Memorandum by Minister of Mines, I. B. Dillon, ‘Industrial development in Tribal Trust Lands: Policy’, 20 January 1970.

government expenditure through financing African welfare. What the RF regime ignored was that the so called 'cash economy' had reached its limits in the context of prevailing global conditions. It could no longer support high levels of employment and most RF politicians wrongfully blamed the size of the African population as the source of the country's problems. They drew on demographic studies by Warren Thompson and Frank Notenstein's Demographic Transition Theory, both of which influenced discourse on the Malthusian population explosion that gained popularity in the 1970s. It held that a population growing in excess of its national resources was detrimental to economic development.¹⁴⁸ The reality of Rhodesia was not overpopulation, but uneven development.

The politicians conveniently ignored that over 75 percent of financial and natural resources were controlled by less than 3 percent of population while 97 percent invariably shared the little that remained.¹⁴⁹ Apparently, 'shocking' census findings in 1969, revealing a disparity in population segments of 228,296 Europeans, 15,154 Coloureds, 8,965 Asians and 4,846,930 Africans, had 'spurred the state to focus its energies on addressing these racial imbalances' in the 1970s.¹⁵⁰ To contain the African population explosion that exceeded 5 million in 1970, the government introduced family planning programmes.¹⁵¹ In contrast, the expansion of the European population was encouraged through assisted immigration and improved birth rates. Ignoring the fact that it was a misdistribution of resources rather than a racial 'war of numbers'¹⁵² that was responsible for lopsided or uneven economic development, the settler government played the blame game to protect their privileges. Under the Land Tenure Act (1969)'s 'stated policy of permanent and European areas', the African was to be 'retained and fostered' under the 'refuge' of the 'tribal structure', Lance Bales, the Minister of Internal Affairs, insisted, and not be allowed to fully participate in the 'cash economy'.¹⁵³ He was to be restricted from having free access to exclusive European

¹⁴⁸ J. Brownell, *The Collapse of Rhodesia: Population Dynamics and the Politics of Race* (London: I. B. Tauris, 2011), p. 46; See RUCL, Smith Papers, Minister of Internal Affairs Cabinet Memorandum, 'Policy of African Affairs', 27 January 1971.

¹⁴⁹ See for example H.V. Moyana, *The Political Economy of Land in Zimbabwe*, Gweru: Mambo Press, 1984; R. H. Palmer, *Land and Racial Domination in Rhodesia* (London: Heinemann, 1977); G. Arrighi and J. Saul, *Essays on the Political Economy of Africa* (New York: Monthly Review Press, 1973). More specifically, Arrighi, *The Political Economy of Rhodesia* (The Hague: Mouton and Co, 1967).

¹⁵⁰ Brownell, *The Collapse of Rhodesia*, p. 25.

¹⁵¹ G. Ncube, 'African Population Dynamics'.

¹⁵² Brownell, *The Collapse of Rhodesia*, p. 25.

¹⁵³ RUCL, Smith Papers, Cabinet Memorandum by Lance Bales (Minister of Internal Affairs), Policy on African Affairs', 27 January 1971.

areas to avoid the erosion of the 'Rhodesian way of life'.¹⁵⁴ This, it was also argued, also compromised property values just as the African population numbers had been blamed as the source of Rhodesia's economic challenges.

Among the measures taken to 'protect' European property values was the Residential Property Owners (Protection) Act (1971). It 'provide[d] that in an area which is predominantly occupied by one race, if there is infiltration by another race, fifteen or more owners of property may make application for the area to be declared an "exclusive area"'.¹⁵⁵ The Bill was designed exclude Indians, Coloureds and Africans under the guise of racial harmony. In the workplace, there were also complaints about the 'Africanisation' of 'traditionally' European jobs in Industry and calls to deal with that 'problem'.¹⁵⁶ Although under Rhodesian law, '[e]mployment opportunities [we]re open to all irrespective of race and colour and, in Rhodesia's democratic society, an employer retain[ed] the right to hire and fire', the complaints were that employers were taking advantage of the fact that Africans accepted lower rates of pay.¹⁵⁷ Ian Mclean, the Minister of Labour and Social Welfare, considered measures to halt and reverse the Africanisation process. Clearly, beyond the claim of liberal employment opportunities and the pretence that employers were allowed to hire and fire, there was a *de facto* colour bar discriminating against Africans. Mclean suggested government approved wage rates at 'sufficiently high levels to attract European rather than non-European into jobs' and also 'have a substantially greater force on inspectors to insure compliance with the terms of industrial agreements and employment regulations'.¹⁵⁸

Even as incomes were eroded across the entire civil service and the Ministry of Labour agitated for a review of European salary increments¹⁵⁹, the government considered 'anti-strike legislation' under the Industrial Conciliation Act in the low paying jobs reserved for Africans. This was regarded as a measure to curb inflation in response to the economic

¹⁵⁴ See P. Godwin and I. Hancock, *'Rhodesians Never Die': The Impact of War and Political Change on White Rhodesia, c. 1970-1980* (Harare: Baobab Books, 1995).

¹⁵⁵ RUCL, Smith Papers, M. H. H. Partridge (Minister of Local Government and Housing) Cabinet Memorandum, 'Residential Property-Owners Protection Bill: Twelfth Draft', 24 June 1970.

¹⁵⁶ RUCL, Smith Papers, I. F. Mclean (Minister of Labour and Social Welfare) Cabinet Memorandum, 'Labour Policy: Africanisation in Industry', 21 July 1972.

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

¹⁵⁹ RUCL, Smith Papers, John Hartley Howman (Minister of the Public Service) Cabinet Memorandum, 'Civil Service Structure', 18 September 1970.

challenges of the 1970s.¹⁶⁰ Instead of harnessing African development partnership even in 'their own areas', the policy was contradictory and exploitative. In suggesting strategies to prevent African labour action, some Ministers targeted unregistered trade unions, particularly the African Trade Union Congress (ATUC) and the National African Federation of Unions (NAFU) to which other registered and unregistered unions were affiliated.¹⁶¹ However, Mclean convinced the Cabinet that banning these two organisations would only cause further damage to the already unjust race relations.¹⁶² The suppression of African labour action and expression led to many supporting the nationalist movement.¹⁶³ Given the discriminatory financial and economic policies, 'race was stronger as a tool of exclusion than as a source of loyalty to the "nation"'.¹⁶⁴

As Rhodesia's problems mounted in the face of worsening economic problems, it was increasingly willing to negotiate a settlement with Britain culminating in the Anglo-Rhodesian agreement of November 1971. In preparation for the negotiations, the Ministry of Finance established a Post Sanctions Committee which produced a report on proposals for a settlement to facilitate Rhodesia's re-entry into the global financial system on terms that avoided further economic challenges.¹⁶⁵ The Committee's report entitled 'Economic Policies following a Political Settlement with Britain', not only spelt out Rhodesia's post-sanctions policies but also revealed how the rebellious Colony was now far removed from previous imperial links.¹⁶⁶ In finance, the report stated that there was no longer an advantage in 'seeking to re-join the sterling area nor in returning to an open banking system'.¹⁶⁷ Wrathal, argued that the weakened state of the British economy created 'doubt

¹⁶⁰ RUCL, Smith Papers, Mclean Cabinet Memorandum, 'Industrial Conciliation Act: Anti-Strike Legislation', 22 October 1971.

¹⁶¹ Ibid.

¹⁶² Ibid.

¹⁶³ There is a diverse literature covering Zimbabwe's liberation struggle. See for example, Mtisi, Nyakudya and Barnes, 'War In Rhodesia, 1965-1980', pp. 141-166; Bhebhe and Ranger (eds), *Society in Zimbabwe's Liberation War*; Ranger, *Peasant Consciousness*; Ellert, *The Rhodesian Front War*; Kriger, *Zimbabwe's Guerrilla War*; Martin and Johnson, *The Struggle for Zimbabwe*.

¹⁶⁴ J. Mtisi, M. Nyakudya and T, Barnes, 'Social and Economic Developments during the UDI Period', in Raftopoulos and Mlambo, *Becoming Zimbabwe*, p. 124.

¹⁶⁵ RUCL, Smith Papers, 'Relations with the British Government: Proposal for Settlement', J. J. Wrathal (Chairperson of the Post – Sanction Economic Policies Committee) Memorandum to Cabinet, with an attached report on 'Economic Policies following a Political Settlement with Britain', Post-Sanctions Economy Policies Committee, 26 November 1971.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

about holding reserves in sterling'.¹⁶⁸ Given the diversification of Rhodesian finances and trade that had taken place since 1965, and the fact that

facilities offered by the London foreign exchange market [we]re available on the exchanges in Europe[, t]here was no longer any particular advantage in London; in fact there [we]re more positive advantages in spreading reserves to some extent to avoid political and monetary risks.¹⁶⁹

Rhodesia had not secured any long term funds from London since the Federal loan in 1959 and development funds were then obtained from the IBRD and the CDC. The caution over monetary risks that Wrathal referred to was the product of the freezing of reserves that had occurred in London following UDI. Future policy was aimed at averting such vulnerability in the event of a political fallout with other nations. Ultimately, the report resolved that '[o]n balance, Rhodesia would gain more from Europe than from Britain'.¹⁷⁰

The Ministry of Finance also stressed that the '[p]ayment of all outstanding arrears of overseas public debt be withheld pending a satisfactory financial settlement'. In the event of a successful settlement, Wrathal insisted on a 'gradual relaxation of controls on invisible payments' and that '[i]mport controls on industrial development and major buildings should remain for as long as the balance of payments situation demands'. He stressed that the main emphasis in foreign policy be on trade relationships with the majority of foreign services economically oriented. This was meant to address the BOP position which was 'under considerable strain'.¹⁷¹ Wrathal's argument was that the strain arose not so much from the inability to sell the country's products, given that tobacco was the only commodity effectively stifled by sanctions, as it was the rapidly rising demand for imports. This was worsened by the depressed commodity prices on the global market in the 1970s. 'The removal of sanctions', Wrathal admitted, was 'expected to result in increasing export earnings with a larger disposal of tobacco in some instances, improved realisations on agricultural and mining commodities'.¹⁷² If the RF government could not ensure an easing of the BOP position from increasing trade and negotiate a gradual debt payment plan with the

¹⁶⁸ Ibid.

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

¹⁷¹ Ibid; see also RUCL, Smith Papers, Wrathal memorandum to Cabinet, 'Financial Situation: Balance of Payments', 22 November 1971.

¹⁷² RUCL, Smith Papers, Report to Cabinet on 'Economic Policies following a Political Settlement with Britain', Post – Sanctions Economy Policies Committee, 26 November 1971.

British government, the 'resumption of normal conditions and the [rapid] clearing of arrears would result in a substantial drain of foreign currency which Rhodesia could not sustain from current earnings'.¹⁷³

The resultant Anglo-Rhodesian settlement in November 1971 was rejected overwhelmingly by the African population in the Colony as the Pearce commission found in 1972.¹⁷⁴ However, the report of the Post-Sanctions Committee reveals some important issues. It demonstrates that by the time of the agreement, economic ties between Britain and Rhodesia were severely weakened to the extent that the former had little political and economic influence over the latter. Also, British and subsequent UN sanctions had also failed to force the illegal Rhodesian regime to capitulate. In the 1970s, it was more of the global downturn than UN actions that were beginning to strain Rhodesia's economy. Moreover, the fact that the rebellious Colony managed to reconstruct its exchange control arrangements and reform its banking regulations from imperial towards territorial control as well as diversify its trade in regional and international markets in terms of its exports of certain mineral, agricultural and manufacturing products demonstrates how it had been integrated into the global economy. Nevertheless, these developments point to the fact that in spite the apparent seizing of territorial control from Britain, Rhodesia remained vulnerable to developments in the global financial system.

By the end of 1971, Wrathal announced that BOP assessments and projections for the years 1971 to 1973 revealed a further reduction in foreign exchange reserves. As the 'uncertain world monetary situation has dampened down investment in Europe and elsewhere... generally weaken[ing] world commodity prices [this was] likely to continue to have a marked effect on Rhodesia's export earnings, particularly from asbestos, chrome ore, nickel and ferro-alloys'.¹⁷⁵ The net outflow of foreign currency was also worsened by the need to meet 'invisible transactions, for example, freight, foreign travel, investment income and transfers to the extent of 'effectively pre-empting almost half the expected increment in export earnings, so that the margin available to finance imports [was] inadequate to meet

¹⁷³ Ibid.

¹⁷⁴ Mtisi (et.al), 'War in Rhodesia', pp. 141-142.

¹⁷⁵ RUCL, Smith Papers, Wrathal memorandum to Cabinet, 'Financial Situation: Balance of Payments', 22 November 1971.

the demand'.¹⁷⁶ The declining levels of foreign exchange had a domino effect on the entire economy and this destabilised MECC's coordination efforts. The Nixon shock unintendedly weakened the Rhodesian economy, becoming the necessary ingredient to make the sanctions work more effectively. The hike in import costs of petrol and petroleum products spread the pressure on inflation, placing higher demands on foreign currency and ultimately affecting GDP per capita. The domestic selling price of petrol had been kept at a fixed price since 1965 with service stations earning part of their declining profits from a 1d. per gallon that retailers were allowed to charge for the additional work that they undertook in their share of the operation of the petrol rationing scheme.¹⁷⁷ This share was removed in 1971 and, as it became increasingly unviable to operate service stations because of increased costs and purchase prices, the Road Motor Trade Association pleaded for a ten percent increment on the price of petrol which the government was forced to approve.¹⁷⁸ As much as this partially restored the profitability of service stations, the rise in the price of fuel was an important factor in industry and commerce's terms of trade that pushed inflation up.

The cost of other fuels such as coal was also forced upwards, having a destabilising effect on financial coordination in the Rhodesian 'economic war'. Under the Wankie Coal Price Agreement of September 1971, there was a reduction in the profit margin on Rhodesian coal from 63.38cents(c) to 47.39c per tonne and the further removal of an 'obligatory appropriation of 25 percent of profits to the general reserve'.¹⁷⁹ By May 1972, under pressure from increased shortfalls amounting to over R\$257.000 in just one fiscal year, this profitability had to be restored through a price increment of an additional 20c on all grades of coal which was still deemed insufficient.¹⁸⁰ This affected, not just costs at thermal power stations, but the costs of rail transportation and copper production as well. Dependent on coal, the railways needed to increase the fares, which had not been done for ten years, by at

¹⁷⁶ Ibid.

¹⁷⁷ RUCL, Smith Papers, 'Petroleum Products: Average Prices', Musset Memorandum to Cabinet, 9 February 1973.

¹⁷⁸ Ibid.

¹⁷⁹ RUCL, Smith Papers, 'Wankie Colliery Agreement: Proposed Increase in Coal Prices', Wrathal Memorandum to Cabinet on the Ninth Report of the MECC.

¹⁸⁰ Ibid.

least ten percent to offset an R\$4 million deficit caused by the effects of the Nixon shock within the Colony's domestic economy.¹⁸¹

The increase in rail tariffs affected the profitability of such products as cement, fertilizer and iron ore. The Ministry of Agriculture was particularly concerned about the effects this had on the commercial agriculture given the depressed global market for agricultural commodities.¹⁸² However, the failure to increase tariffs undermined the feasibility of the railways which were required to operate efficiently in transporting 10,000 tonnes of primary export commodities daily.¹⁸³ 50 percent of its tonnage came from crucial export earning commodities: coal, coke, maize and chrome.¹⁸⁴ Chrome was especially important as, for example, 326,000 tonnes with an 'at mine' cost of R\$5.083.987 had been exported in the first six months of 1972 under the auspices of the Bryd Amendment. A further 482,664 tonnes were expected by the end of August 1972 with a further rise in production thereafter from mines such as Univex, Consolidated Minerals, Inyala Mine, Rio Tinto, Rhodesian Vanadium Corporation, Cambrai mine and Jonathan mine.¹⁸⁵ Deepening economic discoordination threatened the once closely and efficiently managed economy. Having discussed areas of priority, the MECC's Price Control Committee (PCC) approved a ten percent increment on railway freight charges from 1 April 1973 with another review scheduled for 1 April 1974.¹⁸⁶ But these would do little to contain inflation especially as the Rhodesia-Zambia border, the source of much railway revenue, was closed on 9 January 1973.¹⁸⁷ This also impacted negatively on coal sales, the major export commodity destined for the copper belt.

The prices of basic commodities continued to be forced upwards, prompting increasing pressures for wage and salary increments. The Cold Storage Commission applied to the PCC for an increase in the price of chilled beef but failed to get approval because 'an increase in price at this juncture', Wrathal argued in his capacity as chairman of the PCC, 'would

¹⁸¹ RUCL, Smith Papers, 'Price Control Committee and Railway Rate Increases', Wrathal Memorandum to Cabinet, 6 October 1972.

¹⁸² Ibid.

¹⁸³ RUCL, Smith Papers, 'The Chrome Mining Industry', Dillon Memorandum to Cabinet, 15 September 1972.

¹⁸⁴ RUCL, Smith Papers, 'Price Control Committee and Railway Rate Increases', Wrathal Memorandum to Cabinet, 6 October 1972.

¹⁸⁵ RUCL, Smith Papers, 'The Chrome Mining Industry', Dillon Memorandum to Cabinet, 15 September 1972.

¹⁸⁶ RUCL, Smith Papers, 'Price Control Committee and Railway Rate Increases', Wrathal Memorandum to Cabinet, 6 October 1972.

