

**FOREIGN CAPITAL, STATE AND THE DEVELOPMENT OF SECONDARY INDUSTRY IN  
SOUTHERN RHODESIA, 1939-1956**

**BY**

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**THIS THESIS HAS BEEN SUBMITTED IN ACCORDANCE WITH THE REQUIREMENTS FOR THE  
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## **Declaration**

I declare that the dissertation hereby submitted by me for the Master of Arts degree at the University of the Free State is my own independent work and has not previously been submitted by me at another university/faculty. I furthermore cede copyright of the dissertation in favour of the University of the Free State.

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Victor M. Gwande

## **Abstract**

This thesis is a detailed historical study that examines the nature and extent of foreign capital investment in Southern Rhodesia (modern-day Zimbabwe) between 1939 and 1956, with particular focus on the development of secondary industry. A number of scholars have commented that, with the exception of South Africa, no country was as dominated by foreign capital as Southern Rhodesia. However, this claim has not been investigated empirically in great depth. The study therefore offers an account of the development of secondary industry and also demonstrates the penetration of foreign capital into this sector. This thesis argues that, while the development of secondary industries had gathered momentum during the war years, the inflow of foreign capital into secondary industries really increased during the post-war period. The trend in foreign capital inflows and the expansion of industries was consolidated by the establishment of the Central African Federation in 1953. The increase in manufacturing production occurred alongside the establishment of new industrial ventures initiated by European immigrants and local residents. In the same period influential British and South African companies took over existing small local concerns resulting in concentration of industrial production in the hands of few, big corporations. Most foreign capital came from Britain and South Africa and to a lesser extent, from the United States of America and Italy. Foreign capital came in the form of foreign direct investment or local take-overs or in a small measure through immigrants. This thesis also addressed foreign capital's relations and partnership with the Southern Rhodesian state during this time in funding basic services and facilities pertinent to industrial development. The role of foreign capital in Southern Rhodesia's industrialisation process was also considered in relation to the contemporaneous phenomenon of Import Substitution Industrialisation (ISI), as well as the influence of South Africa, and it concluded that industrialisation in Southern Rhodesia displayed many of the tenets of ISI as observed in Latin America.

Key words: foreign capital, secondary industry, state, Second World War, Southern Rhodesia

## Opsomming

Hierdie proefskrif is 'n gedetailleerde geskiedkundige studie wat die aard en omvang van buitelandse kapitaalbelegging in Suidelike Rhodesië (hedendaagse Zimbabwe) tussen 1939 en 1956 ondersoek, met 'n spesifieke fokus op die ontwikkeling van die sekondêre nywerheid. 'n Aantal kundiges het opgemerk dat geen ander land buiten Suid-Afrika so oorheers is deur buitelandse kapitaal as Suidelike Rhodesië nie. Hierdie aanspraak is egter nie empiries en indringend ondersoek nie. Hierdie studie ondersoek dus die ontwikkeling van die sekondêre nywerheid, en demonstreer ook die penetrasie van buitelandse kapitaal in hierdie sektor. Hierdie proefskrif voer aan dat, hoewel die ontwikkeling van sekondêre nywerhede momentum verkry het gedurende die oorlogsjare, die invloed van buitelandse kapitaal in sekondêre nywerhede eintlik eers in die tydperk na die oorlog toegeneem het. Die neiging van die invloed van buitelandse kapitaal en die uitbreiding van nywerhede is gekonsolideer deur die vestiging van die Sentraal-Afrika Federasie in 1953. Die toename in vervaardigingsproduksie het plaasgevind tesame met die vestiging van nuwe nywerheidsondernemings wat deur Europese immigrante en plaaslike inwoners geïnisieer is. In dieselfde tydperk het invloedryke Britse en Suid-Afrikaanse maatskappye bestaande klein plaaslike ondernemings oorgeneem, wat tot gevolg gehad het dat nywerheidsproduksie gekonsentreer is in die hande van 'n paar groot korporasies. Die meeste buitelandse kapitaal het van Brittanje en Suid-Afrika gekom, en in 'n mindere mate van die Verenigde State van Amerika en Italië. Buitelandse kapitaal het ingekom in die vorm van direkte buitelandse belegging of plaaslike oornome, of in 'n kleiner mate deur immigrante. Hierdie proefskrif het ook aandag gegee aan die verhoudinge en vennootskap tussen buitelandse kapitaal en die Suidelike Rhodesiese staat gedurende hierdie tyd, ten opsigte van die befondsing van basiese dienste en fasiliteite wat met nywerheidsontwikkeling verband hou. Die rol van buitelandse kapitaal in die industrialisasieproses van Suidelike Rhodesië is ook beoordeel in verhouding tot die kontemporêre verskynsel van invoervervangende industrialisasie, asook die invloed van Suid-Afrika, en die gevolgtrekking is bereik dat industrialisasie in Suidelike Rhodesië baie van die beginsels van invoervervangende industrialisasie toon wat in Latyns-Amerika waargeneem is.

Sleutelwoorde: buitelandse kapitaal, Tweede Wêreldoorlog, sekondêre nywerheid, staat, Suidelike Rhodesië

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To God be the glory, for seeing me through my studies!

## **Dedication**

To my wife and son – for enduring all the lonely times – this is to you.

## Acronyms

AAC	Anglo American Corporation of South Africa
AE&CI	African Explosives and Chemical Industries
AOFC	American Overseas Finance Company
AOIC	American Overseas Investing Company
BSAC	British South Africa Company
CIRB	Cotton Industry and Research Board
FRI	Federation of Rhodesian Industries
IBRD	International Bank for Reconstruction and Development
IDAC	Industrial Development Advisory Committee
IDC	Industrial Development Commission
ISCOR	Iron and Steel Corporation of South Africa
ISI	Import Substitution Industrialisation
MBCA	Merchant Bank of Central Africa
NAZ	National Archives of Zimbabwe
NC	Native Commissioner
RAL	Rhodesian Acceptances Limited
RHOMIL	Rhodesia Milling and Manufacturing Company
RISCOM	Rhodesia Iron and Steel Commission
RISCO	Rhodesia Iron and Steel Corporation
TAC	Tariff Advisory Committee

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## **Chapter One: Introduction**

Writing in 1980, historian Duncan Clarke noted that of all of the Sub-Saharan African economies with the exception of South Africa, none was as dominated by foreign capital as Southern Rhodesia.<sup>1</sup> This thesis is a detailed historical study examining the origins and extent of foreign capital investment, its role, as well as its relations with the state in Southern Rhodesia, with particular focus on the development of secondary industry from 1939 up to 1956 as this was the most rapidly developing economic sector. The study offers an account of the development of secondary industry and also traces the penetration of foreign capital into this sector, thereby illuminating how secondary industry, as a subsector of the Southern Rhodesian economy, came to be dominated by external investments as noted by Clarke.

This study begins in 1939, as the outbreak of the Second World War marked the beginning of a watershed period for industrialisation. As goods that were formerly imported became unavailable due to the war, the development of secondary industries in Southern Rhodesia was stimulated. The cut-off date of 1956 is considered appropriate for this study for two reasons. Firstly, in 1953, Southern Rhodesia along with Northern Rhodesia and Nyasaland united to form the Central African Federation. In 1957, the Division of Trade and Industrial Development of Southern Rhodesia, which was responsible for industrial issues, was transferred to the Federal government, and all aspects of industry therefore became federal rather than territorial. Secondly, Northern Rhodesia's copper was the economic linchpin of the Federation. Between 1956 and 1959, copper exports faced a global slump in prices which adversely affected the Federal economy as it entered a recession.

Foreign capital as defined in this thesis refers to all investment originating beyond Southern Rhodesian borders. The author is, however, cognisant of the complexity of defining British capital as foreign in Southern Rhodesia, since the country was part of the British sterling area and the broader British Empire. From 1923, Southern Rhodesia became a self-governing colony with minimal interference from Britain except in matters of currency, African affairs and foreign relations. It can be broadly and loosely seen as an autonomous state. Relations between Southern Rhodesia and Britain can be viewed to a degree as those

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<sup>1</sup> D. G. Clarke, *Foreign Companies and International Investment in Zimbabwe*, Mambo Press: Gwelo, 1980, p. 33.

of between two independent states. It is in this sense therefore, that British capital is treated as foreign in this study.<sup>2</sup>

Another difficulty lies in distinguishing between national capital and foreign capital, especially before 1949. This is because prior to 1949 Southern Rhodesian citizenship did not exist.<sup>3</sup> Therefore, no one could claim to be a citizen of Southern Rhodesia. One could only be a resident. It is from this perspective that settlers (farmers, small miners, businessmen and traders) residing in the country are treated as possessing domestic capital, whereas big business coming in from beyond Southern Rhodesia's borders (like the British South Africa Company (BSAC), big cattle ranchers and tobacco producers) was the face of foreign capital. For the purposes of this study, the origin of the investment differentiates foreign capital from domestic capital. Finally, secondary industry in this study refers to all enterprises employing two or more people involved in mechanical or chemical transformation of raw materials into semi-processed and finished goods and will also be interchangeably used with the manufacturing sector or industrialisation.<sup>4</sup>

This study investigates the role of foreign capital in the industrialisation of Southern Rhodesia in the context of the contemporaneous phenomenon of Import Substitution Industrialisation (ISI). Import Substitution Industrialisation is a term used to explain the development of local industries as an alternative to importation of manufactured goods. This is usually brought about by disruptions of international trade, for instance due to wars, depressions and/or imposition of sanctions, which leaves dependent countries isolated from their traditional trading partners and sources of goods and materials. In some cases ISI can be a deliberate economic policy by a country meant to address adverse balances of payments through reducing imports. In the case of Latin America's early phase of ISI (before the First World War) it can be intended to challenge an existing development pattern and relationship with a colonial power. This thesis will examine the extent to which the development of secondary industry in Southern Rhodesia reflects the tenets of Latin

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<sup>2</sup> I. Phimister, 'Accommodating Imperialism: The Compromise of the Settler State in Southern Rhodesia, 1923-1929', *The Journal of African History*, Vol. 25, No. 3, 1984, pp. 279-294, discusses more precisely the ambiguities of Southern Rhodesia as a self-governing colony and its relationship with Britain.

<sup>3</sup> C. Palley, *The Constitutional History and Law of Southern Rhodesia, 1888-1965*, Oxford: Clarendon Press, 1966, p. 224-5.

<sup>4</sup> This working definition is derived from the broad definition used by the Southern Rhodesia Central Statistics Office, *Census of Industrial Production, 1938-1962*.

American ISI. Parallels will be also drawn to the development of secondary industries in the Southern African region, in particular with South Africa. This is in view of the claim that 'Southern Rhodesia was a province of South Africa.'<sup>5</sup>

### **Structure of dissertation**

This thesis is structured broadly chronologically over five chapters. Chapter One introduces the study, its scope, argument and defines terms and concepts. It also contains its justification, literature review, and the sources and methodology used for data gathering and writing up the thesis. Chapter Two, dealing with the period 1939 to 1945, explains the emergence of secondary industries in the context of the war and the concept of Import Substitution Industrialisation. It explains the extent to which the Second World War can be regarded as the turning point in the industrialisation of Southern Rhodesia. It also discusses the central factors in the drive for industrialisation. The chapter further discusses the aspect of investment by investigating the centrality of the state. Through this investigation the chapter hopes to show how the state and the war, despite being a stimulant to local industries, may have also impacted on the inflow of foreign capital in the country. Chapter Three, focussing on the period 1946 to 1952, deals with factors behind the post-war expansion in industrialisation. It explains the state of the economy and how such an economy may have lured in foreign capital. The inflow of foreign capital and its role in the post war expansion is given emphasis. It seeks to offer an account of how foreign capital became increasingly significant in the post war and explains the effect that foreign capital had on industrial development and the Rhodesian colonial society. Chapter Four, dealing with the period 1953 to 1956, discusses the impact of the formation of the Central African Federation on both the inflow of foreign capital and industrial expansion in Southern Rhodesia. Trends in investments during this period are explained. In Chapter Five, the thesis concludes by reconciling its findings against its intended objectives, specifically re-emphasising that foreign capital played a significant role in the development of secondary industries. It also re-affirms the contribution of this study to the historiography of foreign investment and industrialisation in Southern Rhodesia. Finally, it points to other possible areas of investigation.

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<sup>5</sup> R. Blake, *A History of Rhodesia*, New York: Alfred A. Knopf, 1978, p. 279.

## Literature Review

The development of secondary industry has received some scholarly attention but there is comparatively little research on the role of foreign capital in the industrialisation of Southern Rhodesia. Such studies of foreign capital in Southern Rhodesia, notably the two articles by Colin Stoneman and Clarke's *Foreign Companies and International Investment in Zimbabwe*, do not pay much attention to the historical entrenchment and the role of foreign capital in secondary industries. In addition to this, the impression from the existing literature is that the state took an interventionist, albeit sometimes reluctant approach in the development of secondary industry.<sup>6</sup> Even studies that credit the role of the state dwell much on its regulatory role, especially through protective legislation, trade agreements, and its entrepreneurial role. Yet, as this study will show, state involvement in the development and expansion of secondary industry was not limited to these roles.

Foreign capital had always been part of the Southern Rhodesian economy from the inception of colonial rule in 1890 as most of the investors in the BSAC were from Britain and South Africa.<sup>7</sup> However, almost of this foreign capital was concentrated in the extractive sectors of mining and agriculture. Research on overseas investment in Africa was pioneered by Solly H. Frankel in 1938. He focused on surveying the course of capital investment from abroad into Africa.<sup>8</sup> The survey identified that the main source of capital investment was Britain and that capital investment took the form of purchase by overseas investors of shares.<sup>9</sup> Capital investment in Southern Rhodesia was not differentiated from investment in South Africa. There is a need to disentangle Southern Rhodesia and present its experiences regarding capital investments in its own right.

The first scholar to give more clarity on the course of foreign capital inflows into Southern Rhodesia was Stoneman in his 1976 article, 'Foreign Capital and the Prospects for

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<sup>6</sup> Phimister, *An Economic and Social History of Zimbabwe: Capital Accumulation and Class Struggles*, London: Longman, 1988. A. S. Mlambo et al, *Zimbabwe: A History of Manufacturing, 1890-1995*, Harare: University of Zimbabwe Publications, 2000. E. S. Pangeti, 'The State and Manufacturing Industry: A Study of the State as Regulator and Entrepreneur in Zimbabwe', PhD, University of Zimbabwe, 1996. L. Tow, 'The Manufacturing Economy of Southern Rhodesia; Problems and Prospects', PhD, Columbia University, 1960.

<sup>7</sup> Clarke, *Foreign Companies and International Investment in Zimbabwe*, C. Stoneman, 'Foreign Capital and the Prospects for Zimbabwe', *World Development*, Vol 4, No.1, 1976, pp. 25-58. Phimister, *An Economic and Social History of Zimbabwe* asserts this point.

<sup>8</sup> S. H. Frankel, *Capital Investment in Africa: Its Course and Effects*. Oxford University Press: London, 1938.

<sup>9</sup> *Ibid*, p. 155.

Zimbabwe.’ His study focused on the role of foreign capital in Rhodesia’s development and the consequent growth of local capital in its shadow.<sup>10</sup> Concluding that foreign capital dominated the economy of Rhodesia, particularly in the mining and agricultural sectors, Stoneman discussed how this foreign capital dominance might impact on a future black government’s quest for genuine independence. This was the particular focus of his 1978 publication, ‘Foreign Capital and the Reconstruction of Zimbabwe’.<sup>11</sup> Foreign capital investment in secondary industry is only given only a passing mention, however.

In 1980, Clarke published his *Foreign Companies and International Investment in Zimbabwe*, in which he concurred with Stoneman that on the eve of independence, the Rhodesian economy was dominated by foreign capital.<sup>12</sup> Clarke’s work identified foreign companies in the various sectors of the country’s economy. While Clarke’s study gave a picture of the extent of foreign capital dominance in the Rhodesian economy, particularly on the eve of independence, he did not give a historical sense of the development and change in foreign investment patterns, especially in the period before the Unilateral Declaration of Independence in 1965. In as much as these studies are useful for understanding the extent of foreign capital’s influence in Southern Rhodesia, they do not explain the origins and operations of foreign capital and its relations with the state in the development of secondary industries. The current study aims to address this lacuna in the literature, with particular focus on the centrality of foreign investment in the industrialisation of the colony.

While the industrialisation of Southern Rhodesia can be traced back to the 1890s, it only developed during the crisis periods of the Great Depression and the Second World War, and later with the creation of the Federation of Rhodesia and Nyasaland in 1953. Pioneering work on the industrialisation of Southern Rhodesia was undertaken by Leonard Tow in 1960 in his thesis ‘The Manufacturing Economy of Southern Rhodesia: Problems and Prospects.’ He dealt with factors that conditioned the growth of the manufacturing sector, such as fuel, power, transport, labour, markets and capital. He discussed how these were both stimulants to and constraints on, the industrialisation of Southern Rhodesia. He further explained that manufacturing activity in Southern Rhodesia expanded rapidly in the post-war period. This

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<sup>10</sup> Stoneman, ‘Foreign Capital and the Prospects for Zimbabwe’

<sup>11</sup> Stoneman, ‘Foreign Capital and the Reconstruction of Zimbabwe’, *Review of African Political Economy*, No. 11, 1978, pp. 62-83.

<sup>12</sup> Clarke, *Foreign Companies and International Investment in Zimbabwe*, p. 7, 9.

expansion was 'sparked by a backlog of demand for manufactures built up during the war years and gained momentum during the post war boom period, when the territory's mineral and agricultural production expanded greatly in response to heavy world demand'.<sup>13</sup> The establishment of the Federation in 1953 also accelerated the rate of European immigration which was in itself an important stimulus to growth.<sup>14</sup> In respect of capital investment in manufacturing, he argues that a substantial part came from domestic sources, although he acknowledges inflows of foreign capital from 1948 onwards.<sup>15</sup> This thesis, however, places emphasis on foreign capital as the reason behind the post-war industrial expansion in Southern Rhodesia. It further illustrates how this foreign capital became entrenched in the manufacturing sector.

Tow's discussion on the development of manufacturing was taken further by Giovanni Arrighi in his 1966 article 'The Political Economy of Rhodesia'. The major focus of Arrighi's work was to explain the development of the Rhodesian economy from a Marxist perspective. His account of the industrialisation process illustrated how the emerging manufacturing sector created a new class of industrialists who in turn played an important role in reshaping Southern Rhodesia's political landscape and social institutions. According to Arrighi, the Second World War was one of the external stimulants to this process, as goods formerly imported became practically unavailable, thus creating a demand for local industry.<sup>16</sup> The high immigration rate triggered by the tobacco boom; the Imperial Air Training Scheme, and later by the post-Second World War settlement scheme for ex-servicemen, the increase of Africans in wage employment and the inflow of international capital all stimulated industrialisation in Southern Rhodesia.<sup>17</sup> Concerning investment, he noted that, 'before World War II, the main foreign interests were centered on the appreciation of land values, the mineral rights and the railway.'<sup>18</sup> This picture changed in the post war period as these interests diversified and became involved in almost every sector of the Rhodesian economy. The current study therefore examines sources of investment capital in addition to those

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<sup>13</sup> Tow, 'The Manufacturing Economy of Southern Rhodesia', abstract.

<sup>14</sup> Ibid, p. 8.

<sup>15</sup> Ibid, p. 251.

<sup>16</sup> G. Arrighi, 'The Political Economy of Rhodesia', *New Left Review*, No. 39, 1966, p. 44, later published as *The Political Economy of Rhodesia*, The Hague: Mouton and Co. Publishers, 1967.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

Arrighi highlighted. It also examines the extent and nature of foreign investment as it diversified into other sectors, particularly secondary industries.

Ian Phimister's *An Economic and Social History of Zimbabwe*,<sup>19</sup> deals with the class struggles and the processes of accumulation by the dominating class of big business as the Rhodesian economy took shape. More important for this study however, are the last two chapters that deal with the origins and development of the manufacturing industry in Southern Rhodesia, tracing it from the early years of colonisation. According to Phimister, manufacturing in Southern Rhodesia began in the 1890s but only picked up in the crisis periods of the Great Depression and the Second World War. His work also discussed the state's initial reluctance to assist incipient industrialists and the later shift from the 1940s when it began to assist the sector through negotiating trade agreements with South Africa. The significance of South Africa, as an export market, for the industrialisation of Southern Rhodesia was re-emphasised and further illuminated in 1991 when he published another article, 'Secondary Industrialisation in Southern Africa: The 1948 Customs Agreement between Southern Rhodesia and South Africa'.<sup>20</sup> Phimister maintains these arguments in his later publications in 2000.<sup>21</sup> He also gave some insights into the nature of investments in the development of the manufacturing sector. Writing on foreign capital's involvement in the manufacturing sector, Phimister noted that, 'it came almost entirely from Britain and South Africa itself' after being attracted by the guaranteed access to a comparatively huge South African market as the state had negotiated trade and customs agreement with the Union of South Africa.<sup>22</sup> Building on Phimister's work, this study delves further into the entrenchment of foreign capital in the manufacturing sector, thereby showing the significance of external capital in the growth of secondary industry.

In 1988, Roger Riddell published his findings on the industrialisation of Sub-Saharan Africa and concluded that 'the major sources of manufacturing growth were import substitute industrialisation and domestic demand.'<sup>23</sup> Examining the role of foreign capital will thus

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<sup>19</sup> Phimister, *An Economic and Social History of Zimbabwe*.

<sup>20</sup> Phimister, 'Secondary Industrialisation in Southern Africa: The 1948 Customs Agreement between Southern Rhodesia and South Africa', *Journal of Southern African Studies*, Vol. 17, No. 3, 1991, pp. 430-442.

<sup>21</sup> Phimister's first two chapters in Mlambo et al, *Zimbabwe: A History of Manufacturing, 1890-1995*

<sup>22</sup> *Ibid*, p. 37.

<sup>23</sup> R. Riddell, 'Industrialisation in Sub-Saharan Africa: Country Case Study-Zimbabwe', Working Paper 25, Overseas Development Institute, London, 1988.

help us to understand other equally important factors that conditioned the growth of secondary industry.

Stoneman has also written on the industrialisation of Zimbabwe, tracing it from 1923.<sup>24</sup> He argues that the industrialisation of the country was a state led process and that the state's intervention in the sector was largely through legislation and financial assistance. Indeed, the state had a very significant role in the development of the sector but did so in collaboration with private enterprise and foreign capital. Its role was not only limited to providing legislation and finance but also other ways which will be detailed in this study. Evelyn Pangeti also discussed the role of the state in her 1995 doctoral thesis. She noted that 'the state has played an important role over time in both regulating the environment to promote manufacturing development and in participating directly as entrepreneur'.<sup>25</sup> Pangeti's work is valuable to this study as it investigates the implications of state intervention for foreign investment in the development of manufacturing industry. Alois Mlambo also wrote on the state and the vicissitudes of manufacturing industry in the first decade of independence and during the structural adjustment programmes.<sup>26</sup> However, the period that Mlambo covered is beyond the scope of the current study.

In a contribution on the effects of Second World War on Southern Africa, Norman Mlambo wrote a doctoral thesis in 2000 on the development of war-oriented industries in Southern Rhodesia and South Africa.<sup>27</sup> He argued that while the war stimulated the development of industries, contributing to the war effort, the same war placed limitations on the industrial war effort because the two countries lacked technology and skilled manpower.<sup>28</sup> Nonetheless, he concluded that the war spurred the growth of manufacturing. He cites food production in Southern Rhodesia as one such industry. The development of secondary industry in Southern Rhodesia was not all about the effects of the war and the active participation of the state. By contrast, this study, seeks to suggest that equally significant in the industrialisation of the colony, was the role played by foreign capital.

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<sup>24</sup> Stoneman, 'The Industrialisation of Zimbabwe: Past, Present and the Future', *Afrika Focus*, Vol. 6, NO. 3-4, 1990.

<sup>25</sup> Pangeti, 'The State and Manufacturing Industry', p. 6.

<sup>26</sup> Mlambo's last two chapters in Mlambo et al, *Zimbabwe: A History of Manufacturing*.

<sup>27</sup> N. Mlambo, 'Arms production and War Supply in Southern Africa, 1939-1945: Limitations of the Industrial War Effort of South Africa and Zimbabwe during the Second World War', PhD, University of Cape Town, 2000.

<sup>28</sup> Ibid.

In 2006, Mlambo and Phimister published another article, 'Partly Protected: Origins and Growth of Colonial Zimbabwe's Textile Industry, 1890-1965', in which they accounted for and traced the development of the textile industry.<sup>29</sup> Their central argument was that the state was the main actor in the growth of the sector through establishing an enterprise, especially after realising the supply bottle necks induced by the Second World War. They also asserted that the 1948 Customs Agreement with South Africa, which offered both a market and protection, was beyond question catalytic for the industry's rapid post-war expansion.<sup>30</sup> Yet this thesis argues that this post-war expansion of industry cannot be understood in this light only - the role of foreign capital must also be unpacked.

What is clear from the literature is that the Second World War was significant for the development and expansion of secondary industry in Southern Rhodesia. It is also clear that the state was important for this development, either by direct participation or through regulation. Similarly clear in this historiography is the absence of a study on the significant role played by foreign capital in the development of secondary industries of the colony, despite the acknowledgement by these earlier scholars that inflow of foreign capital into the manufacturing sector increased significantly in the post-war years. Missing is the voice of organised industry, such as that of the Federation of Rhodesia Industries, which was significant in setting the agenda for secondary industries. It is the purpose of this study to explore the significance of foreign capital and the initiatives of organised industry in Southern Rhodesia during this period. In addition to examining the role of foreign capital in Southern Rhodesia's secondary industrialisation, this study also explores other ways in which the state assisted the growth of secondary industries. Studying the role of foreign capital in that regard will enable us to understand the development and expansion of secondary industries from a new perspective, thus broadening the historiographies of industrialisation and foreign investment in Southern Rhodesia.

### **Sources and Methodology**

This is a qualitative research study making use of archival sources, monthly periodicals and newspapers, government reports and secondary literature. This study relied heavily on

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<sup>29</sup> Mlambo and Phimister, 'Partly Protected: Origins and Growth of Colonial Zimbabwe's Textile Industry, 1890-1965', *Historia*, 52, 2, November 2006, pp 145-175.

<sup>30</sup> *Ibid.*

primary data from the National Archives of Zimbabwe (NAZ). It specifically makes use of correspondences, minutes, memoranda and manuscripts of the then Ministry of Commerce and Industry (and its related statutory bodies such as Industrial Development Advisory Committee (IDAC) and Industrial Development Commission (IDC)), Federation of Rhodesian Industries, Chamber of Commerce and Central Statistics Office. All these were organs set up to deal with matters of industrial development in Southern Rhodesia. Consulting these sources was crucial for this study because these represented the official positions of both the government and industrialists on all issues industrial.

The National Archives of Zimbabwe has rich material which helped the author to map out a picture of trends in the development of secondary industry and the flow of capital into Southern Rhodesia. Most of the files accessed have information on the efforts of the state and local industrialists to promote industries while attracting foreign capital into the colony. There are a number of files that contain inquiries by foreign capital on the prospects of establishing themselves in the colony. From these files, the author was able to observe the keen interest by foreign capital and its eventual migration into Southern Rhodesia, particularly in the manufacturing sector. Equally important were files explaining what secondary industry comprised, including all the subsectors. Production figures, capacities and the contribution of each sector to the overall economy were highlighted. Surveys carried out on industrial development are also available in the archive, showing the location of industries in the country, the state of the sector and recommendations on what the government of Southern Rhodesia could do to incentivise their further development. Correspondence between the government, its statutory bodies and industrialists revealed a number of issues, for instance, protection of industry, subsidies and legislations, which were deemed necessary for the expansion of industry.