¹⁸⁷ Chongo, 'The Impact of Rhodesia's Unilateral Declaration of Independence', p. 68.

inevitably lead to curtailment in the local demand for chilled beef which in turn would increase the quantity of beef to be exported'.¹⁸⁸ Yet, 'the realisation from this market was less than that obtained for local sales'.¹⁸⁹ Realising that price increases could not be entirely stalled however, a modest increment of R\$1.50 per 100 lbs was approved but deferred to 1 September 1972.¹⁹⁰ Pressures would continue to increase in subsequent years as inflationary pressures mounted. The same applied to wheat, wheaten products and other basic commodities in the bread basket, prompting a surge in both the European and African CPIs to rise at an average of 7.2 percent from 30 June 1971 to 30 April 1973. It was projected to soar by about 12 percent by 30 June 1974.¹⁹¹ These developments occurred amid the government resistance for salary and wage reviews for African workers.

The small business sector was also negatively affected by these developments. Given the relatively low capital and profit margins they realised, their businesses carried the transferred costs of producers and wholesalers, yet they were not allowed to transfer the costs to consumers in the interests of maintaining prices at affordable levels to minimise pressure for wage demands.¹⁹² Small business organisations channelled their grievances through Associated Chamber of Commerce of Rhodesia (ACCoR) whose President had complained at their congress in May 1972 that government policies favoured the interests of consumers more than their own.¹⁹³ They had continued to agitate through the *Property & Finance* magazine to devalue the R\$ so as to allow price increases that would make their businesses viable.¹⁹⁴ However, they were sacrificed by the Ministry of Commerce and Industry as they lacked sufficient muscle to influence policy. Musset argued that the interests of the consumers coincided with that of government which sought to keep prices at 'reasonable levels'.¹⁹⁵

¹⁸⁸ RUCL, Smith Papers, 'Cold Storage Commission: Local Beef Selling Prices', Wrathal Memorandum to Cabinet on the Report of the Price Control Committee, 13 June 1972.

¹⁸⁹ Ibid.

¹⁹⁰ Ibid.

¹⁹¹ RUCL, Smith Papers, 'Public Service: Salary Review', Minister of Public Service, John Hartley Howman Memorandum to Cabinet, 29 May 1973.

¹⁹² RUCL, Smith Papers, 'Small Business', Musset Memorandum to Cabinet, 20 June 1972.

¹⁹³ Ibid.

¹⁹⁴ See 'Small Businesses: many advantages, pitfalls', *Property and Finance*, October 1972; see also 'Inflation a red herring: home truths for money moguls', *Property and Finance*, October 1972.

¹⁹⁵ RUCL, Smith Papers, 'Small Business', Musset Memorandum to Cabinet, 20 June 1972.

In maintaining 'reasonable' retail prices, Musset targeted those whom he accused of making the 'loudest complaints': bottle store owners. Bottle store owners had been against the Resale Prices Bill and the advent of trading stamps which added to their costs without an approved increment in retail prices of their products.¹⁹⁶ To punish and silence this group, Musset directed the Liquor licensing Board to restrict the number of new licensing issued in 1973. Other businesses were not spared in government's pursuit of appearing consumer sensitive while sacrificing the interests of small businesses which Musset apparently acknowledged to have a 'part to play in [economic development], but not necessarily those businesses which are at present vocal'.¹⁹⁷ The fortunes of the motor trade were discussed above but other casualties were companies in distribution, restaurants and hotels. Their fortunes had always been compromised since UDI as illustrated in the table below.

Table 1: Company Registrations and Liquidations

Years	Registrations- No.s	Liquidation	Struck off Company registers
1966	145	86	399
1967	185	68	357
1968	196	68	391
1969	247	51	282
1970	206	54	292
1971	509	47	379

Table adapted from RUCL, Smith Papers, Musset Memorandum, 'Small Businesses', 20 June 1972

As demonstrated above in the case of distribution, restaurant and hotel businesses, the space for small businesses continued to be limited, and this was true in other sectors as well. Complaining that the 'small man' was being 'forced out', ACCoR was concerned about government favouring monopolies operating 'in certain fields [that] prejudiced the interests of smaller businessmen'.¹⁹⁸ Arguing that large corporations observed government price policies better than small businesses, Musset remained adamant in the direction that policy

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

took. Reeling from the foreign control problems triggered by the Nixon shock, the domino effect began destabilising a Rhodesian economy that had been so well coordinated in terms of its BOP, GDP and inflation policies.

No sooner had Rhodesia's economy suffered the above setbacks than there was an attack on a white-owned Altena farm on 21 December 1972, followed by another on Whistlefield farm the following day.¹⁹⁹ The attack was motivated by Zimbabwe African National Liberation Army (ZANLA)'s Solomon Mujuru also known as Rex Nhongo on his former employer, tobacco farmer Marc De Borchgrave. It marked the beginning of the second and bloodiest phase of the liberation struggle in which African nationalists used guerrilla tactics as opposed to open direct confrontation which had been successfully defeated by the Rhodesian forces in the 1960s. In fact, because of the direct confrontation approach by the less experienced nationalist fighters, it has been claimed that 'not a single white person died as a result of guerrilla action' between 1967 and 1972'.²⁰⁰ The use of guerrilla tactics marked, as Lockley noted 'a whole new ball game' in the 'war proper' for the struggle for Zimbabwe's liberation from white minority rule.²⁰¹ Rhodesia's war to preserve white rule had shifted from just being an economic war against British and UN sanctions, and the 'hidden war of numbers' declared through population control by attempting to limit African population expansion and encouraging assisted European immigration and increased birth rates following the 1969 census as Brownell has suggested²⁰²: It now included a military dimension which would result in the loss of over 20,000 lives, the injury and displacement of thousands more and culminate in the destruction of infra-structure as well as significant economic contraction.

The war had an immediate and direct effect on the finances of the RF government. Following more attacks on white-owned farms in December and January 1972, the state found itself increasingly vulnerable. The security upon which it had always dependent was not only undermined by the African liberation armies' guerrilla tactics, but citizens were keen to see how the RF would respond. Designed to boost white citizens morale but at the

¹⁹⁹ Martin and Johnson, *The Struggle for Zimbabwe*, p. 27.

²⁰⁰ D. Caute, *Under the Skin: The death of White Rhodesia* (London: Allen Lane, 1983), p. 40.

²⁰¹ R.E.H. Lockley, 'A Brief Operational History of the Campaign in Rhodesia, 1964 – 1978', *The Lion and Tusk* (Southampton: Rhodesia Army Association, 1998): Accessed on 8 July 2015 from <http://rhodesianforces.org/ABriefOperationalHistory.htm>

²⁰² Brownell, *The Collapse of Rhodesia*, p. 19.

same time acknowledge how protracted the military war would be, the RF Cabinet approved a treasury scheme of 'national assistance to persons injured through enemy action' in February 1973.²⁰³ The scheme would compensate soldiers and civilians under the Government Service (Disability Benefits) Act (1971) for loss of life or injury, destruction of crops, movable and immovable property, personal possession and household effects.

The scheme was comprehensive to the extent of, for example, providing survivors of breadwinners a pension of a maximum of R\$2.200 per annum, including medical expenses and educational allowances on a full-time basis at an educational or training establishment to the children of the deceased.²⁰⁴ It was approved and defence expenditure was also increased. To improve security measures, the state re-engaged retired and reserve members and extended gratuities of the British South Africa Police.²⁰⁵ Despite Minister of Public Service, John Howman, who was also in charge of the defence portfolio, giving the excuse that 'lack of finance because of the drought, security expenditure', delayed the approval of salary increments in the civil service, he nevertheless got Treasury approval for a pay and allowance raise for regular and axillary forces in the army.²⁰⁶ A budget was also drawn up for a Defence Manpower Committee that would carry out 'Quarterly Threat Assessments'.²⁰⁷ Through these schemes and increases in the defence budget, and in spite of the turbulent economic challenges the rebellious Colony faced, the RF government spared no expense in defending what it had constructed and portrayed as the 'Rhodesian way of life'. The country's income was increasingly invested less in coordinating the economic war and more into military expenditure to finance seven countrywide counter-insurgency operations against the African liberation movements until the ultimate peace compromise at Lancaster House in 1979.²⁰⁸

Another major blow in Rhodesia's economic war came in the form of the Organisation of Petroleum Exporting Countries (OPEC) price hikes, or the OPEC shock. In response to, first,

²⁰³ RUCL, Smith Papers, 'National assistance to persons injured through enemy actions', Wrathal Memorandum to Cabinet, 25 January, 1973.

²⁰⁴ Ibid.

²⁰⁵ RUCL, Smith Papers, 'Defence and British South Africa Police: Re – engagement and Extended Service Gratuities', Howman's memorandum to Cabinet, 23 March, 1973; see also RUCL, Smith Papers, 'Defence Manpower Committee', Howman's memorandum to Cabinet, 18 May 1973.

²⁰⁶ RUCL, Smith Papers, 'Public Service: Salary Review', Howman memorandum to Cabinet, 29 May 1973.

²⁰⁷ RUCL, Smith Papers, 'Quarterly Threat Assessments, Howman's memorandum to Cabinet, 8 October, 1973.

²⁰⁸ See J. Cilliers, *Counter-Insurgency in Rhodesia* (London: Sydney and Dover, 1984).

the United States (US)'s granting of US\$2.2 billion to Israel during the Yom Kippur War between the coalition of Arab States led by Syria and Egypt against Israel between 6 and 25 October 1973, OPEC instituted an oil embargo against the US.²⁰⁹ Secondly, the devaluation of the US\$ in the context of the 1971 Nixon shock also affected the revenue realised by OPEC countries as oil had been pegged in terms of the depreciating American currency, so the embargo provided an opportunity to peg against the appreciating gold.²¹⁰ Although gold had been pegged at \$35 an ounce under the Bretton Woods arrangements, its collapse saw gold soaring to \$455 by the late 1970s. These developments led to the hike in the price of oil from US\$2.90 a barrel to US\$11.65 from October 1973 to January 1974.²¹¹ Moreover, these global developments destabilised central banks across the world in terms of their inflation targeting and had a reeling effect on countries' GDPs and BOPs.²¹² On top of the Nixon shock, the oil price hike was a major blow, not just to the necessary supplies of oil to Rhodesia that was already rationing and reeling under an existing oil embargo and the ripple effects this had on import costs and therefore imported inflation, but also to its effect on increased demands for foreign currency given the quadrupling of OPEC prices. Even after the oil embargo against the US was lifted in March 1974, the price hikes were maintained as they were now gold based and as they sustained increased revenue for OPEC countries thereafter.

The global oil shocks had direct financial impact on the Rhodesian economy, firstly on the foreign currency demands and then on the inflation injected into the domestic economy. The increased foreign currency costs and the constrained source of local financing at the additional cost of R\$3.5 million would not be adequate to protect Genta²¹³ from incurring consistent losses owing to the continued rise in oil prices.²¹⁴ Indicating that the availability of adequate supplies was dependent on the 'Middle East situation', Howman suggested the

²⁰⁹ M. Corbett, 'The Oil Shock of 1973 – 74', Federal Reserve History, 2013. Accessed on 9 August 2015, from <http://www.Federalreservehistory.org/Events/DetailView/36>

²¹⁰ D. Hammes and D. Wills, 'Black Gold: The End of the Bretton Woods and the Oil Price Shocks of the 1970s', Social Science Research Network, 2003, pp. 26. Accessed on 9 August 2015 from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=388283

²¹¹ Corbett, 'The Oil Shock'

²¹² A.F. Burns, 'The Anguish of Central Banking', The Per-Jacobson Lecture, Belgrade Yugoslavia, 1979, p. 6 – 26. Accessed on 9 August 1978 from <http://www.perjacobson.org/lectures/1979.pdf>

²¹³ This was an oil company started by the Rhodesian government for the purposes of busting the oil embargo that had been imposed on the Colony among other sanctions.

²¹⁴ RUCL, Smith Papers, Wrathal (Chairman, MECC), to Cabinet, Petroleum Products', 5 November 1973.

need to introduce petrol rationing to Wrathal.²¹⁵ Given that the Arab-Israeli conflict had also affected oil supplies to South Africa, the major source of Rhodesia's supply especially as the source at the Lorenzo Marques source had gone dry, Pretoria introduced rationing resulting in the reduction of petroleum consumption by up to 30 percent, which also resulted in cuts in Rhodesian consumption by over 40 percent.²¹⁶ Although the Rhodesian public coped by creating 'lift clubs' to observe the national rations, even having the Insurance Association of Central Africa including passenger insurance for lift club members in comprehensive and third party policies²¹⁷, the situation still affected the wider economy negatively in terms of the drain, not just on foreign currency imports, but other imports that soared in response to the oil shock, inflation and its associated pressure for devaluation and declining GDP.²¹⁸

Just before the oil shocks, there were already pressures for salary reviews in the public service. However, because security concerns were paramount, the only pay and allowances increases approved were those of the army, air force and the British South Africa Police in order to attract candidates willing to cover over one thousand vacancies that had been created.²¹⁹ Howman, in his capacity as both the Minister of the Public Service and of Defence, argued that

Salary increases of the Defence and Police Forces have been accepted as urgent and necessary to fill vacancies in the establishment and to retain existing staff. This is intended primarily to reduce the number of call – ups of territorial units and reservists and to limit the ill – effects on the national economy that this is causing. These particular circumstances do not apply to the civil service.²²⁰

Musset resisted increments for the civil service in order to contain expenditure. Salaries and wages accounted for 36 percent, or R\$115 million from a total revenue account of R\$318 million in the 1973/74 fiscal year. With an estimated budget deficit of R\$9.3 million, the 1974/75 faced a 20 percent surge in its estimates of expenditure without the civil service

²¹⁵ Ibid.

²¹⁶ RUCL, Smith Papers, Musset (Commerce and Industry) memorandum to Cabinet, 'Petroleum Products', 16 November 1973.

²¹⁷ RUCL, Smith Papers, Wrathal (Finance) memorandum to Cabinet, 'Motor Vehicle Insurance Policies: Insurance Cover for Lift Clubs', 3 December 1973.

²¹⁸ RUCL, Smith Papers, Wrathal (Finance) memorandum to Cabinet, 'Estimate of Expenditure 1974 / 75', 10 April 1964.

²¹⁹ RUCL, Smith Papers, Howman (Public Service) memorandum to Cabinet, 'Public Service: Salary Review', 11 October 1973.

²²⁰ Ibid.

salary increases.²²¹ On top of failing to afford pay increases for civil servants, Musset also suggested that '[t]o restrict the rate of inflation, the government should do all it can to dissuade the private sector and statutory bodies from increasing salaries and wages... to the maximum extent possible'.²²² Although this policy could not be sustained by mid-1974, as the civil service lost professional and technical staff, the government reversed its policy to award a ten percent increment reviewed after every two years, which was still not commensurate with rising standards of living.²²³ Whatever strategies employed to safeguard the economy always showed their failures in the rising cost of living which mainly affected workers.

Other shocks came in the form of broken economic alliances; first with Portugal and its African territories and then with South Africa. A coup on 25 April 1974 in Portugal brought down Antonio Salazar and Caetano, the oldest dictatorship in Europe which was replaced by General Antonio de Spínola who believed in a post-imperial Portugal and an independent Africa.²²⁴ This ushered independence to Guinea Bissau and Angola; particularly transforming Mozambique from a Portuguese territory friendly to the Smith regime into an independent state openly supporting ZANU and its liberation wing, ZANLA.²²⁵ On top of the closure of this front as an alternative backdoor for Rhodesian international trade and its opening as another source of security expenditure to defend against ZANLA insurgencies, it left Rhodesia heavily dependent on South Africa.

The regional geopolitics further tilted as South Africa's Prime Minister, John Vorster, already disappointed with Smith's ill-calculated closure of the Zambian border in 1973 now sought legitimacy to maintain apartheid through negotiating with independent African states, the Frontline states of Zambia, Tanzania, Botswana. Vorster and Kaunda collectively pushed for a Détente with between the RF and the UANC, a coalition of ZANU and ZAPU led by Abel Muzorewa. Smith demonstrated dis-interest declaring at an RF congress on 20 September 1974 that 'if it takes one year, five years, ten years, we're prepared to ride it out'.²²⁶ He only

²²¹ *Ibid.*

²²² *Ibid.*

²²³ RUCL, Smith Papers, Copy of President Speech at the opening of Parliament, 13 June 1974.

²²⁴ K. Maxwell, 'The thorns of the Portuguese Revolution', *Foreign Affairs*, 1976, p. 4.

²²⁵ M. Tarmakin, *The Making of Zimbabwe: Decolonisation in Regional and International Politics* (London: Frank Cass, 1990), p. 14.

²²⁶ *Ibid.*

agreed because the possibility of a Détente involved a temporary ceasefire, stopping guerrilla insurgencies into Rhodesia. To force the RF to negotiate, on top of Pretoria not renewing its country's trade agreement with Rhodesia, it also withdrew the supporting police force which it had seconded to help patrol the countryside. The phased withdrawal of South African economic and strategic support would severely undermine the Rhodesian rebellion in spite of the RF's strategies to mobilise whatever remaining resources to 'ride it out'.²²⁷

The effects of the political and economic shocks and their impact on workers declining standard of living can be demonstrated by the consequent misalignment in factors of production in all sectors. In agriculture for example, pricing was negatively affected. The rise in the cost of importing ammonia as an ingredient of Ammonium Nitrate fertilizer produced by Sable Chemicals resulted in the surge in the fertilizer's price from R\$49.44 to R\$60 per from 1 March 1974.²²⁸ In consultation, the RNFU, RTA, Ministries of Agriculture, Commerce and Industry and Finance concluded that this was the only course available. There was simply insufficient foreign exchange to finance more imports and farmers were advised to be very economical in applying it. By 19 March, Finance worked out a cost benefit analysis of production of certain export crops produced with Ammonium Nitrate fertilizer.²²⁹ Although tobacco and cotton were seen to optimise returns on foreign currency expended in Ammonium imports, maize was marginal. It was resolved, as had never been done since 1965, that at 1973 levels of production, the crop would yield an income of R\$3.7 million but a ten percent decline in the crop would result in net BOP deficits compared to the foreign exchange reserves that financed the crop's ammonia requirements.²³⁰ As such, even ammonia nitrate fertilizer rationing would be introduced.