Periodical publications, notably, the *Rhodesian Recorder*, proved to be extremely useful for understanding and appreciating secondary industrialisation in Southern Rhodesia. The *Rhodesian Recorder* was a monthly magazine produced by industrialists through their representative body, the Federation of Rhodesian Industries, covering all matters concerning industry in the country. This bulletin kept industrialists abreast of any developments such as new companies registered and their origins, problems facing industry and industrialists' views and position regarding state policies on industrialisation. With the

series beginning in 1949, a patient and careful reading through the *Rhodesian Recorder* gave the author a vivid picture of industrial development over time. A number of foreign companies that established themselves in Southern Rhodesia were identified from this source. Much the same can be said of newspapers and periodicals such as the *Rhodesian Herald* and *New Rhodesia*. These serve as additional sources for understanding foreign investors' experiences with the state and the Rhodesian economy. Unfortunately though, the majority of the manufacturers did not deposit their records at either the National Archives or the Office of the Registrar of Companies as per Government requirement. Consequently, it is the published sources noted above that captured the hopes and expectations of both the state and industrialists concerning the industrialisation of the country. The arguments presented in this thesis are drawn on material gathered from these sources.

## **Chapter Two: Development of Secondary Industry during the War Years, 1939-1945.**

### **Introduction**

While the industrialisation of Southern Rhodesia can be traced back to the 1890s, it only took root and gained momentum during the crisis periods of the Great Depression (1929-1933) and Second World War and later with the creation of the Federation of Rhodesia and Nyasaland in 1953. This chapter discusses the development of secondary industries in the country in the context of the war and the promotion of import substitution industrialisation policies (ISI). Not all industries that developed during the war were solely for import substitution purposes. Rather, some were meant to contribute towards the war effort and some developed as purely new industries which were introduced as the drive for industrialisation gathered pace. This chapter also discusses the major actors behind industrialisation, the nature of industries and the investments that took place. What follows below is an account of the development of secondary industries in Southern Rhodesia during the war years, 1939 to 1945.

The outbreak of the war in 1939 paradoxically marked a watershed in the industrialisation of the colony. For Southern Rhodesia and many other colonies, the war interrupted normal trade patterns and induced the unavailability of certain imported manufactured goods or they became very costly. Where the country used to rely on imports, it was forced to look upon to its own local resources and small industries for substitutes of the formerly imported articles. At the same time, the war brought British armed forces into the country under the Imperial Air Training Scheme which increased the white population and stimulated the demand for construction services and food production, sometimes under coercive conditions.<sup>31</sup> Thus these conditions influenced the state's attitude, which before then had been indifferent towards the development of secondary industries. Hesitantly, there began a process of import substitution industrialisation led by the state with the creation of a statutory body, the Industrial Development Advisory Committee (IDAC) in 1940. At this

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<sup>31</sup> *Report No. 6349-Zim, World Bank, Zimbabwe: An Industrial Sector Memorandum, May 22, 1987, p. 3.* On food production and forced labour see D. Johnson, *World War II and the Scramble for Labour in Colonial Zimbabwe, 1939-1948*, Harare: University of Zimbabwe Publications, 2000, N. Samasuwo, 'Food Production and War Supplies: Rhodesia's Beef Industry during the Second World War, 1939-1945', *Journal of Southern African Studies*, Vol. 29, No. 2, 2003, pp. 487-502.

juncture, it is necessary to briefly give a picture of the state of Southern Rhodesian economy prior to the outbreak of the Second World War.

### **Rhodesia before the War**

The economy of Southern Rhodesia was a colonial one, dominated and characterised by dependence on the export-oriented primary and extractive sectors of mining and agriculture. It is well documented that all colonies developed in correspondence to the demands of the metropole.<sup>32</sup> Colonies acted as reservoirs and suppliers of raw materials from the agricultural and mining sectors to the centre, that is, Europe and America, and as net importers of manufactured goods and recipients of investment capital from the centre. Therefore, the primary sectors of mining and agriculture were the mainstay of colonial economies. Southern Rhodesia as a colony thus displayed these characteristics. The state and some elites relied on these two sectors and therefore prioritised and actively supported them. In Evelyn Pangeti's words, it can also be argued that 'the official encouragement of the primary sectors was partly a result of political interests at the time.'<sup>33</sup> From the 1890s up to 1923, the BSAC, which was both the state and the administrator of the colony, had interests in mining and land. Logically it followed that it prioritised these. The Responsible Government that took over in 1923 comprised largely of agrarian interest groups. As such, its interests lay in protecting the fortunes of primary export sectors.<sup>34</sup> What this meant, therefore, is that there was little political will to change the structure of the economy, which explains the disinterest in any efforts towards increasing the industrial capacity of the colony during this period.

The predominance of foreign capital in the Rhodesian economy, particularly in the traditional sectors of mining and agriculture as represented by the BSAC, is important to note. Writing on the dominance of foreign capital in the colony's economy, J. Herbst and Clarke have both noted that foreign investment had been an integral part of Zimbabwe's economy since the country was founded by the British and South African owned BSAC in the

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<sup>32</sup> See especially W. Rodney, *How Europe Underdeveloped Africa*, Dar-Es-Salaam: Tanzanian Publishing House, 1973. R. Prebisch, *The Economic Development of Latin America and Its Principal Problems*, New York: United Nations, 1950.

<sup>33</sup> Pangeti, 'The State and Manufacturing', p. 69.

<sup>34</sup> *Ibid*, p. 70.

1890s.<sup>35</sup> The predominance of foreign capital in the extractive industries is not surprising since, historically, foreign capital in colonial economies had no interest in local or internal development; hence it concentrated on the production of raw materials for export markets. Carolyn Baylies forwards this argument trenchantly that, 'to the extent that its [foreign capital's] output is sold in international markets and that its use of locally produced or available inputs is minimal, its concern with local development is also minimal.'<sup>36</sup> Meanwhile, hopes of finding a 'Second Rand'<sup>37</sup> in Southern Rhodesia attracted a huge inflow of international capital, led by BSAC. The company invested large sums of money into the development of a railway and mines. According to Frankel, from 1891 to 1918, the BSAC claimed to have spent over £20 million in Southern Rhodesia.<sup>38</sup> Frankel further elucidated that,

Of the total private listed capital, 90% has been invested in mining, but this includes a certain amount of capital of financial, land and exploration companies. The balance of the private listed capital has found its way into commerce, agriculture and to a very small extent, into industry.<sup>39</sup>

What can be deduced from the foregoing is that the influence of foreign capital in Southern Rhodesia is as old as colonialism in the country. It is also clear that the pattern of capital investment was dictated by the nature of the developing economy due to the dominance of the mining and agricultural sectors, hence investment and state assistance concentrated in these sectors.

However, Southern Rhodesia was not completely lacking in secondary industries before the outbreak of the Second World War. Some little spurts of industrial development did take place during the pre-war period, most notably during the crisis periods of First World War and the Great Depression.<sup>40</sup> According to Phimister, a number of small activities, largely family ventures, existed. He notes, 'during the short lived boom between 1894 and early

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<sup>35</sup> J. Herbst, *State Politics in Zimbabwe*, Los Angeles: University of California Press, 1990, p.110. Clarke, *Foreign Companies and International Investment in Zimbabwe*, p. 7.

<sup>36</sup> C. Baylies, 'Imperialism And Settler Capital: Friends Or Foes?', *Review Of African Political Economy*, No. 18, Special Issue on Zimbabwe, 1980, p. 120.

<sup>37</sup> Following the discovery of minerals or what became known as the Mineral Revolution in the Witwatersrand South Africa, it was believed further north of Limpopo lay even more of these minerals hence the speculation of the existence of the Second Rand further north.

<sup>38</sup> Frankel, *Capital Investment in Africa*, p. 157.

<sup>39</sup> *Ibid.*

<sup>40</sup> For a concise history of the development of secondary industries in Southern Rhodesia, see Phimister's *An Economic and Social History of Zimbabwe*, and his first chapter in Mlambo et al, *Zimbabwe: A History of Manufacturing*.

1896, several foundry and engineering concerns...were established...they concentrated on repair work for the mining industry.<sup>41</sup> Phimister further explains,

When the war broke out in Europe in 1914, the destruction of various international trading relationships and the interruption of others initiated a period of unprecedented opportunity for Southern African (Rhodesian) secondary industries. Freed from overseas competition, they had domestic and regional markets largely to themselves.<sup>42</sup>

Despite this encouraging development during First World War, South African imported goods quickly flooded the market, displacing and out-competing the few locally produced goods. While admittedly the secondary industries that developed were very small in size and arguably negligible, some, like breweries, were a 'highly lucrative business' and were 'soon swallowed by outside capital.'<sup>43</sup> A case in point was the take-over of the existing brewery, established in 1898, by South African Breweries Ltd, in 1910.<sup>44</sup> This represented some of rare cases in which there was interest by foreign capital in the incipient secondary industries.

Meanwhile, the Rhodesian state remained reluctant to pursue a definitive industrial policy. Promoting secondary industries at the time, it was believed, would result in increasing the cost structure of mineral and agricultural production.<sup>45</sup> The handful of local industrialists, at the time represented by the Rhodesian Manufacturers Association and the Salisbury Chamber of Industries, tried in vain to push the state to assist the development of secondary industries through protection. According to Pangeti, the state's attitude only started to change after the Great Depression of 1929 'ravaged the relied upon sectors and raised the wisdom of the state not to over-depend on the primary sectors.'<sup>46</sup> Active state attention to industrial development began to emerge. The voice of organised industry through the newly formed Chamber of Industries became louder and in time received support from farmers who had suffered the deleterious effect of the Great Depression. This period saw further instances of foreign investment in secondary industry. A fertilizer company, Fisons Ibatros Fertilisers (Rhodesia) Ltd, was established in the colony in 1929.<sup>47</sup> It

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<sup>41</sup> Phimister, *An Economic and Social History of Zimbabwe*, p. 239.

<sup>42</sup> *Ibid*, p. 240.

<sup>43</sup> *Ibid*.

<sup>44</sup> *Ibid*.

<sup>45</sup> See *Report on Industrial Relations in Southern Rhodesia*, 1930.

<sup>46</sup> Pangeti, 'The State and Manufacturing', p. 67.

<sup>47</sup> N[ational]A[rchives]Z[imbabwe] S2537/170/5, Memorandum by Fisons (Rhodesia) Ltd.

was a private company and a subsidiary of Fisons Limited, which was incorporated in the United Kingdom.<sup>48</sup> Another already existing manufacturing company in the category of fertiliser and chemical manufacturing was African Explosives and Chemical Industries (Rhodesia), itself a subsidiary of the larger South African company with the same name. The company processed fertilisers and sulphuric acid and manufactured cattle dips.<sup>49</sup> Again, this was a rare case of foreign capital entering the manufacturing sector of the country. In spite of this promising picture, it would be wrong to talk of industrialisation in Southern Rhodesia in the strictest sense of the word prior to the Second World War. If anything, one can deduce that the thinking at the time was that the future of Rhodesia lay in concentrating on its comparative advantage of producing raw materials for the world market.

### **Second World War and Industry**

The fortunes of secondary industries picked up with the outbreak of the Second World War. Consequently, war-induced import substitute industrialisation developed, led by the state. Arrighi makes it clear that the Second World War was one of the external stimulants for ISI as goods formerly imported became practically unavailable, thus creating a demand for local industry.<sup>50</sup> It is on this basis that the industries that developed are more often referred to as import substitution industries, specifically because they were industries set up to replace the previously imported industrial products. However, this is not only the reason why these factories were referred to as ISI. As a concept, ISI is informed by policy instruments such as protective tariffs, cheap loans by government for favoured industries, the construction by government of infrastructure especially designed to complement industries and the direct participation of government in certain industries, especially the heavier industries where neither domestic nor foreign capital would be willing or able to invest.<sup>51</sup> A survey of the development of secondary industries in Southern Rhodesia during the war years reflects these tenets of ISI. In Southern Rhodesia, the state funded new industries through its statutory bodies like IDAC and Industrial Development Commission. It directly participated in production through setting up what can be termed public corporations or parastatals.

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<sup>48</sup> Ibid.

<sup>49</sup> *Rhodesian Recorder*, March 1954.

<sup>50</sup> Arrighi, 'The Political Economy of Rhodesia', p. 44.

<sup>51</sup> W. Baer, 'Import Substitution Industrialisation in Latin America: Experiences and Interpretations', *Latin American Research Review*, Vol. 7, No. 1, 1972, p. 98.

Another characteristic of the industrialisation taking place at this point was that it was 'national' in character, as industries were for the most part in domestic hands, in itself a tenet of ISI. Nevertheless, both the skilled labour and machinery was mostly imported from South Africa and England.<sup>52</sup> This trajectory of industrial development mirrors developments taking place in Latin America and other countries across Africa during the same period.<sup>53</sup>

The war conditions gave natural protection to local infant industries and so the few that already existed, especially construction industry and food production, thrived, while new ones were also created. Despite the state's realisation of the need to industrialise, it also took vigorous lobbying by industrialists and other interest groups for the state to take practical steps in the industrial development of the colony. The state had always been central in the development plans of the colony, for instance, it had established a gold roasting plant in 1938 to process low grade ores. The significance here is that the state took a leading role in the economic development and as such its centrality in the development of secondary industries should be seen in this light.

The deepening demand for state intervention in industrial development was reflected in the increased interest in politics and political careers from industrialists – such as EP Vernal, a representative of the Salisbury Chamber of Industries, who was elected to the Legislative Assembly in 1939 as a United Party member. Consequently, Vernal got support from fellow industrialists and advocated the setting up of a body to deal with the subject of the development of secondary industries in the colony.<sup>54</sup> The thinking of many Southern Rhodesian industrialists in this regard was influenced by developments in neighbouring South Africa, where a Board of Trade and Industries existed for the purpose of advancing local industries. This Board was reconstituted in 1940 to become the Industrial Development Corporation. It was against this background that industrialists in Southern Rhodesia advocated the establishment of a similar industrial board. Vernal, a legislator and an industrialist in his own right, motioned in the Legislative Assembly that 'a permanent advisory committee be set up to assist industrial development in the colony.'<sup>55</sup> The

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<sup>52</sup> See Tow, 'Manufacturing Economy of Southern Rhodesia', p. 203.

<sup>53</sup> See *Ibid* and O. Hirschman, 'The Political Economy of Import Substituting Industrialisation in Latin America', *The Quarterly Journal of Economics*, Vol. LXXXII, No. 1, 1968.

<sup>54</sup> *Rhodesia Herald*, 23 April 1940.

<sup>55</sup> *Southern Rhodesia Legislative Debates*, 1 May, 1940, Cols. 171-191.

Associated Chamber of Industries lent its support to the motion when it stressed that 'we support the motion for a Committee with a strong representation of industrialists.'<sup>56</sup> Other members of the Legislative Assembly, notably D. Macintyre, who like Vernal, was an industrialist and a farmer, took the debate further. Macintyre posited that, as far as he knew, Southern Rhodesia was the only colony in the British Empire that did not have an industrial development committee of some sort.<sup>57</sup> For instance, South Africa had its own IDC, Britain had the Board of Trade, and Australia had the Scientific and Industrial Development Council, all to advance the cause of local secondary industries. It was against this background that the Industrial Development Advisory Committee (IDAC) of Southern Rhodesia was established in 1940.

The IDAC had the role of advising the Minister of Finance in all matters appertaining to the development of industry. In order to help the IDAC execute its role, Parliament in 1941 approved the setting up of a revolving fund for the purposes of 'financing experiments and developing secondary industries when such experiments and development are recommended by the IDAC and approved by the government.'<sup>58</sup> At the instigation of the IDAC in 1942, Factory Control Regulations were gazetted by the government to control the setting up of new factories. In the view of the Treasury, the regulations were necessary because,

There is a growing tendency which has become apparent since the outbreak of the war to set up new factories some of which are undesirable backyard type...unless some measure of control is introduced the interests of the established industries are likely to be affected.<sup>59</sup>

Although the regulations were supported by the Associated of Chambers of Industries of Rhodesia, they still had some reservations:

This Chamber does not favour the introduction of any system which would restrict the free development of secondary industries but recognises that indiscriminate expansion would be to the detriment of the Country's interests. It is therefore in agreement with the licensing industries as necessary in order to ensure proper control.<sup>60</sup>

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<sup>56</sup> *Rhodesia Herald*, 23 April, 1940.

<sup>57</sup> *Legislative Debates*, 1 May, 1940 Cols. 171-191.

<sup>58</sup> NAZ S932/14, Memorandum on Industrial Development by IDAC to the Prime Minister.

<sup>59</sup> NAZ S482/458/39, Letter by the Secretary of Treasury to the Parliament Secretary, 15 September 1941.

<sup>60</sup> *Ibid.*

The regulations instituted by the Act determined that all new industries had to approach government for a licence before commencing operations. This would enable investigations to be made to ascertain whether the colony's requirements of the article or articles which the licensed company proposed to manufacture were already adequately being met by existing factories or industries.<sup>61</sup> Also, in order to foster secondary industry in the colony and with a view to establishing closer relations with commerce and industry, a Department of Trade and Commerce was set up towards the end of 1943. The name of the Department would later be changed to Commerce and Industries, as it was felt that 'trade' and 'commerce' were more or less synonymous terms and industrialists were not clear whether the Department would be concerned with their interests as well as with those of commerce.<sup>62</sup> In sum, these developments show that the state was increasingly taking a keen interest in the development of secondary industries.

While the state was now assisting the development of industry, there arose a question of what was to be official government policy towards industrial development: In the opinion of the 1938/9 Economic Development Committee, it was undesirable for government to devote funds to assisting industrial development. Rather, industrial development should be left to private enterprise, as the opportunity occurred.<sup>63</sup> However, such policy could not be sustained, as the flow of investment capital was greatly restricted by taxation, and by diversion and compulsion to state loans for the war effort. The Committee realised this and was quick to re-opine that, 'with private capital for the purpose [of industrial development] either short or shy...it is submitted that the vital requirements of the moment can only be met by active state interest, if necessary actual state intervention and particularly by the provision where necessary of funds by the state for the establishment or expansion of industry.'<sup>64</sup> A number of suggestions were forwarded on how the state could intervene. The following were put up as possibilities:

the establishment of state enterprises (i) directly controlled by the government, that is, managed departmentally, (ii) managed and controlled by a public utility corporation financed by the state or the financing of private enterprises or (i) by direct loans in need or share subscription on the part of the

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<sup>61</sup> NAZ S482/458/39, Letter by the Secretary of Treasury to the Parliament Secretary, 15 September 1941.

<sup>62</sup> NAZ S918/3, Department of Commerce and Industries: Evidence to Commission on the Public Service.

<sup>63</sup> NAZ S482/152/42, Industrial Development in Southern Rhodesia, no date.

<sup>64</sup> Ibid.

Exchequer (ii) by loans or share subscription on the part of an independent public investment corporation financed or capitalised by the state.<sup>65</sup>

While the decision was then taken for the state to become actively involved as the Committee had suggested, the idea of promoting free private enterprise remained attractive and in fact became the official state policy. A number of official statements can be quoted to substantiate this. For instance, it was agreed that,

the interests of the state are best served by working with and encouraging and assisting private enterprise to carry out the development desired...subject to the proviso that private enterprise must show that it is interested and has the capacity and the ability to carry out the task and can operate with advantage to the community as a whole and not merely to a section of it.<sup>66</sup>

Another state official boldly stated that 'industry must be a voluntary and not a forced growth, consequently the government looks to private enterprise to establish itself.'<sup>67</sup> While the promotion of free enterprise had been stated as the official state policy, it seemed more of rhetoric, since in practice the state remained interventionist.

To illustrate this interventionist character, the government took over the iron and steel works already existing at Bulawayo in 1942, established a cotton spinning mill at Gatooma, and took over the existing sugar refinery at Bulawayo that had been established in 1935. The government justified these take-overs on the premise that it was taking its 'stand on the very simple and common sense principle that if there is anything that should be undertaken in the national interest and private enterprise is unable to or unwilling to take the risks involved, then the government must do so.'<sup>68</sup> The Minister of Mines and Public Works had long justified this need for government to assume control over industries of national interest. Speaking in respect of the iron and steel works, the minister queried whether,

it is in the interests of the development of the colony that we should allow this industry to remain in the hands of a private and uncontrolled company which is scarcely able to expand sufficiently to cope with the immediate requirements

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<sup>65</sup> NAZ S482/152/42, Industrial Development in Southern Rhodesia, no date.

<sup>66</sup> Ibid.

<sup>67</sup> NAZ S483/32/1, Response by the Division of Trade and Industrial Development to an inquiry by F. A. Judd of Midland Bank, United Kingdom, 1950.

<sup>68</sup> NAZ S932/25b, Speech by K. M. Goodenough, High Commissioner for S. Rhodesia to London at a meeting of the Royal African Society and the Royal Empire Society in London, 1946.

and much less to expand with the prospect of the future development or whether it should be controlled or acquired by the government.<sup>69</sup>

The state's take-over of basic industries, such as iron and steel, was not something new as far as development of secondary industry was concerned since South Africa had done the same. Indeed, Southern Rhodesia in part looked to South Africa for its development trajectory. In South Africa, the development of iron and steel works had been pioneered by the state when it established the Iron and Steel Corporation of South Africa (ISCOR) as a statutory company in 1928.

Coupled with this government view was the strong desire by the Rhodesian Iron and Steel Corporation Ltd (RISCO) to secure the future development of the iron and industry. In a memorandum to the Prime Minister, Sir Godfrey Huggins, the Corporation presented that it desired to expand its activities and assist in the development of the colony. 'With that end in view, consideration must now be given to the smelting of iron ore in Southern Rhodesia'<sup>70</sup>, petitioned the RISCO. Against this backdrop, a Commission was established to take over the RISCO. In 1942 RISCO became Rhodesia Iron and Steel Commission (Riscom). These developments serve to demonstrate two issues: Firstly, despite its preferred path of leaving private enterprise to develop on its own, the state had to intervene in the national interest. Secondly, these developments show that there was little to no private capital ready to invest in enterprises that had long gestation periods in terms of return on their investment. The little private enterprise that did exist had struggled to develop on a sound footing, thus partly prompting the state to intervene. In some quarters of industry, these government take-overs – seen as nationalisation or expropriation - were resented. It was argued that the government's actions defeated the spirit of free enterprise which the same government purported to prefer. However, the government defended its position, arguing that the take-overs in no way contradicted the government's desire to allow private enterprise to establish itself. If anything, they were supposed to be seen as complimentary to private enterprise by developing basic industries that would stimulate the development of subsidiary industries.

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<sup>69</sup> NAZ S915/304/174/1, Iron and Steel Industry – Letter to the Minister of Coordination by the Minister of Mines and Public Works, 27 September 1941.

<sup>70</sup> NAZ S915/304/174/1, Memorandum submitted to the Hon. Sir Godfrey M Huggins by the Rhodesian Iron and Steel Corporation Ltd, on the subject of the future of the steel industry 30, September, 1941.

Despite this active state intervention in support of industrial development, industrialists felt the state was not doing enough to assist them. A number of grievances against the state were raised across industry, particularly concerning the continued unabated existence of a number of hindrances to industrial development. For instance, the President of the Salisbury Chamber of Commerce complained that the colony had been badly let down by the government in the matter of industrial development, with particular regard to the detrimental effect of the Excess Profits Tax.<sup>71</sup> This tax was a wartime instrument designed by the state to capture above-normal profits by industrialists as a way of curbing wartime profiteering. IDAC concurred with the Chamber that the tax was indeed retarding the development of existing industries and that it would continue preventing the development of new industries on any large scale. Pursuant to this, the Committee recommended a 'complete repeal of the Excess Profits Act if it was desired that the establishment and development of secondary industries by private enterprise was to be encouraged.'<sup>72</sup> Thus, a fierce debate ensued between the state and industrialists regarding the best means through which the state could assist industry. A number of methods such as subsidisation, customs and tariff protection, and taxation were suggested. 'Protective tariffs similar to those in the Union of South Africa seem necessary to give effect to the Government's intention to foster the development of sundry industries'<sup>73</sup>, argued Rhodesian Plough and Machinery Co. Ltd. Many other industrialists held the same view and consistently made reference to South Africa as an example of a country offering protection, and they wanted something similar.<sup>74</sup> In light of the foregoing and other examples cited elsewhere in this paper, it can be concluded that in most of its industrial legislation, the colony followed closely the path of the Union of South Africa.

The debate about state assistance prompted the Minister of Finance and Commerce, who was also responsible for industrial development, to inquire with the Customs and Excise Department whether private enterprises in secondary industries were receiving any

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<sup>71</sup> NAZ S932/14, Salisbury Chamber of Commerce: Presidential Address at the 49th Annual General Meeting on 28 June 1943.

<sup>72</sup> NAZ S482/181/42, Industrial Development Advisory Committee: Memorandum on the effect of the Excess Profits Tax Act on industry, 15 December, 1942.

<sup>73</sup> NAZ S482-458/39, Memorandum by Rhodesian Plough and Machinery Co. Ltd on Protection of Native Ploughs, 17 May 1940.

<sup>74</sup> See NAZ S916/20, Protection of Rhodesian Industry: 1945

assistance. In response, the Controller of the Customs and Excise highlighted that, 'any person or firms desirous of establishing an industry in the colony has the right to make application to be registered as a manufacturer under rebate and subject to such application being approved to import any raw, semi-manufactured or manufactured goods used in the manufacture of the particular line he is engaged in under rebate of duty.'<sup>75</sup> The Controller further noted that rebates were the only form of state assistance available to industry at the time. Regarding tariff protection, it was made clear that there was 'no specific instance on record where direct protection through Tariff has been accorded to a budding industry or to one already established.'<sup>76</sup>

Some state officials expressed reservations about the clamour by industrialists for protection. The Minister of Mines and Public Works was quite blunt and declared that,

I was always opposed to the Government's policy of protecting industries by control, subsidies, tariffs and other similar forms... Attempts have been made to afford protection through income tax. This should not be allowed in any circumstances. Protection is also being afforded through Customs, this too; I think is undesirable and should be discouraged.<sup>77</sup>

The minister's position was shaped by his understanding of the Atlantic Charter that had been declared by America.<sup>78</sup> Among the provisions of the Charter was the principle of the liberalization of international trade through the removal of all protective trade barriers. The Minister would later concede that 'I agree that local industries, primary and secondary may need some protection in their teething days but should be temporary...I suppose I will have to agree to protection, but shall do so grudgingly.'<sup>79</sup> Similar sentiments were echoed by the Minister of Finance in 1944.<sup>80</sup>

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<sup>75</sup> NAZ S482/101/42, Letter to the Minister of Finance and Commerce by the Controller of Customs and Excise, 31 July 1941.

<sup>76</sup> Ibid.

<sup>77</sup> NAZ S482/101/42, Letter by the Minister of Mines and Public Works to the Prime Minister: Protection of Local Secondary Industries, 2 December 1943.

<sup>78</sup> The Atlantic Charter was a joint declaration released by U.S. President Franklin D. Roosevelt and British Prime Minister Winston Churchill during the Second World War on August 14, 1941, outlining their aims of the war and the post-war international system. Some of the principles of the Charter were agreements not to seek territorial expansion; to establish freedom of the seas, as well as international labour, economic, and welfare standards; and a commitment to supporting the restoration of self-governments for all countries that had been occupied during the war and allowing all peoples to choose their own form of government. See <https://history.state.gov/milestones/1937-1945/atlantic-conf> Accessed, 2015/06/04

<sup>79</sup> Ibid.

<sup>80</sup> NAZ S482/101/42, Memorandum on Protection of Secondary Industries through Customs Tariffs and prohibition of imports by the Minister of Finance, 17 September 1944.

The recurrent debate about state assistance between the state and industrialists suggests that, despite the fortunes that the war may have brought to secondary industries, the sector was still in its teething stage and continued to be plagued by many challenges. In a move to cushion the struggling sector and increase the pace of industrial development in the colony, the state disbanded the IDAC in 1944 and replaced it with another statutory body, the Industrial Development Commission (IDC) through the Industrial Development Act of 1944.<sup>81</sup> The IDC was not much different from IDAC except that it assumed expanded functions and had more powers than its predecessor. For instance, the IDC was authorised to promote the financing of new industries and schemes for expansion, in addition to providing better organisation and modernisation of existing industries. Other IDC objectives included the coordination of industry and balanced industrial development in the colony, the location of industry, and matters of Customs tariffs, subsidies, quotas, marketing and transport.<sup>82</sup> The IDC also carried on industry's lobby for protection. The Chairperson of IDC, G. Musgrave stated that if industry was to be substantially stimulated they would have to adopt a vigorous policy of the tariff protection.<sup>83</sup> Also making a case for the protection of industry, the Minister of Commerce and Industry, L. B. Fereday, wrote to the Prime Minister quoting from South Africa Board of Trade and Industries First Interim Report, that

it is the considered opinion of the Board that if any branch of industry can be established on a sound economic basis with a reasonable measure of protection, such protection should be granted. To overcome initial obstacles the Board feels that the protection granted should be high enough to be effective. Once the industry is established and has got over its teething troubles, the protection should be gradually reduced.<sup>84</sup>

Due to this continued debate, the state was compelled to set up a Commission of Inquiry into the Protection of Secondary Industry in 1945. Its findings were published in 1946 and made it clear that,

The secondary industries of this colony must for the present be regarded as truly of secondary importance. Their ability to meet the needs of the consumer...is restricted largely to consumers within Southern Rhodesia. They are thus dependent upon local consumers and it would not be in their interests

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<sup>81</sup> 'The Industrial Development Commission of Southern Rhodesia', *Industrial Rhodesia: A Record of Industrial Development in Southern Rhodesia*, n. d., p. 29.

<sup>82</sup> Ibid.

<sup>83</sup> *Rhodesia Herald*, 8 November, 1945.

<sup>84</sup> Quoted in NAZ S916/B20, Protection of Industry: Letter by the Minister of Commerce and Industry, Mr Fereday to the Prime Minister, 23 August, 1945.

to accept assistance in any manner in which might be calculated to be harmful to those very industries upon whom they are dependent for their market.<sup>85</sup>

Industry thus staggered on without any specific form of protection. The manufacturing sector remained secondary in priority to mining (chrome and asbestos) and agriculture, particularly (tobacco). This is clear from the fact that the combined output of mining and agriculture was three and half times the gross output of factory industries during the war. Speaking right at the end of the war the President of the Associated Chamber of Industries stated that 'nonetheless and despite the perceived discouragement and without government assistance, secondary industries grew perceptibly.'<sup>86</sup> This view carries weight if one looks at the variety and size of industries that developed during the war.

As highlighted earlier, Southern Rhodesia was not completely devoid of secondary industries before the outbreak of the Second World War. Some slight expansion had taken place during the interwar years. Such expansion was in the form of manual trades such as repairs, smithing, shoe-making, tailoring, and clothing manufacture of the cheaper type. Later, wagon building, meat tinning, and some confectionary and small engineering concerns developed.<sup>87</sup> As a common cause, the war had a stimulating effect on the local economy, and more advanced industries such as metal manufacturing were established, producing goods such as electric water heaters, ploughs, pumps, and radiators.<sup>88</sup> In addition, secondary industries increased both in number and value during the war. In 1938, 299 factories produced a total output of £4.5 million, with 79% of these factories producing a gross output of £15,000.<sup>89</sup> The greatest increase both in output and number of factories was in the metal manufacturing industry. Most metal factories were subsidiary industries relying on iron and steel works that had been established by the RISCO and were serving the needs of the Empire Air Training Scheme. One such company was Rhodesia Wire Industries Ltd, which produced nails. It was reported that, 'while no nails could be imported from abroad resulting in an acute shortage of this commodity, the Rhodesian Wire Industries Ltd supplied all vital industries with their nail requirements...the company delivered to the

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<sup>85</sup> *Report of the Commission of Inquiry into the Protection of Secondary Industry in Southern Rhodesia*, 1946, p. 12.

<sup>86</sup> Cited in *Industrial Rhodesia: A record of Industrial Development in Southern Rhodesia*, no date.

<sup>87</sup> *Rhodesian Recorder*, November 1949. See also Phimister, *Economic and Social History of Zimbabwe*, p. 239-240.

<sup>88</sup> *Rhodesian Recorder*, November 1950.

<sup>89</sup> *Ibid*, December 1949.

various military establishments and Air Force camps in Southern and Northern Rhodesia large quantities of nails of all descriptions, thus assisting in the country's war effort.'<sup>90</sup>

There were also noticeable developments in the leather industry. This was reflected in the establishment of Bata Shoe Company in Gwelo in 1939. Bata Shoe Company had been established by Tomas Baťa in 1894 for mechanical production of shoes in the town of Zlin in Czechoslovakia (now the Czech Republic).<sup>91</sup> Before its eventual establishment in the colony, the company had been represented by agencies based in Bulawayo and Gwelo. In the meantime, most shoes were being imported to Rhodesia from the Indian town of Batanagar. With the outbreak of war, as Czechoslovakia was occupied by German forces, many young Czechs fled Europe and found their way to Southern Rhodesia. With the advice of agencies, they were encouraged to start up a shoe manufacturing company. Gwelo was chosen as the best location because of its proximity to the cattle rearing ranches and the existence of Cold Storage Commission abattoirs which provided Bata Shoe Company with cattle hides for tanning. Many Czechs continued to flee Hitler's brutality in their homeland and some who were skilled received invitations to take up opportunities at the newly established Bata factory in Gwelo. Bata was wholly foreign-owned by Tomas Bata, who had sought investment capital from Canadian businesses. The fortunes of the company were improved by the establishment of the Imperial Air Training scheme, which resulted in high demand for military boots. The company reported that 'military orders for boots were massive and the production in 1944 reached almost one million pairs.'<sup>92</sup> Bata Shoe Company was therefore one of the incidences where foreign capital was taking interest in the development of the manufacturing sector in Southern Rhodesia during this period.

Other industries that grew rapidly were the clothing and textile industry, particularly after the establishment in 1941 of cotton spinning mills at Gatooma, run by the Cotton Research and Industry Board (CRIB). The CRIB was established in 1941 with state funding of £20,000. Cotton spinning plant as well as a small factory for the manufacture of absorbent cotton wool was set up. The following year, the CRIB was reconstituted in order to broaden the scope of its activities. It was to be responsible for establishing and developing 'within the

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<sup>90</sup> *Industrial Rhodesia: A Record of Industrial Development in Southern Rhodesia.*

<sup>91</sup> <http://www.cesky-dialog.net/clanek/361-czechs-in-zimbabwe/>. Accessed 2015/02/23.

<sup>92</sup> *Ibid.*

Colony, textile and allied industries, [supervising] research work on cotton and on insect pests and diseases affecting cotton and other matters connected therewith, [and assisting] the development of the cotton industry in the Colony.<sup>93</sup> The Board began operating a cotton-spinning mill with a capacity of 1 000 spindles in July 1943 and it was from this spinning mill that clothing, and textile and allied industries grew to the extent that the clothing industry became the second largest exporter of manufactured products in Southern Rhodesia.<sup>94</sup> A number of spin-off private firms relying on yarn produced by the cotton spinning mill developed, many of them involved in knitting and weaving. These companies included Leicester Mills Limited, Bulawayo, engaged in knitting; and Security Mills Limited, a private company, engaged in knitting and weaving.<sup>95</sup> In addition to these developments in the metal, footwear, clothing and textile industries, the expansion of secondary industry during the war further included the opening of a power alcohol distillery in Umtali, as well as the establishment of a large cement works near Bulawayo.

The documentation of the Central Statistics Office gives a picture of the rate of expansion of secondary industries during the war years. The value of the net output of secondary industries increased at an accelerating rate between 1938 and 1942 from £2.332 million to £3.927 million.<sup>96</sup> Manufacturing industries increased in number from 299 in 1938 to 382 by 1945, by which time these industrial establishments had achieved a gross output of £14.062 million and a net output of £6,205 million.<sup>97</sup> Even the Prime Minister observed the magnitude with which industries grew. He noted that 'industries were a little shy before the last war, but we have now reached the happy stage where industry is beginning to be carried forward by its own momentum, each new industry attracting subsidiary ones and so on.'<sup>98</sup> The trends in the expansion of secondary industries are reflected in Table 1, which shows the number of companies established during the war years as well as the value of these companies over the same period.

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<sup>93</sup> As cited in Mlambo and Phimister, 'Partly Protected', p. 148.

<sup>94</sup> *Ibid.*

<sup>95</sup> NAZ F292/16/3, 'Secondary Industry in Southern Rhodesia', Statement by W. E. A. Winterton, Minister of Trade and Industrial Development, May 1953.

<sup>96</sup> Southern Rhodesia Central Statistics Office, *Report for Census of Industrial Production 1938-1962*.

<sup>97</sup> *Ibid.*

<sup>98</sup> *Rhodesian Recorder*, November 1950.

**Table 1: Manufacturing Sector 1938-1945**<sup>99</sup>

<b>Years</b>	<b>Number of established industries</b>	<b>Gross output</b>	<b>Net Output</b>
		<u>£(millions)</u>	<u>£(millions)</u>
1938	299	5,107	2,332
1939	294	5,434	2,537
1940	295	6,297	2,851
1941	303	7,307	3,433
1942	296	8,371	3,927
1943	327	9,458	4,391
1944	331	11,230	5,187
1945	282	14,062	6,205

The growth of secondary industries during the war was aided by the relative internal expansion of the market and the influx of soldiers and internees. Commenting on the importance of the inflow of soldiers and internees, T. C. Lloyd, the Technical Advisor of the IDAC noted that the war had brought men into the colony who had industry-specific knowledge not normally found in Africa generally and Southern Rhodesia in particular. He further commented that ‘as the internees have more leisure than the men in uniform, it is easier to direct their capabilities into channels of use to the colony.’<sup>100</sup> Although the immediate contribution of these ‘expatriates’ to the growth of secondary industries could not be established from the sources, the idea that Lloyd was putting forward was that the colony should make use of all possibilities and expertise available to assist the expansion of its manufacturing sector. Therefore the setting up of a training camp and the acceptance of internees during the war offered an opening through which European population increased in the colony thus in some way aiding the cause of industry. Other suggestions by the IDAC for stimulating secondary industry included promoting immigration among whites with some capital and skills that would aid industrial development. White immigration would also enlarge the local market for industrial products. One industrialist was quoted as stating that any prospects of the expansion of industry hinged on making Southern Rhodesia a

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<sup>99</sup> Table adapted from the *Census of Industrial Production, 1938-1962*.

<sup>100</sup>NAZ S482/181/42, Industrial Development in Southern Rhodesia, Report by the Technical Advisor, T. C. Lloyd to the IDAC, January 1943.

permanent European settlement, and the key to that was immigration.<sup>101</sup> The need for a larger European population seemed logical at the time, given that very few Africans possessed either the industrial skills or the purchasing power required to stimulate secondary industry.

Before the war, mining and agriculture had been the biggest employers of labour in the colony. But as secondary industries began to develop, shifts in labour supply began to manifest. Statistics published in the census of industrial production help illuminate the shifts. The total number of persons employed in secondary industry in 1940 was 39,848 and in 1941 it increased to 42,502, followed by a further increase to 44,772 in 1942.<sup>102</sup> In comparison to mining and agriculture, secondary industry was now employing a significant section of the labour force. Whereas in 1942 secondary industries employed 5,356 Europeans, there were only 2,412 Europeans engaged in mining and 4,138 actively engaged in farming on European-owned farms.<sup>103</sup> Effectively, by 1942 secondary industries were proving to be an outlet for European labour. Not only do these statistics show secondary industries as a safety net for European labour, but they also reveal the increasing significance of secondary industry in the Rhodesian economy. Moreover, not only European labour was steadily being employed in the manufacturing sector. African labour was now also being considered, despite the hindrances posed by the provisions of the 1934 Industrial Conciliation Act which segregated against the employment of non-Europeans.<sup>104</sup>

It is also important to note the developing distribution pattern and siting of secondary industries during this period. Expectedly, the two major centres that attracted industries were Bulawayo and Salisbury. Other smaller centres included Umtali (now Mutare), Gwelo (Gweru), Que Que (Kwekwe) and Gatooma (Kadoma). Greater secondary industrial development was taking place in Bulawayo than in any centre of Rhodesia. The city's biggest advantage was that it provided the most direct route to both the South and the North, while

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<sup>101</sup>*Industrial Rhodesia: A Record of Industrial Development in Southern Rhodesia.*

<sup>102</sup> Southern Rhodesia Central Statistics Office, *Second Report for Census of Industrial Production 1938-1942*, March 1944.

<sup>103</sup> *Ibid.*

<sup>104</sup> This Act was enacted in 1934 and later amended in 1937 with the objective of preventing Africans from competing with whites for skilled jobs. In the event that Africans were employed, they were not recognised as employees by definition in terms of the Act and therefore they could not enjoy the rights that were accorded to employees.

it was also the centre of gravity for both exports and raw materials imported from or via South Africa. The largest depot of Rhodesia Railways, which at this point was the major transport system, was located also in Bulawayo and for this reason industrialists tended to flock there. The towns of Bulawayo and Salisbury also had the advantages of the availability of capital, European labour, more advanced industrial facilities, markets afforded by local commercial concerns, the buying offices for the mining houses, as well as higher population figures resulting in larger local markets.<sup>105</sup>

The concentration of industries in these two towns, however, was seen by some as a major drawback to the general development of the colony, and prompted a desire to decentralise in order to bring about a balanced distribution and development of the country. The Native Commissioners (NC) were some of the officials who bore such ideas of decentralisation.<sup>106</sup> One NC opined that, 'If this [decentralisation] were done, a measure of prosperity would be restored to the smaller centres and markets provided for the farming population. It would then be possible for the rural communities to share some of the amenities of town life.'<sup>107</sup> But desires to decentralise were outweighed by the interests of industrialists, focused on the profitability of their business ventures. Thus, factors such as the availability of raw materials, power and water, and the availability of labour (European and African), as well as transport costs, distributive value from a marketing point of view, local markets, and the locations of other factories manufacturing commodities or articles determined the location and distribution of companies. It is therefore unsurprising that Bulawayo and Salisbury attracted the most number of industries. Other small centres like Que Que, Gatooma and Gwelo also boasted significant industrial development. Iron and Steel works, cotton spinning mills and the biggest leather industry were found in those three towns respectively. Industrial development in these areas stimulated urbanisation.

While no doubt the Rhodesian state was the biggest investor during the war, a number of enquiries were received from potential foreign investors. For instance, the metal manufacturing company of Rhodesia Plough and Machinery Company Ltd notified Prime

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<sup>105</sup> *The New Rhodesia*, 23 June, 1944.

<sup>106</sup> These were white civil servants with the oversight mandate over all African affairs as deemed by the colonial government.

<sup>107</sup> NAZ S482/101/42, Memorandum by the Native Commissioner of Mazowe on the Establishment of Secondary industries in local governments, July 1942.

Minister Huggins that it was receiving inquiries from Baron Fries and Mr Brenner of Poland who were prepared to make available investment capital of some £200,000.<sup>108</sup> These two previously owned iron works but had lost their enterprise when German occupied Poland in 1939.<sup>109</sup> Similar inquiries were reported in the clothing and textile sector where one Mr Pilkington from Lancashire inquired about investment opportunity in Southern Rhodesia in April 1944. The Cotton Research and Industry Board's response indicated that it would welcome his investment.<sup>110</sup> Even the IDAC reported that it was receiving letters asking for information on the economic future of the colony and potential opportunities for foreign industrialists and others who might be interested in immigrating into Southern Rhodesia.<sup>111</sup> Owing to this flurry of inquiries, the IDAC's technical advisor suggested that efforts be made to popularise Southern Rhodesian industries abroad with the aim of attracting capital and personnel. 'It seems therefore desirable that a booklet or brochure should be prepared setting out the industrial opportunities in Southern Rhodesia, which should be suitable for circularising in the Union [of South Africa] and overseas and should be of such a nature that it would awaken the interest of those industrialists who read it', suggested the IDAC in 1944.<sup>112</sup>

Meanwhile, the state had begun to tempt foreign capital into partnerships. The case of Gatooma Textiles Limited is illustrative of this. This company was formed with government support through the IDAC with a nominal capital of £250,000.<sup>113</sup> While the company had offered the whole of its authorised capital of £250,000 to the public, it only raised £35,000, plus a further £5,000 raised privately by Directors. Having failed to raise the required authorised capital, it was considered that the best available method of providing the necessary capital would be to attempt to attract Lancashire capital, Calico Printers Association Ltd, to participate in the Southern Rhodesian venture.<sup>114</sup> An agreement was reached in principle with the British company although the idea of a partnership with a foreign partner was not well accepted by Gatooma Textiles, which registered its displeasure

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<sup>108</sup> NAZ S482-458/39, Rhodesia Plough and Machinery Company Ltd: Letter to Prime Minister, 16 January 1940.

<sup>109</sup> Ibid.

<sup>110</sup> NAZ S932/14, National Industries: Note by T. C. Lloyd, the Technical Advisor of the IDAC, 1944.

<sup>111</sup> See NAZ S932/14, National Industries.

<sup>112</sup> Ibid.

<sup>113</sup> NAZ S482/180/42, Textile Industry in Southern Rhodesia: Letter by company Secretary of Gatooma Textiles Limited to the Minister of Trade and Commerce, August 28, 1945.

<sup>114</sup> NAZ S482/180/42, Industrial Development Commission Memorandum, 12 March 1947.

with the arrangement. In a complaint letter to the IDAC successor, IDC, Gatooma Textiles protested that,

in spite of the fact that this company has been formed with the approval and encouragement of the government, the Chairman of the IDC revealed that negotiations had been conducted with a Lancashire firm to establish a weaving industry in Southern Rhodesia, without this company being informed in any way. If there is to be any question of our company being sold out to big business in Lancashire or anywhere else, negotiations should be conducted by us alone.<sup>115</sup>

For the IDC, prospects of a partnership seemed feasible since Gatooma Textiles had previously been given an opportunity to raise its own funds, but failed. Yet for Gatooma Textiles, this proposition amounted to a threat and a suffocation of its existence.<sup>116</sup> This incident demonstrates the tendency by foreign capital to interest itself or being lured into the nascent Rhodesian industry. It also reveals the subtle tensions that sometimes exist or emerge between state, local and foreign capital, especially if local capital perceives foreign capital as threatening rather than complementing it.

From the industrialising process that was taking place thus far, the state remained the main investor. Government-directed investment had been made to bodies such as the Electrical Supply Commission, the Cold Storage Commission, Cotton Research and Industry Board, the Rhodesian Iron and Steel Commission, the Roasting Plant, and the Sugar Industry Board. Private investment remained relatively negligible at this point in time. It is worth mentioning, however, that a small number of South African companies, mainly in the food sector, had set up small branches north of Limpopo.<sup>117</sup> Nevertheless, their influence was still quite minor in terms of stimulating industrialisation. Thus it was left to the government and a few very much undercapitalised local industrialists. Some private foreign capital that was available did not directly invest in the manufacturing sector but in areas where investment was made it proved to be of invaluable contribution to the cause of the development of secondary industries. For instance, BSAC owned the Rhodesia Railways and Wankie Colliery. These two were great aids to industry. Rhodesia Railways was the biggest form of transport needed to ferry raw materials and finished products to and from industries. Additionally

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<sup>115</sup> Ibid, Letter from the Company Secretary of Gatooma Textiles Limited to the Minister of Trade and Commerce, August 28, 1945.

<sup>116</sup> Ibid.

<sup>117</sup> Mlambo et al, *Zimbabwe: A History of Manufacturing*, p. 22.

Wankie Colliery produced coal that was used to generate power at the two municipality-run thermal power stations in Salisbury and Bulawayo. RISCO also got its coking coal from Wankie Colliery. Through this way, foreign capital was beginning to play a role in the industrial development of the colony.

The striking feature of the manufacturing sector at this point was that many of these establishments were predominantly locally owned, and produced mainly consumer goods. The ownership of the manufacturing industries reflected the pattern of investment capital during the war years – that is, the concentration of local ownership reflected the limited supply and flow of capital from overseas, particularly the traditional sources like Britain, due to the constraints of the war. The IDAC attributed low investments in industry to the strangling effect of the Excess Profits Act which denuded profits made by business, thus diminishing capital for reinvestment. Moreover, the IDAC found that the public was unwilling to invest capital in new industries which entailed an element of risk, although capital was always available in the form of loans to well-established firms who were able to offer good security.<sup>118</sup> A further hindrance to the investment of capital was the uncertainty of the future resulting from the declarations of the Atlantic Charter. Although, among other ideas, the Charter had called for the recognition of the principle of self-determination to former German colonies in Europe, the principle was quickly adopted by the emerging African nationalists who began to challenge colonial rule.<sup>119</sup> This caused doubt among white businessmen over the future course of the colony. One could also argue that the scarcity of foreign capital in emerging secondary industry was in part due to the prevailing belief in Rhodesia that the development of secondary industry was stimulated by the war, and hence temporary and opportunistic. Many therefore believed that industrial development was going to slacken once the war was over and it was therefore not worthwhile to devote large sums of money to industrial development. Moreover, mining and agriculture were still considered the drivers of the economy and hence foreign capital remained focussed and

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<sup>118</sup> S482/181/42, Industrial Development Advisory Committee: Memorandum of a meeting held with a sub-committee of the Industrial Development Advisory committee to discuss the effect of the Excess Profits Tax Act on industry on the 15th December, 1942.

<sup>119</sup> For a full discussion see, for instance, H.S Wilson, *African Decolonisation*, London: 1994, p. 52 and Smyth, R., 'War Propaganda during the Second World War in Northern Rhodesia', *African Affairs*, Volume 83, No. 332, 1984, pp. 345-358.

concentrated in these sectors. Investment in industrial development was thus left to local capital and, in many cases, the government.<sup>120</sup>

## **Conclusion**

This chapter has accounted for the development of secondary industries during the war years. It highlighted that industrialisation of Southern Rhodesia started in earnest with the outbreak of Second World War, despite some slight expansion that had taken place prior to 1939. The war-time interruption of normal trade routes resulted in supply bottle-necks of previously imported manufactured goods due to either unavailability or relatively high cost of both the goods and transportation. It then became imperative for Southern Rhodesia to develop its domestic industries in order to fill the void left by these imports. Hence, a state-led process of import substitution industrialisation was initiated, and the state established statutory boards with the mandate of promoting the development of secondary industries. Other state ventures included the takeover of iron and steel production, and the establishment of spinning mills to encourage local cotton production and weaving.

These interventions took place despite the state's avowed policy of encouraging the development of industries through private and free enterprise. These operations had to be undertaken by government in the first place because there were few private companies prepared to do so, or because it was deemed of national interest. The active presence of the state in the industrialisation process at this point reflected the trend in the flow of investment capital. Private capital that ventured into the manufacturing sector was largely domestic owned and produced consumer goods for the domestic market. Despite a number of challenges affecting the operation of the industry during the war years, it still was able to adequately provide not only for Rhodesians, but also for the approximately 10,000 Royal Air Force personnel stationed in the colony. The value and contribution made by producers and industrialists, including the building of industry, was incalculable. During the war years, the state was therefore the major investor in the development of industries, while private capital was limited. This situation would only change in the post-war years.

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<sup>120</sup> Phimister, *An Economic and Social History of Zimbabwe*, p. 240.

## **Chapter Three: Post-War Expansion, 1946-1952**

### **Introduction**

With the end of the war, the expectation was that industrialisation would lose momentum. This was based on the premise that conditions which had necessitated the growth of secondary industries would disappear as nations returned to normal trading patterns. This return to normality would remove the temporary shield from international competition which Southern Rhodesia had enjoyed during the war. Instead, however, a number of post-war developments had the effect of maintaining and consolidating the momentum of industrialisation. For Stoneman, 'the period 1945 -53 was the period in which the Rhodesian economy "took off" under the stimulus of high export demands and substantial capital inflow.'<sup>121</sup> This chapter deals with post-war industrial expansion up to the establishment of the Central African Federation in 1953. The focus is on the role of foreign capital in relation to other factors contributing to the great expansion of secondary industry in the post-war years. Among the factors were the international economic boom that followed the war, the effect of the 1948 Customs Agreement with the Union of South Africa, the outbreak of the Korean War in 1950, and the creation of the Federation.

The chapter emphasizes that it was the influx of foreign capital into the manufacturing sector made possible by the re-orientation of interests by international capital already existing in the colony that ensured the post-war industrial expansion.<sup>122</sup> Capital also flowed in from South Africa as it fled from the likelihood of nationalist policies after the Afrikaner National Party assumed power in 1948. Some came from British industrialists and investors fleeing high taxes in the United Kingdom. However, not all capital was a result of capital flight. In fact, some came from immigrants who were immigrating into the colony under the post-war settlement scheme and some from individuals and organisations that were pursuing their entrepreneurial ambitions. At the same time, the Rhodesian state was still actively involved in industrial development and at this juncture its position had become compatible with that of industrialists who had also formed a representative body, the Federation of Rhodesian Industries (FRI). This chapter first discusses the general trends in

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<sup>121</sup> Stoneman, 'Foreign Capital and the Prospects for Zimbabwe', p. 38.

<sup>122</sup> Arrighi, 'The Political Economy of Rhodesia', p. 46-49.

the post war expansion before turning to the role of foreign capital and the expansion of individual sectors of secondary industry.

### **Trends in post war expansion**

#### **1. Government Policies Stimulate Secondary Industry**

The immediate post war years were still engulfed by the debate on whether secondary industries should be protected or not. The Commission of Inquiry into the Protection of Secondary Industry set up in 1945 was charged with investigating the matter. It published its findings in 1946. One of its recommendations was that the colony's secondary industries were to be considered as truly secondary in priority in comparison to agriculture and mining.<sup>123</sup> Still, the Commission conceded that some measure of protection, albeit temporary, was needed to help secondary industries. It noted that,

the industrialist in Southern Rhodesia is at a disadvantage in comparison with his counterpart in other industrialised countries because of the lack of market and until such a time as improved markets are available to him, he might be expected to seek protection against external competition.<sup>124</sup>

In light of this, the Commission thus suggested that 'if assistance to be given to the manufacturer is to be of a limited duration, that limitation should take the shape of a protective Customs duty which should apply for a specific number of years.'<sup>125</sup> A Tariff Advisory Committee (TAC) was suggested for this purpose, and subsequently established by the government in 1947. The Committee would receive and investigate applications for assistance to secondary industry, advise the Minister of Commerce and Industries on the extent to which such assistance should be granted, and keep under constant review trade relationships of the country with United Kingdom, the Commonwealth and other parts of the world.<sup>126</sup>

At this time, the IDC was already making funds available to numerous industries. In 1948, the IDC was replaced by the Division of Trade and Industrial Development<sup>127</sup> - a full blown ministerial portfolio succeeding the Department of Commerce and Industries, and intended

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<sup>123</sup> *Report of the Commission of Inquiry into the Protection of Secondary Industries in Southern Rhodesia, 1946*, p. 21.