Other crops were also affected in different ways by the economic shocks. In a report on the prices of wheat and bread, the MECC approved a price increase on large loaves of 1 [c]ent and small loaves of ½ c having resolved the following:

From the yield of \$1.44 (144 loaves) from each sack of flour, the bakers would receive 27 ½ c and millers 68c. The Grain Marketing Board would receive the balance

²²⁷ *Ibid.*

²²⁸ RUCL, Smith Papers, MECC Report to Cabinet on A.N Fertilizer, 15 February 1974.

²²⁹ RUCL, Smith Papers, Wrathal memorandum to Cabinet, 'Ammonium Nitrate', 19 March 1974.

²³⁰ *Ibid.*

of 48 ½ c which is equivalent to 39c per 91 kg. bag of wheat. The committee has recommended that the Grain Marketing Board's selling price of wheat be increased by 39c per bag with immediate effect, the producer price of wheat be increased by [R]\$1 per bag for 1974 / 75 and the Exchequer to finance the Grain Marketing Board's anticipated wheat trading deficit of [R]\$3 m. which arises largely from the cost of imported wheat.²³¹

Although bread 'large loaf' prices required a 3c increment to cover the deficit, the government subsidised this to 'avoid excessive pressure on wage earners'.²³²

Similar subsidies were applied to the producer price of maize to maintain viability. Regarding the purchase of maize by the Grain Marketing Board, the government included a hedge of 15c on the export price of maize was R\$3.85, the hedge would raise it to R\$3.98 per bag or R4\$0.11 per tonne to support farmers.²³³ Concerning cotton and groundnuts, the Ministry of Commerce and Industry was concerned about how the rise in cotton and groundnut seeds offset 'ex-factory prices of oil products such as margarine, cooking oils, and fats by approximately 25 percent'.²³⁴ Although the price of edible oils was increased, the government only allowed a 10 percent hike in retail prices while subsidising the remainder at the cost of R\$1.2 million.²³⁵ These resolutions were taken with regards to other crops such as soya beans and coffee. Other basic products such as beef and milk and milk products were also subsidised in such a manner. The subsidies also included other areas such as electricity supplies, railway rates, mining, manufacturing, mining and the work of TILCOR among others.

The Economic Survey of 1974 revealed the collective impact of the Nixon shock of 1971, the nationalist insurgency shocks that increased in intensity from 1972, the oil shock of 1973, the political shocks emanating from the loss of South African and Portuguese alliance leading to Rhodesia's regional political economic isolation. This undermined, not just its efforts at frustrating British and UN sanctions, but it now faced an increasingly brutal and bloody conflict. Although the GDP did not collapse, registering some recovery of up to five percent for 1973 to 1975, there was a definite slowdown from the buoyant economic activity from 1965 to 1979. Agriculture improved in 1974 and 1975 as did mining,

²³¹ RUCL, Smith Papers, MECC Report on Wheat/Bread and other Producer Prices for 1974/75 to Cabinet, 22 April 1974.

²³² Ibid.

²³³ Ibid.

²³⁴ Ibid.

²³⁵ Ibid.

manufacturing development increased by 7.2 percent in 1974 owing to the ceasefire, money supply by 21 percent to \$298 million.²³⁶ However, in spite of the improvement in commodity prices in 1974 and the surge in production because of the temporary ceasefire awaiting the Détente talks, GDP growth was not supported by export growth. As a result, inflationary pressures soared as the surplus on the merchandise account for agricultural and mining fell by \$31 million to \$52 million.²³⁷ Although a slight increase in the value of exports increased by 31 percent, this was exceeded by a 36 percent in the rise of imports, tilting the terms of trade against Rhodesia by five percent. Moreover, higher transport costs and congestion surcharges at ports also burdened current account invisible payments, increasing costs by \$30.9 million to \$131.4 million among other costs. The net effect of all BOP problems culminated in a current account deficit that rose from \$17.4 million in 1973 to \$79 million in 1974.²³⁸ The Rhodesian dollar remained artificially pegged higher than all major currencies in spite of the increasing pressure from negative terms of trade.

Conclusion

The commencement of the second phase of the liberation war and other international financial developments in the years between 1970 and 1974 were an important turning point in Rhodesian economic fortunes and its ability to continue financing its rebellion. First, the UN officially reinforced its commitment to observing sanctions against Rhodesia in March 1971 as a response to Rhodesia's unilateral and unrecognised assumption of republic status. Although not all members of the UN complied, it made some countries more cautious about their dealings with Rhodesia, leading to a tightening of the sanctions grip on Rhodesia. However, Britain as the regulating and imperial authority over Rhodesia had led the sanctions campaign or 'economic war' but the rebellious Colony largely managed to defeat them up to the early 1970s. In fact, as has been discussed above, on top of the pressures placed on Britain's economy emanating from its gradual retreat from empire, the imperial authority faced the additional burden of servicing defaulted Rhodesian loans owed to the IBRD which they had guaranteed as well as absorbing pressures from British citizens and companies whose investments had been frozen in Rhodesia. Instead of bringing

²³⁶ Government of Rhodesia, *Economic Survey of Rhodesia* (Salisbury: Government Printers, 1974), p. 2.

²³⁷ *Ibid.*

²³⁸ *Ibid.*

Rhodesia to its knees, British action had unintendedly given Rhodesia an economic boost. Defaulting on loan and debt obligations injected liquidity that financed economic diversification and exchange control and economic coordination that steered the colonial economy away from colonial markets towards new ones in a more liberalised American dominated global economy.

Rhodesia's fortunes thus turned as a result, not of initial British and UN sanctions which it had survived, but because of a series of other international economic shocks and the start of a guerrilla struggle from December 1972. The Nixon and oil shocks as well as the loss of South Africa and Portugal as back doors to Rhodesia's trade all contributed towards tilting economic terms against Rhodesia. Although domestic economic activity was sustained, global financial shifts resulted in a situation where pressure on limited foreign exchange reserves ultimately destabilised overall economic development. By 1974, Rhodesia was fighting, not just an 'economic war', but also an intensifying military war and arguably also, a 'hidden war of numbers'. In this context, sanctions began to make a significant impact against the rebellious Colony.

Chapter Seven

The 'nuts and bolts of freedom': Escalating War, the Reversal of Rhodesia's Financial Fortunes and Political Settlements, 1975-1979

Introduction

This chapter examines the changing financial and political landscape in Rhodesia from 1975 onwards. This period was important given the attainment of independence by Mozambique from Portugal in 1975 and the changing attitudes and economic policies towards Rhodesia of the United States of America (USA) and South Africa. In what follows, attention will be focused on Rhodesia's efforts to sustain its rebellion and war effort and the deepening problems of financial management and general economic malaise. These ongoing problems ultimately pressured the Rhodesian Front (RF) government into a series of settlement talks. The nationalist guerrilla fighters' strategy, as summed up by Herbert Chitepo, was 'to force the enemy to overreach its capabilities'.¹ Deploying the guerrillas throughout the country stretched the Smith regime's financial limits to breaking point as the costs of war quadrupled from R\$96 million in 1974 to R\$402 million or 37 percent of the budget in 1978.² Locating finance as central to sanctions politics and the continued resistance of Rhodesia to majority rule, the chapter also looks at how the tightening of international exchange and trade restrictions resulted in economic contraction, exerting sufficient pressure to undermine the RF's capacity to continue financing its rebellion.

The chapter is divided into three sections. The first looks at the loss of Rhodesia's allies following Mozambique's independence from Portugal in 1975. This was compounded by a shift in US and South African policy towards majority rule in Rhodesia, in contrast to earlier policies of supporting white minority rule through helping the RF regime flout economic sanctions. The financial consequences of these developments exerted considerable economic pressure and led to a series of settlement talks including the détente arrangements and the Geneva talks in 1976. The second examines how the US exerted pressure by repealing the Bryd Amendment in 1976 and the consequences of South Africa's

¹ R.O Mathews, 'From Rhodesia to Zimbabwe: Prerequisites of a Settlement', *International Journal*, 45:2 (1990), p. 323.

² *Ibid*, p. 325.

withdrawal of military and financial support as the liberation war escalated. This precipitated further financial problems, prompting increased European emigration from Rhodesia and forcing the Smith regime into discussing Anglo-American proposals in 1976. The government, still hoping to avoid majority rule, entered into an internal settlement with moderate African leaders. This led to the short-lived election of Abel Muzorewa's Zimbabwe-Rhodesia government in 1979. The final section looks at the collapse of the Internal Settlement and the Lancaster House Conference. With escalating fatalities and mounting financial costs of an expensive war, economic contraction from sanctions and political isolation, the internal parties to the conflict in Rhodesia were under pressure to settle and return the country to constitutional legality.

Intensified Isolation: Mozambique Independence as a Sanctions Game Changer, Guerrilla Struggle and its Financial Impact on the Rhodesian Rebellion, 1975

At the start of 1975, the Ministerial Development Coordination Committee (MECC) continued about its task of financial management. Its main interests were to sustain the Rhodesian rebellion, its economy and white minority rule. Wrathal maintained exchange control policies that stimulated exports, sustained a high level of Gross Domestic Product (GDP) in the interests of fighting inflation. The RF's financial sustenance of the rebellion in the first decade of the UDI was undermined by changing national and global political and economic circumstances. As the previous chapter outlined, the fall of the Bretton Woods' arrangements and rise of a global floating system prompted international monetary instability which adversely affected Rhodesia's Balance of Payments (BOP) because of the sudden surge in import prices. Although Rhodesia was partially helped by renewed chrome exports to the USA following the Byrd amendment, it still suffered from the collapse of commodity export prices on the global market. This undermined its foreign exchange earning capacity.

The April 1974 coup in Portugal and the resultant Maputo negotiations conceding political independence to Mozambique in 1975 precipitated a major shift in the geo-politics of Southern Africa. The USA changed its policy from one of economically accommodating

Rhodesia towards supporting majority rule and repealed the Byrd Amendment in 1976.³ With the failure to secure a settlement at the *Tiger* and *Fearless* talks and the overwhelming rejection of the Anglo-Rhodesian agreement of 1971, 'Britain's inability to discharge her last colonial responsibility in Africa ha[d] resulted in the emergence of an alternative strategy to resolve the Rhodesian conflict' which involved the USA and other African countries led by South Africa and Zambia.⁴ Britain had exhibited 'responsibility without power' in its previous involvement and content 'to stand aside while the Rhodesians settled their own differences, or while others, with more power in the area, intervened to ensure that they did'.⁵

With the onset of the Mozambique Liberation Front (FRELIMO) rule in Mozambique, the region's power dynamics were transformed. Zambia, host and supporter of Guerrilla forces; and South Africa, the supplier of paramilitary police units which helped defend the Rhodesian border against Guerrillas, joined forces to resolve the Rhodesian crisis. Lusaka concluded that the real source of power over rebellious Rhodesia resided not in Britain but in South Africa, on whose military and economic support Salisbury depended. On the other hand, Pretoria was wary about the 'economic and military cost of propping up the rebel regime', hence the option for diplomatic negotiations.⁶ Even as observers predicted that 'the prospects for a Rhodesian settlement remain[ed] as remote as ever', the South Africa-Zambia *détente* process over Rhodesia gathered momentum.⁷ Ultimately, the granting of independence to Mozambique and the change in South Africa and the USA's Rhodesia policy conspired to undermine Rhodesia's capacity to finance its war effort.

Also, to divert attention and undermine the South African anti-apartheid movement, John Vorster, the South African President, presented himself as welcoming Mozambican independence and supported the *détente* initiatives with Zambia to work towards majority rule in Rhodesia.⁸ Pretoria recognised the strategic importance of Maputo and thus accepted the need to establish political and economic relations for strategic reasons. Up to

³ The USA was influenced by Cold War considerations. They did not want the Soviet Union determining the pace of the struggle as this would insure getting satellites from independent African countries. So one way of insuring that was to assist in the liberation of those countries through USA Secretary of State, Henry Kissinger's shuttle diplomacy. See E. Windrich, 'Rhodesia: The Road from Luanda to Geneva', *The World Today*, 33:3 (1987), p. 106.

⁴ E. Windrich, 'Rhodesia: the challenge to *détente*', *The World Today*, 31: 9, 1975, p. 358.

⁵ Windrich, 'Rhodesia: The Road from Luanda to Geneva', p. 102.

⁶ Windrich, 'Rhodesia: the challenge to *détente*', p. 359.

⁷ *Ibid.*

⁸ D. Martin and P. Johnson, *The Struggle for Zimbabwe* (London: Faber and Faber, 1981), p. 125-157.

25 percent of South Africa's mine labour came from Mozambique. South Africa also needed affordable freight and port rates to reduce pressure on its own overloaded ports, had investment interests such as sugar estates and mills and also needed the supply of hydro-electric power which it had not only financed, but was due to be generated from Cahora Bassa.⁹

The closure of the Mozambican border as a strategy by the incoming Samora Machel government as a show of solidarity with the African nationalist movement in Rhodesia in their fight against minority rule cost Rhodesia significantly. The rebellious Colony was forced to re-route 80 percent of its exports through costly South African ports thus aggravating severe foreign currency shortages. Maputo implemented UN sanctions, confiscated all Rhodesian property and assets and locked up its railway rolling stock.¹⁰ All these developments posed numerous challenges for Rhodesia's economy. These include deteriorating terms of trade because of the loss of the Mozambique export route and the shift in the attitude of South Africa which did not renew its trade agreement with Rhodesia in 1974, as its Prime Minister John Vorster pressurized Smith to settle with the nationalists. These actions undermined Rhodesia's capacity to finance its rebellion.

The economic impact on the Rhodesian economy was sudden and significant. Wrathal admitted in his May 1975 estimates of expenditure that '[t]he economy [wa]s under severe pressure and [wa]s likely to remain so for some time'.¹¹ He cited the increasing costs of security measures, 'critical' foreign currency shortage, and the resultant 'severe shortages of essential imports', inflation, shortage of skilled manpower and scarcity of investment funds.¹² The prices of basic commodities rose, leading to increased demand for pay increases especially in the public service or resulted in resignations. Price instability affected the performance various ministries, state corporations and government departments such as Air Rhodesia, Cold Storage Commission (CSC) and GENTA. Currency devaluation of ten

⁹ *Ibid*, p. 137; See also A.F. Isaacman and B.S. Isaacman, *Dams, Displacement, and the Delusion of Development: Cahora Bassa and its Legacies in Mozambique, 1965-2007* (Ohio: Ohio University Press, 2013), pp. 291 and M.J. Azevedo, "'A Sober Commitment to Liberation?'" Mozambique and South Africa 1974-1979', *African Affairs*, 79:317, 1980, p. 568.

¹⁰ J. Mtisi, M. Nyakudya and T. Barnes, 'War in Rhodesia, 1965-1980', B. Raftopoulos and A.S. Mlambo, *Becoming Zimbabwe: A History from the Pre-colonial period to 2008* (Harare: Weaver Press, 2009), p. 144.

¹¹ Rhodes University Cory Library (RUCL), Smith Papers (Unprocessed), John Wrathal, Minister of Finance, 'Estimates of Expenditure', Cabinet Memorandum, 23 May 1975.

¹² *Ibid*.

percent following South Africa's 18 percent devaluation in August 1975 also affected private enterprises, leading to the liquidation of many businesses in Rhodesia and resulted in increasing unemployment.¹³ Increased conscription however took away young men from farms and small businesses that had also helped with their management. The deteriorating situation was worsened by an increase in oil prices. Collectively, these problems seriously undermined the Ministry of Finance's capacity to control inflation. It put further pressure on depleting foreign currency reserves. Also, the declining government revenue made the MECC's work increasingly difficult in the face of rising conflicts among competing and demanding government ministries and departments. Financial reserves, already under severe pressure increasingly had to finance defence expenditure as the war escalated.

The problem of meeting 'unabated and growing demands' for funding government expenditure was exacerbated, Wrathal revealed, 'by the adverse effect of a less buoyant economy on capital and recurrent revenues'.¹⁴ Consequently, the Treasury cuts in excess of R\$25 million were made to 1975/76 recurrent expenditure. Wrathal gave the example of a dispute between his Ministry and the Department of Works over an allocation of maintenance funds. This department bid for over R\$7 million in April 1974 but the treasury could only approve just over R\$6 million for that fiscal year.¹⁵ The department had used its autonomy from direct government control to challenge the allocation funds by the Treasury. However, the Cabinet MECC, given its coordination duties ultimately found that closer government control of all government departments and ministries was necessary to avoid further conflict, and this was constitutionally legitimized by the extension of the state of emergency to continue empowering the government with 'extraordinary power' to deal with the escalating war as well as cope with tightening UN sanctions.¹⁶

In response to these conflicts, the government sought inventive ways to solve them. As a way of reducing unnecessary expenditure in certain areas of government, the Cabinet set up a committee on 'Staff Shortages in Professional the Technical Fields'. Its Working Party

¹³ RUCL, Smith Papers (Unprocessed), Wrathal, 'The South African and Rhodesian devaluations', Cabinet Memorandum, 24 September 1975.

¹⁴ RUCL, Smith Papers (Unprocessed), John James Wrathal, Minister of Finance, 'Estimates of Expenditure', Cabinet Memorandum, 23 May 1975.

¹⁵ Ibid.