<sup>124</sup> *Ibid.*

<sup>125</sup> *Ibid*, p. 56.

<sup>126</sup> *Ibid*, p. 59.

<sup>127</sup> NAZ F292/16/3, 'Secondary Industry in Southern Rhodesia', May 1953.

to provide assistance to trade and industries. Other forms of assistance were also put in place by the government. For instance, imports of raw materials required by industry were allowed to enter free of duty or at low rates, rebates of customs duties were granted on raw materials if they were used for manufacturing purposes, and producer/capital goods could be imported free of duty or attracted a negligible 5% duty if imported from countries outside British Empire.<sup>128</sup>

These protectionist measures, along with the implementation of the Commission's recommendations and the establishment of the Division, marked the victory by local industrialists in their persistent lobbying for protection. This was the result of the growing belief by the government that 'industrialisation is synonymous with economic development and therefore a vehicle for taking the economy out of underdevelopment.'<sup>129</sup> Hence, these developments marked the beginning of a closer association between the state and industrialists towards industrial development. It is important to note that the state's role had shifted from direct participation to regulation, thereby creating an environment under which private enterprise would thrive. The protection of secondary industries was of paramount importance in the industrial development of the colony. A protected economy would attract investment as it would be guaranteed of protection from outside competition. And in this case, the implementation of the recommendations of the Commission and other government initiatives laid the foundation upon which many industries and foreign capital were lured to establish themselves in the colony.

At about the same time, industrial and commercial sectors of the colony were pushing for the re-establishment of the Rhodesian Stock Exchange with the intention, among others, to raise capital for the nascent manufacturing concerns.<sup>130</sup> Making a case for the stock exchange, local businessmen noted that, 'a local stock exchange would undoubtedly attract a number of registrations from overseas companies operating in the colony and would tend

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<sup>128</sup> NAZ S482/134/48, Cabinet Memorandum: Government's Policy towards Assisting Development of industries in Southern Rhodesia, 25 January, 1949. *Official Year Book of Southern Rhodesia*, No. 4, 1952, p. 537. NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>129</sup> Pangeti, 'The State and Manufacturing', p. 5. This belief was not peculiar to Southern Rhodesia alone but to almost all of the so-called developing or Third World countries. The thinking was highly influenced by theories of development propounded in Europe.

<sup>130</sup> For a full discussion on this subject see G. Karekwaivenani, 'A History of the Rhodesian Stock Exchange: The Formative Years, 1946-1952', *Zambezia*, XXX, 2003, pp. 9-34.

to reduce the considerable flight of foreign capital for investment outside the colony.’<sup>131</sup>The Rhodesian Stock Exchange was then re-established in 1946. This indeed attracted listings from major domestic and foreign companies.<sup>132</sup> For instance, in 1950 a finance institution, African Finance Corporation, was established and listed on the stock exchange. It provided finance amounting to ‘£4 million for the development of industrial and commercial companies and the launching of new business ventures.’<sup>133</sup> Although this company was based in the colony, it was sponsored by London financial and banking institutions. To be sure, the internal growth and stability of the South Rhodesian economy boosted the hopes of investors who began to view the colony as an attractive investment destination.

Once state support was secured, both foreign capital and local private enterprise directed their energies towards the development of secondary industry, and between 1946 and 1953, Southern Rhodesia developed a diversified manufacturing sector. This included the cotton textile industry, iron and steel and metal industries, sugar refining and production, oil expressing and manufactures of oil, distilleries, breweries and soft drink manufacturers, food stuffs, cigarettes and manufactured tobacco, cement and cement products, hides, leather and footwear, wood and manufactures, paper and paper packing materials.<sup>134</sup> The colony’s industrial output grew fourfold between 1938 and 1947.<sup>135</sup> The number of enterprises increased from 299 in 1938 to 524 in 1946, and further increased to 681 by 1951. In addition, the provision of rebates of duty on raw materials made available in some 40 different types of industries helped to increase the gross value of the output of all factories and workshops from under £5 million in 1939 to over £20 million in 1947.<sup>136</sup> Secondary industry was steadily becoming the most important sector of the Rhodesian economy, with a much greater net output for 1949 (£22,028 million) than the gross output of either European farming (£18,6 million) or mineral production (£11,3 million). Of the net industrial output, manufacturing accounted for £14,221 million or 65% of the total in 1949.<sup>137</sup> Overall, the expansion of secondary industries is summarised in the Table 2 below.

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<sup>131</sup> NAZ S10/51, Industrial Development Commission - Correspondences, Minutes of a meeting on the proposed formation of a Stock Exchange, 25 June 1945.

<sup>132</sup> See *Rhodesian Stock Exchange: Handbook of Stocks and Shares*, 1951.

<sup>133</sup> *Rhodesian Recorder*, July 1954.

<sup>134</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>135</sup> *Rhodesian Recorder*, December 1949.

<sup>136</sup> NAZ S932/14, Industrial Development of Southern Rhodesia [Contained in National Industries]

<sup>137</sup> *Rhodesian Recorder*, August 1951.

**Table 2: Manufacturing Industries, 1938 and 1949: Size of Firms by Gross Value Output<sup>138</sup>**

Gross output	Number of firms				Total Value of Output			
	1938	1949	Proportion of total		1938	1949	Proportion of Total	
			1938	1949			1938	1949
	No.	No.	%	%	£'000	£'000	%	%
Under £5,000	159	86	53	17	301	269	6	1
£5,000 to £10,000	44	81	15	16	308	611	6	2
10,000 – 15,000	30	66	10	13	361	814	7	3
15,000 – 20,000	16	37	5	7	269	640	5	2
20,000 – 30,000	19	55	6	11	442	1,375	9	4
30,000 – 40,000	7	45	2	9	238	1,535	5	5
40,000 – 50,000	2	21	1	4	84	954	2	3
50,000 – 100,000	8	51	3	10	513	3,361	10	11
100,000 – 150,000	7	21	2	4	837	2,525	16	8
150,000 – 200,000	4	13	1	3	711	2,317	14	7
200,000 – 250,000	1	11	0	2	219	2,762	4	9
250,000 and Over	2	21	1	4	824	14,153	16	45
<b>Total</b>	<b>299</b>	<b>508</b>	<b>100</b>	<b>100</b>	<b>5,107</b>	<b>31,316</b>	<b>100</b>	<b>100</b>

From the table, it can be seen that half of manufacturing firms had a gross output of less than £5,000 but by 1949 the proportion of such firms had dropped to only 17%. Also interesting to note is that whereas 16% of the total output in 1938 was contributed by firms with annual outputs of £250,000 and over, in 1949 the corresponding proportion was 45%. The drop in the proportion of firms with gross output of £5,000 in 1949 and the corresponding increase in the proportion of firms with a £250,000 gross output and over indicate the extent to which secondary industries were expanding. Furthermore, firms that were averaging outputs of £250,000 were mostly owned by foreign capital, which contributed almost half (45%) of total industrial production. Alternatively, the rate and extent of industrial expansion can be reflected by the number of employees or salaries and wages paid as shown below which shows yearly increase during 1946 and 1952.

<sup>138</sup> *Official Year Book of Southern Rhodesia*, No. 4, 1952, p. 530. The interpretation of the table given is also borrowed from the *Official Year Book*, p.531.

**Table 3: Manufacturing Sector 1946-1952<sup>139</sup>**

Year	Number of units	Gross output £'000	Net output £'000	Total number employed	Total Wages and Salaries paid £'000
1946	435	17,264	7,570	39,958	3,341
1947	430	21,058	9,145	40,684	4,205
1948	473	25,858	10,906	47,848	5,445
1949	508	31,076	14,229	54,195	6,680
1950	648	42,414	19,102	62,159	8,964
1951	681	51,011	21,754	66,933	10,680
1952	729	57,347	24,531	68,279	12,021

The pace and extent of industrial expansion was also reflected in state-led urban development. By the end of 1951, Norton town was established with the hope of creating a permanent settlement of about 8,500 Europeans and 25,000 Africans involved in heavy industry.<sup>140</sup> According to the Public Relations department, Norton was chosen as the site of Southern Rhodesia's "first new town" because of its natural advantages as a centre of heavy industry: 'It is on the main railway line and road from Salisbury, adequate water and electricity supplies will be available and the site itself is suitable to planning for industrial development.'<sup>141</sup> It should be added that the creation of the town also fell within the ambit of the government's policy of decentralising industries and population.

## **2. Exogenous/International Developments Stimulating Local Industrial Development**

As the Rhodesian state was implementing the recommendations of the Commission, other exogenous developments further stimulated the local economy. The British economy was caught up in what became known as the post-war 'dollar crisis', as it faced shortages of American currency needed to buy imports from America. In order to preserve its dollar reserves, Britain looked to its empire for resources. For Southern Rhodesia, this inward-looking policy adopted by the metropole came as a blessing, as it soon replaced the USA as the major supplier of tobacco to the United Kingdom. Tobacco production and export

<sup>139</sup> Adapted from *Census of Industrial Production, 1938-1962*.

<sup>140</sup> *Rhodesian Recorder*, December 1951.

<sup>141</sup> *Ibid.*

earned the colony the much needed revenue. It also had a multiplier effect on the economy. The increase in tobacco production was accompanied by an increase in the number of producers from just over 1,000 to 2,669 between 1946 and 1953. This was also one of the factors behind the high rate of immigration in the post war years.<sup>142</sup> The influx of immigrants, mostly Europeans, in turn increased internal demand for manufactured products, thereby giving further impetus to the development of industries.

Meanwhile, there was also demand for Rhodesia's asbestos and chrome in the United States of America. These two exports became major dollar earners, and generated revenue crucial for the importation of much-needed industrial machinery. In the words of Arrighi, 'these effects induced by the increased demand for tobacco and other raw materials account for the permanence of a sustained rate of growth between the end of the war and the late 1940s.'<sup>143</sup>

### **3. The Endeavours Of Local Industrialists: The Federation Of Rhodesian Industries**

The increased expansion of secondary industries in the post war years was also made possible by the efforts of industrialists themselves. Realising that the return to normal peacetime trading was likely to open up the local economy to external competition, they took a number of initiatives to advance the interests of their sector. To begin with, industrialists formed the Federation of Rhodesian Industries (FRI) in 1949. This private national body represented the interests of all industrialists and sought to advance the interests of secondary industries through its monthly bulletin, the *Rhodesian Recorder*. The *Rhodesian Recorder* carried news about industrial development and expansion, industrialists' views, and various issues on the Rhodesian economy. These developments were applauded by the Prime Minister Sir Godfrey Huggins: 'I am glad to hear the *Rhodesian Recorder* has become the official organ of the Federation of Rhodesian Industries, showing as it does the considerable advance made by the secondary industries of Southern Rhodesia in recent years.'<sup>144</sup> The FRI established branches in South Africa's Cape Town, Johannesburg and Port Elizabeth, as well as in London and Manchester. The publication also carried many advertisements, thus raising awareness outside Rhodesia of industrial opportunities in the

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<sup>142</sup> Arrighi, 'The Political Economy of Rhodesia', p. 45.

<sup>143</sup> Ibid.

<sup>144</sup> *Rhodesian Recorder*, January 1950.

Colony. Additionally, the FRI sought to foster the growth of fresh enterprises, especially those based upon raw materials from the colony itself.<sup>145</sup> Arguably, a number of foreign companies that ended up migrating and establishing themselves in Southern Rhodesia can be linked to the publicity work done by the FRI bulletin.<sup>146</sup>

Locally, the FRI initiated the 'Buy Rhodesian Campaign'. This was intended to promote the purchase of local products by the local public and government itself in order to further stimulate local industries.<sup>147</sup> As part of the campaign, the FRI took the government to task for allegedly slackening in supporting the expansion of industries. The 'FRI felt that the government was not giving sufficient support to the expansion of Rhodesian secondary industries, in particular constant support by Ministers in public speeches and public statements and expansion of policy in government departments to buy Rhodesian' were lacking.<sup>148</sup> As a result, the Buy Rhodesian Campaign was tabled before the cabinet.<sup>149</sup> Ways through which the government could give effect to the Campaign were suggested by the FRI. These suggestions included giving preference to local industries in government tenders, and the government's Public Relations Department printing of pamphlets and brochures publicising local industry and stressing the national importance of buying local products.<sup>150</sup> After numerous meetings and consultations, the government undertook to implement the FRI's suggestions. The government announced its resolution that 'an Interdepartmental committee should be set up under the Chairman of the Tender Board to look into the whole matter of the buying policy of the government and the means whereby the use of local products could be encouraged.'<sup>151</sup> It was emphasised that every opportunity would be taken by the Ministers to publicise and to encourage the buying of Rhodesian products. The effect of these government resolutions was that it assured local industries of a ready customer

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<sup>145</sup> NAZ F295/26/1/7/50: Development of Private Industries: Federation of Rhodesian Industries.

<sup>146</sup> After the publication of the first *Rhodesian Recorder*, the editorial pieces in the subsequent publications pointed out that many industrialists were being inundated with enquiries from potential overseas investors. A quick read through the pages of the Recorder shows a number of enquiries by industrialists seeking opportunities in the colony. Those that eventually set up plants, branches and subsidiaries often referred to the opportunities that the colony had, of which the Recorder made these opportunities known beyond the borders of Southern Rhodesia.

<sup>147</sup> *Rhodesian Recorder*, May 1950.

<sup>148</sup> NAZ F344/39/5/1/50, Federation of Rhodesian Industries: Minutes of a meeting between FRI and Ministers of Trade and Finance, August 1952.

<sup>149</sup> *Ibid.*

<sup>150</sup> *Ibid.*

<sup>151</sup> *Ibid.*, Cabinet memorandum: Encouragement of Secondary Industry, 6 August 1952.

(market) in government. Alongside the Buy Rhodesian Campaign, the FRI also pushed for appointment of trade commissioners in the African territories such as Kenya and Tanzania, and the despatch of trade delegations to these territories to market Rhodesian industries and its products.

The publicity of the Buy Rhodesian Campaign also raised awareness among the public. The FRI itself held shows and week-long campaigns promoting the spirit of buying Rhodesian. The shows attracted large crowds, as witnessed by the *Rhodesian Recorder* which screamed 'thousands flocked to Rhodesian Industry's first big show.'<sup>152</sup> These efforts thus resulted in increased uptake of locally manufactured goods thereby keeping the momentum of industrial expansion in the colony. Besides promoting the development of local industries, the Buy Rhodesian Campaign served to deal with the problem of balance of trade and payments since Southern Rhodesia had long experienced and adverse balance of trade.<sup>153</sup> Apart from the effect of excess imports over exports, the International Bank for Reconstruction and Development advanced that the post war period characteristic of adverse balance of payments reflected the large inflow of capital into country.<sup>154</sup> The Minister of Trade and Industrial Development, R. F. Halstead argued that (within the context of the Buy Rhodesian Campaign) the problem could be remedied if the local population began to buy Rhodesian so as to eliminate unnecessary imports.<sup>155</sup> Moreover, buying Rhodesian would offer the springboard from which local industries would rise to become competitive with other industrialising countries. To quote him,

A greater local sale would in the end mean larger production, greater efficiency and lower production costs. The greater the local demand for our own goods, the better able will our manufactures be to compete in the export market. For confirmation of this claim, consider the largest manufacturing exporters, Britain and United States of America. Each became able to sell to the whole world because its industries were built up in the first place on local demand. Taking the argument to its logical conclusion, may mean that individual manufactures may have to adopt new methods, extend their factories, pack and display their wares more attractively or seek more skilled staff from overseas. A larger and

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<sup>152</sup> *Rhodesian Recorder*, June, 1951.

<sup>153</sup> International Bank for Reconstruction and Development, *The Economy and Development Plans of Southern Rhodesia*, 17 January, 1952, p. 4.

<sup>154</sup> *Ibid.* Apart from excess imports, balance of payments were a result of the fact that the country was remitting a lot of payments to foreign lenders and investors leaving it in the negative in terms of its export earnings. This was because many of businesses and government development projects were funded by foreign capital.

<sup>155</sup> *Rhodesian Recorder*, May 1950.

sustained home market is the essential basis for a larger export trade. Buying Rhodesian becomes therefore a factor of untold importance in our industrial development.<sup>156</sup>

It is not surprising then, that with such government backed rhetorical support, representing the consumption of Rhodesian products as a form of patriotism, the manufacturing sector had by 1953 grown to become the main economic sector of the Rhodesian economy vis-à-vis traditional sectors of mining and agriculture. A thriving local manufacturing sector naturally would interest investors as they calculate the potentialities of reaping profits by investing in a healthy economy. The expansion of the local economy was thus building up a base upon which overseas capital and industrialists would find interest in Rhodesia.

#### **4. The inflow of foreign capital**

The state and industrialists concurred that any meaningful expansion of industries in the colony could only happen if the sector attracted investment capital. Foreign capital, in particular, needed to be attracted. The Commission of Inquiry into Protection of Secondary Industries had already reached this conclusion in 1946, when it noted that,

While some capital seeking employment was thrown into circulation during the war years, this very amount is by no means sufficient to meet the total future requirements of the territory. Southern Rhodesia will shortly have to look the outside sources for its additional capital requirements.<sup>157</sup>

A similar opinion was expressed by the Chairperson of the IDC, D. A. Edwards, who noted that for further industrial development, the country must have a larger European population and capital. 'That capital', he continued, 'is required from outside the colony.'<sup>158</sup> Consequently, measures were implemented to attract foreign capital to the colony. In 1950, the state and industrialists prepared a brochure entitled '*Southern Rhodesia: A Field for Investment*'. The brochure was 'intended to arouse interest in the investment possibilities of Southern Rhodesia' and was 'specifically directed at live wires in commerce and industry'. A team from the South Rhodesian Public Relations Office was dispatched to America to distribute the brochure with the view to lure American investors into Southern Rhodesia. This was the first step in a plan aimed at promoting the colony on the other side of the Atlantic and bringing its potential to the attention of investors.<sup>159</sup> As much as the effort to capture American investors was driven by the need for foreign capital, it also resulted from the realisation that capital from the traditional foreign source, Britain, may become limited.

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<sup>156</sup> *Ibid.*

<sup>157</sup> *Report of the Committee of Inquiry into the Protection of Secondary Industries in Southern Rhodesia*, 1946.

<sup>158</sup> D. A. Edwards, 'The future for Secondary Industry in Southern Rhodesia', *Industrial Rhodesia: A record of Industrial Development in Southern Rhodesia*.

<sup>159</sup> NAZ S932/162a: Dollar Investment, 1949-1950.

Thus the Southern Rhodesian government financial advisor, Sir Gordon Munroe, cautioned that

Should it happen that less capital becomes available from United Kingdom, competition will rise and it might be necessary for us here perforce either to slow up ... our development or ... find some alternative or additional source or sources of supply of foreign capital to meet our continuing and possibly increasing requirements both national and private.<sup>160</sup>

Thus American capital came to be actively considered as potential source of investment capital in the Southern Rhodesian economy general and secondary industries in particular. The increased presence of American capital in the manufacturing sector would, however, only become noticeable during the Federation period.

American investors took their own initiatives in seeking investment opportunities in the colony. Numerous enquiries about investment opportunities in Southern Rhodesia were received, both in the colony and the United Kingdom as the metropole. The enquiries were a result of the publicity campaign undertaken by the colonial administration, while some were initiated by Americans themselves. Many of the enquiries were made by the US Chamber of Commerce on behalf of its citizens. The major concern centred on the colony's policy concerning private investment. 'With what policies would US private investors have to conform regarding social welfare for the native populations, land tenure, repatriation of earnings and or investment, exchange, regulations, taxation, tariffs, reservations or controlling interest in the management of enterprises?'<sup>161</sup>, one such Inquiry asked. The enquiries made by the American Chamber of Commerce prompted, for the first time, the proclamation of a definitive policy on foreign investment by the Southern Rhodesian government, drawing on British policy. In response to the questionnaire, it was stated that,

The British government welcome the participation of United States private investors in the development of the Colonial territories provided that the interests of the local population are fully safeguarded, provided that the capital is invested in genuinely productive enterprises of long term economic benefit to the territory concerned and the sterling area and provided that foreign investors do not expect guarantee of profit and provided that it was understood that the enterprise would be subject to the same laws and regulations respecting the welfare of the inhabitants and so on.<sup>162</sup>

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<sup>160</sup> *The New Rhodesia*, 15 September, 1950.

<sup>161</sup> NAZ S2538/180/57: Investment of Foreign Capital in Southern Rhodesia and the Colonies: Reply to Questions listed in United States Chamber of Commerce's letter to the British Embassy, Washington, so far as Concerns Southern Rhodesia, 9 October, 1948.

<sup>162</sup> *Ibid.*

It was further enunciated that the kind of investment that was considered favourable was that which either earned dollars directly, or saved dollars by producing commodities which would otherwise have to be imported from dollar areas.<sup>163</sup> This policy was not limited to American investors but also applied to other potential investors from outside the British Empire. For quite some time, this represented the Southern Rhodesian foreign investment policy.

Amidst these enquiries, an American company was formed to help American investors establish themselves in Rhodesia. The African Research and Development Company (Pvt) Limited was owned by several leading American industrialists and financiers. Its task was to investigate those industries which seem unnecessarily undeveloped and after such an investigation, if an investment area showed potential for profitable exploitation, the company would procure the necessary know-how and capital for the development of that particular investment area.<sup>164</sup> Despite these efforts to attract American capital, very little of this capital was moved, at least during this period, to invest in secondary industries in Southern Rhodesia. Instead, American private investment entered the mining sector while public investments were made in the form of state loans.<sup>165</sup> The publicity campaign only bore fruits after the establishment of the Federation 1953. This is discussed in Chapter Four.

As a result, the United Kingdom and the Union of South Africa remained the main sources of investment capital for Southern Rhodesia in the post-war period.<sup>166</sup> In the case of the United Kingdom, the outflow of capital was as a result of high income taxes and confiscatory death duties. However, not all capital leaving Britain was flight capital, as Tow has argued. According to him,

British manufacturers who had won a sizeable portion of the Rhodesian market for their wares were aware that if locally sponsored competitive establishments

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<sup>163</sup> Ibid.

<sup>164</sup> NAZ S2538/180/57, Memorandum regarding the commencement of a proposed American investment scheme for Southern Rhodesia, 1950.

<sup>165</sup> C. H. Thompson and H. W. Woodruff, *Economic Development in Rhodesia and Nyasaland*, London: Dennis Dobson Limited, 1954, p. 174.

<sup>166</sup> L. H. Gann and M. Gelfand, *Huggins of Rhodesia: The Man and His Country*, London: George Allen & Unwin Limited, 1964, p. 212. *The New Rhodesia*, 15 September, 1950. Tow, 'The Manufacturing Economy of Southern Rhodesia', p. 260.

were set up, their goods could easily be boxed out of the market by protective tariffs. Thus, they proceeded to open branch plants and to make investments in locally owned competitors.<sup>167</sup>

In the case of South Africa the 1948 victory of the National Party raised the spectre of nationalisation, scaring off international capital which found new investment outlets in Southern Rhodesia. Foreign capital inflow to Southern Rhodesia therefore increased in the post war period due to the need to maintain control of established markets in Rhodesia, as well as alleged unfavourable developments in the home countries. In addition to these reasons, the FRI also claimed that capital was flowing to Southern Rhodesia because,

We have the correct atmosphere for free enterprise and we must guard it jealously so that it shall remain so. Potential industrialists are flocking to us with ideas, with their energy and their capital and they can see, quite clearly here in Southern Rhodesia, projects that are not only possible but fairly easily attainable. In the countries whence they come from, folk are worried about the threat of nationalisation, of political implications, of proximity to fields of international conflict, of racial upheavals. None of these hindrances need happen here.<sup>168</sup>

True as it may be, it can also be persuasively argued that the internal boom and the protectionist approach characterising in Rhodesia at the time also served to attract foreign capital.

To a large extent, therefore, the post war expansion in Rhodesia, particularly in the manufacturing sector, is attributable to the high inflow of capital. Commenting on the general economic expansion in Southern Rhodesia, the International Bank for Reconstruction and Development noted in 1952 that since 1946, real output had increased by 60% and the volume of exports by 50%. This growth had been made possible through a substantial inflow of capital which resulted in a rate of investment of nearly one-third of the total available resources.<sup>169</sup> While this capital was in part provided by immigrants, its main origin lay with the new external investments which financed as high as 90% of total investment in 1947.<sup>170</sup> Stoneman has demonstrated the extent to which foreign capital had become established, noting that 'in 1946, firms registered abroad earned nearly 45% of the

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<sup>167</sup> Tow, 'The Manufacturing Economy of Southern Rhodesia', p. 260.

<sup>168</sup> *Rhodesian Recorder*, May 1951.

<sup>169</sup> International Bank for Reconstruction and Development Report No. E-200A, *The Economy and Development Plans of Southern Rhodesia*, 17 January 1952, p. iv.

<sup>170</sup> *Ibid.*

taxable corporate income but moreover 68% of the capital domestically registered was in fact held abroad.<sup>171</sup>

During the period 1945 to 1953, an overall inflow of foreign capital amounting to £139 million was recorded - although this figure includes investments into public developmental projects which were not necessarily industrial.<sup>172</sup> According to the IBRD, the inflow of capital stood at 86% in 1948, 76% in 1949 and 63% in 1950 (see also table 4 below), which means that the proportion of investments backed by the inflow of foreign capital slightly declined towards 1950.<sup>173</sup> The reason for this was the relatively increasing culture of domestic savings. In fact, Tow argues that although foreign capital was proving to be of high significance, domestic savings remained an important source of investment capital. He argues that,

While foreign sources have traditionally supplied the largest portion of the territory's investment capital, a substantial part of the territory's capital requirements are satisfied from domestic sources. The chief source of domestic investment capital is the European community.<sup>174</sup>

While one may want to agree with Tow's analysis, it should be noted that some of these Europeans were immigrants – turned - citizens and as they came in, they brought with them capital. What then is viewed as domestic capital by Tow can actually be argued to have been in fact foreign capital since it took a minimum of three years for an immigrant to be regarded a citizen. In fact, Table 4 below shows that, despite considerable investment from domestic sources, foreign investment always exceeded the contribution of domestic savings in every year between 1947 and 1952. This trend also explains why Southern Rhodesia always had adverse balances of trade during the same period. At the same time, Southern Rhodesia import trade grew, with at least 60% of this trade comprising of producers' goods, which in a way reflected the investment occurring in the colony.<sup>175</sup>

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<sup>171</sup> Stoneman, 'Foreign Capital and the Reconstruction of Zimbabwe', p. 64.

<sup>172</sup> Ibid.

<sup>173</sup> *The Economy and Development Plans of Southern Rhodesia*, 17 January 1952, p. iv. Table adapted from Thompson and Woodruff, p. 173.

<sup>174</sup> Tow, 'The Manufacturing Economy of Southern Rhodesia', p. 251.

<sup>175</sup> Thompson and Woodruff, *Economic Development in Rhodesia and Nyasaland*, p. 176.

**Table 4: Sources of investment Capital**

Type of capital (amounts in million £)	1947	1948	1949	1950	1951	1952
Southern Rhodesia Investment from domestic funds	5.9	12.8	10.1	15.1	8.9	16.6
Foreign Investment	13.5	16.0	27.4	19.6	50.7	41.3

In the immediate post-war period, European immigrants represented a major source of foreign capital entering Southern Rhodesia. The colony's European population grew from 83,000 in 1946 to 138,000 in 1951, mainly due to immigration. Between 1941 and 1946, 8,250 immigrants entered Southern Rhodesia; but between 1946 and 1951 64,634 immigrants settled in the colony.<sup>176</sup> According to the FRI, the 1,606 immigrants entering Southern Rhodesia during February 1951 declared capital totalling £461,834. This was considered the highest amount for any month since 1949.<sup>177</sup> To place this in perspective, during the whole of 1949, 1,811 immigrants declared £4.068 million in capital, while in 1950 £3.461 million was declared by 1,742 immigrants.<sup>178</sup> The IBRD concurred that between 1947 and 1952, the total amount brought in by immigrants ranged from £3 million to £6 million a year. In addition, immigrants also brought with them skills and techniques. 96% of immigrants were of British origin.<sup>179</sup> As table 5 shows below, immigrants were largely absorbed into the sectors of manufacturing, commerce and finance, and agriculture, particularly tobacco production. Thus, high immigration became both a stimulus to economic development and a claimant on new investment.<sup>180</sup> This meant that immigration brought some investment capital and skilled labour to secondary industries.

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<sup>176</sup> *Official Year Book of Southern Rhodesia*, p. 168.

<sup>177</sup> *Rhodesian Recorder*, June, 1951.

<sup>178</sup> *Ibid.*

<sup>179</sup> Thompson and Woodruff, *Economic Development in Rhodesia and Nyasaland*, p. 63.

<sup>180</sup> *The Economy and Development Plans of Southern Rhodesia*, 17 January 1952, p. 3.

**Table 5: Immigrants by industries, 1946-1951<sup>181</sup>**

Industry	1946	1947	1948	1949	1950	1951
Agriculture	497	554	545	508	675	496
Mining	294	257	225	194	233	222
Transport and communications	324	684	765	678	949	1,172
Building and construction	137	749	1,060	794	1,003	1,215
Manufacturing	832	936	1,039	990	1,243	1,224
Professions	263	288	375	370	396	383
Commerce and finance	680	767	709	727	980	986
Public services	788	1,019	909	1,156	999	1,255
Personal service	192	235	209	187	154	186
Other industries	34	39	71	53	85	39

### **5. Socio-political changes related to the development of secondary industry and inflow of foreign capital**

Apart from aiding the expansion of the manufacturing sector, the entry of foreign capital and big businesses in the manufacturing sector had the effect of altering and realigning the economic and social structure of the Southern Rhodesian population. Prior to the emergence of manufacturing as a competitive sector, there existed an alliance of domestic white classes (particularly settlers and white workers) that resented foreign capital due to its perceived monopolistic tendencies. For white workers, foreign capital represented capitalists' exploitation and profit-seeking agenda at the expense of white workers' welfare.<sup>182</sup> With the onset of increased industrialisation, a new coalition of domestic industrialists and foreign capital emerged. According to Stoneman, the interests of domestic and foreign capital converged in the labour sector, where 'capital was now interested in a stable, fairly well-trained labour force [rather] than in abundant cheap labour'.<sup>183</sup> Before the post-war period, Southern Rhodesia followed a policy of separate racial development (the 'two pyramid policy'), as reflected in such legislation as the Land Apportionment Act (1930)

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<sup>181</sup>*Official Year Book of Southern Rhodesia*, p. 174.

<sup>182</sup> For a fuller discussion of this subject see Arrighi, 'The Political Economy of Rhodesia', and Baylies 'Imperialism and Settler Capital: Friends or Foes?'

<sup>183</sup> Stoneman, 'Foreign capital and the prospects for Zimbabwe', p. 40.

and the Industrial Conciliation Act (1934).<sup>184</sup> As a result of the convergence of the interests of foreign capital (already existing locally in the extractive sectors but now re-orienting and incoming) and domestic capital, there arose a tendency towards the preference of the advancement of Africans. Baylies noted that as 'foreign capital later moved into manufacturing where market conditions were favourable – implying promotion of industrialisation – its interests then became compatible with upgrading the skills of the workforce and with emergence of indigenous ownership.'<sup>185</sup> These sentiments underlay statements by Edgar Whitehead, the Minister of Finance, surrounding foreign concerns about Southern Rhodesia's native policy. "“What is your Native Policy?”- This is far more important to the overseas businessman than the level of Income Tax. Foreign investors insist on a permanent labour force with proper housing, adequate rail communications, power and water supplies,' he stated in 1952.<sup>186</sup> Because big businesses were motivated by the desire to make profits, they sought to attain economies of scale. One way of achieving this was through the advancement of Africans, offering improved education and training in order to create a semi-skilled, if not skilled, labour force that nevertheless remained less expensive than white labour.

It was also believed that employing African labour in the manufacturing sector would be accompanied by a relative increase in wages and improved living standards for African workers, thus ultimately strengthening their purchasing power. The net effect would then be an increased demand for consumer goods produced by secondary industries, thereby creating a relatively bigger internal market for manufactured products and simultaneously guaranteeing profits for big business. Reforms introduced under Prime Minister Huggins also facilitated the increase of Africans in urban areas and industries.<sup>187</sup> Commenting on the position of Africans then, he said,

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<sup>184</sup> Prior to the post World War 2 and particularly in the 1930s, the government policy was that Africans should be left to develop on their own without competing with whites in all spheres of life. This policy became known as the two pyramid policy of separate development which in a way can be seen as a form of apartheid of South Africa. This policy served to keep Africans in an inferior social position, also in terms of skills.

<sup>185</sup> Baylies 'Imperialism and Settler Capital: Friends or Foes?', p. 119.

<sup>186</sup> *Rhodesian Recorder*, August 1952.

<sup>187</sup> Gann and Gelfand, *Huggins of Rhodesia*, p. 176-178. Before then, "Europeans thought of their cities as white islands surrounded by a threatening black sea and regarded cash economy as primarily a European affair." But due to the realities of industrialisation, the Huggins government carried on the programmes that the former Prime Minister Moffatt led government had started of creating native townships near the main centres to provide homes for respectable married native workmen.

There is no room for all the 'natives' on the land and they will have to choose in the next few years between peasant farming and industrialisation. We are rapidly reaching the stage where the national economy will no longer permit or support a mode of life for the 'native' based solely on agriculture and the raising of livestock. Every 'native' will have to realize soon that he cannot expect to be a farmer in a native area and at the same time supplement his income by labour in industry. He will have to concentrate on one of these two avenues of life.<sup>188</sup>

Following Huggins' statement, one can thus conclude that a number of Africans chose the option of industrialisation, hence their increase in the towns. The roots of the policy of 'partnership' and 'liberal policies' of the early fifties and the Federation as well as the increase in African urban population can arguably be traced from this early thinking.<sup>189</sup> Partnership and liberal policies were concepts whereby there was to be greater involvement of Africans in the economic, social and political progress of the colony. This was to be achieved through the extension of better education, voting rights and the participation of Africans in politics with the hope of nipping the rise of African Nationalism in the bud. In part, the turn to 'liberal policies' can be viewed as sign of influence that big businesses were beginning to have on the state.

Despite the expansion of secondary industries, the sector still faced some challenges. This included the need to expand the market for manufactured goods in Southern Rhodesia. This issue necessitated the internal restructuring of Rhodesian society. One way of enlarging consumer markets was to increase the spending capacity of non-Europeans by for the first time absorbing Africans into the more rewarding manufacturing sector as permanent employees rather than as casual and migratory workers. Permanent industrial employees became permanent urban residents who looked to the products of secondary industries for their daily livelihoods. Indeed, African wage employment significantly increased from 254,000 in 1936 to 377,000 in 1946 and 555,000 by 1954.<sup>190</sup> Of these workers, 31,401 (31,236 males plus 165 females) were employed in secondary industry in 1946. By 1951, the figure reached 55,729 (54,111 males plus 1,618 females).<sup>191</sup> More importantly, the value of

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<sup>188</sup>Sir Godfrey Huggins as quoted in Thompson and Woodruff, *Economic Development in Rhodesia and Nyasaland*, p. 78-79.

<sup>189</sup> For a comprehensive understanding of these see Wilson, *African Decolonisation*, p. 55, E. Clegg, *Race and Politics, Partnership in the Federation of Rhodesia and Nyasaland*, London, 1960.

<sup>190</sup> Stoneman, 'Foreign Capital and the Prospects for Zimbabwe', p. 31.

<sup>191</sup> Thompson and Woodruff, *Economic Development in Rhodesia and Nyasaland*, p. 65.

wages paid to all employed workers in the manufacturing sector increased from £3,341 million in 1946 to £13,022 million in 1953. The ever-increasing number of Africans employed in semi-skilled work in secondary industry translated into increased purchasing power and demand for manufactured products for this section of the population. This in turn offered further investment possibilities to industries catering for these demands. In addition to stimulating internal markets, a permanent African labour force served to reduce the cost of labour. Thus the National Federation of Building Trade Employers argued that nomadic labour was 'wasteful and costly' and that local authorities should therefore allow industrialists to house "natives" on their industrial sites.<sup>192</sup> It further justified that this 'would halve transport costs and the cost to the government of housing natives working in industry.'<sup>193</sup>

The rise of a stable, permanent and semi-skilled African labour force coincided well with the wishes of big business, stimulating industrial development and even the inflow of foreign capital funded companies. However, the growth of the urban African population was associated with its own problems. The swell in African numbers entering towns caused a huge demand for housing facilities, while the growth of an African industrial labour force created the base for the rise of an African working class which became the backbone of the 1948 General Strikes. The 1948 General strikes saw an eruption of mass discontent in the urban areas of Southern Rhodesia. The strikes erupted upon the displeasure of African railway workers in Bulawayo over the meagre wage increment recommended by the Labour Board, and was fuelled by more enduring grievances surrounding the declining living standards of Africans in towns.<sup>194</sup> Huggins confirmed the rise of this working class when, at the outbreak of the strikes, he said that 'we are witnessing the emergence of a proletariat and in this country, it happens to be black.'<sup>195</sup> However, Phimister and Raftopoulos have 'cast doubt on the assumption that colonial Zimbabwe's industrial revolution brought into being a huge urban working class whose shared grievances over low wages gave rise to mass

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<sup>192</sup> *Rhodesian Recorder*, September, 1952.

<sup>193</sup> *Ibid.*

<sup>194</sup> See especially Phimister and B. Raftopoulos, "'Kana Sora Ratswa Ngaritswe": African Nationalists and Black Workers – The 1948 General Strike in Colonial Zimbabwe', *Journal of Historical Sociology*, Vol. 13, No. 3, August 2000. N. Bhebhe, *Benjamin Burombo: African Politics in Zimbabwe, 1947-1958*, Harare: 1989. J. Lunn, 'The Political Economy of Protest: the strikes and unrest of 1948 in southern Rhodesia', University of Manchester, unpub. BA Hons, 1982.

<sup>195</sup> Cited in Gann and Gelfand, *Huggins of Rhodesia*, p. 201.

discontent in the years immediately after the Second World War.<sup>196</sup> Despite Phimister and Raftopoulos' diverging view, a closer look at the eruption of the strikes reveals that it was the industrial railway workers who were at the core.

Meanwhile, housing problems had already become evident at the end of the war upon the return of Rhodesian servicemen and the influx of immigrants. This had necessitated the enactment of the 1946 Building Act, which led to the establishment of the National Building and Housing Board tasked to deal with the acute shortage of housing.<sup>197</sup> Also the extent to which housing had become a thorny issue was reflected by the very fact that a Committee to Investigate the Economic, Social and Health Conditions of Africans Employed in Urban Areas had been appointed earlier in 1944. The shortages became even more acute as Africans flocked to towns in search of job opportunities in secondary industries while some were fleeing from the pressure that the Native Land Husbandry Act of 1951 had exerted on Africans in the reserves and rural areas.<sup>198</sup>

Another challenge arising from the expansion of secondary industries related to transport. The inadequacies of transport and their effect on the industrial development and attraction of investment capital were bemoaned by the President of the local Umtali Chamber of Industries. He complained that,

The greatest problem facing industry today is that of transport, in its widest terms-rail, road and port facilities... I make no apologies for stating that our inadequate transport system is the greatest drawback to industrial development in the colony today. We all know that Rhodesia needs more industries to be anywhere near self-supporting but how can we *attract capital and establish these new industries when our transport system cannot even cope with our existing requirements-far less any expansion?*<sup>199</sup>

The absence of an adequate infrastructure for transporting raw materials to industries and transporting manufactured products to markets was a serious impediment to the development of secondary industries and to efforts to lure foreign capital to invest in

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<sup>196</sup> Phimister and Raftopoulos, "'Kana Sora Ratswa Ngaritswe": African Nationalists and Black Workers – The 1948 General Strike in Colonial Zimbabwe', p. 316.

<sup>197</sup> Southern Rhodesia Organisation for Economic Development, Department of Statistics, 1947.

<sup>198</sup> Phimister, *An Economic and Social History of Zimbabwe*, p. 238-39. The Native Land Husbandry Act was promulgated to deal with the problem of land degradation and overcrowding in the African reserves. It entailed destocking of herds of African livestock and reduction of landholding in the reserves. Thus the development of secondary industries offered an outlet for Africans who were frustrated by the implementation of this Act.

<sup>199</sup> *Rhodesian Recorder*, February 1952.

Southern Rhodesian industries. As part of addressing transport problems, the Rhodesian government purchased Rhodesia Railways from BSAC in 1947.

## **6. The effects of the 1948 Customs Union (Interim) Agreement**

The Customs Agreement was a major contributor to the post war industrial expansion and inflow of foreign capital. The Agreement was initiated by the South African government which needed to secure markets for its industries in the face of the realisation that United States of America intended to reconfigure world trade through promoting the removal of restrictive trade agreements in the post war period.<sup>200</sup> Moreover, South Africa was 'keen to expand and consolidate an export trade already worth £10 million per annum by 1948' and therefore was 'prepared to foster industrial development north of the Limpopo.'<sup>201</sup> For Southern Rhodesia, the agreement offered protection to nascent local industries. The Agreement was intended to last for five years and during that period Southern Rhodesian products, 'except for wines, potable spirits, cigarettes, manufactured tobacco, vegetable oils and unmanufactured tobacco in excess of a maximum quota', were to enjoy duty-free entry into South Africa.<sup>202</sup> At the same time, South African products would be allowed entry into the Rhodesian market and would be levied. South African products would thus be less competitive to local ones and simultaneously local infant industries were protected from the already established industries of the Union. The sum total of the agreement was that it created a guaranteed market for Southern Rhodesian industrial products particularly clothing, textiles and electrical goods. Consequently, exports of these products to the Union more than doubled in the first year of the Agreement, and in 1950 they increased by a further 70% over the figures for 1949. Overall, Southern Rhodesian exports to the south jumped from £1.2 million in 1948 to almost £7 million in 1953.<sup>203</sup>

For Southern Rhodesia therefore, the opening up of the South African market had the corresponding effect of spurring industrial production. The assurance of the comparatively large South African market was an important pull factor for foreign businesses to set up establishments in Southern Rhodesia.<sup>204</sup> Thus the *Recorder* reported in 1950 that 'more

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<sup>200</sup> Phimister, 'Secondary Industrialisation in Southern Africa', p. 434.

<sup>201</sup> Ibid.

<sup>202</sup> As cited in Ibid, p. 435.

<sup>203</sup> Phimister, 'Secondary Industrialisation in Southern Africa', p. 435.

<sup>204</sup> Mlambo et al, *Zimbabwe: A History of Manufacturing*, p. 37.

clothing industries are establishing factories in Rhodesia and will endeavour to make up their turnover by concentrating on their Rhodesian Branches and by supplying from that colony the neighbouring territories formerly supplied by them from the Union.'<sup>205</sup> Moreover, doing business in Southern Rhodesia was also attractive due to the availability of African labour generally considered cheap in comparison to the industrial white labour force sometimes used in South Africa. However, Pangeti argues that in the long term, the increase in South African subsidiaries hampered growth of manufacturing sector in Southern Rhodesia. She posits that 'this was because the subsidiaries of the South African companies tended to avoid competition with their parent companies by not producing certain classes of products in Southern Rhodesia.'<sup>206</sup> The implication of this was that Southern Rhodesia continued to import goods which she could otherwise have produced locally. In the same vein, it can be noticed that the Southern Rhodesian state was playing a significant role by creating conditions that ultimately aided industrial expansion and foreign investment.

### **Sectorial industrial developments and penetration of foreign capital**

To illustrate the extent to which secondary industries expanded and foreign capital became entrenched into this sector between 1946 and 1952, this final section offers a detailed analysis of the structure and spread of investments in various industrial sub-sectors. This provides insight into the penetration of foreign capital in the Rhodesian secondary industries. Significantly, it reveals that almost all of the foreign companies established, registered and operating in Southern Rhodesia's secondary industry sector during this period were subsidiaries of major companies in Great Britain and South Africa. As indicated below, these links sometimes makes delineating a company's country of origin difficult. South African companies represented or operating in Southern Rhodesia were often associates or subsidiaries to a parent/holding company in Britain, or at times the investors were non South African. Nevertheless, they represented foreign capital in Southern Rhodesian industries.

#### **1. The Cotton Textile Industry**

As explained in Chapter Two, the development of this sector was set in motion when the Southern Rhodesian government established the Cotton Research and Industry Board (CIRB)

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<sup>205</sup> *Rhodesian Recorder*, February, 1950.

<sup>206</sup> Pangeti, 'The State and Manufacturing', p. 97.

and subsequently set up cotton spinning mill and ginnery in Gatooma in 1942. The cotton yarn produced by the Board was sold to manufacturers in Southern Rhodesia and the surplus was exported, mainly to South Africa. Exports from this sector reached 1,000,000lb of yarn in 1950 valued at £210,000, and in 1951 it was 1,022,000lb, valued at £170,000.<sup>207</sup> The exports to the Union were made possible by the provisions of the 1948 Customs (Union) Agreement between Southern Rhodesia and South Africa.<sup>208</sup> By 1952, the cotton textile manufacturing industry comprised three factories weaving piece goods, two factories weaving blankets, one factory weaving canvas, one factory weaving specialised goods, five factories engaged in knitting and three concerns involved in dyeing and another company engaged in cotton printing and dyeing.<sup>209</sup> Under the piece goods weaving category, the main establishments were Gatooma Textiles, Security Mills, and David Whitehead and Sons (Rhodesia) Limited. Gatooma Textiles was a government-owned company established in 1946. It offered employment to some 20 Europeans and 300 Africans, producing shirting and sheeting.<sup>210</sup> David Whitehead was established at Hartley (now Chegutu) in 1951. This company was a subsidiary of David Whitehead and Sons Holdings of Lancashire, United Kingdom. Their combined annual output at the time was estimated to be between five and 6 million yards of Khaki drills and other piece goods.

In the blanket weaving section, the two concerns involved were Rhodesian Weaving Mills Limited and Consolidated Textiles Limited, both of Bulawayo. Consolidated Textiles Limited, established in 1945, was a subsidiary of a South African firm linked to the Lancashire Cotton Corporation (Britain), which supplied the local company with yarn for the production of its products.<sup>211</sup> Meanwhile, Rhodesian Weaving Mills was pioneered in 1944 by one Mr L. Kantor, who started the company at the invitation of the Southern Rhodesian government. The company was established as a subsidiary of Union Textile Mills Limited of Cape Town, from where all the operations were directed. By 1951, the company employed 400 workers. The total production by these companies amounted to 800,000 blankets.<sup>212</sup>

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<sup>207</sup> Mlambo and Phimister, 'Partly Protected', p. 149.

<sup>208</sup> See Phimister, 'Secondary industrialisation in Southern Rhodesia', p. 436-7.

<sup>209</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>210</sup> Ibid.

<sup>211</sup> Ibid.

<sup>212</sup> Ibid.

Other companies like Specialty Weavers Limited of Gatooma, started in 1951, were engaged in producing canvas. A new entrant in the canvas industry, Fothergil and Harvey (Rhodesia) Limited<sup>213</sup>, was registered in June 1953. The company was born out of an association between Rhocord Products (Pvt) Limited and Forthergill and Harvey Limited of Manchester, Britain. Before the amalgamation of the two, Rhocord specialised in twine and cord production in Southern Rhodesia, while Fothergill was a well-established firm producing canvas and industrial cloths for over a hundred years in Britain. The merger resulted from the realisation that there was a big demand for canvas in Southern Rhodesia and outside, especially in South Africa.<sup>214</sup> Meanwhile, a domestically controlled but foreign owned firm, Rhodesian Cotton Waste Co. (Pvt) Limited, produced mutton cloth. All these private companies relied on cotton yarn from the CRIB.

Falling under the knitting section were five companies namely Leicester Mills; Security Mills and Textile Mills (1947) Holdings Limited, both of Bulawayo; Scotford Mills; and D. Pegler (Rhodesia) of Gatooma.<sup>215</sup> With the exception of Textile Mills, which obtained its yarn from South Africa, the other firms were substantial users of CRIB yarn. Security Mills was founded in 1944, by a Czech national, L. Zlattner, who had also pioneered a knitting industry in Southern Rhodesia in 1939.<sup>216</sup> The company produced stockinet and a wide range of ladies' and gents' knitted underwear and outerwear, and employed some 600 workers. Scotford Mills produced very similar products. D. Pegler (Rhodesia) was involved in the manufacturing Pegwin cheese bandage, orthopaedic bandages, cotton waste and flock.<sup>217</sup> The appearance of Rhodesia in the name of D. Pegler suggests that it was a local subsidiary to foreign holding company.

Another subsector within the cotton textile manufacturing industry was the jute goods sector, in which two big manufacturing factories existed. These were Rhodesian Jute Industries Limited of Umtali, and the Highfield Bag Co. (Pvt) Limited of Bulawayo. The former had a difficult early career under a different name, but became well established

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<sup>213</sup> Every other company mentioned in this study with the suffix (Rhodesia) in its name is believed to have been a subsidiary or an associate of a bigger foreign company. Unavailability of information on some the companies makes it difficult to shed more light on the ownership of the company.

<sup>214</sup> *Rhodesian Recorder*, March 1954.

<sup>215</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>216</sup> *Rhodesian Recorder*, March 1954.

<sup>217</sup> *Ibid.*

later. The company undertook the whole process of spinning and weaving of raw fibre, but imported all of its raw fibre from Pakistan due to unavailability of a suitable domestic substitute. Highfield Bag Company produced printed and plain hessian bags from imported hessian, and also produced cloth bags. These products from the jute producing companies were mainly marketed in South Africa and therefore local production was determined according to demand from the Union.

Closely allied to the cotton textile manufacturing industry was the clothing industry in which some 90 factories existed. Foreign owned and controlled companies were also penetrating into this sector. In 1951, one of the firms, Rhodesian Clothing, was acquired by Thomson Savage and Company (Pvt) of Durban, South Africa.<sup>218</sup> These clothing factories concentrated mainly on producing for the African market. Under the stimulus of the Customs Union (Interim) Agreement with South Africa, the clothing sector rose by 1953 to become the leading exporter in secondary industry in Southern Rhodesia.<sup>219</sup> Exports from this sector reached a record £2.997 million in the same year.<sup>220</sup>

The structure of the cotton textile manufacturing demonstrates the increasingly significant role private enterprises were playing in the sector. Equally significant is the entry of foreign capital, especially through direct investment by firms such as David Whitehead, and Fothergill and Harvey. While numerically firms that were foreign-owned or foreign-funded seem few, it was their capacity and size that is worth noting. The largest part of production came from these firms. The extent to which the cotton textile industry had expanded and become dominated by foreign capital was reflected in the response of the President of FRI, Gordon Harper, to allegations by South African clothing and textile manufacturers that Southern Rhodesian products were elbowing them out of business.<sup>221</sup> He stated,

In recent months, the Union Clothing manufacturers have been coming up to Rhodesia. Personally I have aided one such concern up in the colony and I have considered in part of our policy to increase, no matter from what quarter it comes, the productive capacity of Rhodesian industry. We are pleased to welcome them and we hope they will long continue with us.....*'On what grounds therefore, can the Union manufacturers complain about our increasing*

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<sup>218</sup> *Rhodesian Recorder*, January 1951.

<sup>219</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953. Mlambo and Phimister, 'Partly Protected', p. 151.

<sup>220</sup> *Ibid.*

<sup>221</sup> *Rhodesian Recorder*, March 1950.

*exports if they themselves-by their own influx- are largely responsible for the increase?*<sup>222</sup>

Moreover, South Africa was crucial to the development of the textile industry as it provided a guaranteed market, particularly after the operationalisation of the Customs Union Agreement. A final point to note is that almost all the firms established relied on the CRIB for their yarn. This observation buttresses the Rhodesian government's argument, noted in Chapter Two, that in some cases it had to establish pioneering basic industries for the benefit of other smaller subsidiary industries.<sup>223</sup>

## **2. Iron and Steel and Metal industries**

This industry developed from the state-owned RISCOM steelworks at Que Que and had about 120 companies operating. In 1933 the industry had only 33 companies, but by 1951 it had achieved an annual gross output of £5.923 million, which ranked it as the second largest industrial group in Southern Rhodesia.<sup>224</sup> This industry comprised piping (foundries), coach body building, and the production of metal furniture, enamelware and hardware, cable and wire, light machinery and machine tools, and cutlery. Some of the big names apart from RISCOM include Stewards and Lloyds, established in 1949 at Que Que, which manufactured steel tubes. Although this company was a subsidiary of the British Steel Corporation of London, it was controlled through British Steel and Tube Limited, which in turn had another subsidiary and associate company in South Africa.<sup>225</sup> About 40 foundries operated on scrap and manufactured steel castings, sourcing pig iron from RISCOM.<sup>226</sup> Notable names included Rhodesia Castings Limited of Gwelo, Johnson & Fletcher of Gatooma, Issels and Sons Limited of Bulawayo. Although Issels was one of the earliest manufacturing company in the colony as a small family venture, by 1950 it had become an associate of John Brown & Company Limited of London, which also had interests in Rhodesian Alloys (Pvt) Limited.<sup>227</sup>

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<sup>222</sup> *Ibid.*

<sup>223</sup> NAZ S482/134/48, Cabinet Memorandum: Government's Policy towards Assisting Development of Industries in Southern Rhodesia, 25 January 1949.

<sup>224</sup> *Rhodesian Recorder*, March 1954.

<sup>225</sup> The Anti-Apartheid Movement, *List of British Firms with Subsidiary/Associate companies situated in Southern Rhodesia*, London, 1976.

<sup>226</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>227</sup> *Rhodesian Recorder*, March 1954. The Anti-Apartheid Movement, *List of British Firms with Subsidiary/Associate companies situated in Southern Rhodesia*.