¹⁶ RUCL, Smith Papers (Unprocessed), D. W Lardner-Burke, Minister of Law and Order, 'Extension of the State of Emergency', Cabinet Memorandum, 25 May 1975.

recommended that 'any proposal to set up a statutory body to take over any aspect of the Public Service based solely on a desire for greater autonomy and the ability to exercise greater freedom in fixing salaries and conditions of service be resisted'.¹⁷ Cabinet resolved that the downside to dividing government into a series of smaller units was that 'a number of separate units would require separate boards which would be an added expense'.¹⁸ Also, each unit's budget would have to be scrutinised while lessening parliamentary control and inhibiting 'flexibility in financial policy and administration'.¹⁹ The MECC's coordination efforts prioritised military defence expenditure. Other areas had to be sacrificed as part of the war effort.

These internal developments, worsened by the international recession which arose from the Nixon and oil price shocks of 1971 and 1973 respectively, compromised investments in the Public Sector Investment Programme. The 1975 budget provided for a R\$111 million shortfall which was to be financed by borrowing, including a R\$65 million debt to be redeemed on a roll-over basis.²⁰ But even this was compromised by a growing reluctance for long-term investment in Rhodesia because of growing political uncertainties.²¹ Despite these challenges and spending cuts elsewhere in government, the Smith regime was forced to support ever greater military activities. A number of adaptations such as the formation of a voluntary women's service in the defence forces²², conscription of men between the ages 18 and 25²³, the improvement in salaries and allowances to attract people into the army and air force and the acquisition of military hardware and other security equipment were prioritised.²⁴ Rhodesian society was obliged to adjust to the economic downturn prompted by war as the defence forces had to be as efficient as possible.

¹⁷ RUCL, Smith Papers (Unprocessed), Minister of the Public Service, 'Transfer of Government Functions to Statutory bodies', Cabinet Memorandum, 22 August 1975.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ RUCL, Smith Papers (Unprocessed), Wrathal (MECC Chairman), 'Economic Recession: Implications for the Public Sector Investment Programmes', Cabinet Memorandum, 10 October 1975.

²¹ Ibid.

²² RUCL, Smith Papers (Unprocessed), P.K.F.V Van Der Byl, Minister of Defence, 'Priorities in the Organisation and Utilization of Defence manpower: Formation of a Voluntary Women's Service in the Defence Force', Cabinet Memorandum, 23 May 1975.

²³ RUCL, Smith Papers (Unprocessed), J.J.L De Cock, minister of Information, Immigration and Tourism, 'Departure from Rhodesia (Control) Act Amendment, 1 August 1975.

²⁴ RUCL, Smith Papers (Unprocessed), P.K.F.V Van Der Byl, Minister of Defence, 'Priorities in the Organisation and Utilization of Defence manpower: Formation of a Voluntary Women's Service in the Defence Force', Cabinet Memorandum, 23 May 1975.

To cope with the impact of the economic downturn, the government cut subsidies and implemented policies designed to limit domestic spending, preserve foreign currency and contain inflation. Examples include the initiatives made in the tobacco industry. Prior to 1972, the Tobacco Corporation was the sole buyer at government subsidized prices for stock piling purposes. However, given the changing financial conditions, the state introduced an open auction system for the 1974/75 crop. This was undermined by the weaker commodity prices in that season which fell to 69c per kg compared with 78.29c the previous year.²⁵ The fortunes of the tobacco industry were worsened by tighter credit controls such that farmers could not approach commercial banks for assistance when facing escalating costs of essential items such as fuel, fertilizers and tractors. The industry's challenges were further exacerbated by security concerns and call-ups. Although the government ultimately provided very limited assistance by providing some credit facilities through its Land and Agricultural bank, and a fixed pre-planting price of 80c per kg, the damage was done. Over 25 percent of tobacco farmers faced insolvency while rest barely broke even. After setting a pre-planting price guaranteeing an income of R\$60 million from a crop of 75 million kg, the government could not afford any further subsidies. This hurt morale and resulted in four hundred commercial farmers either abandoning the production of tobacco, a critical national export commercial crop, or liquidating their operations entirely.²⁶

Similar challenges affected the production of other agricultural commodities such as maize, cotton, soya beans, wheat, groundnuts and sorghum. Wrathal, as MECC Chairman, was concerned about the increasingly uncertain future of the entire agricultural industry, and hoped, that the government could still improve morale and encourage a 'continued occupation of the land in the European areas'.²⁷ In a memorandum on agricultural pricing, he revealed that in the event of a good agricultural season, otherwise plagued by low export prices, the Cabinet would provide a subsidy of R\$10 million. The other strategy was to set 'encouraging' pre-planting producer prices while maintaining assistance to farmers in the

²⁵ RUCL, Smith Papers (Unprocessed), D.C Smith, Minister of Agriculture, 'Financial Support for the Tobacco Industry', Cabinet Memorandum, 17 September 1975.

²⁶ Ibid.

²⁷ RUCL, Smith Papers, (Unprocessed), Wrathal, MECC Chairman, 'Pre-planting Producer Prices for Agricultural Commodities', Cabinet Memorandum, 11 July 1975.

'sensitive' areas.²⁸ The major challenge faced by the government was setting producer prices at a level that would not push up consumer prices, thereby fanning labour agitation for cost of living adjustments.

The global economic downturn in general and price inflation in particular negatively affected industry and commerce. Example of large enterprises that were hard hit include the Rhodesia Iron and Steel Company (RISCO) which needed an increase of 25 percent in the price of steel and 50 percent in the price of pig-iron to avoid the financial collapse of the company. Although the government had approved in January 1975 an increment of 11 percent and six percent respectively, RISCO's November cash flow revealed a deteriorating balance sheet. A further R\$2.1 million was needed to finance its operations in December 1975.²⁹ In spite of the depression in world prices and the liquidity crunch affecting the domestic economy, the strategic importance of RISCO resulted in the Reserve Bank and Treasury approving a 25 percent increment of the prices of its products. Although the proposed increase would 'not solve the liquidity problem [it would] make a contribution towards it in 1976'.³⁰ The hope was that the local market would also be able to absorb rising prices.³¹

Keeping inflation down through price control was key to the MECC's functions. However, it was undermined by rising producer prices. Inflation spread through the value chain from producer to retailer. The economic downturn, liquidity crunch, international recession and foreign exchange problems all aggravated the position of farmers and industrialists. This had prompted either the use of government price controls or the upwards review of pre-planting prices in cases where subsidies were unsuitable. The liquidity crunch of 1975 was the direct opposite of the situation at December 1965 when Rhodesia enjoyed excess liquidity.

As increases in the prices of basic commodities outpaced the rate of wages and salary increments, they eroded workers' standard of living. Such rise in cost of living had a domino effect in the whole economy making coordination efforts even harder. For example, the

²⁸ RUCL, Smith Papers (Unprocessed), D.C Smith, Minister of Agriculture, 'Financial Support for the Tobacco Industry and Assistance to Producers in the Sensitive and Designated Areas', 7 August 1875.

²⁹ RUCL, Smith Papers (Unprocessed), Wrathal, MECC Chairman, 'Rhodesian Iron and Steel Company Limited: Proposed Increase in the Price of Iron and Steel Products', Cabinet Memorandum, 24 November 1975.

³⁰ Ibid.

³¹ Ibid.

twelfth report of the MECC proposed an increase in milk products selling prices citing the imbalance in the trading account of the Dairy Marketing Board (DMB). The DMB faced a dilemma whereby they incurred a trading deficit of over R\$1 million in the 1974/75 and R\$750.000 in the 1975/76 fiscal year, but could at least realize an extra revenue of R\$500.000 if they increased the price of whole milk by 1c on the basis of prevailing sales.³² They were also encouraged to increase the prices of other milk products such as butter, cheese, skimmed milk powder by ten percent if they were to operate viably. Although the Agricultural Marketing Authority (AMA) approved an increase for November 1975, the MECC delayed this to January 1975.³³ Given the liquidity conditions of the market, any increase in, for example, skimmed milk powder would affect African consumers to the extent that the expected sales would not be realized leading to further losses for the DMB. Additional measures to improve the DMB's viability included the reduction staff to reduce per unit costs. If market conditions improved even slightly 1976, the MECC hoped this would sustain demand in spite of the increments which were inevitable if the DMB was to break even.³⁴

The CSC forecast a trading deficit of over R\$10 million for 1975 owing to the depressed export market. The Commission's trading deficit for 1975/76 could only be reduced by an increase in the selling price of beef in spite of the substantial rises of ten percent in January 1974 and a further 8 percent in January 1975.³⁵ The MECC could not approve any further the increment because they resolved that 'an increase in wholesale prices [would] mean an even greater increase in the retail prices, ... result[ing] in a reduction in demand thus defeating the whole purpose of the exercise'.³⁶ The local market was still viewed as the best in the disposal of beef and less costly than exporting. The government was keen not to jeopardize it, declaring that any further price increases would only be considered in 1976.

Other consumer commodities with the potential to upset the retail markets included wheat and wheaten products such as biscuits, confectionary, industrial and household flour and

³² RUCL, Smith Papers (Unprocessed), Wrathal, MECC Chairman, 'Dairy Producer Prices, 1975/76: Proposed Increase in Whole milk Selling Price', 26 November 1975.

³³ Ibid.

³⁴ Ibid.

³⁵ RUCL, Smith Papers (Unprocessed), Wrathal, MECC Chairman, 'Cold Storage Commission: Local Wholesale Selling Price of Beef', 21 August 1975.

³⁶ Ibid.

bread. Considering that government had approved an increase in the pre-planting price of wheat to R\$110 per ton, it became necessary to increase the price of bread, for example, by an average of 2c to increase the prices of half and whole loaves to a prices of 8c to 16c depending on the type and or quality of bread.³⁷ It was also suggested that the content of white, whole wheat and brown bread be adjusted from 850 to as low as 600 grams for a large loaf as a measure of keeping the milling and baking industry viable. Although the millers and bakeries complained that the approved increase would not cover their overheads, the government did not want to upset the consumers by a huge surge in the price of bread as they had done with beef, milk products and other commodities in 1974. The MECC agreed to cover some costs through a R\$1 million subsidy. Moreover, to further reduce bakeries operating costs, it was suggested to eliminate Sunday deliveries.³⁸

Although the government continued cushioning the public through bailouts of strategic industries, subsidies and price controls, basic income continued to be eroded by inflation. During the 1974/75 financial year, the Consumer Price Index (CPI) for Africans rose by 13 percent and for Europeans by eight percent, although the racial differentiation of the indices is not explained in the documents. The MECC considered that wage increases for the Rhodesia railways employees alone based on the CPI would cost about R\$4.5 million, upsetting finances if all sectors of the economy followed suit.³⁹ To avoid wage inflation, the MECC considered imposing a pay pause or restricting the level of increments. Not only would this trigger unrest among African workers, it would also lead to the emigration of white workers.

To minimize the impact of the proposed wage freeze and salary restraints, the Ministry of Labour and Social Welfare negotiated with labour unions and companies. It discovered that the structure of employment did not allow for a unified response to the problem.⁴⁰ Of over one million people in the main categories of employment in Rhodesia, 494,000 were in agriculture and domestic service; 129,000 in the uniformed forces or employees subject to the Industrial Conciliation Act and not yet subject to Industrial Agreements or Employment

³⁷ RUC, Smith Papers (Unprocessed), B.H Musset, Minister of Commerce and Industry, 'Wheat Flour and Bread prices', 23 May 1975.

³⁸ Ibid.

³⁹ RUC, Smith Papers (Unprocessed), Wrathall, MECC Chairman, 'Restraint on Salary Increases: Public and Private Sectors', 5 December 1975.

⁴⁰ Ibid.

regulations; 53,000 in the public service; 380,000 workers subject to Industrial Agreement and Employment regulations and were therefore easier to place under a salary restraint. A further 181,000 workers were protected by Industrial Agreement in which minimum wages were prescribed by regulations enforcing an automatic wage increase in relation to CPI.⁴¹ Hoping to contain inflation and in the interests of economic coordination, the state used its emergency powers to delay the wage increase of seven and a half percent due in January 1976. This increment was scheduled for grade three level civil servants, equivalent ranks in the uniformed forces and old age pensioners. However, cases would be reviewed on a security basis, especially where salaries of military employees were concerned. Instead of an outright wage freeze, government resolved to a salary restraint across the board. Although much of the inflation had initially been imported, it threatened to deteriorate into a wage spiral that would have a negative domino effect in the rest of the economy.⁴²

The situation was compounded by overdue capital projects and currency devaluation that had become inevitable. Rhodesia's power requirements had increased following a decade of economic expansion while the three thermal power stations at Bulawayo, Umniati and Salisbury that supplied 250 MW to the country were 'becoming time-expired and difficult to maintain'.⁴³ Although the interconnection between Rhodesia and South Africa was envisaged within four years following the completion of Cahora Bassa⁴⁴, this was a long term project. Rhodesia was on the verge of turning from being the main supplier of power to Zambia to becoming dependent on it following the completion of its North Bank Power Station. The alternative was to implement load shedding. However, this was unfeasible as it would only compound the challenges already weighing on the Rhodesian economy. The MECC was concerned that there was little prospect to raise external loans for the refurbishment of the plants because of sanctions and the recession.⁴⁵ Similar capital

⁴¹ Ibid.

⁴² Ibid.

⁴³ RUCL, Smith Papers (Unprocessed), Wrathal, MECC Chairman, 'Review of Rhodesia's Power requirements', Twenty-Second report of the MECC, 21 August 1975.

⁴⁴ For a description of South Africa's role in the Cahora Bassa dam project, see, Isaacman and Isaacman, *Dams and the Delusion of development*; I also examined the implications of Apartheid South Africa's sub-imperial role in independent Mozambique's Dam politics in a review article: T. Nyamunda, 'Complexities of Decolonisation: The Political Economy of Independence and Development', *Afriche e Orienti*, 3/4 (2014).

⁴⁵ RUCL, Smith Papers (Unprocessed), Wrathal, MECC Chairman, 'Review of Rhodesia's Power requirements', Twenty-Second report of the MECC, 21 August 1975.

projects such as the construction of the Mwenje dam had to be postponed indefinitely to contain expenditure and manage the contracting Rhodesian economy.⁴⁶

Working against the viability of the economy was diminishing foreign exchange reserves. Conflicts arose over how and to whom foreign currency was allocated. The required R\$130 million worth of foreign currency for the import of goods for a three month period from July to September 1975 had to be severely pruned to only R\$60 million was allocated. This was much lower than previous allocations of R\$80 million for April to June and R\$105 million for January to March 1975.⁴⁷ To maintain the value of the R\$ against foreign currency, the Ministry of Commerce and Industry was forced to reduce imports of petroleum fuels and oil by 20 percent, cut merchant imports of cosmetics, wines and spirits, electrical appliances, watches, cameras, sports goods, toys, fresh fish, fresh fruit, glassware and footwear among other products by half.

The April to June allocations for foreign currency for raw materials and spares of the manufacturing industry were also reduced to half. In agriculture, the import of ammonia to supplement the production of ammonium nitrate had to end, while the volume of pesticides, herbicides, grain bags and other imports was reassessed. As for the railways and other statutory bodies, municipalities and government departments, maintenance needs requiring foreign currency were reduced while strategies of sustaining essential services were being worked out.⁴⁸ Customs officials were instructed to step-up the enforcement of import regulations in the interest of securing government directives.⁴⁹ The consequences of these foreign exchange constraints include job losses as many businesses liquidated. A section on business liquidation and real estate sales in *Property & Finance* illustrates a disproportionately high figure of liquidated businesses compared with new entrants, illustrating the worsening effects of the financial challenges.⁵⁰ The Ministry of Commerce projected that over 14,000 people would lose their jobs in the clothing industry, 3500 in the

⁴⁶ RUCL, Smith Papers Unprocessed, Wrathal, MECC Chairman, 'Construction of the Mwenje Dam to Stage II Level', Eighth Report of the MECC, 23 March 1975.

⁴⁷ RUCL, Musset, Minister of Commerce and Industry, 'Foreign Exchange Allocation for the Import of Goods: July-September, 1975', Cabinet memorandum, 30 May 1975.

⁴⁸ Ibid.

⁴⁹ See for example, '\$300 000 seizure of good by Customs', *Property and Finance*, December 1975, p. 1.

⁵⁰ 'Significant Property Sales', *Property and Finance*, March 1975, p. 12; compare with 'New Companies', *Property and Finance*, March 1975, p. 13.

radio industry and a reduction in productive activities across the economy would be experienced.⁵¹

As competition between importers over Open General (Import) Licences (OGLs) intensified, conflict erupted over which businesses should be prioritised. This was worsened by the devaluation of the R\$ by ten percent, following the devaluation of the South African Rand by 18 percent in 1975. Rhodesia was forced to follow suit as it could not afford to a full 18 percent currency revaluation against South African. Although imports would become cheaper, They would not meet the full extent of the readjustment. Rhodesian exports would also become too expensive to the extent of discouraging trade.⁵² This caused serious despondency among the business community who began seeking their own solutions to these mounting problems.⁵³ The Reserve Bank of Rhodesia was forced to devalue by ten percent to mitigate against trade losses from trading with South Africa, but this affected Rhodesia's trade with hard currency economies like the USA. To alleviate the impact of these devaluations to exporters, a five percent incentive bonus was introduced. While it was hoped that exports to non-Rand countries would show an eight percent improvement, this was offset by an eight percent surge in prices. The sum of the devaluations worsened Rhodesia's circumstances as imported inflation soared, pushing up the prices of imported commodities from non-Rand areas.⁵⁴ Moreover, it caused further conflicts over the allocation of foreign currency to importers.

To resolve the system of foreign currency allocation, Cabinet set a 'Commission of Inquiry into Import Control'.⁵⁵ However, most of its findings were rejected because the commission deviated from its term of reference. Instead, it examined the administrative mechanisms of the distribution of foreign exchange. It even suggested that a new system of import control governed by an independent body headed by officials from the Associated Chambers of Commerce of Rhodesia (ACCoR) and Association of Rhodesian Industries (ARnI) be set up.