The coach building group manufacturing trailers and industrial trailers included firms like Harold Poole Limited, More Wear Industries (Rhodesia) Limited, Mashonaland Coachbuilders (Pvt) Limited, Rangeland (Pvt) Limited, BMS Engineering Company (Rhodesia) Limited and Salisbury Industries.<sup>228</sup> A controlling interest in BMS Engineering was taken over by J. Brockhouse (Rhodesia) Limited in 1951, of the parent company J. Brockhouse & Co. Limited of West Bromwich, England.<sup>229</sup> Other well-known companies in the metal manufacturing sector included The Metal Pressing and Enamelling Co. Limited, Bulawayo, which produced enamel and aluminium hollowware for local and other African markets. Rhodesian Cables Limited of Salisbury produced various types of copper wire.<sup>230</sup> Another firm producing electrical cables was Aycliffe Cables (Rhodesia) (Pvt,) established at Salisbury in 1952 to 'meet a growing demand in the Rhodesias and Central African territories for P.V.C. insulated cables and flexibles.'<sup>231</sup> Both Rhodesian Cables and Aycliffe Cables were subsidiaries of British Insulated Callender's Cables Limited of London.<sup>232</sup>

Other products produced in this industry included metal doors and windows, nails, and ferrochrome. For ferrochrome, a new company was established in 1949 in Gwelo called Rhodesian Alloys Limited. It was formed by John Brown and Co. of Sheffield, United Kingdom in association with Anglo-American Corporation of South Africa and BSAC.<sup>233</sup> During the same year, another foreign owned company in the metal manufacturing was established, called Metal Box Company of Rhodesia Limited. The company was a subsidiary of the Metal Box Company Overseas Limited., London. It was involved in the manufacturing of cans for food stuffs, edible oils, pharmaceuticals, chemicals, disinfectants, confectionary, and other items. According to the directors of the company, a subsidiary was established because 'they needed to give customers fuller access to the technical research facilities of

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<sup>228</sup> Ibid.

<sup>229</sup> The Anti-Apartheid Movement, *List of British Firms with Subsidiary/Associate companies situated in Southern Rhodesia*.

<sup>230</sup> *Rhodesian Recorder*, March 1954.

<sup>231</sup> Ibid.

<sup>232</sup> The Anti-Apartheid Movement, *List of British Firms with Subsidiary/Associate companies situated in Southern Rhodesia*.

<sup>233</sup> *Rhodesian Recorder*, October 1950. See also Anglo American Corporation, *The Story of Anglo-American Corporation of South Africa in Rhodesia*, 1960, p. 4.

the company than would be possible through agency representation.<sup>234</sup> Up to that time, the parent company had been represented by agents in the Colony.

Two companies operated in the category of metal furniture, namely Springmaster Corporation of Salisbury and Steel & Barnett Rhodesia Limited. The latter was an associate company of Steel & Barnett of Johannesburg and had been established in Southern Rhodesia in 1951.<sup>235</sup> In the same year another company known as the Rhodesian Bedding Company Limited was formed following the association of Edblo (Rhodesia) Limited, the Transvaal Mattress Company (Rhodesia) Limited, and Unterhalter Mattress Works-Rosydose Bedding Co. (Pty) Limited.<sup>236</sup> Producing metal windows was Critall-Hope (Rhodesia) Limited and Reliance Metal Windows (Rhodesia) Limited. The former was a subsidiary of Critall Manufacturing Co. Limited of England, established in 1952 at Workington industrial area in Rhodesia. The latter was an associate company of South African Timber Co. Limited, which itself was an associate to Williams and Williams (Reliance Holdings) Limited of London.<sup>237</sup>

This discussion reveals that almost all the major companies operating in the iron, steel and metal sector were either a subsidiary or an associate of a British or South African Company. This demonstrates the extent to which foreign capital had entrenched itself in the metal manufacturing industry of Southern Rhodesia. Again, it was due to the pioneering work that the Southern Rhodesian government had done when it took over the iron and steel works, as this became the nucleus on which numerous other private firms depended for their pig iron. In the case of this industry, the claim that foreign capital was the force behind the expansion of secondary industries of the colony becomes validated.

### **3. Food and Beverages Industries**

This also formed one of the biggest sectors of Southern Rhodesia's secondary industries. The progress of any country is related to its ability to feed itself, and for this reason industrialists in cooperation with the state had done well to develop this sector. On the eve of the establishment of the Central African Federation in 1953, this sector included sugar

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<sup>234</sup> *Rhodesian Recorder*, December 1950.

<sup>235</sup> *Ibid*, February 1951.

<sup>236</sup> *Ibid*.

<sup>237</sup> The Anti-Apartheid Movement, *List of British Firms with Subsidiary/Associate companies situated in Southern Rhodesia*.

refining, breweries, distillers, confectioners, and milling. According to Phimister 'domestic capital located in the food processing ... was swamped by a flood of foreign investment from 1947 onwards.'<sup>238</sup> In this industry, prominent firms included Rhodesia Sugar Refinery Limited, the Rhodesian Milling and Manufacturing Company (RHOMIL), and Liebigs (Rhodesia) Limited. Rhodesia Sugar Refinery had two factories - one in Bulawayo established in 1935, and one in Salisbury established in 1951. It was sole producer of sugar in the colony but relied first on South Africa and later on Mauritius and Portuguese East Africa (colonial Mozambique) for imports of raw sugar.<sup>239</sup> In fact, between 1946 and 1952, the colony was always in short supply of sugar. This was despite the fact that in addition to imports of raw sugar, efforts were being made to produce sugar locally from the newly established estate, Chirundu Sugar Estates in the Zambesi Valley and the already existing but struggling Triangle Sugar Estates.<sup>240</sup> Because of the continued undersupply of sugar, the Rhodesian Sugar Refinery and Chirundu were both taken over by Tate & Lyle, London in 1953. Furthermore, despite the shortages of sugar, other subsidiary companies depended on sugar nevertheless developed in the colony. Willard's Foods (Pvt), for instance, produced desserts, table creams, custard powders, icing sugar. Others like Midlands Sweet Co. Limited of Gwelo and Wrights (Pvt) Limited produced sweets, chocolates and jellies.<sup>241</sup>

In the confectioners section there were four concerns led by Wheat Products (Pvt). Because wheat was almost entirely imported from Australia, wheat (flour) importing and milling firms were very important in the success of these confectioners. A leading firm in the milling section was Rhodesian Milling and Manufacturing Company (Rhomil). This company had been started in Salisbury in 1920 when the BSAC in association with Mark Harris started Mark Harris Manufacturing Company.<sup>242</sup> The company became known as Rhomil in 1924 when BSAC, Spillers & Milling, and Associated Industries of the United Kingdom became sole partners, which they remained until 1959.<sup>243</sup> Thus, from its inception the company has always been foreign owned. Other players in the milling section were Midlands Milling Company Limited of Gwelo, National Milling Company Limited, Hodgson and Myburgh

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<sup>238</sup> Phimister, *An Economic and Social History*, p. 258.

<sup>239</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>240</sup> *Ibid.*

<sup>241</sup> *Rhodesian Recorder*, March 1954.

<sup>242</sup> The Chartered Company in Supplement to *Property and Finance*, June 1958.

<sup>243</sup> *Ibid.*

Limited of Umtali, and Livingstone Milling Company (1950) Limited. The emergence of these private companies demonstrates the rapid expansion that was taking place.

Another important food sector was that of meat (beef) production. The monopoly in this sector was held by the state-owned Cold Storage Commission, producers of chilled and frozen meats, lard dripping, tallow, and meat and bloodmeal, and by Liebig's (Rhodesia) Limited, manufacturers of canned meats, soups, savoury spread, and gravy powder.<sup>244</sup> The latter was a subsidiary of Liebig's Extract Of Meat Company, Limited, London to which another local company, Sunrho Limited of Umtali, was also an affiliate. Liebig's also had a link with the South African company Oxo (South Africa) Limited. Sunrho produced dehydrated vegetables and soup, canned garden peas, tomato sauce, and fruit juices. In the same category was Rob Roy Fruit Products (Pvt) of Umtali, which produced fruit juices, jams and marmalade.<sup>245</sup> Other big concerns under the food and beverages sector were in breweries and distilleries. Prominent companies included Spa Foods, Rhodesian Breweries, which was under the control of South African Breweries, African Distillers, and Schweppes (Central Africa) Limited, a subsidiary of Schweppes (Overseas) Limited. A new company, Dok Products Limited of South Africa, was incorporated in 1951 and manufactured soft drinks. In 1952, Canada Dry (Rhodesia) was established and secured exclusive rights to bottle Canada Dry products under franchise from Canada Dry International Inc., of New York.<sup>246</sup> All of these firms were foreign owned and controlled, making this subsector one of the most foreign capital dominated sectors.

#### **4. Paper and Paper Packing manufacturers**

This sector developed significantly during the 1950s. In 1951, two firms were established, namely the Amalgamated Packaging Industries (API), Bulawayo, and Paper Holdings Limited, Salisbury. The former produced multi-walled paper sacks and corrugated cardboard containers, while the latter manufactured water-proofed tobacco paper. The companies were initially domestically owned, but in 1953 both became subsidiaries of The Dickinson-Robinson Group of Bristol of United Kingdom, which was known locally as E. S. & A. Robinson. API thus changed its name to E. S. & A. Robison (Rhodesia) at the take-over in

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<sup>244</sup> *Rhodesian Recorder*, March 1954.

<sup>245</sup> *Ibid.*

<sup>246</sup> *Ibid.*, October 1952.

1953.<sup>247</sup> That same year another firm, Umtali Board and Paper Mills Limited, was established to produce chipboard and box boards. It was a subsidiary of C. Davidson & Company Limited, Aberdeen. Rhodesian Pulp and Paper Industries Limited was also established at Norton.<sup>248</sup> The company was a subsidiary of the South African Pulp and Paper Industries Limited and financed by Northern African Mining and Finance Limited of South Africa. Older, already-existent companies included Rhodesian Printing and Publishing Company, established in 1931, which produced cardboard boxes and also did printing for the packaging industry. This company was later taken over by the government-owned Kingston's Limited. Noticeable from this sector is the preponderance of foreign companies.

## **5. Chemical and Allied Industries**

This sector comprised subsectors that produced chemicals in all their varieties, as well as fertilizers, paints, perfumery, oils, and matches. Producing fertilisers were firms such as African Explosives and Chemical Industries (Rhodesia) Limited (AE&CI), Ibatros Fisons (Rhodesia) Limited, Windmill Fertilisers (Rhodesia) Limited, and Central African Fertilizers Limited. While the first two companies were established in Southern Rhodesia before World War 2, they were both subsidiaries of bigger companies outside Rhodesia. Fisons was owned by Fisons Limited of Suffolk, which also had another affiliate in the colony, namely Fisons Pest Control (Central Africa) Pvt Limited. Though this company had been established during the Great Depression, it increased its production capacity in 1951 when it made a £330,000 investment in a new a fertiliser plant at Aspindale Park in Salisbury.<sup>249</sup> The investment was made possible through a loan given by Barclays Overseas Development Corporation, with the parent company acting as the guarantor. AE&CI was part of African Explosives and Chemical Industries South Africa Limited, which was also an associate of Imperial Chemical Industries.<sup>250</sup>

In the category of preservatives and automotive chemicals, there were three major firms, namely Electro Chemical Laboratories (Pvt) Limited of Salisbury, Savotex Industries (Rhodesia), an offshoot of Savo Manufacturing (Pty) Limited of South Africa, and Aybeece

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<sup>247</sup> *Rhodesian Recorder*, March 1954.

<sup>248</sup> *Ibid.*

<sup>249</sup> *Ibid*, May 1951.

<sup>250</sup> *Ibid*, March 1954. The information following this footnote is taken from this source.

Agencies (Pvt) of Bulawayo. All these were controlled locally but were foreign owned. Pest Control (Central Africa) Limited, a subsidiary of Fisons, and Rhodesia Chemical Manufacturing Company produced insecticides. Asphalt and bituminous products were manufactured by Rhodesia Colas Products Limited. Oxygen, acetylene and medical gases such as carbon dioxide and nitrous oxide were manufactured by the Rhodesian Oxygen and Acetylene Co. Limited, which had branches in Bulawayo, Salisbury and Gwelo. It was also a subsidiary of The British Oxygen Co. Limited of the United Kingdom. The demand for matches was met by Lion Match Company Limited, of Salisbury, a subsidiary of The Lion Match Company Limited, of South Africa which in turn was an associate of British Match Corporation Limited, London.<sup>251</sup>

Other ancillary products such as soaps and oils were being produced by Lever Brothers, which had started manufacturing in 1947 and was a subsidiary of Unilever Limited of London. Its other products included margarine and glycerine. Prior to its manufacture by Lever Brothers, all margarine was imported from South Africa, while glycerine was exported to the Union.<sup>252</sup> Also falling within the category of chemicals were paint manufacturers. Three firms operated in this section although there were some that had been registered but were yet to operate. The biggest firm was Vulcan Products of Umtali. It operated alongside Hubert Evans & Company (Rhodesia), an associate to a British firm, and Vitretex (C. A) Limited. In 1950, a new company, Seal Paint (Rhodesia) Limited, was incorporated to manufacture paints in the colony. The company was a result of an association between the British company Denton and Justsum Limited of Bow Common, London, and their South African associates, Seal Paint and Pigment Corporation (Pty) Limited of Johannesburg.<sup>253</sup>

## **6. Other Industries**

Other sectors that constituted secondary industries in the post war years were wood and furniture manufacturers, plastic moulders, cigarette and tobacco manufacturers, and cement product manufacturers. Cigarette and tobacco manufacturing was the second most important secondary industry contributor to the export trade.<sup>254</sup> The biggest producer and

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<sup>251</sup> The Anti-Apartheid Movement, *List of British firms with Subsidiary/associate companies situated in Rhodesia*.

<sup>252</sup> NAZ F292/16/3, Secondary Industry in Southern Rhodesia, May 1953.

<sup>253</sup> *Rhodesian Recorder*, February 1950.

<sup>254</sup> NAZ F292/16/3, Secondary industry in Southern Rhodesia, May 1953.

exporter in this sector was the United Tobacco Company, which was linked to international tobacco interests. Smaller tobacco concerns, such as Carlton Cigarette Company produced American-type cigarettes.<sup>255</sup> In the cement sector, two major firms were Premier Portland Cement Company at Bulawayo, whose parent company was in South Africa and Rhodesia Cement Limited. The former had been established in 1913 and in 1918 the major interest in the company was acquired by Pretoria Portland Cement of South Africa. The company expanded rapidly in 1950 following a new investment at Cement Siding with the installation of an 80,000 tonne per annum kiln.<sup>256</sup> This upgrade had been necessitated by the entry of a rival company, Rhodesia Cement at Gwanda. Rhodesia Cement was established in 1946 and went into production in 1949 at a higher capacity than that of Premier Portland.<sup>257</sup>

Other companies producing cement allied products such as asbestos and bricks were also in operation. Porters Cement Industries Limited produced asbestos cement in Bulawayo, Umtali and Salisbury. By 1952 it was producing 50,000 tons of this product.<sup>258</sup> Other companies based at Bulawayo included Asbestos Limited and The Mashaba Rhodesian Asbestos Company Limited of England. The latter owned several asbestos properties in the Fort Victoria District (now Masvingo).<sup>259</sup> This sector made a very substantial contribution towards relieving the shortage of building materials that was a result of increased demand for housing due to increased urban population in the post-war period.<sup>260</sup>

A number of firms produced cement tiles, blocks, well linings, precast lintels, slabs, terrazzo work, air bricks and specialised items such as sinks and ornamental garden furniture. Prominent among these was Rhodesian Brick and Potteries Company Limited, which was established in 1947 and manufactured bricks at factories in Bulawayo and Salisbury.<sup>261</sup> This company was financed by Rhodesian Corporation Limited which was a finance and investment company.<sup>262</sup> In 1951, an Italian company, Alpha Bricks, Tiles and Slabs Limited

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<sup>255</sup> *Ibid.*

<sup>256</sup> <http://www.ppc.co.za/zimbabwe/about-us/our-history.aspx>. Accessed 2015/03/13.

<sup>257</sup> *Ibid.*

<sup>258</sup> *Ibid.*

<sup>259</sup> *Rhodesian Stock Exchange: Handbook of Stocks and Shares*, 1951.

<sup>260</sup> NAZ F292/16/3, Secondary industry in Southern Rhodesia, May 1953.

<sup>261</sup> *Rhodesian Stock Exchange: Handbook of Stocks and Shares*, 1951.

<sup>262</sup> *Ibid.*

was established at Mount Hampden along Lomagundi.<sup>263</sup> It produced terracotta blocks and mosaic flooring and the workers and controlling personnel were Italian.

Wood and wood manufactures also expanded quite remarkably after the war. In 1949, The Plate Glass Beveling and Silvering Company (Rhodesia) Limited was established at Bulawayo. It was a subsidiary of the holding firm Plate Glass and Shatterprufe Industries Limited, a public company registered in Johannesburg.<sup>264</sup> According to the company, it established itself in the colony in order to give a specialised service to the colony's rapidly expanding woodworking and furniture industries.<sup>265</sup> As at 1952, Southern Rhodesia boasted more than 30 furniture factories, a number of joinery firms principally operated by the larger building and contracting establishments, as well as other smaller factories producing plywood and packaging materials.<sup>266</sup> This sector grew so rapidly that between '1946 and 1952 the gross output of furniture and fixtures rose from £320, 000 to £1.5 million which in itself was a very fine achievement.'<sup>267</sup> In the plastic manufacturing sector, Rhodesian Plastics and Power Plastics of Salisbury were operative. The former was established in 1946 as a branch of the London-based Universal Plastics.<sup>268</sup> It started operations in 1952. Power Plastics of Salisbury which was producing ball point pens. Salisbury Trading and Manufacturing Company (Pvt) Limited, which was established in 1949, and Polythene Piping (Pvt) Limited were also key firms in the manufacture of plastics.<sup>269</sup>

Another expanding industrial sector in the post war period was engineering. Foreign companies surged into this category. In 1951, Brush South Africa Limited, a Johannesburg subsidiary of the Brush Electrical Engineering Co. Limited, one of the largest British Engineering companies, opened a branch office in Salisbury. In September of 1951, Jeffrey-Galion (Pty) Limited, specialists in road machinery and industrial equipment, was officially opened in Salisbury. The company was an African company whose parent companies were in America, Canada and Britain.<sup>270</sup> Commenting on its opening in the colony, the company

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<sup>263</sup> *Ibid*, January 1951.

<sup>264</sup> *Ibid*, August 1951.

<sup>265</sup> *Ibid*.

<sup>266</sup> NAZ F292/16/3, Secondary industry in Southern Rhodesia, May 1953.

<sup>267</sup> *Rhodesian Recorder*, September, 1954.

<sup>268</sup> *Ibid*.

<sup>269</sup> *Ibid*, March 1954.

<sup>270</sup> *Rhodesian Recorder*, September, 1951.

manager said that 'it is our intention to set up workshops for major overhauls of road machinery and provide specialised technical engineering services on diesel and road machinery problems in the colony.'<sup>271</sup> In December, 1951 a new optical firm was launched 'with the aim of providing Rhodesia with a speedy and accurate optical service'<sup>272</sup>, reported the *Rhodesian Recorder*. The company was called Mr Wiseman and Co. (Rhodesia) Limited, an offspring of the Wiseman organisation in England and South Africa. Wire Industries, Steel Products and Engineering Co. Limited of Johannesburg was set up in Gwelo in January 1952. It manufactured steel windows and door frames and various by-products such as reinforcement steel rods.<sup>273</sup>

At around the same time, Acrow Engineers Limited entered Rhodesian secondary industry. It became known for offering engineering services to the building trades. Its head office was located in London, with associate companies in the United States, Canada, Peru, Brazil, Argentina, Uruguay, Australia and South Africa. In Salisbury it was registered under the title of Acrow (Rhodesia) Limited.<sup>274</sup> It provided products that included steel shuttering, flow centres, long forms, steel adjustable props, column clamps, beam clamps, builders and tripod trestles, steel and aluminium scaffold tube and fittings.<sup>275</sup> These capital goods were proliferating in secondary industries compared to the pre-war and war years. Justifying the company's establishment in the country, the company's authorities highlighted that 'the heavy demand for our products, consequent upon the development of the country and the realisation by the building industry, that our equipment and methods speed up erection and lower costs necessitated our having our own organisation on the spot.'<sup>276</sup> This reflects the state of the local economy and the lacunae that existed in the Rhodesian market for any adventurous and enterprising companies.

## Conclusion

This chapter has demonstrated the pervasiveness of foreign capital and foreign ownership in Southern Rhodesian secondary industry in the post-war period. This includes revealing the

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<sup>271</sup> *Ibid.*

<sup>272</sup> *Ibid.*, December 1951.

<sup>273</sup> *Industrial Rhodesia: A record of Industrial Development in Southern Rhodesia.*

<sup>274</sup> *Rhodesian Recorder*, February 1952.

<sup>275</sup> *Ibid.*

<sup>276</sup> *Ibid.*

enmeshment of foreign capital – from British, South African, and to a lesser extent American concerns – in this sector of the colony's economy. Immigrants were also a source from which foreign capital originated, with European immigration bringing in between £3 million to £6 million worth of capital annually from 1946 to 1952. Whilst there was this influx of foreign capital from Britain and South Africa, there was a very thin line of separation between investment capital from these two sources. This was because almost all foreign companies or foreign funded firms established in the colony had some link with a bigger firm in either Britain or South Africa. What is also noticeable is that the inflow of foreign capital was made possible by the closer relationship between the state and industrialists, who, having realised that full blown industrialisation could not be undertaken without adequate funding, took initiatives to attract outside capital to the colony. The efforts of the FRI were complemented by the state's protective tariffs and trade agreements, particularly the 1948 Customs Union (Interim) Agreement with South Africa. Added to this was the boom in the local economy as led by the growth in tobacco and base minerals exports. The internal economic boom thus attracted foreign investment since it offered an environment under which profitable investments and enterprises could be established.

It is no surprise then that Stoneman claimed that the period between 1947 and 1953 was when the Rhodesian economy 'took off'. This economic growth brought with it some significant changes in wider colonial society. A realignment of interests between and among social classes saw big business (foreign capital), local capital and state converge regarding their position on Africans as both alternative labour and a potential market. Ultimately the new alliances had marked effects on the political economy as there began to emerge new ideas of labour organisation (trade unionism) by Africans and thoughts of 'partnership', amalgamation and federation of Central African territories by both the state and big business with view of creating an expanded market for Southern Rhodesian industries, a bulwark against spread of Communism and Afrikaner expansion and the imperial desire by Britain of the second colonial occupation. The eventual creation of Central African Federation in 1953 would impact positively on both inflow of foreign capital and the expansion of secondary industries, especially the concentration of capital and industrial production into the hands of few big corporations such as Anglo American Corporation.

## **Chapter Four: The Federal Years, 1953-1956**

### **Introduction**

On 1 September 1953, the establishment of the Central African Federation was proclaimed as Southern Rhodesia, Northern Rhodesia and Nyasaland were united as one territory. This lasted up to 31 December 1963. Several justifications were put forward for the establishment of this Central African territory. There were a range of political and ideological reasons for forming the territory, but most important for this study were the economic reasons.<sup>277</sup> The three countries were seen as complimentary: Southern Rhodesia boasted a healthy industrial base and infrastructure, Northern Rhodesia would contribute mineral wealth through its copper mines, and Nyasaland would act as a reservoir of African labour.<sup>278</sup> For Southern Rhodesia the other two territories were also important markets for its secondary industries. Additionally, supporters of the Federation argued that 'local white control over the three territories would reassure potential foreign investors that Central Africa would be a safe area in which to invest.'<sup>279</sup> This chapter focuses on the extent to which the establishment of the Federation encouraged the inflow of investment and

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<sup>277</sup> Literature on the establishment of the Federation is voluminous. See C. Leys and C. Pratt (eds), *A New Deal in Central Africa*, London: Heinman, 1960. L. W. Bowman, *Politics in Rhodesia: White Power in an African State*, Massachusetts: Harvard University Press, 1973. Gann and Gelfand, *Huggins of Rhodesia*, p. 209-213, A. Cohen, 'Settler Power, African Nationalism and British Interests in the Central African Federation, 1957 and 1963', PhD Thesis, University of Sheffield, 2008. A. Hazelwood, 'The Economies of Federation and Dissolution in Central Africa', in A. Hazelwood (ed), *African Integration and Disintegration: Case Studies in Economic and Political Union*, London: Oxford University Press 1967, S. Marks, 'Southern Africa' in J. Brown et al (eds), *The Oxford History of the British Empire: The Twentieth Century*, Vol. IV, Oxford University Press Online, 1999. Some of the reasons for the establishment of the Federation included the British imperial desire or what commonly is referred to as the 'second colonial era'. This was premised on 'creating a great British Central African Dominion to strengthen and consolidate the power of the British Commonwealth which had lost so many of its former members', especially after the end of the Second World War. It was thus strongly argued that 'only a white Dominion in Central Africa would save it for Britain.' Another reason was the fears of the South African influence in the region, particularly its apartheid policies. The British Colonial Office argued that 'Southern Rhodesia could not stand alone.' It had to either be affiliated with the northern territories or it would be drawn in the South African orbit and would imitate her native policies. This was also the same thinking in respect of the fears of spread of communism in this part of Africa. The ideas of nation-building were also forwarded in support of the Federation. The creation of one large territory with liberal policies would unite all races. This would be achieved by reforming constitutional provisions of the three territories. Thus, the Colonial Office would surrender to European demands for a transfer of power to them in Central Africa but the constitution would also protect the interests of Africans and also promote partnership of races. Ultimately, this would reduce instances of political instability in Central Africa which was crucial in achieving a nation-state (these explanations are largely derived from Leys and Pratt's *A New Deal in Central Africa*).

<sup>278</sup> W. J. Barber however debunks this belief arguing that 'it was not the case that as a result of federation, the produce of each territory would be more widely used in the other federated territories.' While this is duly acknowledged, the tendency of the produce of each of the federated territories to contribute or affect the general expansion of the federal economy is widely noticeable.

<sup>279</sup> Pratt, 'Why Federation was supported', in Leys and Pratt (eds), *A New Deal in Central Africa*, p. 49.

industrial expansion in one of the three territories, Southern Rhodesia. The quotation below trenchantly summarises the central issues in this chapter:

The value of manufacturing production increased from £91 million in 1955 to £106 million in 1956. Many of the new industrial ventures came into being on the initiative of European residents or immigrants and, at the same time, a number of existing small enterprises attracted the interest of powerful British and South African concerns and were reorganized and expanded. Much of the capital imported into the Federation was invested in manufacturing. Relatively low taxation, duty-free entry for most materials for industry, ample labour supply and the prospect of ample power from Kariba influenced the decisions of foreign investors.<sup>280</sup>

Thus what follows below is an account of how the situation described in the above quotation came about. Attention is limited to the first three years of the Federation for the reason that, after 1956, the Federation economy underwent an economic recession due to the decline in copper prices on the world market and correspondingly its revenues declined. Copper was the linchpin of the Federation economy and its problems affected the whole territory. As a result of the recession, inflows of capital slackened and only picked up again at the end of it 1959.

This chapter begins by discussing the Federation economy in general and the industrial policy in particular. The focus then turns to how the conditions influenced the inflow of capital and/or inversely how they were shaped by foreign capital. While this chapter discusses foreign investment in the context of the Federation, its main focus remains on investment in Southern Rhodesia. The Southern Rhodesian economy was more advanced and diverse than that of Northern Rhodesia and Nyasaland. Despite the prospects of copper mining in the north, Southern Rhodesia's economy therefore attracted the most investment capital. Moreover, the capital city of the Central African Federation, Salisbury, was located in Southern Rhodesia. From here, all the administrative work of the Federation was performed, and it was therefore sensible and convenient for foreign investors to establish themselves there before extending to their specific places of operations. Cases in point were that of Anglo-American Corporation, Tanganyika Concessions, and Roan (Rhodesia) Selection Trust which all opted to set up new administration and operations offices in

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<sup>280</sup> International Bank for Reconstruction and Development, *Economic Position and Prospects of the Federation of Rhodesia and Nyasaland*, May 23, 1958, p. 5.