⁵¹ RUCL, Musset, Minister of Commerce and Industry, 'Foreign Exchange Allocation for the Import of Goods: July-September, 1975', Cabinet memorandum, 30 May 1975.

⁵² RUCL, Smith Papers (Unprocessed), Wrathal, Minister of Finance, 'The South African and Rhodesian Devaluations', Cabinet Memorandum, 24 September 1975.

⁵³ See for example, 'Inflation the biggest threat', *Property and Finance*, December 1975, p. 15; 'Reason for Exodus of Money', *Property and Finance*, December 1975, p. 15.

⁵⁴ RUCL, Smith Papers (Unprocessed), Wrathal, Minister of Finance, 'The South African and Rhodesian Devaluations', Cabinet Memorandum, 24 September 1975.

⁵⁵ RUCL, Smith Papers (Unprocessed), E. Broomberg, Minister of Commerce and Industry, 'Commission of Inquiry into Import Control', Cabinet Memorandum, 9 October 1975.

Moreover, the commission had also wrongly assumed that all foreign currency allocations were controlled by ACCoR and ARnl. Yet these organisations also applied for their allocations from the Ministry of Commerce and Industry like other industrial bodies such as the Chamber of Mines.⁵⁶

Having rejected the recommendation to set up an independent import control body, the government continued with its close control and coordination. It argued that '[p]lacing this function under an import controller from the private sector who would be responsible to a board and not directly to the Minister would place the Government in an intolerable position'.⁵⁷ Retaining control of all aspects of import control, the government determined the value of foreign exchange allocations made to and through different business bodies. Cabinet only accepted the suggestion that the allocation system should stop prioritizing applicants based on past performance as this system was abused especially by liquidated business people who abused their access to foreign currency for non-essential purposes or were corrupted. Foreign exchange allocations would now be assessed by verifying case by case applications for import licences on the basis of government priorities, whether for established or new businesses.⁵⁸ Nevertheless, this was merely a coping strategy to manage a rapidly deteriorating situation.

The challenges affecting the Rhodesian economy, as outlined above, affected the morale of many white Rhodesians. Whereas the idea of unity and a Rhodesian identity politically forged by the UDI government had appeared strong under conditions of a booming economy, it was tested by the combined effects of war and economic decline. Decreasing morale resulted in increased emigration of an estimated 700 Europeans per month in 1975.⁵⁹ To curb this, the government enacted legislation that made emigration more difficult especially for people aged between 18 and 25 who were accused of fleeing military call-ups.⁶⁰ The rate of company closures, erosion of incomes and profits in farms and businesses as well as unemployment was beginning to dampen the confidence in the RF capacity to sustain its rebellion. Even the planned tenth anniversary UDI anniversary

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ RUCL, Smith Papers (Unprocessed), J.J.L de Kock, Minister of Information, Immigration and Tourism, 'Departure From Rhodesian (Control) Act: Amendment', Cabinet Memorandum, 1 August 1978.

⁶⁰ Ibid.

celebrations were revised to become low key. Although the Cabinet Committee on Independence Celebrations had initially planned for elaborate celebrations that involved 'participation by the population of Rhodesia to the largest possible degree', funds did not permit.⁶¹ More importantly, the committee established in the first quarter of the 1975, that

as the economic difficulties facing the country... emerged more distinctly and their effects d[id] not ... abate before the end of 1975, the staging of wholesale elaborate functions in November, 1975, would ... produce an unfavourable reaction from many sectors of the community and this would be counterproductive to the objective of the celebrations.⁶²

Given the economic downturn, there was not as much for supporters of UDI to celebrate as their rebellion was increasingly strained. But in spite of the challenges faced in 1975, the RF government still insisted on a settlement that would maintain minority rule for some time.

By the end of 1975, the détente process which represented an African intervention to mediate for a Rhodesian settlement had failed. Amid declining financial and economic fortunes, the RF government remained defiant while the two leading nationalist movements became even more resolute. The result was an escalating war which made even greater demands on the Rhodesian economy but also created a greater need for a lasting settlement.

From Stillborn Settlements and Escalating Conflict towards the Lancaster House Conference, 1976-1979

This section focuses on the economic impact of the escalating liberation war, failed settlement discussions, or as Mathews suggests, 'talks without negotiating'.⁶³ It examines the financial implications for both Britain and Rhodesia before a return to legality was ultimately granted following agreement at the Lancaster House Conference in late 1979. As conditions deteriorated in 1976, the collapse of the détente initiatives were followed by other abortive settlement talks such as the Anglo-American plan before Smith deployed his last drawcard: an ill-fated Internal Settlement that failed to receive any recognition during

⁶¹ RUC, Smith Papers (Unprocessed), J.J.L de Kock, Chairman, Cabinet Committee on Independence Celebrations, 'Independence Anniversary Celebrations', First Report of the Cabinet Committee, 27 May 1975.

⁶² Ibid.

⁶³ Mathews, 'Talking without Negotiating: The Case of Rhodesia', *International Journal*, 35:1 (1979/1980), pp. 91-117.

the short-lived Abel Muzorewa government of Zimbabwe-Rhodesia.⁶⁴ Although much literature has focused on the political aspects of the Rhodesian war and the successive settlements discussions, there is little work on the extent to which the financial implications of the conflict on London. Britain's subsequently renewed vigour to resolve the Rhodesian issue at Lancaster in 1979 was driven as much by its imperial responsibility as it was by its pursuit to recover overdue colonial debt. This section continues to examine the previously underexplored financial aspects of London's involvement in seeking a resolution to the war in Rhodesia, juxtaposed against developments within the rebellious Colony's economy. These hidden financial considerations became part and parcel of the conditions for a behind-the-scenes discussion of the terms of any independence settlement to be discussed.

To add pressure, the UN passed Resolution 388 on 6 April 1976, reaffirming its resolutions 216 (1965), 217 (1965), 221 (1966), 232 (1966), 253 (1968), and 277 (1970).⁶⁵ The crucial aspect of the 1976 resolution passed at the request of Mozambique under article 50 of the UN charter was for the newly independent country to officially impose sanctions against Rhodesia. This also prompted the UN to encourage other member-countries to enforce their sanctions against the rebellious Colony. The 1976 resolution targeted 'commodities or products exported from Southern Rhodesia after the date of the ... resolution in contravention of Security Council resolution 263 (1968) which they know or have reasonable cause to believe to have been exported'.⁶⁶ Secondly, it aimed to stop any imports destined for Rhodesia. Finally, member-states and their nationals were required to not provide insurance for 'commodities, products or other property in Southern Rhodesia of any commercial, industrial or public utility undertaking in Southern Rhodesian...'.⁶⁷ Member-states were urged to adhere to the 1976 resolution.

Having led the sanctions campaign since November 1965, Britain was the most affected by any failure to comply with the UN resolutions. However, London was under no illusion of any imminent settlement in 1976, given the precedent established when Britain was at the helm of talks with Rhodesia until the Pearce Commission of 1972. One official's comment in

⁶⁴ See also Mathews, 'Talking without Negotiating', pp. 91-117.

⁶⁵ UN, Meeting 1907, 'Question concerning the situation in Southern Rhodesia' Items Relating to Southern Africa, 6 April 1976.

⁶⁶ Ibid.

⁶⁷ Ibid.

April 1976 that 'on current assessment there is no prospect of any settlement in the immediate future'⁶⁸ summarizes London's attitude towards Rhodesian talk that year. Also, the FCO predicted that the independence of Mozambique would result in 'a fairly lengthy and drawn out war of attrition... commenc[ing] through the stepping up of terrorism across the borders into Rhodesia which will be initially contained by Rhodesian armed forces but will ultimately become impossible to control'.⁶⁹ Nevertheless, planners in London were cautious to make contingency plans just in case the Smith regime yielded, especially following Vorster's acceptance of the Kissinger plan in June 1976.

Kissinger used the Soweto uprisings of June 1976 in South Africa to add pressure on Vorster to persuade Smith to concede and make plans for majority rule in two years.⁷⁰ Fearing majority rule politics would spill over from Rhodesia, Vorster sought to contain Mozambique by retaining good trade relations and supporting its approach to Rhodesia. Nevertheless, although Vorster appeared to be diplomatic with Mozambique, his Minister of Defence, Pieter Botha undertook destabilization campaigns in the newly independent country.⁷¹ The independence of Mozambique and the closure of its border to 80 percent of Rhodesian exports significantly reversed Rhodesian fortunes. Majority rule was no longer debatable, it was merely a question of when and how. For Smith, to ensure the maintenance of 'the Rhodesian way of life', he began pursuing a settlement with moderate African politicians. For London, although sceptical of the pace at which Smith would yield, it was contingent to account for the financial costs of UDI to be considered in any settlement plans for Rhodesia.

The contingency plans made in London involved 'informally' reviving an interdepartmental committee on Rhodesia which had been initially set up in 1971 when a settlement with Rhodesia's Smith regime⁷² was reached but failed the 'test of acceptability' following the

⁶⁸ Bank of England (Hereafter BoE), Southern Rhodesia Settlement, Letter from G.E.H to The Chief of Overseas, 'Rhodesia', 6 April 1976.

⁶⁹ BoE 10A26/28, Payments Arrangements with Rhodesia, 'Rhodesia', Memorandum to Payton and McMahon, from GEH, 26 February 1976.

⁷⁰ T. Scarnecchia, 'Proposed Large Scale Compensation for White Farmers as an Anglo-American Negotiating Strategy for Zimbabwe, 1976-1979', A. Pallotti and C. Tornimbeni, *State, Land and Democracy in Southern Africa* (Surrey: Ashgate Publishing, 2015), p. 108.

⁷¹ J. Miller, 'Things Fall Apart: South Africa and the Collapse of the Portuguese Empire, 1973-74', *Cold War History*, 11:2 (2012).

⁷² BoE, 10A 26/28, Payments Arrangements for Rhodesia, Letter from G.E.H to The Chief of Overseas, 'Rhodesia', 6 April 1976.

Pearce Commission.⁷³ As a result of this failure, detailed financial negotiations never took place.⁷⁴ The revived Organising Committee on Rhodesia (OCR) was constituted by the United Kingdom's Treasury Department, the Foreign and Commonwealth Office (FCO) and the Bank of England. It discussed possible terms of a financial settlement and humanitarian aspects involving the loosening of exchange control measures on Europeans leaving Rhodesia to settle in Britain, South Africa and elsewhere. It also considered London's possible contribution to the settlement package proposed in the Kissinger plan for a Rhodesian settlement.⁷⁵ The OCR consistently remained in a state of preparedness in case of any settlement, and would make advance preparations for statutory instruments and exchange control notices whenever an agreement seemed imminent.⁷⁶ The coordinated plans became, subject to a few modifications informed by subsequent political developments, the blueprint for the ultimate financial settlement presented in 1979 to what would constitute the new independent government of Zimbabwe after election in 1980.

The core of these contingency plans were initially concerned with

catering for a situation (e.g escalating of guerrilla activity) where a large number of persons in Rhodesia are leaving that country and require the release of Rhodesian/suspense account monies, or gifts from U.K. residents, to enable them to meet travelling expenses and living costs outside Rhodesia.⁷⁷

This was contained in a supplement to what was referred to as Exchange Control (EC) 79. The plan emerged as a result of two influences. The first was that Britain had frozen over £29.9 million of private Rhodesia residents in British banks under its exchange control sanctions on Rhodesia in 1965. As part of weakening the morale of Europeans in Rhodesia's resistance to the war of liberation, British banks released funds only for those emigrating from Rhodesia for permanent settlement in Britain and elsewhere. Secondly, Julius Nyerere, President of Tanzania, remarked that if other countries supported fleeing Rhodesians, this would contribute towards 'the growth of peace and justice in Southern Africa' and this

⁷³ BoE, 10A 26/28, Payments Arrangements for Rhodesia, Letter from C. F Sutton to Mr. Norman, 'Rhodesia', 23 September 1976.

⁷⁴ Ibid.

⁷⁵ BoE, 10A 26/28, Payments Arrangements for Rhodesia, Letter from R.N. Springthorpe (Treasury) to P.J. Hurr (Rhodesia Department, Foreign and Commonwealth Office), 'Contingency Planning: Exchange Control Aspects', 21 June 1976.

⁷⁶ BoE 10A 26/28, Payments Arrangements for Rhodesia, Letter from C. Ward, Treasury, to A.J Weller, bank of England, 8 October 1976.

⁷⁷ BoE, 10A 26/28, Payments Arrangements for Rhodesia, Letter from C. F Sutton to Mr. Norman, 'Rhodesia', 23 September 1976.

partly inspired the scheme.⁷⁸ This was adapted by the Kissinger plan which not only proposed to compensate white farmers but also set up a commonwealth fund for the 'movement and resettlement of would-be emigrants who ha[d] no external resources'.⁷⁹

EC 79 considered three aspects. It was drafted to facilitate payments to persons leaving Rhodesia by covering 'fares, incidental expenses and freight costs of personal belongings'.⁸⁰ The OCR suggested that authorised banks be allowed to release Rhodesian funds to the extent of £1000 per family unit to a British booking agent, or by transfer to an external account not in Rhodesia. Where a family unit had insufficient funds, 'cash gifts' from British donors were to be allowed for assisted passage. Secondly, 'provided there [wa]s a reasonably satisfactory evidence to show that the applicant ha[d] left Rhodesia (e.g., source of cable request)', banks were to release up to £100 per week or £1000 for ten weeks.⁸¹ This period was considered 'a reasonable time to allow the individuals concerned to arrive at some decision concerning future residence' outside Rhodesia, preparing proper emigration treatment and accounting for funds availed at cost to United Kingdom reserves.⁸² Thirdly, 'unlimited releases of funds from Rhodesian Accounts for living expenses in the United Kingdom' were to be made to those who held them'.⁸³ But 'provided insufficient Rhodesian Account funds are available', as was the case with most emigrants, authorized banks were to provide £100 per week per person.⁸⁴ However, '[t]he assets of persons returning to Rhodesia would again be subject to restriction'. Upon further consultation, the funds were increased to £250 per week or £2500 per ten weeks for those who left Rhodesia to stay outside the scheduled territories such as South Africa and for those who moved to the United Kingdom.⁸⁵

The OCR only had to iron out a few challenges concerning immigrants. Initially, the department of immigration would only accept those who had maintained their British citizenship and therefore had the 'right of abode'. The Treasury and Bank of England easily

⁷⁸ Scarnecchia, 'Proposed Large Scale Compensation', p. 108.

⁷⁹ Ibid.

⁸⁰ BoE, Rhodesia: Contingency Plans, 'Draft: Contingency plans for a supplement to EC 79', 12 April 1979.

⁸¹ Ibid.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ BoE, Rhodesia: Contingency Plans, Draft Plans attached to a Letter to C. Ward, from K.G Webster, Bank of England, 13 April 1976.

authorized the release of funds for this category of immigrants under the auspices of the EC 79 which allowed the release of funds for humanitarian reasons.⁸⁶ However, there were initially restrictions against Rhodesian citizens and former British citizens who had left more than four years prior to 1976.⁸⁷ Eventually, a general amnesty was granted to any white settlers leaving Rhodesia. They were granted citizenship upon request but funds were only released if a letter committing to 'permanent' emigration from Rhodesia was written by the applicant. As an amendment to strict exchange controls, assistance to emigrants was justified by the argument that banks were 'no-man's land'.⁸⁸ As 'the only reason [Rhodesian residents funds] are blocked is because of sanctions [, t]he individual's clear departure from Rhodesia should enable him to regain his funds... either in the United Kingdom or abroad'.⁸⁹ This assisted emigration from Rhodesia contrasted to Salisbury's passage scheme for European immigrants from 1965 to 1971. The emigration scheme dampened the morale of those who remained. More than seven thousand Europeans left Rhodesia in 1976 alone. The figure rose to almost eleven thousand in 1977 and had almost reached fourteen thousand by 1978. This was a clear indication of the impact that war and political change was having on white Rhodesia.⁹⁰ Even as Rhodesia passed legislation to restrict emigration, the escalating liberation war, compounded by Smith's admission in 1976 that majority rule was inevitable all contributed to the exodus.⁹¹ Although sustained in the hope of a settlement with moderate African politicians, the war was increasingly viewed as pointless and political support for the Smith regime declined.

Another aspect that could have encouraged mass white emigration was Kissinger's financial plan, the 'International Economic Support for a Rhodesian Settlement' that was proposed in September 1976. Covering pensions, housing and farms, the fund was meant to 'enhance

⁸⁶ BoE, Rhodesia: Contingency Plans, Letter to R.N. Springthorpe, Treasury, from C.A Stremes, Bank of England, 7 May 1976.

⁸⁷ Ibid.

⁸⁸ BoE, Rhodesia: Contingency Plans, Letter to Nigel, Foreign and Commonwealth Office, from R.N Springthorpe, Treasury chambers, 24 June 1976.

⁸⁹ Ibid.

⁹⁰ The idea of large scale European support and commitment to the Rhodesian rebellion has been interrogated by scholars, particularly, P. Godwin and I. Hancock, *Rhodesian Never Die: The Impact of War and Political Change on White Rhodesia, c. 1970-1980* (Oxford: Oxford University Press, 1993).