Salisbury rather than run local operations from offices in either London or Johannesburg. Southern Rhodesia thus occupied a position of advantage in relation to its federal partners.

### **Federal economy, State industrial policy and Investment**

Due to the complimentary relationship between the three countries, it was believed that the establishment of the Federation would boost South Rhodesia's credit worthiness. Broadly speaking, all three countries still relied on export industries for their revenue. Southern Rhodesia exported manufactured goods, tobacco, gold and other base minerals, Northern Rhodesia relied on copper, and Nyasaland exported its labour, tea and tobacco. Federating the countries' economies amounted to pooling their resources or varying the dependence on one particular export. Ideally, this would limit the effect of slumps due to likely fluctuations on international markets in the revenue earning exporting industries, reducing the effect of a slump on any individual country. This would give potential lenders confidence in extending lines of credit to the Federal government on the assurance that the government had revenues in foreign exchange with which it would pay off its debts. The fall in copper prices from 1956 would later prove that the expectation from pooling resources together was not as beneficial as assumed. Before then, however, the country managed to raise significant funds from international creditors such as the IBRD.

Among the many motivations behind the formation of the Federation, it was argued that a number of economic benefits would accrue to the three territories. For Southern Rhodesia, the Federation presented an opportunity to displace South Africa as Northern Rhodesia and Nyasaland's main supplier of manufactured goods. Whereas prior to 1953 both Southern Rhodesia and South Africa could export duty free to the two northern territories, during the Federation, only Southern Rhodesia could do so.<sup>281</sup> The new uniform tariff that was introduced among the three territories upon the formation of the Federation made Southern Rhodesian products more attractive compared to South African products, which were dutiable. Therefore the creation of the Federation increased Southern Rhodesia's domestic market as evidenced by the fact that about four-fifths of the manufactured products in the Federation came from Southern Rhodesia by 1956.<sup>282</sup>

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<sup>281</sup> The World Bank, Report No. 6349-ZIM, *Zimbabwe: An Industrial Sector Memorandum*, 22 May 1987, p. 4.

<sup>282</sup> *Ibid.*

Furthermore, the inflow of capital was undoubtedly one of the marked benefits of the Federation.<sup>283</sup> The FRI highlighted that there was a growing interest in the economic development of Central Africa, particularly from overseas during the first year of the Federation's existence.<sup>284</sup> It further noted an increase in imports of capital goods such as machinery, agricultural, mining, engineering and constructional metals during 1954. Such imports accounted for about 40% of the Federation's total imports of £24,193,456, with Britain contributing half of these imports (£14,75 million), followed by South Africa (£6,75 million), the United States of America (£1,5 million) and Germany (£250,000) as at October 1954.<sup>285</sup> Indeed foreign exchange, especially American dollars earned from Northern Rhodesian copper exports funded these imports of capital goods in Southern Rhodesia. Apart from reflecting capital investments, these figures also show the external trade pattern of the Federation. While these are good indications of trade patterns and investment in the Federation, it is necessary to account for the inflow of this capital. This requires scrutinising the Federation government's economic policies as they related to industrial development, and how such policies ultimately impacted foreign investment.

The general policy of the Federation on industrial development was that it 'is essentially a field of endeavour for private enterprise'; while the individual countries' governments will 'provide the basic facilities on which private enterprise can establish industries rather than to participate directly in industrial enterprises.'<sup>286</sup> Free enterprise became the basis of industrialisation of the Federation. This was the Southern Rhodesian industrial policy which was effectively adopted as the Federal Industrial Policy. This is unsurprising, as Southern Rhodesia was the industrial hub of the Federation. Specifically, in Southern Rhodesia the industrial policy was summarised as firstly 'to develop the agricultural and mineral resources of the country as quickly as possible, secondly, to encourage overseas investment in and immigration to the Federation, and thirdly, to encourage the establishment and development of primary and secondary industries, especially those based on the

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<sup>283</sup> W. J. Barber, 'Federation and the Central African Economy', in Leys and Pratt (eds), *A New Deal in Central Africa*, p. 59. See also Hazelwood, 'The Economies of the Federation.'

<sup>284</sup> *Rhodesian Recorder*, October, 1954.

<sup>285</sup> *Ibid.*

<sup>286</sup> NAZ F292/16/3, Industrial Policy, no date.

Federation's natural resources or considered to be necessary to its general economy and development.'<sup>287</sup>

In respect of overseas investment, the Federal Minister of Finance, D. Macintyre noted that,

...every one of us should make it our duty to know the country's economic and financial problems and more dependence on primary production; we must attract manufacturing industries. We need overseas private capital to help us develop this way, but overseas capital even in countries which are keenly interested in our development must know our worth before it will embark on any long term investment programme.<sup>288</sup>

In this regard, the federal government began to give active attention to creating an environment which was more hospitable to foreign investors. For instance, the government continued with its Customs Tariff that provided for manufacturing rebates, drawbacks on duties, and low or waived duties on raw materials imported for manufacturers.<sup>289</sup>

Apart from these government efforts, the development of basic infrastructure had proceeded apace during the Federation.<sup>290</sup> In terms of infrastructure, the Southern Rhodesian state assisted basic industries such as coal production, the railways and hydro-electric power, all aimed at assisting industrial development. Importantly, capital for the development of these industries was obtained from foreign sources. Private investment capital flowed into the Federation in large quantities. Net private investment from abroad for the years 1954 and 1959 was about £123 million, much of it provided by British industrialists attracted by the favourable prospects that the Federation provided in the form of a fast growing market, low taxation, and stable government.<sup>291</sup> Mlambo et al claim that 'some £798 million was invested in the first six years of the Federation, with 27% of it coming from overseas.'<sup>292</sup> This high rate of investment allowed for the expansion of territory's economy.

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<sup>287</sup> Ibid.

<sup>288</sup> Quoted in *Industry and Commerce of the Federation*, Salisbury: Regent Publishers, 1960, p. 7.

<sup>289</sup> NAZ F292/16/3, Industrial Policy, no date.

<sup>290</sup> Stoneman, 'Foreign Capital and the Prospects for Zimbabwe', p. 46.

<sup>291</sup> G. Rennie, 'Federation – An Appraisal', *Investment: British Investment and Industry in Central Africa, Quarterly Review*, 1960.

<sup>292</sup> Mlambo et al, *Zimbabwe: A History of Manufacturing*, p. 42, Pangeti, 'The State and Manufacturing Industry', p. 101.

## **Increased inflow of foreign capital**

Upon the establishment of the Federation, the Bank of England issued a report showing the extent of British private capital investment in the Federation. According to the report, the nominal capital of all British investments amounted to £114.7 million by the end of 1953.<sup>293</sup> By 1956, South African investment in the Federation amounted to £115 million. Of this amount, £28.6 million was invested in manufacturing enterprises - virtually all of which was placed in Southern Rhodesia.<sup>294</sup> Thus, Southern Rhodesia was both the economic heavyweight in and major beneficiary of the Federation. One of the biggest investors at this time was Anglo American Corporation of South Africa (AAC).

### **1. Anglo American Corporation and the development of basic industries<sup>295</sup>**

AAC had a diversified portfolio of investments in Southern Rhodesia. It was the biggest investor in mining, and had significant interests in agricultural estates and retail services, in addition to its dominance in the financial and banking and manufacturing sectors.<sup>296</sup> In many senses, AAC dominated the Rhodesian economy. As Joseph Hanlon and Stoneman commented, 'in terms of either turnover or capital invested, "Anglo" is the largest single economic entity in Zimbabwe apart from the state.'<sup>297</sup> The oligopolistic position of AAC was not unique to Southern Rhodesia, as the company was omnipresent across Southern Africa.<sup>298</sup>

Commenting on AAC's prospects in the Federation, its Chairman, Sir Ernest Oppenheimer, noted that, 'the basic industries are well-established, there are very large areas of coal reserves...with these basic requirements provided, a framework has been established within which a sturdy and vigorous economy can be progressively built.'<sup>299</sup> Admittedly, basic

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<sup>293</sup> Cited in United States Department of Commerce, *Investment in Federation of Rhodesia and Nyasaland*, 1956, p. 18.

<sup>294</sup> *Rhodesia Herald*, 18 February 1959.

<sup>295</sup> This section is a revised version of Victor Gwande, 'Multi-National Companies and the Colonial Economies: The Case Of Anglo-American Corporation (Rhodesia) Limited's Experiences in Southern Rhodesia, 1923-1965', BA Honours Dissertation, Economic History Department, University of Zimbabwe, 2010.

<sup>296</sup> For a better appreciation of the extent of AAC's investments in Southern Rhodesia before 1965 see Victor Gwande, 'Multi-National Companies and the Colonial Economies' and for the post 1965 period see Clarke, *Foreign Companies and International Investment in Zimbabwe* and Joseph Hanlon, *Beggar your Neighbours: Apartheid Power in Southern Africa*, London: Catholic Institute for International Relations, 1986.

<sup>297</sup> Hanlon, *Beggar your Neighbours*, p. 201.

<sup>298</sup> See T. Gregory, *Ernest Oppenheimer and the Economic Development of Southern Africa*, London: Oxford University Press, 1962.

<sup>299</sup> Sir Ernest Oppenheimer, Chairmen's Statement to Shareholders, *Annual Report*, 1954.

industries were in place but they were inadequate to meet the demands of the economy. For instance, Wankie colliery was not producing enough coal to supply the Bulawayo and Salisbury thermal power stations, Riscom, and the copper mines in Northern Rhodesia.<sup>300</sup> For the copper mines, shortages had become so acute that they resorted to supplementing coal supplies by using fuel from the forests.<sup>301</sup> This inadequacy prompted AAC to take over Wankie Colliery Company Limited in 1953 to meet the needs of its mining firms in the Copperbelt. This was done through AAC's local subsidiary Rhodesian Anglo-American Services (Rhoanglo). At the time of the takeover, the colliery was operated by a British firm, Powell Duffryn Limited, on behalf of the Southern Rhodesian government. Powell Duffryn had made an investment of £500,000 in 1951, but even then the capacity of the colliery remained very low.<sup>302</sup> In a statement on AAC's new control of Wankie colliery, Oppenheimer said,

We recognize that the rate of industrial development north of Limpopo will be considerably influenced by the rapidity with which supplies of coal can be produced in quantities not only sufficient for all current purposes but elastic enough to provide for an increased demand.<sup>303</sup>

To this end the Corporation injected £7 million 'as a developmental project that saw the modernization and mechanization of collieries.'<sup>304</sup> As a result the Wankie Colliery witnessed an increase in its tonnage output from 2.8 million tons in 1952, 2.9million tons in 1953 and reached 5 million tons a year by 1956, an output that was enough to meet the demands of the Group and the territory. The takeover of Wankie was a vital investment both for Anglo and the Federation. For the Federation, the increase in the capacity of Wankie ensured consistent and adequate supplies of coking coal to Riscom, which in turn was critical for the efficient performance of the Rhodesia Railways. Riscom was the source of steel needed for repairs by Rhodesia Railways. The efficient operation of the railways eased transportation bottlenecks both to the Corporation and the colonial government. This was illustrated by the fact that about 86% of the Colliery's coke was absorbed by two main consumers, namely the copper mines of Union Miniere du Haut Katanga, and the Rhodesian Iron and Steel

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<sup>300</sup> Wankie Colliery, *A General Description of the Wankie Colliery Company's undertaking*, p. 4.

<sup>301</sup> AAC, *The Story of Anglo-American Corporation of South Africa in Rhodesia*, 1960.

<sup>302</sup> *Rhodesian Recorder*, May 1951. See also Phimister, *Wangi Kolia: Coal, Capital and Labour in Colonial Zimbabwe 1894-1954*, Harare: Baobab Books, 1994.

<sup>303</sup> Sir Ernest Oppenheimer, Chairmen's Statement to Shareholders, *Annual Report*, 1954.

<sup>304</sup> Anglo-American Corporation, *Enterprise Investment in Southern Rhodesia*, 1969.

Commission at KweKwe.<sup>305</sup> Wankie also supplied Rhodesia Alloys with coking coal. For the AAC, improved and increased coal output was necessary as it meant guaranteed supplies of power to the copper mines in the Zambian Copper belt where it had a stake. At the same time, the efficiency of the copper mines was fundamental to the financial position of AAC and the Federation, as copper revenues were the linchpin of the territory's economy.

Furthermore, Wankie had an engineering department which was also responsible for the generation and transmission of electric power from the colliery power station which had an installed capacity of 18,500 kilovolt amps and for the pumping, purification and distribution of water from the Zambezi River for domestic and industrial purposes in Wankie.<sup>306</sup> Despite the takeover of Wankie and its subsequent reorganisation, power supply challenges were not completely eliminated. The federal government had started investigations concerning the construction of a hydroelectric project on the Zambezi River in 1951 to supplement the power generated at Wankie. In 1955, the federal government decided to go ahead with the scheme at Kariba Gorge, an ambitious project which involved more than £100 million investment, and the potential to generate of some 1,200 megawatts.<sup>307</sup> Part of the capital required came from the IBRD, which lent the federal government £28.6 million. Part of it was also provided by the copper mines of AAC and Roan Selection Trust, who advanced a loan of £20 million.<sup>308</sup> Foreign capital therefore played a key role in industrial development although it did not always invest directly in secondary industries. Upon completion, the generation of hydroelectric power generated supplied the bulk of Rhodesia's domestic and industrial requirements. The completion of the Kariba hydroelectric power station made it one of the largest man-made lakes in the world at the time. Its sheer size and capacity was a great advertisement of the Federation, thus luring investment.

As industrialisation accelerated, transport facilities lagged behind and this became a hindrance to further development in general and industrial expansion in particular. Transport problems had prompted the Southern Rhodesian government to purchase

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<sup>305</sup> Wankie Colliery, *A General Description of Wankie Colliery Company's undertaking*, p. 14.

<sup>306</sup> Wankie Colliery, *A General Description of Wankie Colliery Company's undertaking*, p. 14.

<sup>307</sup> Sir Gilbertie Rennie, 'Federation: An Appraisal.'

<sup>308</sup> *Anglo-American Corporation in Zimbabwe: The First 40 Years*, 1994, p.12.

Rhodesia Railways from the BSAC in 1947 at the instigation of industrialists and settlers.<sup>309</sup> Despite this, transport remained a challenge. The issue ignited an altercation between industrialists and the Minister of Transport in 1951. The Minister argued that 'we must curtail the expansion of secondary industry in the towns by denying them the artificial stimulus of unlimited road transport, so that both rail and road development can catch up'.<sup>310</sup> Clearly, as industrialisation increased, its demand for transportation outstripped the capacity of transport facilities, particularly that of Rhodesia Railways. This situation remained until 1955, when AAC formed a new company, Anglo-American Rhodesian Development Corporation (AARDCOR), to finance developmental projects of both the government and private undertakings.<sup>311</sup> The immediate beneficiary of this company was the Rhodesia Railways. Faced with transport challenges, the government negotiated a deal with AARDCOR to capitalise Rhodesia Railways. It was also in the interest of AAC to fund the railways company as its efficient operations would simplify the transportation of coal from Wankie to the Copperbelt. To this end, AARDCOR agreed to spend £5 million for the purchase of 3,700 railway rolling stock.<sup>312</sup> It also agreed to inject a further £2.75 million over a twenty-five year period. This was a timely boost to the industrial advance of the country. With transport challenges eased, raw materials and finished products could now be transported from industries to markets and vice versa on time and with increased efficiency.

The growth and expansion of the economy also necessitated the establishment of a sound money market to serve commerce and industry. In 1956, the Corporation made a major investment in a new merchant bank, Rhodesian Acceptances Limited (RAL). This brought the number of merchant banks in Southern Rhodesia to two, the other being the Merchant Bank of Central Africa, established in 1955. Prior to this, there were only two banks operating in the country, namely Barclays Bank and The Standard Chartered Bank, both of which were foreign-owned by British and South African holding companies respectively.<sup>313</sup> The creation of the RAL merchant bank also coincided with the establishment of the Central

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<sup>309</sup> K. Chitofiri, 'Hopes and Expectations: The Relationship between the Settlers and the BSAC', M. A. Thesis, Department of Economic History, University of Zimbabwe, 2007.

<sup>310</sup> *The New Rhodesia*, October 12, 1951.

<sup>311</sup> Anglo-American Corporation, *Enterprise Investment in Southern Rhodesia*, 1969.

<sup>312</sup> E. Oppenheimer, Chairman's Statement to Shareholders, *Annual Report*, 1957.

<sup>313</sup> T. Nyamunda, *The Establishment and Operation of a Colonial Monetary System in Southern Rhodesia, 1890-1938*, M. A. Thesis, Economic History Department, University of Zimbabwe, 2007. See also Bond, *Uneven Zimbabwe; A Study of Finance, Development and Underdevelopment*, Trenton: Africa World Press, 1998, p. 43.

Bank of Rhodesia and Nyasaland. Business undertaken by the RAL included the 'financing of exports of Rhodesian manufactured goods, of imports of goods to the Federation, of purchases of raw materials by local manufacturers of trading transactions within the Federation and of various types of contract work undertaken for public bodies or private concerns.'<sup>314</sup> For example, the bank successfully handled the underwriting of public issues such as that of Rhodesia and Nyasaland Tobacco Company Limited, Rhodesia Television Limited, and later Rothmans and Pall Mall (Rhodesia) Limited.<sup>315</sup> In addition to establishing RAL,

it [AAC] sought to have as many group companies as possible, including several of its South African gold mining companies, quoted on the Salisbury Stock Exchange. This boosted the public interest in the exchange which rapidly became an important vehicle for raising equity funds for private sector growth.<sup>316</sup>

Having a big conglomerate like AAC registered on the local stock exchange improved the image of the local economy and boosted the confidence of other foreign investors to invest in the country. Related to the merchant services were also insurance services. This sector expanded greatly after the Second World War, with British and South African insurers among others setting up branches in the Southern Rhodesia. The number of insurance companies in Southern Rhodesia grew from 57 in 1948 to 76 in 1952 and 90 in 1954.<sup>317</sup> Their services helped to cover risks for the industries of the country, especially the exporting industries.

Admittedly, all the investments discussed here related to the development of basic infrastructure and industries, but they had far reaching impact on the rate of expansion of secondary industries in the country since secondary industry required adequate supplies of power, efficient transport system and a sound financial system. The fulfilment of these requirements was thus made possible by foreign capital, in this case AAC, in tandem with the state.

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<sup>314</sup> *Rhodesian Recorder*, October, 1956. Anglo-American Corporation of South Africa Limited, Supplement to *Rhodesian Property and Finance*, 1958, p. 8.

<sup>315</sup> Rhodesian Acceptances Limited, *Annual Report*, 1959, p. 4.

<sup>316</sup> *Anglo-American Corporation in Zimbabwe: The First 40 Years*, November, 1994, p. 14.

<sup>317</sup> United States Department of Commerce, *Investment in Federation of Rhodesia and Nyasaland*, 1956, p. 96.

## 2. American investment and industrial development

As mentioned earlier, the Southern Rhodesian state and local industrialists realised that they needed foreign capital, and initiated efforts to attract this capital. As discussed in Chapter Three, the publication of the brochure *Southern Rhodesia: A Field for Investment* and subsequent publicity in foreign countries was illustrative of this. Apart from the realisation by the state and the FRI of the need for investment capital, efforts to attract capital coincided with a flurry of inquiries on investment possibilities in the country from abroad – particularly from America.<sup>318</sup> While efforts to attract capital were initiated before 1953, the results were only witnessed after the establishment of the Federation. The initiatives only bore fruits later particularly because the establishment of Central African Federation enlarged the market in which the manufacturing sectors could sell their products. Indeed, as we have seen, the need for bigger markets by secondary industries (especially those in the industrialised Southern Rhodesia) was one of the reasons Southern Rhodesian industrialists supported the Federation.<sup>319</sup> The eventual establishment of the Federation thus attracted foreign investors, including American private capital.

International politics also influenced the entry of American capital into Central Africa. The polarisation of the Cold War context saw America and other capitalist countries alike increase their visibility in this part of the continent. According to C. Douglas Millon, an official of the United States Department of Commerce, ‘encouragement of American private investment abroad was necessitated by the need to forestall Communist offensive against the Western system of free enterprise.’<sup>320</sup> The inflow of American capital was thus a deliberate policy supported by the American government in the post-World War Two context. In line with this policy, the American Department of Commerce created an insurance scheme for US investors to protect them against losses in the event of expropriation by foreign governments.<sup>321</sup> The Federation of Rhodesia and Nyasaland was highly recommended by the Department because ‘there is small risk of expropriation and

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<sup>318</sup> See for example NAZ S3292/11/15 – Dollar investments, 1949-1951, particularly the United States Chamber of Commerce’s letter of enquiry on Investment possibilities in British colonies and dependencies to the British Embassy, Washington, 9 October, 1948. NAZ S483/32/1, Migration of Industries from United Kingdom: Enquiry by F. A. Judd, Midland Bank, United Kingdom, 1950.

<sup>319</sup> Gann and Gelfand, *Huggins of Rhodesia*, p. 209-213.

<sup>320</sup> NAZ F292/2/2/5, United States Investment in the Federation: Statement by Honourable C. Douglas Millon to the Sub-committee on Foreign Trade Policy, no date.

<sup>321</sup> NAZF292/2/2/5, United States investment in the Federation.

there is no need for investors to take out insurance schemes.’<sup>322</sup> In fact, it was affirmed that there was no need for insurance in Southern Rhodesia in particular since the basis of the economy was free enterprise.<sup>323</sup>

Additionally, the Federation had a hospitable policy to American investors in particular, so that ‘U.S. capital invested in approved investments in the Federation was remittable to the U.S. *at any time* subsequent to the initial injection of the dollar capital.’<sup>324</sup> Profits, dividends and interest derived from all types of dollar investment, approved and not approved, were automatically remittable and were not subject to any limit provided they were bona fide earnings. The Federation’s investment policy coupled with a high recommendation explains why there was an accelerated investment of American origin in the Federation.

Against the backdrop of a high rating by the American Department of Commerce, contacts were established between American organisations and companies and concerns in Southern Rhodesia. The Foreign Development Association, similar in operation as the American Research and Development Company, was established by the end of 1956. It was formed by a Professor of Economics and his two students at Mercer University.<sup>325</sup> The basis of the Association’s operations were summarised that

it contacts heads of foreign countries and individuals in foreign countries for the purpose of learning of companies which need or could use additional capital for investment purposes. In turn the Association contacts American firms and individuals that may have such capital available for foreign development and attempts to bring the seeker and the source of such capital together.<sup>326</sup>

The Association managed to link a Southern Rhodesian engineering firm Joelson Brothers with potential financiers and investors in America. Another consortium, American Overseas Companies was set up to extend finance to firms abroad.<sup>327</sup> The consortium consisted of two main investment vehicles, namely American Overseas Finance Company (AOFC) and American Overseas Investing Company (AOIC). The modus operandi of the consortium was

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<sup>322</sup> Ibid.

<sup>323</sup> NAZ S2538/180/57, Investment of Foreign Capital in Southern Rhodesia and Colonies: Policy in Regard to U.S. Investors, no. date.

<sup>324</sup> Ibid.

<sup>325</sup> Ibid.

<sup>326</sup> Ibid.

<sup>327</sup> NAZF292/2/2/5, United States investment in the Federation: Financing through the American Overseas Companies.

‘through development financing, the companies offer loans and investments, either alone or in association with others, the establishment or expansion of enterprises outside the US, mainly in the manufacturing and mining fields.....[but] operations in which US manufacturing interests participate with capital or technical know-how are [were] of particular interest.’<sup>328</sup> The operations of this consortium were brought to the attention of federal firms and in particular to the Southern Rhodesian Minister of Finance. However, it is unclear from the sources which firms were financed by the consortium. Nonetheless, the formation of this consortium and others demonstrates the increased interest by American capital to penetrate Southern Rhodesia.

Apart from the formation of the two associations, an investment advisor, G. F. Spaulding, was posted to the Federation by the United States Department of Commerce. His mandate was to ‘make an examination of worthwhile business projects and then to encourage the investment of American private capital in them.’<sup>329</sup> From the surveys and examination he conducted, reports were generated which show the extent to which industrial development had taken place in the Federation, particularly in Southern Rhodesia. The significance of these reports is that they acquainted American investors with industrial opportunities in Southern Rhodesia. Additionally, the Southern Rhodesian government was commended by Spaulding for assisting the establishment of a number of projects undertaken by foreign private investors. For example, the government helped to set up an ammonia plant at Aspindale, Salisbury, by providing an engineer who prepared a report which the private company could then use to carry out its investigations. Many government departments were most cooperative in supplying facts and figures pertinent to a project and, if they are not available, helping to procure them.<sup>330</sup> Transportation was provided freely for visiting teams of investigators and specialists were allocated to assist in the investigations. This helped project an image of a government willing to assist and hospitable to foreign capital investment. More than this, Spaulding report revealed statistical information particularly on employment of labour by individual firms. The type of labour employed by firms was critical to potential industrialists as many of preferred the use of relatively cheaper African labour

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<sup>328</sup> NAZF292/2/2/5, United States investment in the Federation: Financing through the American Overseas Companies.

<sup>329</sup> NAZF184/B/218/01, Quarterly Report of the Investment Advisor to the Federation of Rhodesia and Nyasaland, 1956.

<sup>330</sup> Ibid.

in order to maximise on profits.<sup>331</sup> Overall these efforts played an influential role in bringing American capital into the Federation.

A number of firms of American origin or backed by American capital established themselves in the Federation. Some of the firms are given below in Table 6.

**Table 6: *Principal American Commercial Interests in the Federation***<sup>332</sup>

<b>Southern Rhodesia Firm</b>	<b>Business Activity</b>
Benford Estate (Pvt) Limited, Salisbury	Motel (accommodation)
Polythene Piping (Pvt) Limited, Salisbury	Manufactures irrigation equipment from plastic materials.
Bourne and Co. Limited (Subsidiary of Bourne and Co. Limited, New Jersey)	Distribution and sales of Singer sewing machines.
Eimico (Rhodesia) Pvt Limited (subsidiary of Eimico Corp., Utah)	Distribution and sales of industrial and mining machinery.
Cheseborough-Ponds International Limited (subsidiary of Cheseborough-Ponds Inclusive)	Manufacturers and distributors of toilet preparations
Salisbury bottling Company Pvt Limited (subsidiary The Coca-Cola Co.)	Bottling and distribution of soft drinks
Central African Bottling Co. (subsidiary The Pepsi-Cola Co.)	Bottling and distribution of soft drinks

Many of these companies were attracted by the expanded market in addition to the policy of free enterprise that existed in the Federation. The case of Cheseborough Ponds, established in 1956 as the first manufacturers of tissue in the country, succinctly reflects this. According to the firm,

we believe in the future of the Central African Federation and consider it to be a most important and expanding market, hence our organisation decided to open a factory in Salisbury. The aim is to bring our products to the consumer in the Federation at the lowest possible price.<sup>333</sup>

The existence of a relatively bigger market by American standards thus lured foreign investment. Two American insurers established branches in Southern Rhodesia in 1953 and

<sup>331</sup> See this discussion under subsection Changes in social structure in the previous chapter.