⁹¹ BoE, Rhodesia: Contingency Plans, 'Rhodesia', Letter to Payton, Chief Cashier, Bank of England, from GEH, Treasury, 19 October 1976.

the sense that majority rule d[id] not mean financial disaster'.⁹² At the cost of £500 million, the fund would be the sum contribution of the United States, Britain, South Africa, France, Germany and Canada.⁹³ This was in spite the fact that six thousand European farmers had access to over a hundred times as much credit as six hundred thousand African Purchase Area farmers.⁹⁴ However, not only was this scheme viewed as an insult by African nationalists, it was only meant to be 'illustrative' when it was given to Smith, with the finer details only to be worked out at the Geneva conference in December 1976.⁹⁵

Although Smith had agreed to Kissinger's terms of transferring power to Africans within two years on 24 September 1976, Britain's Overseas Office was sceptical that this was merely 'an expression of intent for a settlement and for talks'.⁹⁶ However, the aim was to induce Smith to yield to pressure but resulted in the relegation of financial questions on Rhodesian debt. Instead, the 'Rogers Plan' for an international trust fund to protect Europeans' financial position was considered.⁹⁷ Prior to the Geneva conference, London was concerned that a pre-agreement discussion should emphasize an 'acknowledgement by the new government of all outstanding pre-UDI debts, including arrears on interest and capital, and to ensure that within the legal process of change continuity is maintained'.⁹⁸ This was the OCR's conditions for the subsequent removal of financial sanctions following any settlement. In their view, debt matters should have been given priority.⁹⁹ Although it had been agreed on 23 September 1976 that 'any UK contribution to the proposed international trust fund for Rhodesia would be conditional on acceptance of this [debt] responsibility by the

⁹² Scarnecchia, 'Proposed Large Scale Compensation', p. 116; For another perspective on the Anglo-American proposals for a Rhodesia settlement, see also L. White, *Unpopular Sovereignty: Rhodesian Independence and African Decolonisation* (Chicago: University of Chicago Press, 2015), pp. 236-241.

⁹³ BoE, 10A 26/28, Payments Arrangements for Rhodesia, 'Rhodesia', Letter to H.E Hall, Chief of Overseas Department, from PNM, Overseas Department, 1 October 1976.

⁹⁴ A. Shutt, "'We are the Best Poor Farmers": Purchase Area Farmers and Economic Differentiation in Southern Rhodesia, c. 1925-1980', PhD Thesis, University of California, 1995, pp. 190-237. See also S. Mushunje, 'The Development of Agricultural Credit Systems in Zimbabwe, with Special Reference to the Agricultural Finance Corporation, 1971-1986', MA Dissertation, Department of Economic History, University of Zimbabwe, 1988.

⁹⁵ Scarnecchia, 'Proposed Large Scale Compensation', p. 116.

⁹⁶ BoE, 10A 26/28, Payments Arrangements for Rhodesia, 'Rhodesia', Letter to H.E Hall, Chief of Overseas Department, from PNM, Overseas Department, 1 October 1976.

⁹⁷ Ibid.

⁹⁸ BoE, 10A 26/28, Payments Arrangements for Rhodesia, 'Rhodesia', Letter to Payton, Chief Cashier, Bank of England, from GEH, Treasury, 12 October 1976.

⁹⁹ Ibid.

Government of a new legitimate regime'¹⁰⁰, at the actual conference financial issues were never discussed.

Other contingency arrangements were made in response to Rhodesia's status in the disintegrated Sterling Area. London needed to maintain a state of preparedness in designating an interim and ultimately legal government of Rhodesia a financial status informed by monetary and geographical considerations;

the natural affinities of Rhodesia's currency when it is legalized, the disposition of such reserves as the country has or may acquire, the general pattern of its international trade and its relations with surrounding countries, and the problems of effective exchange control...¹⁰¹

Given its debt obligations to London, the question of whether Rhodesia should be classified within Britain's Overseas Sterling Area (OSA) or as a Non-Scheduled Territory (NST) was central. Although remaining as part of the OSA seemed the most immediate designation for Rhodesia, the sterling area had collapsed and other formerly scheduled territories been released from it. The advantages of Rhodesia's membership in the OSA were that banks had 'a delegated authority to lend sterling to OSA residents to finance the movement of goods between OSA countries and the rest of the world'. Also, OSA controlled companies within the scheduled territories could raise operational finance in the United Kingdom. However, given that pre-conference discussions never took place, the final position would be arrived at through a post settlement financial conference in the event of successful talks.

The settlement talks held from 28 October to 14 December failed at Geneva. The Kissinger package was too costly and none of the countries involved gave any firm assurances. Not only did the plan 'take on a very low priority in the subsequent Geneva talks', but the contingency plans for Rhodesia's debt payments did not even make it onto the agenda.¹⁰² Among many other reasons, the Kissinger package was seen as insulting by the Patriotic Front, appearing to be designed to financially compensate Rhodesian white settlers for the loss of colonial control. Although the talks failed to yield any agreement, Kissinger managed to 'steer the ship in the right direction' towards an ultimate settlement within less than

¹⁰⁰ BoE, 10A 26/28, Payments Arrangements for Rhodesia, 'Rhodesia', Letter to Payton, Chief Cashier, Bank of England, from GEH, Treasury, 15 October 1976.

¹⁰¹ BoE, 10A 26/28, Payments Arrangements for Rhodesia, 'Rhodesia', Letter to C. Ward, from Hall, 22 October 1976. See also a complete full file containing correspondence and Memos on this issue. See BoE 10A26/29, Payments Arrangements with Rhodesia, 1976.

¹⁰² Scarnecchia, 'Proposed Large-Scale Compensation', p.

three years.¹⁰³ However, the financial plan for the guarantee of European financial assets in Rhodesia would form the basis of the potential negotiated settlement for Zimbabwe. Together with the OCR's contingency arrangements for Rhodesia's debt payment, the conditions discussed prior to Geneva became the basis of the 'nuts and bolts of freedom'. The precedent that had been set would be consolidated as part of the Lancaster House settlement.

Meanwhile, the military conflict escalated with huge financial costs for Rhodesia in 1977. Even after the collapse of the Geneva talks and escalation of the conflict in Rhodesia, the OCR continued making preparations for a possible settlement.¹⁰⁴ As the OCR in London maintained their state of preparedness to demand payments on debt, Rhodesia experienced even worse economic turmoil. On top of the initial funding for military expenditure in 1976/77, parliament had to approve a further R\$15 million by September 1977.¹⁰⁵ Added to the effected tobacco subsidies, this accounted for up to 40 percent of the budget. This occurred amid high African unemployment, the continued emigration of 'skilled' Europeans and a depleting revenue base. Monetary shortages led Cabinet to consider a salary pause and price freeze in spite of a further devaluation of the R\$ by six percent against major currencies and three percent against the South Africa rand in 1977 against a rate of inflation that soared by at least ten percent by 1979.¹⁰⁶

Prices of basic commodities and other capital inputs such as fertilizer would have skyrocketed in response to inflation if not for the price freeze. African housing rentals would also have been affected but, quite contrary to market forces, government intervention enforced the 'freeze' stop as a gap measure.¹⁰⁷ This resulted in deepening economic malaise that caused many problems for businesses whose profitability declined, exacerbating unemployment as they downsized. Given declining financial resources, some public service departments were forced to redirect some of their staff towards assisting in the Ministry of

¹⁰³ *Ibid.*

¹⁰⁴ See BoE 10A26/30, Payments Arrangements for Rhodesia, 1 January 1977 to 31 June 1977.

¹⁰⁵ J. Kurebwa, *The Politics of Economic Sanctions on Rhodesia [Zimbabwe] 1965 to 1979* (Harare: University of Zimbabwe Publications, 2012), p. 304.

¹⁰⁶ *Ibid.*, p. 305.

¹⁰⁷ RUCL, Smith Papers, Government of Rhodesia Cabinet Minutes, 'National Pay and Price Restraint', 21 February 1977.

Internal Affairs to contain the escalation of guerrilla incursions in rural areas.¹⁰⁸ Although the public service was due for a 15 percent increment in June 1977 having trailed inflation for years, Cabinet decided against it. Even if this meant a necessary increment of up to 30 percent at the cost of \$45 million by 1978¹⁰⁹, the major priority had become the war. The government had to defend itself Rhodesia against of 14000 Guerrilla fighters by September 1979. The numbers of these infiltrating nationalist fighters had risen from just 70 in late 1974.¹¹⁰ With such escalating guerrilla activity, it is little wonder that 'Rhodesia was losing economically whatever military gains were being scored by her military'.¹¹¹ This partially played into the nationalists' strategy, as ZANU chairman Herbert Chitepo explained: 'the aim was to force the enemy to overreach its capabilities'.¹¹²

The core elements of Rhodesia's economic war against Britain and UN sanctions had been maintaining sufficient foreign exchange reserves, fighting inflation and encouraging robust domestic economic activity. Wrathal's policy arsenal was rendered inadequate by escalating military conflict between 1977 and 1979. With defence spending reaching a level of R\$1 million per day by 1978 and expected to increase by over 20 percent in 1979, not surprisingly, the new Minister of Finance introduced his 1979 budget as a war budget.¹¹³ Military expenditure skyrocketed to R\$402 million or just over a third of Rhodesia's budget from R\$96 million as the war gained momentum.¹¹⁴ Even the financial assistance sought by key parastatals such as RISCO could not be provided to the full extent of the required subsidy because of financial constraints. RISCO had faced a deficit of R\$43 million in 1977, owed to UNIVEX (Pvt.) Ltd. RISCO had asked for a government bailout of R\$35million which never came.¹¹⁵ It owed over R\$163 million as a result of cumulative losses but the government knew that as a crucial industry for the Rhodesian economy, it had to be saved.

¹⁰⁸ RUCL, Smith Papers, Government of Rhodesia Cabinet Minutes, 'War Effort: Re-Direction of the Public Service', 8 February 1977.

¹⁰⁹ RUCL, Smith Papers, Government of Rhodesia Cabinet Minutes, 'Public Service: Cost of Living Adjustment', 11 January 1977.

¹¹⁰ Mathews, 'From Rhodesia to Zimbabwe', p. 319.

¹¹¹ Kurebwa, *The Politics of Economic Sanctions*, p. 299.

¹¹² K. Maxey, *The Fight for Zimbabwe: The Armed Conflict in Southern Rhodesia since UDI* (London: Rex Collins, 1975), p. 163.

¹¹³ Kurebwa, *The Politics of Economic Sanctions*, p. 304.

¹¹⁴ *Ibid.*

¹¹⁵ RUCL, Smith Papers, Government of Rhodesia Cabinet Minutes, 'Rhodesia Iron and Steel Company: Financial Assistance', 8 February 1977.

When the RISCO Board shut down blast furnace number three in 1977, the government had to avert total collapse by providing a subsidy of R\$35 million for the year 1978.¹¹⁶

Other major projects affected include electricity supply. As the old thermal power stations became idle, requiring major and costly refurbishment which the Rhodesian government could not afford, its Cabinet considered entering into an agreement for importation of electricity to make up for the shortage of 300 MW from Zambia following the completion of its Kariba North Power Station (KNPC) hydroelectric plant.¹¹⁷ The closure of the thermal stations also affected coal production and the balance sheet of Wankie Colliery, another key Rhodesian industry.¹¹⁸ Its own Kariba south electricity generating capacity could no longer support Rhodesia power requirements given the expansion that had occurred since the completion of the hydroelectric project. This demonstrates the extent of Rhodesia's desperation, turning to Zambia for power importation in spite of the fact that Lusaka supported the nationalist struggle and hosted ZIPRA guerrillas that fought the RF regime.¹¹⁹ Financial problems spread to other sectors such as agriculture where setting pre-planting producer prices became more difficult because of inflationary fears.¹²⁰ In order to subsidise many of the struggling industries and sustain the war, the government borrowed in excess of R\$824 million by 1979. Consequently, GDP plummeted in real terms by over 15 percent and per capita income dropped by about 25 percent between 1974 and 1978.¹²¹

Without an expanding economy, the rebellion could no longer be sustained. Meanwhile, the guerrillas were receiving financial, moral and material support from the frontline states, China, Russia and other well-wishers. The World Council of Churches reportedly supported the guerrilla movement to the extent of over £500.000 from 1972 to 1979 for example.¹²² Moreover, on top of the cumulative impact of over a decade of sanctions, increasing basic commodities and fuel shortages, declining capacity in industry was worsened by the guerrillas' strategy of economic sabotage such as the bombing of oil storage tanks that

¹¹⁶ Ibid.

¹¹⁷ RUCL, Smith Papers, Government of Rhodesia Cabinet Minutes, 'Electricity Supply: Import of Power from Zambia, 1977/78', 22 March 1977.

¹¹⁸ Ibid.

¹¹⁹ See Chongo, 'Decolonising Southern Africa'.

¹²⁰ See discussions to this effect in RUCL, Smith Papers, Government of Rhodesia Cabinet Minutes, 'Pre-Planting Producer Prices for Wheat, 1977/78', 22 March 1977.

¹²¹ Kurebwa, *The Politics of Economic Sanctions*, p. 304.

¹²² B. Smith, *The Fraudulent Gospel: Politics and the World Council of Churches* (Surrey: Foreign Affairs Publishing Company Ltd, 1977), pp. 9-13.

housed crucial Rhodesian oil reserves in Sotherton's industrial area.¹²³ With such challenges in its way, Smith sought a final solution to ending the guerrilla struggle while maintain white rule.¹²⁴ Under mounting military and economic pressure, Smith decided to enter into an internal settlement with moderate African nationalists.

Much has been written about the Internal Settlement and can only be briefly summarised here.¹²⁵ The initial internal settlement that the RF attempted to arrange with Joshua Nkomo collapsed following the shooting down of two civilian aircrafts in September 1978 and 1979.¹²⁶ As such, the only alternative was to engage Abel Muzorewa, Ndabaningi Sithole and Jeremiah Chirau, moderate African politicians who were unlikely to radically challenge the economic *status quo*.¹²⁷ Already, a commission into the question of racial discrimination had only advised to superficially amend the Land Tenure Act (1969) to the extent of removing racial barriers to rights of admission into hotels and purchasing residential property in areas previously reserved for Europeans.¹²⁸ To demonstrate how curtailed the African voice remained, an Internal Settlement co-Minister of Justice, Law and Order, Byron Hove, was fired after complaining that Rhodesian law was 'a citadel of White privilege'.¹²⁹ The decision of forming an interim government to head the new Zimbabwe-Rhodesia was announced in February and the agreement signed on 3 March 1978, followed by a controversial election held in April 1979 on a one-man one-vote basis. The above had been suggested through the Anglo-American proposals designed to avoid the shortcomings of the Anglo-Rhodesia Settlement of 1971 which failed the test of acceptability as the Pearce Commission discovered in 1972.¹³⁰ Although excluding foreign participation, the RF hoped the internal settlement would be internationally recognized and that ZAPU and ZANU's course would be delegitimised leading to the end of the war. Muzorewa, who would contest for the position

¹²³ Mtisi (et.al), 'War in Rhodesia', p. 164.

¹²⁴ Mathews, 'Talking without Negotiating', p. 92.

¹²⁵ See for example. H. Wiseman and A.M Taylor, *From Rhodesia to Zimbabwe: The Politics of Transition* (Oxford: Pergamon Press, 1981); M. Hudson, *Triumph or Tragedy?: Rhodesia to Zimbabwe* (London: Hamish Hamilton, 1981); Hull, 'The Political Economy of Zimbabwe; Mathews, 'From Rhodesia to Zimbabwe'; Mathews, 'Talking without Negotiating'.

¹²⁶ White, *Unpopular Sovereignty*, p. 244.

¹²⁷ Mathews, 'From Rhodesia to Zimbabwe', p. 309.

¹²⁸ Hull, 'The Political Economy of Zimbabwe', p. 42.

¹²⁹ RUCI, Smith Papers, Government of Rhodesia Cabinet Minutes, 'Report of the Commission of Inquiry into Racial Discrimination: Amendment to the Land Tenure Act; Legislative and Administrative Policy', 25 January 1977.

¹³⁰ White, *Unpopular Sovereignty*, p. 241-245.

of Prime Minister was nothing more than a figurehead in an arrangement meant to preserve European privilege while being used to satisfy the demands for majority rule and to campaign for the lifting of economic sanctions.

In the end, the elections were widely dismissed as 'farical' and invalid in the absence of a voter's roll.¹³¹ Not least because only three original signatories to the UDI, Ian Smith, Pieter van der Byl and Bernard Mussett remained while the others; Clifford Dupont, John Wrathal and George Rudland had died and Desmond Lardner-Burke had lost his post¹³², commitment to the rebellion had reached its limit. The African partners' authority in the internal settlement were circumscribed by the RF and actually led to the escalation of the war. With economic and military pressures bearing on the illegitimate state, all parties to the conflict were ready to accept a British chaired constitutional conference at Lancaster to try and resolve the bloody Rhodesian crisis.

Rhodesia's Return to Legality: The Lancaster House Settlement and the Financial Nuts and Bolts of Becoming Zimbabwe, 1979

Following the meeting of the Commonwealth Heads of Government in Zambia between 1 and 7 August 1979, London, the imperial and mediating authority, invited the various Rhodesian parties to a conference at Lancaster House 'to discuss and reach agreement on the terms of an Independence Constitution, and that elections should be supervised under British authority to enable Rhodesia to proceed to legal independence and the parties to settle their differences by political means'.¹³³ Held between 10 September and 15 December 1979 under the chairmanship of Lord Carrington through 47 plenary sessions, an independence constitution was signed on 21 December 1979. It led to a cease-fire and the

¹³¹ *Ibid*, p. 246.

¹³² Kurebwa, *The Politics of Economic Sanctions*, p. 306.

¹³³ Southern Rhodesia Report, 'Constitutional Conference Held at Lancaster House, London: September-December 1979', accessed from http://www.zimlil.org/files/Zimbabwe_1_Lancaster_House_Agreement_0.pdf, 11 October 2015; for a comprehensive assessment of the road to Lancaster and the constitutional agreement, see also the following historiography: M. Charlton, *The Last Colony in Africa: Diplomacy and the Independence of Rhodesia* (Oxford: Blackwell Publishers, 1990); S.J Stedman, *Peacemaking in Civil War: International Mediation in Zimbabwe, 1974-1980* (Boulder, CO: Lynne Reiner Publishers, 1990); A. Novak, 'Face-Saving Maneuvers and Strong Third Party Mediation: The Lancaster House Conference on Zimbabwe-Rhodesia', *International Negotiation*, 14:1 (2009), pp. 149-174; M. Gregory, 'Rhodesia: From Lusaka to Lancaster House', *The World Today*, 36:1 (1980), pp. 11-18.

making of arrangements for the pre-independence period.¹³⁴ In the interim period before elections were held in April 1980, the parties agrees to

(a) accept the authority of the [British appointed] Governor [Lord Soames]; (b) to abide by the Independence Constitution; (c) to comply with pre-independence arrangements; (d) to abide by the cease-fire agreement; (e) to campaign peacefully without intimidation; (f) to renounce the use of force for political ends; (g) to accept the outcome of the elections and instruct the forces under their authority to do the same.¹³⁵

These arrangements became the basis of Rhodesia's transition into Zimbabwe under British supervision. However, while specifying the major political elements of the 'nuts and bolts' of Zimbabwe's freedom from imperial rule, the talks and the ultimate constitution were silent about the financial aspects that included Britain contingency planning for its recovery of debt. Other monetary measures that had not only sustained the Rhodesian rebellion for fifteen years would be central to the Zimbabwean economy in its initial buoyant years and subsequent descent into crisis.¹³⁶ The constitution was however clear that 'The pre-independence period should not be concerned with the remodelling of the institutions of Government'.¹³⁷ Yet its finance section maintained many continuities from the colonial period. Without mentioning issues of previous debt and its repayment as well as other extensive financial apparatus, the constitution insured that a system of governance through a Consolidated Revenue Fund managed through an Appropriation Act and managed by a Minister of Finance was maintained. All government debt would be paid through it.¹³⁸

Discussions about the conditions for post-sanctions exchange controls were held prior to and alternate to the Lancaster House negotiations. This is where the financial conditions were agreed to prior to the main political negotiations. It is curious why these were not included in the main discussions as they were crucial to the administration of Zimbabwe at its attainment of independence, especially as the country would inherit a crippling debt of at least Z\$200 million. Independent Zimbabwe would also be obliged to pay pensions to

¹³⁴ Southern Rhodesia Report, 'Constitutional Conference Held at Lancaster House, London: September-December 1979'.

¹³⁵ Ibid.

¹³⁶ See J. Muzondidya, 'From Buoyancy to Crisis, 1980-1997', Raftopoulos and Mlambo, *Becoming Zimbabwe*, pp. 141-166.

¹³⁷ Southern Rhodesia Report, 'Constitutional Conference Held at Lancaster House, London: September-December 1979'.

¹³⁸ Ibid.

former Rhodesian civil servants, including those who had left the country.¹³⁹ Having been crucial to sanctions politics, money issues had been relegated to side discussions despite of having historically determined the imperial-colonial relationship since 1890.¹⁴⁰ The OCR organised discussions on financial terms that had to be satisfied if the Lancaster negotiations were to take place.

As the Lancaster talks became imminent, among the institutions to inquire from the FCO about the status of Rhodesia's financial obligations was the Export Credit Guarantee Department (ECGD) of the United Kingdom.¹⁴¹ The response spelt out a condition which the OCR had long agreed, that 'We regard acknowledgement of pre-UDI debt and liabilities as essential in a settlement'.¹⁴² The contingency arrangement was that during the interim period in which a British Governor would be in charge of Rhodesia, the necessary guarantee would be made valid under Rhodesian law through an Order in Council, through which the new Zimbabwe government would have a constitutional obligation to settle.¹⁴³

The only two contingencies in the mechanics of lifting financial restrictions was 'the continuation and alternatively the abandonment of sanctions' as a measure of drawing cooperation from the Rhodesians on the debt issue.¹⁴⁴ As this was agreed, discussion turned to whether debt would have to be rescheduled and to what period. Although London held frozen Rhodesian funds at the Bank of England and had invested that which was held at the Federal Reserve while funds in other European countries were frozen, this would not only be insufficient to cover what it and other international lending institutions were owed. Upon a return to legality, the funds would be restored to the Rhodesian government and its Reserve Bank which would have to make arrangements to resume debt servicing. However, given the impact of the war, Rhodesia was financially devastated. Knowing this, Michael Gough, the Cashier of the Bank of England initially produced an outline proposal for a

¹³⁹ Mtisi (et.al), 'War in Rhodesia, 1965-1979', p. 165.

¹⁴⁰ This was subject to some of my earlier work; T. Nyamunda, 'The Establishment and Operation of a Colonial Monetary and Banking System in Southern Rhodesia, 1890-1938', MA Dissertation, University of Zimbabwe, 2007; See also A. Mseba, 'The Establishment and Operations of the Southern Rhodesia Currency Board: A Study of Monetary Dependency in Southern Rhodesia, 1938-1956', BA Honours Dissertation, University of Zimbabwe, 2005.

¹⁴¹ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, Letter from Cotterill (ECGD) to Antony Duff (FCO), 19 September 1979.

¹⁴² BoE (OV) 191/26, Zimbabwe-Rhodesia/General, Letter from Duff to Cotterill, 2 October 1979.

¹⁴³ Ibid.

¹⁴⁴ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, 'The Nuts and Bolts of Freedom', Letter to McMahon, from Derek Day (FCO), 15 October 1979.

rescheduling of Southern Rhodesia's stock varying from two to as much as twelve years, for example.¹⁴⁵

However, given the challenges that the Bank of England had faced with the Franklin case, they were not keen on accepting such rescheduling which would be unpopular with the Council of Foreign Bondholders (CFB). Wondering whether 'Salisbury should be allowed any relief at all', Ian Plenderleith of the Bank of England proposed that debts be paid on their due dates from a suspense account which he assumed Rhodesia had been keeping to service foreign debts following a settlement.¹⁴⁶ It is not clear from Rhodesian documents whether this suspense account had any sufficient funds¹⁴⁷, but Plenderleith ultimately suggested a meeting with David Smith, the Rhodesian Minister of Finance to hear the Rhodesian side of the issue.¹⁴⁸ He was hoping that Rhodesia would be able to make immediate payments on full arrears of capital plus interest and make up payments to cover the disadvantages that the CFB had suffered during UDI. However, Gough was more cautious, arguing that although full and immediate payment on all outstanding amounts was desirable, the decision was for discussion by Whitehall.¹⁴⁹ He hoped that debt repayment should be encompassed as a condition for reconstruction aid. He also wanted to ensure that it was not just official guaranteed debt that would be repaid, private debt as well, with the oldest creditors being receiving priority.¹⁵⁰

To engage the Rhodesians in the matter, Derek Day of the CFO organised a luncheon where he invited Rhodesian Minister of Finance David Smith and an official from the British Treasury Department, John Slater. Day sought an 'off-the-record discussion with Smith about how his side saw the future arrangements for the acceptance of debt and recommencing of servicing'.¹⁵¹ Smith indicated that his government had always considered debt repayment following a settlement, noting that 'funds had been set aside in their books to meet arrears in favour of UK creditors'.¹⁵² However, these funds were denominated in R\$

¹⁴⁵ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, Letter from Ian Penderleith to Dixie, 3 October 1979.

¹⁴⁶ Ibid.

¹⁴⁷ I never found any such information in any of the documents I used from the National Archives of Zimbabwe, the Smith Papers at the Cory Library, Rhodes University, Grahamstown, or from the Rhodes Library at Oxford.

¹⁴⁸ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, Letter from Penderleith to Dixie, 3 October 1979.

¹⁴⁹ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, Letter from Gough to Dixie, 5 October 1979.

¹⁵⁰ Ibid.

¹⁵¹ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, 'Note for Recors', Gough, 8 October 1979.

¹⁵² Ibid.

without taking account of changes that had taken place since UDI. As such, the Rhodesian government had never set aside a foreign exchange equivalent 'so that when it came to the question of making payments they would need financial assistance from abroad'.¹⁵³ Although Smith guaranteed that 'given a reasonable opportunity to set the wheels of recovery in motion, they could service pre UDI foreign debt' and that 'it was a matter of priority that the new Zimbabwe should deal favourably with the bondholders'¹⁵⁴, it is not likely that he consulted the nationalists who were to subsequently form the government of the new nation. He made guarantees without approval from some of the parties to the Lancaster House negotiations. Following this meeting, Smith arranged that his Permanent Secretary, David Young, attend official discussions with the Bank of England concerning exchange control arrangements with Rhodesia, including its international debt repayment schedule.¹⁵⁵ The value of the London market debt constituted £48.6 million outstanding of principal and interest on pre-UDI stocks past their redemption date, £25.3 million of interest and unpaid Sinking Fund contributions not yet matured and IBRD and ECGD guarantees of £54 million.¹⁵⁶

As the negotiations with Rhodesia took place, the British government decided to remove all major exchange controls within Britain that had been part of its financial system since 1947 in a move to liberalise its economy. Indeed, these policies became the mark of British Prime Minister Margaret Thatcher's governments in Britain. Although London was confident that the controls had 'outlived their usefulness [as t]he essential for maintaining confidence in [British] currency ... to carry out the appropriate monetary and fiscal policies', with regards to Rhodesia, 'Exchange Controls needed to maintain economic sanctions are being kept' until the final settlement was agreed.¹⁵⁷ Also, given that Rhodesia would be on the list of scheduled territories during the interim period before Zimbabwean elections could be held, the exchange controls had to be maintained. Throughout November 1979, Young worked with British officials on the mechanics of Rhodesia's post settlement exchange control arrangements.

¹⁵³ Ibid.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid.

¹⁵⁶ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, 'Rhodesia Debt', To Day, from Gordon Stall, 9 October 1979.

¹⁵⁷ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, Draft Statement on Removal of Sanctions' C.H.W Hodges, 23 October 1979.

As the conference proceeded towards the final stages, the British exchange control authorities lifted all other exchange control restrictions on 24 October except those on Rhodesian assets in the UK and payments to Rhodesia. Payments to Rhodesia had been limited to those for humanitarian reasons and to people who left Rhodesia under the 1976 emigration scheme.¹⁵⁸ Also, the FCO, Bank of England and Treasury began making a dossier of all the exchange control activities that had been undertaken by the Bank of England and the RBR (London) from 1965 to 1979. While legally indemnifying all the officials and their actions in the period, it summarised issues relating to the Secretary of State's direction to exchange control sanctions and London's attitude towards Rhodesia with regards to the RBR Board and its succeeding Governor and Trustee's activities, including funds management and their total expenses which totalled £1.852.15.2.¹⁵⁹

Compiled on the day the conference ended on 15 December 1979, the dossier was designed 'within the context that UDI will end as a result of political recognition in which the previous financial order is restored in something like its old form'. The dossier also included an account of all investments made with Rhodesian money in the British and USA financial markets to the extent of US\$500.000. Other details included details of the Franklin case. However, except for the fact that cooperation would be restored between London and Salisbury exchange control authorities, so much had changed since 1965 to the extent that any 'old form' of financial relations were really extinct. London's Exchange Control Act (1947) which had operated in its second colonial empire had just been abolished, only maintained to sustain Rhodesian sanctions. Its sterling area had ceased to exist in 1971 although Rhodesia had developed its own significant exchange control machinery from 1964 to 1979 that had managed to frustrate sanctions in the first decade of its existence. Moreover, Rhodesia had also diversified its trade significantly and overcame any colonial economic dependency it had on Britain to 1965.

While the Lancaster House Conference made constitutional provisions for independence, it safeguarded the European interests to a significant degree. Although, as Nkomo claimed in his opening speech at Lancaster that the Patriotic Front would 'leave no stone unturned in

¹⁵⁸ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, 'Lifting of Exchange Control Sanctions Against Rhodesia', Hodges to Finance Secretary, 7 December 1979.

¹⁵⁹ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, 'Dossier on Reserve Bank of Rhodesia: Account of London Stewardship', 15 December 1979.

our struggle for the total liquidation of colonialism in Zimbabwe’, the ‘problem of success’¹⁶⁰ that hindered this ideal came to be contained in the ultimate constitution’s clauses on ‘freedom from deprivation of property’ and ‘protection for privacy of home and other properties’.¹⁶¹ The new government could not make any radical transformation of the economy because of this.¹⁶² Moreover, it would be further burdened with debts accumulated by colonial Rhodesian regimes on top of inheriting a war ravaged economy. The constitution was ‘a result of muddle and compromise, reached in haste in order to stop the bloodshed’.¹⁶³ At worst, it represented Zimbabwe’s economic reconciliation with Rhodesia, whereby Africans were unfairly offered ‘the driver’s seat [whereas] whites would continue to map the route the car must take and control the fuel which made it run’¹⁶⁴, setting the scene for revived economic tension in the later postcolonial period.¹⁶⁵

On the basis of the ‘hastily “settled” issues’¹⁶⁶, all remaining exchange controls against Rhodesia were lifted at midnight on 12 December 1979, the day the interim Governor of Rhodesia, Lord Soames arrived in Rhodesia. They were lifted through the Southern Rhodesia Revocation Order (1979).¹⁶⁷ The passing of the Order was designed in such a way that ‘[t]he complete obligation of exchange control thus becomes worldwide’, meaning that all other UN member countries would follow suit.¹⁶⁸ On top of this, amnesty was also granted to offenders under the Southern Rhodesia (UN Sanctions) Orders (1968).¹⁶⁹ Rhodesia was also technically readmitted into the community of nations as a British colony prior to the election whose results announced Zimbabwe African National Union (Patriotic Front)’s

¹⁶⁰ Joshua Nkomo’s opening speech at the Lancaster House conference. Quoted in Southern Rhodesia Report, ‘Constitutional Conference Held at Lancaster House, London: September-December 1979’.

¹⁶¹ Ibid.

¹⁶² See the following historiography on early post-independent Zimbabwe:

¹⁶³ J. Nkomo, *The Story of My Life* (Harare: SAPES Books, 2001), p. 204.

¹⁶⁴ C. Sylvester, *Zimbabwe: A Terrain of Contradictory Development* (Boulder, CO, Westview Press, 1991), p. 55.

¹⁶⁵ See for example, L. Tshuma, *A Matter of (In)justice: Law, State and the Agrarian Question in Zimbabwe* (Harare: SAPES Books, 1997).

¹⁶⁶ Mtisi (et.al), ‘War in Rhodesia’, p. 166.

¹⁶⁷ BoE, OV 191/26, Zimbabwe-Rhodesia/General, The Southern Rhodesia Revocations Order (1979). The list of Orders revoked under it include, among others, The Southern Rhodesia (Commonwealth Sugar Agreement) Order (1965); The Southern Rhodesia (Withdrawal of Commonwealth Preference) Order (1965); The Southern Rhodesia (British Nationality Act 1948) Order (1965); The Southern Rhodesia Bank Assets Order (1965); The Reserve Bank Order (1967); The Southern Rhodesia (UN Sanctions) Order (1968); The Southern Rhodesia (Higher Authority for Power) Order (1970); The Southern Rhodesia (Matrimonial Jurisdiction) Order (1973); The Southern Rhodesia (UN Sanctions) Order (1977).

¹⁶⁸ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, ‘Exchange Control-Rhodesia’ in Draft Treasury Press Release attached to a Letter from Dawkins (BoE) to McMahon, 11 December 1979.

¹⁶⁹ BoE (OV) 191/26, Zimbabwe-Rhodesia/General, The Southern Rhodesia Revocations Order (1979).

Robert Mugabe as the country's first Prime Minister. He chose his first government on 18 April 1980 as Rhodesia transformed from a colony into becoming Zimbabwe. The transformation went beyond the political and had consider the financial and economic aspects as embodied in the Zimbabwe Conference on Reconstruction and Development. The major challenge of the new nation was how to redress the independence compromise in a way that reconfigured the financial and economic landscape for the benefit of the majority.¹⁷⁰

Conclusion

The chapter focused on reversal of Rhodesia's financial fortunes after 1975. The year marked the loss of Rhodesia's main economic allies that had supported its rebellion since UDI. The independence of Mozambique became significant to the international community's diplomatic approach to Rhodesia. In terms of cold war politics, it signalled the penetration of the Soviet Union into Southern Africa by assisting liberation movements, a development the USA was uncomfortable with. As such, shifting from sustaining the RF regime economically, the USA applied economic pressure on the regime while pursuing majority rule in the interests of maintaining its influence in the region. For different reasons, Zambia and South Africa were co-opted into the efforts to secure a settlement. The chapter examined the consequences of the financial pressure applied to the regime by sanctions imposed by these powers and Rhodesia's own increased defence allocations. It has concluded that the rebellious Colony's capacity to finance its rebellion was ultimately defeated by a combination of global economic downturn, tightening sanctions that were the result of changing diplomatic strategies and the escalation of the liberation war which almost bankrupted the Rhodesian state.

The chapter also dealt with the compromise emerging from the Lancaster House Conference. The settlement was imperfect as it was the result of a compromise that did not lead to any radical financial and economic compromise. The new government was legally obligated to service the colonial governments' inherited debt under the Lancaster House

¹⁷⁰ See for example, K. Law, 'Episodes of Ambiguity: Steps towards Socialism in Zimbabwe', *Australasian Review of African Studies*, 30:1 (2009), pp. 49-63; I. Phimister, 'Zimbabwe: The Combined and Contradictory Inheritance of the Struggle against Colonialism', *Transformation* 5 (1987), pp. 51-59.

constitution. Also, the new government inherited a war ravaged economy, financial institutions and arrangements designed to benefit especially the propertied and professional European class whose interests were safeguarded under the property and investment clauses of the independence constitution. Without much room to manoeuvre, the new Zimbabwe government would inherit a financial system supported by discriminatory exchange control mechanisms that were geared to sustain the white minority regime of Rhodesia. In a new political dispensation in which its capacity for redress was constrained by the constitution, Zimbabwe had to imagine other ways of facilitating redress as far as the main facet of economic administration: finance was concerned.

Chapter Eight

Conclusion

This thesis provides a first in-depth examination of Rhodesia's financial history under the Rhodesian Front (RF) government from 1962-1979. Its intervention lies at the heart of the argument that economic history cannot be fully comprehended without an appreciation of the role of finance. The study is foregrounded by an examination of the process through which Southern Rhodesia was integrated into the British sterling network as a way of appreciating the process through which the RF government shook off this dependency.¹ The period under study is a key moment of Zimbabwe's financial history, covering the drawn out and contentious transition from imperial to colonial control of financial policy from 1962 onwards. From Rhodesia's Unilateral Declaration of Independence (UDI) in 1965 to 1979, the events in-between delayed the coming of majority rule. Karl Marx's contention that men make their own history but not in circumstances of their own choosing certainly applies to Rhodesia. Having reconstituted economic institutions, regulations and coordinating machinery to finance minority rule, Salisbury faced British and United Nations punitive sanctions which Rhodesia survived using financial devices. The Rhodesian rebellion was sustained to a point that they could no longer afford to continue financing it.² In spite of British confidence that its historic financial influence over Rhodesia's economy could be deployed to stop the Colony's rebellion, there was an unexpected outcome. Rhodesia survived punitive sanctions and sustained its economy for over fifteen years, well beyond what London initially anticipated. This conclusion begins by recapping the major contributions of the thesis, even as it locates itself within established financial and economic history, both local and global.

The study combined archival findings from Britain, South Africa and Zimbabwe which provided an historical analysis of London's policy on Rhodesia before and after 1962. It established Salisbury's reaction in terms of financial planning and economic coordination after UDI. The period under study is important not only as a contribution to Zimbabwean economic history, but also as a case study of local, regional and international financial

¹ See Chapter Two, pp. 23-55.

² Chapters Four, Five and Six cover the period in which the Rhodesian State had sufficient financial resources to coordinate its rebellion. pp. 96-213.

relations. Where some studies of imperialism have focused on the changing fortunes of the metropole, others began looking at colonial experiences. This thesis examined, from an international economic history perspective³, these connected histories while placing heavier emphasis on the financial history of the Rhodesian case study. It has done so using perspectives that considered how the actions and influences of others countries interacted with events in Rhodesia.

The thesis outlines the Colony's pre-1962 history.⁴ Although Southern Rhodesia was granted some degree of internal self-government, its 1923 constitution 'fell well short of responsible government'.⁵ This was because London guaranteed the rights of capital, as well as the right, never exercised, of consent on legislation relating to Africans. In practice, however, the settler state was not prevented from passing discriminatory legislation such as the Land Apportionment Act (1930) or the Industrial Conciliation Act (1934).⁶ The settler state was compromise between local and metropolitan accumulation with the Colony being the junior partner.⁷ Where the metropole was resolute was in preventing 'Southern Rhodesia from passing laws incompatible with the more general interests of Imperial connexion'⁸, particularly relating finance and exchange control. The settler government initially pursued dominion status and latterly independence in the early 1960s.

London's post-Second World War economic recovery under its Exchange Control Act (1947) turned upon developing dollar-earning products of its remaining colonies. This was one reason why London assented to the establishment of the Federation of Rhodesia and Nyasaland between 1953 and 1963.⁹ With an expanded federal market, central Africa was allowed to establish the Reserve Bank of Rhodesia and Nyasaland. However, under full

³ See variously A.G. Hopkins, 'The new Economic History of Africa', *The Journal of African History*, 50:2 (2009), pp. 155-177; G. Austin, African Economic History in Africa', *Economic History of Developing Regions*, 30:1 (2015), pp. 79-94; Austin and S. Broadberry, 'Introduction: The Renaissance of African Economic History', *Economic History Review*, 67:4 (2014), pp. 893-906; Austin, 'The "Reversal of Fortune" Thesis and the Compression of History: Perspectives from African and Comparative Economic History', *Journal of Economic Development*, 20 (2008), pp. 996-1027; See particularly, I. Phimister, 'Zimbabwean Economic and Social Historiography since 1970', *African Affairs*, 78: 311 (1979), pp. 253-268.

⁴ See Chapter One, pp. 22-60.

⁵ I. Phimister, 'Accommodating Imperialism: The Compromise of the Settler State in Southern Rhodesia, 1923-1929', *Journal of African History*, 25:2 (1984), p. 281.

⁶ See Chapter Three, p. 101.

⁷ See Chapter Two, Section one, pp. 28-33.

⁸ Phimister, 'Accommodating Imperialism', p. 281.

⁹ See Chapter Two, section Three and Four, pp. 30-55.

sterling cover, the Bank had limited authority to create money or could not determine lending policies of expatriate banks that were influenced by the Bank of England through their London headquarters. The Reserve Bank of Rhodesia and Nyasaland was a glorified currency board in many respects. As the Federation faced mounting political problems due to the rise of African nationalism, Southern Rhodesia's United Federal Party (UFP) government was viewed as too accommodating of imperial decolonising interests and African nationalist demands, precipitating a challenge from radical white right wing political parties in the late 1950s and early 1960s. This fanned shifting local political allegiances resulting in the defeat of the UFP by the RF in 1962.¹⁰ The RF government, elected on the basis of maintain minority rule, marked a shift from imperial consent towards rebellion.

With UDI, the Colony could no longer accommodate imperialism. It used the financial machinery it created through establishing a Reserve Bank, exchange control regulation and Cabinet's economic coordinating machinery to defend itself against London and subsequent UN punitive economic sanctions. During the UDI period, Rhodesia used these tools to create room for itself to manoeuvre away from imperial control, creating a greater degree of financial independence from London as a result.¹¹

The 1960s were a period of decolonisation for many African countries. It was expected this would be accompanied by economic self-determination although it has been argued that the postcolonial state remained dependent on former imperial markets and investments.¹² Yet in the case of Southern Rhodesia, the relationship of imperially determined financial dependency could not easily be maintained following the collapse of the Federal experiment. The end of Federation led to the independence of Northern Rhodesia and Nyasaland, precipitating the question of Southern Rhodesia's future. The RF's victory in 1962 was intimately connected with the pursuit of political and economic independence. By 1964, Southern Rhodesia's territorial monetary system consisted of its own Reserve Bank to govern a diversified financial sector and exchange control regulations to determine domestic and foreign economic intercourse.

¹⁰ Chapter Two, Section Four, pp. 50-55.

¹¹ See especially Chapter Four, pp. 96-132.

¹² See for example the author's review article of literature dealing with various aspects of the independence legacy: T. Nyamunda, 'Complexities of Decolonisation: The Political Economy of Independence and Development', *Afriche e Orienti*, 2/3 (2014), pp. 209-221.

As the RF set its sights on minority rule independence, the expectation of an escape from imperial financial and economic dependence was backed up by institutional and legislative reforms and the making of key economic alliances such as the Pretoria-Salisbury-Lisbon axis. Having secured the guarantee that Britain would not entertain any suggestion of a military invasion on Rhodesia in the event of a UDI, the RF needed to ensure that its rebellion would not be compromised by financial and economic restrictions from London. Having been historically and significantly dependent British sterling markets, currency and finance, the RF needed to prepare for the end of imperial control and the likelihood of a costly rebellion.¹³

As negotiations over the question of Rhodesian independence proceeded between Rab Butler and Winston Field, the RF began planning and developing a financial system supported by the Reserve Bank of Rhodesia exchange control measures designed to protect its economy from external pressures, especially from Britain. Although newly independent countries faced the task of transforming colonial economic machinery to suit their circumstances, many of the former British colonies rapidly faced worsening budget deficits and negative balances of payment, triggering economic crises that forced them to adopt International Monetary Fund (IMF) and World Bank (WB) sponsored structural adjustment programs not long after attaining their independence. Only former French colonies which remained within the *Communauté Financière de l'Afrique* (CFA) or Franc zone maintained with relatively stable currencies.¹⁴ Some scholars concluded that postcolonial African states had inadequate resources to facilitate development without external support and aid.¹⁵ Yet this case study of Rhodesia disrupts these notions, challenging the view that most African countries were minnows in the context of global financial arrangements. This thesis finds that Rhodesia successfully established its own financial system and managed to sustain itself in the face of international economic sanctions.

Rhodesia survived by utilising its expulsion from sterling to its advantage. When Britain froze £10 million of external financial reserves, Rhodesia retaliated by freezing £160 million worth of British funds, and debt repayments. As exchange controls took effect, preventing the

¹³ See especially Chapter Three, pp. 57-94.

¹⁴ See for example V. Duchaussoy, 'The Franc Zone: An International Monetary Area from Independence to Post colonialism', paper presented at the New Frontiers in African Economic history Workshop, London School of Economics and Political Science, 25-26 October, 2014.

¹⁵ See for example P. Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What can about it* (Oxford: Oxford University Press, 2008).

leakage of profits back to London, this resulted in creating a hothouse atmosphere of excess liquidity which Rhodesia used to bankroll its development. It was in many respects a cheap unaided loan in disguise, at least until the point of repayment post-1979. This was supported by a redesigned financial system which managed post-sterling economic policy within the orbit of diversified economic partnerships. This economic success was also a product of its exchange control reaction to British and subsequent international sanctions which insulated its domestic economy. Rhodesia was less affected by sanctions than initially envisaged. Moreover, foreign investors including British companies that could not repatriate their profits because of restrictive exchange control measures in Rhodesia designed to curb capital flight added to this liquidity. It ultimately drove development particularly in the real estate market, but also in other sectors as well.¹⁶

To maximize the benefits of this liquidity, John Wrathal, the Minister of Finance, managed three aspects of monetary policy. As discussed in the preceding chapters, his policy was to maintain sufficient foreign exchange reserves through encouraging the export trade, stimulate domestic economic activities to sustain a high gross domestic product and fight inflation between 1965 and 1978. To ensure an efficient coordination of these policies, the Rhodesian Cabinet created a Ministerial Economic Coordination Committee (MECC) to coordinate financial planning and economic development. Through the Pretoria-Salisbury-Lisbon axis, Rhodesia had a back door to international trade. The Rhodesian government also demonstrated a capacity to use global economic conditions to the best advantage. It exploited the commodity boom of the 1960s. It also utilised political alliances with Portugal and South Africa. These countries provided Rhodesia with financial, strategic, economic, political, military and logistical support. It was only after the loss of much of this support that Salisbury's fortunes began to decline.

Rhodesian exchange control responses caused unexpected financial problems for London. It was obligated to pay Rhodesia interest payments to the IBRD while resisting demands from British holders of Rhodesian government bonds for payment of their capital investments and interest. This could not be done until a return to legality was secured in Rhodesia. By contrast, in Rhodesia these actions created conditions of excess liquidity which was quickly

¹⁶ See chapters Three, Four and Five. See also Bond, 'Capital in the City: A History of Urban Financial Flows through Colonial Harare', B. Raftopoulos and T. Yoshikuni, *Sites of Struggle: Essays in Zimbabwe's Urban History* (Harare: Weaver Press, 1999).

employed to finance the Rhodesian economy. By December 1966, Britain realized, following the collapse of the *Tiger* talks that its punitive measures had not worked and there was need to engage the international community in the Rhodesian problem. A coordinated sanctions effort was needed to stop Rhodesia's UDI. The initial failure of sanctions was explained in terms of the gradualist approach of their application.¹⁷ Starting with British measures in 1965 to 1966, followed by UN selective mandatory sanctions in December 1966 and ultimately UN comprehensive mandatory sanctions in May 1968, Rhodesia's financial policies and exchange controls thus had much room in which to manoeuvre in between the phased application. Supported by the MECC's adaptive coordination exercises as well as the support of strategic regional political alliances and trade agreements which helped it realize positive economic development, Rhodesia managed to financially sustain its rebellion.

It was not until the changed circumstances of the 1970s that the Rhodesian economy began to buckle. Between 1971 and 1974, the combined effects of the Nixon and oil shocks, which triggered a global economic recession and collapse in commodity prices wreaked havoc in Rhodesia's financial planning. With diminishing foreign currency earnings because of low export prices and increased pressure on foreign exchange by importers to purchase increase imports pressure mounted on the Rhodesian economy. But the Colony sustained marginal growth and was confident of weathering that storm.¹⁸ It was only after the loss of its strategic economic alliance and independence of Mozambique, worsened by the shifting international attitude towards Rhodesia and worsening global economy that Salisbury's financial and economic coordination was dealt a severe blow. Although the RF continued to resist any settlements before 1979, the writing was on the wall, but the MECC was successful in financing the rebellion until they could secure a favourable settlement. The hothouse atmosphere had been wiped out and by the time of Lancaster, the Rhodesian financial system had been stretched beyond its limits. However, it had created a financial

¹⁷ A.S. Mlambo, 'Prelude to 1979 Lancaster House Constitutional Conference on Rhodesia: The Role of International Sanctions Reconsidered', *Historia*, 50:1 (2005), pp. 147-172; D.M Rowe, *Manipulating the Market: Understanding Economic Sanctions, Institutional Change and the Political Unity of White Rhodesia* (Michigan: University of Michigan Press, 2001); J. Kurebwa, *The Politics of Economic Sanctions on Zimbabwe [Rhodesia], 1965-1979* (Harare: UZ Publications, 2012); M. Minter and E. Schimdt, 'When Sanctions Worked: The Case of Rhodesia Re-Examined', *African Affairs*, 87:347 (1988), pp. 207-237.

¹⁸ See Chapter Six, pp. 168-213.

legacy of a racially exclusive financial system that the incoming independent government had the challenge of confronting and transforming.¹⁹

This thesis expands on Sowelem as well as Bond's analysis.²⁰ Where Sowelem's study examined the theme of financial dependency in the establishment of the Reserve Bank of Rhodesia and Nyasaland during the Federal period, this study updates his work by examining how this dependency was shaken off by the Rhodesian State following UDI. It demonstrates how, reconstituted under conditions of conflict, the RF government's financial arrangements managed to sustain the Rhodesian rebellion. It also expands on Bond's analysis of uneven development in a number of ways. It adds a further dimension to the uneven development in the real estate sector, showing how such distortions existed in other sectors of the economy. Moreover, where Bond provides a survey of the Colony's financial history, this thesis focuses on the crucial UDI period. As such, it expands on earlier analysis of the financial history of colonial Zimbabwe and greatly complements existing literature.

The thesis also adds a new historiographical dimension to the liberation struggle. Where most studies have placed emphasis on the importance of the armed struggle to explain the events leading to the independence of Zimbabwe, they have neglected other aspects of this history. This has resulted in the foregrounding of nationalist history at the expense of other perspectives. However, more recently, scholars have started researching those aspects of the Rhodesian conflict or liberation war that have hitherto been silenced. Brownell's work on the demographic aspects of UDI history, for example, particularly what he terms the hidden war of numbers provides an interesting analysis as it discusses how the small population of whites could not have successfully maintained the repression over the increasing population of the black majority. But his contention that had the white population been larger than it was, it would have sustained the rebellion for much longer cannot be substantiated. This thesis lays more weight on the rebellious state's financial capacity to sustain the war rather than demographic factors. When the Rhodesian financial system was well coordinated in support of the economy, it successfully sustained the war

¹⁹ Chapter Seven, pp. 215-248.

²⁰ R.A. Sowelem, *Towards Financial Independence in a Developing Economy: An Analysis of the Monetary Experience of the Federation of Rhodesia and Nyasaland* (London: Allen and Unwin, 1967); Bond, *Uneven Zimbabwe*.

effort. However, as the financial economy came under stress from a combination of international economic depression, loss of crucial political allies and an intensifying nationalist war, the Colony was stretched beyond its limits.

This dissertation also engaged with those works that have studied the impact of sanctions on Rhodesia, especially Kurebwa and Rowe. Kurebwa's work focuses on the economic impact of sanctions on Rhodesia, and only makes limited mention of financial factors as part of its analysis. This thesis goes beyond Kurebwa's analysis in terms of both the methodology used, its analysis and historical scope. Where Kurebwa's work begins with an examination of the extent to which sanctions affected the Rhodesian economy, this thesis foregrounds itself with a history of how the economy was developed and structured prior to the rebellion. Moreover, it examines a specific aspect of the economy, its financial system. Focusing on the financial system as the main subject of study, it uses sanctions as part of the analysis of Rhodesia's financial development. Through its use of Bank of England Archives and Smith Papers, it provides a fresh perspective on the imperial-colonial interactions over finance and economy in the period under study. Thus, not surveying the entire economy, the thesis is more focused in its examination of a specific sector, the financial sector, and how this was crucial in the process of wider economic development and coordination by way of sectoral illustration. Rowe's work examines how the Rhodesian state manipulated international markets to sustain its economy but does not have the benefit of seeing how finance was used to coordinate and the economy together in the UDI period as this thesis demonstrates.

The small southern African illegal state captured the world's imagination and attention when the UN declared it a threat to global peace and security, subjecting it to sanctions. More importantly, its rebellion remains the source of much academic interest as the Colony defied its former imperial master, Britain and the UN whose efforts to rapidly reverse its UDI were fruitless for 15 years. This thesis has provided a new dimension to UDI history. It has established Rhodesia's transition from metropolitan control towards internal financial coordination. It also captures the changing British and UN measures in trying to stop the Rhodesian rebellion. Until the late 1970s, Rhodesia successfully defended itself through financial and exchange control measures. Insulating itself from external pressures, Salisbury shook off its pre-1962 dependency on London. Unexpectedly perhaps, the study's focus on the financial history of the UDI period not only helps explain the initial significant successes

enjoyed by the illegal regime in Salisbury, but also invites reflection on the room for financial manoeuvre enjoyed by small states in circumstances not of their own choosing.

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