<sup>332</sup> NAZF292/2/2/5, United States Investment in the Federation: Principal American Commercial Interests in the Federation. Only those firms involved in the secondary or manufacturing industry are listed here though American interests were spread across all economic sectors.

<sup>333</sup> *Rhodesian Recorder*, September, 1956.

1954.<sup>334</sup> American investment in private enterprise in the Federal area increased from £1.05 million in 1952 to £3.02 million in 1953, and was worth an estimated £5 million by 1954.<sup>335</sup> Investments to government and to official bodies increased from £2.3 million in 1952 to £5.7 million in 1953, and were worth an estimated £6 million worth by 1954. Overall, by 1957, the American stake in the Federation was valued at £45 million and of this figure about £25 million was in direct private investment while the remainder was in government loans.<sup>336</sup> Of the private investment figure, the fair share was concentrated in the mining sector.<sup>337</sup> While American investment increased during the Federation, it remained small in comparison to the stakes held by Britain and South Africa.

### 3. Italian Interests in the Federation

The creation of the Federation also attracted interest from other European countries. One such country was Italy. Between 1950 and 1963, Italy experienced what became known as the 'Italian economic miracle', fuelled and funded by the Marshall Aid Plan after Second World War.<sup>338</sup> As a result of this economic boom, Italy became an economic and industrial powerhouse in Europe. This period also saw the emergence of a new crop of young skilled and competitive Italian entrepreneurs who migrated overseas to establish themselves. Consequently, a number of Italian-funded companies were established in the Federation, particularly in Southern Rhodesia. By 1957, six Italian companies were in operation or had registered interest to operate in the country. In 1956, Mediobanca of Italy partnered with the Merchant Bank of South Africa to set up Merchant Bank of Central Africa (MBCA) for the purposes of underwriting and financing expanding local industries.<sup>339</sup> Furthermore, Mediobanca also financed the establishment of another Italian-backed company, Intersomer Rhodesia (Pvt) Limited in Salisbury 1956.<sup>340</sup> Intersomer specialised in financing export and import transactions between Federal and Italian companies. Emphasis was on

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<sup>334</sup> United States Department of Commerce, *Investment in Federation of Rhodesia and Nyasaland*, 1956, p. 96.

<sup>335</sup> *Rhodesian Recorder*, November, 1954.

<sup>336</sup> *Rhodesia Herald*, 16 Feb 1957.

<sup>337</sup> Clarke, *Foreign companies and International investment in Zimbabwe*, p. 62-65.

<sup>338</sup> The Italian economic miracle was the term often used by scholars and media to describe the economic boom that characterised Italy between the end of World War II and the late 1960s. For a better appreciation of this subject see for example, O. Ornati, 'The Italian Economic Miracle and Organised Labour', *Social Research*, Vol. 30, No. 4, 1963, pp. 519-526.

<sup>339</sup> Italy and the Federation, Supplement to *Property and Finance*, May 1959. MBCA would later in 1958 partner with the International Finance Corporation (IFC) in an agreement aimed at channelling investment to local entrepreneurs involved in industrial development.

<sup>340</sup> *Ibid.*

transactions of industrial machinery and other capital goods.<sup>341</sup> Federal companies thus gained access to both the Italian market and to capital goods through the intermediary role played by Intersomer. Similarly, Italian companies were able to gain access the Federal market.

In 1955 a consortium of four major Italian firms formed a company known as Impresit Kariba (Pvt) Limited.<sup>342</sup> The company specialised in hydro-electric projects and in 1956 it won the tender to become the major contractor in the construction of the Kariba hydro-electric power station. However, the awarding of the tender to an Italian company drew condemnation from a number of white politicians both in England and the Federation, particularly Southern Rhodesia.<sup>343</sup> Their argument was that the Federal Board responsible for the Kariba project had created a lucrative opportunity for Great Britain's ex-enemy. They also complained that Italian companies were well known for bringing their own labour whenever they establish themselves and this would mean that Southern Rhodesia would have to accept a number of 'unwanted European immigrants' into the country.<sup>344</sup> Rhodesians argued that 'Impresit might send as many as 2,000 Italian technical and supervisory personnel of all types to Kariba, who would accept lower pay and worse living conditions' and therefore were a 'threat to white privileges.'<sup>345</sup> This reaction reveals the impact of the increased presence of foreign companies on Rhodesian colonial society. Despite all these grumblings, however, Impresit went on to do a marvellous work, completing the largest man-made lake on earth at the time, which became central in the expansion of industries in the Southern Rhodesia and the Federation in general.

Other Italian companies that operated in Southern Rhodesia were Rhodesian Cellulose Development Company, Umtalia Leather (Pvt) Limited, Central African Steel Corporation, and Italo-Rhodesian Cheese (Pvt) Limited. Rhodesian Cellulose Development Company was a result of an association of Italian companies of Snnia Viscosa and Cartire Baniamino

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<sup>341</sup> *Ibid.*

<sup>342</sup> NAZ F292/2/1, Italian Interests in the Federation, 14 October 1956.

<sup>343</sup> J. Tischler, *Light and Power for Multi-racial Nation: The Kariba Dam Scheme in Central African Federation*, Hampshire: Palgrave Macmillan, 2013, p. 156.

<sup>344</sup> For a full discussion on the subject of 'unwanted immigrants' in Southern Rhodesia, see Mlambo, 'Some are more white than others: Racial Chauvinism as a Factor in Rhodesian Immigration Policy, 1890 to 1963', *Zambezia*, XXVII (ii), 2000, pp. 139-160.

<sup>345</sup> Tischler, *Light and Power for Multi-racial Nation*, p. 156.

Donzeli, the Italian and the Federal governments, Imperial Tobacco, Rhodesian Wattle Company, and Rhodesian Pulp and Paper Limited.<sup>346</sup> A sum of £30, 000 started the company in 1956 and later a loan of US\$11.23 million was advanced by Phillip Hill, Higginson, and Erlangers Limited merchant bankers.<sup>347</sup> A pulp and paper mill was erected at Odzi, near Umtali. Odzi was chosen as the site for the plant because of its proximity to the Rhodesian Wattle Company which supplied the wood for manufacturing pulp and paper. Thus, the establishment of the Rhodesian Cellulose Company contributed to the expansion of the paper industry of Southern Rhodesia. The Central African Steel Corporation was the largest Italian secondary industry company in the country. Formed in 1956 at Bulawayo with a capital of £250, 000, the company was owned by Count Alfredo Cacace.<sup>348</sup> Italo-Rhodesian Cheese (Pvt) Limited and Umtalia Leather (Pvt) Limited were smaller factories that had a combined capital of £30, 000. Performances and production figures for these companies are not readily available but their establishment in the country demonstrated the extent to which the Federation attracted foreign capital, specifically from Italy. Although it is difficult to conclude the exact contribution with certainty, Italian companies contributed to the expansion of secondary industries during this Federal era.

#### **4. Sundry Investors**

Alongside the investments made by AAC, American and Italian capital, other foreign companies were also establishing branches, offices, and subsidiary companies, and in some instances taking over local firms in the Southern Rhodesia. For many of these companies, it was the expanded market and the hospitable environment of the Federation that attracted them. In turn, Southern Rhodesia benefitted greatly from the scientific knowledge these foreign companies brought to the country. As subsidiaries to larger parent companies, these companies had access to the latest production methods which could then be transplanted to Southern Rhodesia. Some of these firms included Claude Neon Lights (Rhodesia) Limited, a subsidiary of Claude Neon Lights (South Africa) Limited, which manufactured and erected all types of illuminated signs and industrial cold cathode lighting.<sup>349</sup> Actually this company had first entered Southern Rhodesia in 1935, but its factory had to close down in 1940 when

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<sup>346</sup> Italy and the Federation, Supplement to *Property and Finance*, May 1959.

<sup>347</sup> *Industrial and Engineering Chemistry*, Vol. 25, No. 8, August 1960, p. 18.

<sup>348</sup> Italy and the Federation, Supplement to *Property and Finance*, May 1959.

<sup>349</sup> *Rhodesian Recorder*, December, 1954.

the majority of its work force left to join the war. Claude Neon also had associate companies namely Neon Ajax Limited and A. E. Baker (Rhodesia) Limited which specialised in the installation of all types of heating, hospital and laundry equipment.<sup>350</sup> Commenting on the company's re-emergence in the country, its director said that the 'expansion of Claude Neon's interests in Rhodesia had been dictated by the enormous increase in its business in the Federation and the necessity for giving an on the spot maintenance service.'<sup>351</sup> This comment indicates how the establishment of the Federation facilitated the expansion of businesses. Other new, foreign-owned companies registered in 1954 in Southern Rhodesia included Smith & Walton (South Africa) (Pty) Limited, Scottish Cables (SA) and the South African Rubber Manufacturing Co. Limited (Sarmcol).<sup>352</sup> All these companies were based in Bulawayo, thus confirming Bulawayo as the industrial hub of Southern Rhodesia. Smith and Walton was a manufacturer and dealer in paints, Scottish Cables manufactured cables and Sarmcol were rubber manufacturers and vulcanisers and was capitalised to the tune of £250,000.<sup>353</sup> The entry of these new companies endorsed the country as a safe destination for investors.

The year 1955 witnessed a considerable entry of new foreign company registrations as well as capital injections which facilitated the expansion of a number of firms. To begin with, the asbestos mining company, Turner and Newall Limited, owned by British and American investors, increased its capital from £300,000 to £1 million and simultaneously formed a new company, Turners Asbestos Products (Pvt) in 1955. It went on to build a new factory in Salisbury.<sup>354</sup> The new company focused on the manufacture of asbestos cement products such as tiles and piping. Turner and Newall also owned Porters Cement Products, which they had taken over in 1953. Cement products, which had been in short supply since 1949, improved with the formation of Turners Asbestos Products (Pvt). Meanwhile Dunlop Rubber Company South Africa formed a new Rhodesian company with a capital injection of £80,000.<sup>355</sup> The formation of this company added to the expansion of the rubber industry in which two other foreign owned companies were already operating. These were Tyresoles

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<sup>350</sup> *Ibid.*

<sup>351</sup> *Ibid.*

<sup>352</sup> *Rhodesian Recorder*, November, 1954.

<sup>353</sup> *Ibid.*

<sup>354</sup> *Ibid.*, February 1955.

<sup>355</sup> *Ibid.*

(Rhodesia) Limited, a wholly owned subsidiary of Puzzey and Diss Motors (SA) Limited, and South African Rubber Manufacturing Company Limited (Sarmcol), which had branches in Bulawayo and Salisbury.<sup>356</sup>

Another new company, SKF Ball Bearing Company (Central Africa), was formed as a subsidiary of SKF Bearing Company (SA) 'to cater for the expanding market in Central Africa.' A Canadian firm Johns-Manville Co. Limited in conjunction with British Metals Corporation, Simon I Patino, Anglo-Huronian Limited and Southern Minerals and Marketing Corporation also announced the formation of a new company, Rhodesian Asbestos Limited, which produced asbestos from a newly established Temeraire Mine.<sup>357</sup> This company was specifically allowed in Southern Rhodesia on the basis that the bulk of its output would be exported to Canada, thereby earning South Rhodesia dollars.<sup>358</sup> Universal Plastics Limited, already established in 1952, expanded by setting up two other plastic moulding plants in Southern Rhodesia after an injection of capital by the parent company in London.<sup>359</sup> In 1956 Chloride Electrical Storage Company (Pvt) Limited, a British company formed with British capital, established a plant in Southern Rhodesia and began the manufacture of Exide batteries locally. These developments all added to the expansion of secondary industries in the country.

At the same time, there were a number of instances in which local companies were taken over by or merged with foreign ones. This was necessitated by the realisation by foreign companies that it was considerably less expensive to partner with or take over an already established company than to start a new company altogether. Taking over a local company also allowed the new investor or partner to capture the already established market. The most notable takeover was Schweppes (Overseas) Limited, London, acquiring a controlling stake in Spa Food products in 1955.<sup>360</sup> Before the take-over, Spa was owned by BSAC. Once under the control of Schweppes, the company started to produce beverages which were in line with the parent company. Schweppes also operated a number of factories in Johannesburg, Durban, Port Elizabeth and Cape Town under Schweppes (SA), and in Nairobi

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<sup>356</sup> *Rhodesian Recorder*, April 1955.

<sup>357</sup> *Ibid.*

<sup>358</sup> *Ibid.*

<sup>359</sup> *Ibid.*, March 1955.

<sup>360</sup> *Ibid.*

under Schweppes (East Africa) Limited.<sup>361</sup> Apart from contributing to the development of the local economy, Schweppes was spreading its tentacles in Central and East Africa, thus creating a monopoly over the market.

In the paper industry, Paper Industries (Pvt) which had been established in 1932, changed its name to E.S & A. Robinson (Rhodesia) (Pvt) Limited after E. S. & A. Robinson (Pty) Limited Germiston (SA) bought the entire capital interest in the company.<sup>362</sup> It then became one of the subsidiaries of E.S. & A. Robinson Limited, Bristol, England, and was assured access to all resources of the parent company. After the takeover, the company increased its workforce from three Europeans and five Africans to 35 Europeans and 150 non-Europeans.<sup>363</sup> By having a large African workforce, the company was also in part extending the government's policy of 'promoting' African employment to quell the likelihood of instability.<sup>364</sup> Amalgamated Packing Industries also took over Tarkraft Paper Manufacturers (Pvt) Limited and changed the name to Ampax Paper Products (Pvt) Limited of Bulawayo. It also acquired a controlling stake in Central African Paper Sacks Limited, which manufactured multiwall paper sacks for cement, fertiliser and sugar.<sup>365</sup> Ampax established a new factory at Salisbury which employed 30 Europeans and 200 non-Europeans. Scotford Mills, which was involved in the knitting industry, was bought by Ireland and Robinson (Pty) Limited of Johannesburg, South Africa, and became known as Scotford Mills (1955) (Pvt) Limited.<sup>366</sup> The take-overs highlighted here are not exhaustive but are indicative of the role foreign capital role came to play in the expansion of secondary industries in Southern Rhodesia during the early years of the Federation.

### **Expansion of industries and state assistance**

Meanwhile, the Southern Rhodesian government negotiated a new trade agreement with South Africa in 1955 to replace the 1948 Customs Union (Interim) Agreement. The 1955

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<sup>361</sup> *Ibid.*

<sup>362</sup> *Rhodesian Recorder*, June 1955.

<sup>363</sup> *Ibid.*

<sup>364</sup> The government and organised industry agreed that the increasing African population could not be left living under a system of peasant agriculture, when it had been disrupted by the emergence of a cash economy resulting in its decline. A further result of that decline was the widening disparity in living standards between blacks and whites which was seen as a fertile breeding ground for domestic and racial disturbances. It became imperative therefore for social but particularly for political reasons that steps had to be taken to provide opportunities for employment in the manufacturing sector for the increasing African population.

<sup>365</sup> *Rhodesian Recorder*, July, 1955.

<sup>366</sup> *Ibid.*, October, 1955.

Agreement operated on the principle of reciprocity in terms of duties. As such, a number of products from either country would be traded free of duty. According to Phimister, the Agreement

provided for duty free entry into South Africa of some Federal Textile manufactures, if 75% of their total cost was made up of Federal labour and/or raw materials. If local costs were between 50% and 75%, then the duty equal to 25% of the Union's most favoured nation rate was charged, and if the local costs were between 25% and 50%, a duty of 50% of the most favoured nation rate charged.<sup>367</sup>

Other Southern Rhodesian products which had free entry to South Africa included tinned meats, tea in bulk, tinned or dehydrated vegetables, trailers, enamelware and hollow-ware, radios, certain oils, and canvas shoes.<sup>368</sup> These terms also applied to South African products destined for Southern Rhodesia. Therefore, the intention was that while a market was retained for products of either country, local industries would be protected. The Southern Rhodesian Secretary for Commerce and Industry advanced that the new trade agreement gave opportunities to local industries. He explained that 'it does mean a quite considerable re-orientation of industry, which has tended in the past to a large extent to develop for export only.'<sup>369</sup>

Additionally, new companies were fostered by the Agreement. Thus the *Recorder* reported that a company called Enamelling Corporation of Rhodesia Limited had been formed as a direct result of the Agreement.<sup>370</sup> Like its predecessor, the 1955 Agreement ensured the availability of guaranteed protection and access to the market, thus luring new investment. At the same time a new foreign company, Aveling-Barford (Africa) (Pty) Limited, which was a subsidiary of Aveling-Barford Limited, of Grantham, England, was established in Southern Rhodesia. Added to this was the opening up of a branch office by National Chemical Products Limited, South Africa.<sup>371</sup> It was an associate company of Distillers Company Limited, of the United Kingdom, which held a 41% stake in this South African firm

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<sup>367</sup> Mlambo et al, *Zimbabwe: A History of Manufacturing*, p. 44.

<sup>368</sup> *Rhodesian Recorder*, August 1955.

<sup>369</sup> N R Bertram, Secretary for Commerce and Industry: Interview with the *Rhodesian Recorder*, August, 1955.

<sup>370</sup> *Rhodesian Recorder*, August, 1955.

<sup>371</sup> *Ibid*, September, 1955.

specialising in industrial fermentation and production of organic solvents.<sup>372</sup> Therefore, the Agreement encouraged the expansion of both local and foreign industries.

Amidst the economic expansion in the country, high immigration remained a priority for commerce and industry. More immigrants were demanded because 'there are not enough skilled workers and supervisors available locally to fill the openings in the manufacturing industries.'<sup>373</sup> Indeed, 7,000 of the 10,700 immigrants who entered the Federation during 1954 and 1957 were absorbed into the manufacturing industry.<sup>374</sup> Despite the entry of these immigrants, industrialists still reported that it took between two to three months to find replacements in the event of departures or losses of white skilled labour. As such, there was need for more 'Europeans with the spirit of enterprise and determination and who will channel their efforts towards building up a strong and virile country in the British tradition.'<sup>375</sup> Thus the Federal government began a selective and restrictive immigration policy.<sup>376</sup> The state resorted to limiting immigration because of lack services particularly housing. Notwithstanding the restrictive immigration policy, manufacturing industry received the immigrants it required, albeit at slower rate than hoped for.

The delays and difficulties in acquiring sufficient European skilled labour became a blessing to Africans as secondary industries resorted to employing Africans in vacant positions. A survey carried out by the American advisor to the Federation revealed the extent to which Africans employed in individual companies had increased during the Federal period. Many of these Africans were involved in skilled work. For instance, Africans were now operating highly complicated cranes in mines and foundries, manufacturing complicated radio sets, and operating and sometimes repairing machines with great speed and skill.<sup>377</sup> For this section of the population, which had been for long deprived of industrial training and education, to be able to execute these kinds of skills was a significant advancement. Table 7 below shows the number of Africans and Europeans employed by some of the big manufacturing companies.

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<sup>372</sup> *Ibid.*

<sup>373</sup> Tow, 'The Manufacturing Economy of Southern Rhodesia', p. 203.

<sup>374</sup> NAZ F292/16/3, Industrial Policy: Association of Rhodesian and Nyasaland Industries – Industrial Charter.

<sup>375</sup> *Rhodesian Recorder*, January 1955.

<sup>376</sup> Tow, 'The Manufacturing Economy of Southern Rhodesia', p. 204.

<sup>377</sup> NAZ F184/B/218/01, Quarterly Report of the Investment Advisor to the Federation of Rhodesia and Nyasaland, 1956, p.11.

**Table 7: Number of Employees (by race) employed by individual firms in 1956<sup>378</sup>**

Name of firm	African Employees	European Employees
Liebig's Meat Processing Co.	650	19
Rhodesian Cement Company	648	90
Security Mills	600	15
Bata Shoe Company	1,000	80
Rhodesian Jute Industries	1,800	80
Turner & Newall	1,000	350
Rhodesian Alloys	300	100

Many other smaller companies were employing an average of 300 Africans and 80 Europeans.<sup>379</sup> African labour thus became more appealing because it was considered cheaper yet more productive. The increase in African employment also coincided with the Southern Rhodesian Prime Minister Garfield Todd's liberal reforms. For instance, there was a relaxation in the colour bar, and the Land Apportionment Act was amended to allow for hotels, clubs and restaurants to become multi-racial.<sup>380</sup> At the same time, the newly established University College of Rhodesia and Nyasaland was also made multi-racial, which allowed Africans to enter higher education. A host of other reforms were extended to Africans with the ultimate result of the advancement of Africans in the social and economic spheres of Rhodesian society.<sup>381</sup> While the contribution of Todd's reforms is duly acknowledged, the tendency of manufacturing industries to attract African labour was ubiquitous.

With investment capital in abundance and basic infrastructure put in place, secondary industries increased in number. Whereas in 1952 there were 729 firms, there were 739 in 1956. The rate at which secondary industries grew in number during this time was slightly lower than the earlier periods. Perhaps that had to do with the fact that there were a lot of takeovers and mergers of companies rather than establishment of new ones. Nonetheless,

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<sup>378</sup> Data used was adapted from Quarterly Report of the Investment Advisor to the Federation of Rhodesia and Nyasaland, 1956.

<sup>379</sup> *Ibid.*

<sup>380</sup> Blake, *A History of Rhodesia*, p. 290.

<sup>381</sup> See *Ibid*, p. 290-292.

manufacturing industries witnessed growth in both output and employment, signifying expansion. By 1956, secondary industries had surpassed mining sector in output and employment capacity.<sup>382</sup> While manufacturing gross output reached the value of £35.814 million in 1956, mining was £23.261 million the same year. In terms of employment figures, the manufacturing sector offered employment to 76,559 employees of all races, whereas mining employed 57,917 workers in 1956.<sup>383</sup> During the same period, agriculture remained the dominant sector of the economy, but the manufacturing sector was rapidly catching up. Added to this was the increasing concentration of production in hands of big corporations which were now producing more than half of all industrial production by 1957. 67.8% of the gross output of all industrial production was contributed by these firms yet they constituted 9% of the total number of secondary industries by this time.<sup>384</sup> The overall expansion of the manufacturing sector can be deduced from the following tables 8 & 9 (figures for 1954 were not available).

**Table 8: Manufacturing Sector, 1953-1956**<sup>385</sup>

Year	Number of units	Gross output (£ millions)	Net Output (£ millions)	Total number employed	Total Wages and Salaries Paid (£ millions)
1953	714	61,871	26,084	70,148	13,022
1954	-----	-----	-----	-----	-----
1955	709	77,070	31,362	69,879	15,718
1956	739	87,063	35,462	75,341	17,719

<sup>382</sup> Federation of Rhodesia and Nyasaland, *Census of Industrial production, 1957-1958*, p. 4.

<sup>383</sup> *Ibid.*

<sup>384</sup> *Ibid*, p. 7.

<sup>385</sup> *Ibid*, 1962, p. 1.

**Table 9: Distribution of manufacturing establishments by size of gross output<sup>386</sup>**

Gross output	Number of Firms		
	1938	1953	1957
Under £5,000	159	85	73
£5,000 to £10,000	44	106	100
10,000 – 15,000	30	76	102
15,000 – 20,000	16	62	90
20,000 – 30,000	19	82	116
30,000 – 40,000	7	42	73
40,000 – 50,000	2	44	55
50,000 – 100,000	8	99	117
100,000 – 150,000	7	40	58
150,000 – 200,000	4	15	35
200,000 – 250,000	1	9	14
250,000 and Over	2	54	85
<b>Total</b>	<b>299</b>	<b>714</b>	<b>918</b>

While the development of basic industries and infrastructure and the attendant inflow of capital spurred on the expansion of manufacturing industries, there were still reservations from other quarters regarding state assistance to industries. This followed the publication of a memorandum by the Southern Rhodesian government on incentives for industrial development and on structure for industrial development which represented the aspirations of the government to assist secondary industries.<sup>387</sup> In 1956, a Working Party was established to make recommendations on the incentives and structure of industrial development in Southern Rhodesia.<sup>388</sup> This Working Party was against any efforts by the government to attract new industries, particularly because the government was already burdened with public projects such as the Kariba hydro-electric power station. If anything concentration was supposed to be on those industries already established.<sup>389</sup> In respect of tariff assistance, the Working Party recommended a selective policy, stating that ‘in considering an application for tariff protection, government should take into account the extent to which local resources, including raw materials, labour, power, water and transport

<sup>386</sup> *Census of Industrial Production, 1938-1957.*

<sup>387</sup> NAZ F292/16/10, Memorandum submitted by the Southern Rhodesia Government on the Structure and Incentives for Industrial Development, March 1956.

<sup>388</sup> NAZ F292/16/10, Industrial Incentives and Structure for Industrial Development: Report of the Cabinet Working of Officials on Incentives and the Structure for Industrial development, August 1956.

<sup>389</sup> *Ibid*, p. 4.

will be used by the industry.'<sup>390</sup> Further to this, protection should not be granted if a local industry was competitive with outside supplies or competitors. Overall, the Working Party was very dismissive of all government proposals on assisting secondary industries in Southern Rhodesia.<sup>391</sup> Fundamentally, the conclusions of the Party represented a reiteration of the policy to leave manufacturing industries to expand on their own without much state assistance.

In line with its policy of leaving industries to private enterprises, government relinquished control of its investments in secondary industries, as evidenced by the privatisation of the Sugar Industry Board (1954), Riscom (1956), and the Cotton Industries Board (1959). The nationalisation of these industries in the 1940s had been justified on the grounds that it was government policy to take over and establish industries which could not be profitably run by private capital or that were of national interest. At the time of privatisation in the late 1950s, it was felt that the industries had been sufficiently developed and could now be passed over into the hands of private capital. In addition, privatisation was necessitated by the failure of the state to either properly manage nationalised industries or adequately fund their operations. Largely, state-owned industries either underperformed or perennially made losses. In 1954, Triangle Sugar Estates was sold to a Syndicate of individual Natal sugar planters namely Maurice Nainby, Kenneth Edmonds, Maurice Howson, Oliver Pearce, Edgar de Buffanos, Jack Camp and Garland Hammond.<sup>392</sup> By selling the estate to a South African Syndicate, it was hoped that major improvements and expansion would be undertaken. Yet the Syndicate ran into financial problems thus disrupting production. In order to save the situation, the Syndicate had to sell the estate once again to a foreign company, J. L. Hullet and Sons (SA) in 1957.<sup>393</sup> Meanwhile, other foreign companies dominated the sugar industry. In 1953, the British firm Tate & Lyle had acquired a 50% control stake in Rhodesian Sugar Refineries and another controlling stake in Chirundu Sugar Estates. The penetration of foreign capital led to an increase in sugar production, although the country's overall demand could still not be met. This situation only changed in 1962. Despite this challenge,

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<sup>390</sup> Ibid, p. 7.

<sup>391</sup> Ibid, p. 24-27.

<sup>392</sup> Mlambo and Pangeti, *The Political Economy of Sugar Industry in Zimbabwe, 1920-1990*, Harare: University of Zimbabwe Publications, 1996, p. 32.

<sup>393</sup> Ibid, p. 33.

spin-off manufacturing industries still sourced their supplies of sugar from both the Rhodesian Sugar Refineries Limited and the estates.

In 1956, the state-owned Riscom was sold although the government retained a 10.7% share. A group of companies led by Anglo American Corporation took over Riscom and formed a new company, Rhodesian Iron and Steel Company (Pvt) Limited (RISCO).<sup>394</sup> Although RISCO was officially pronounced in 1957, the agreement of take-over had been concluded in 1956. For Anglo, RISCO was by then its largest investment in heavy industry in Southern Rhodesia. The shares in RISCO were distributed as follows: AAC held a 22.6% stake, Messina Transvaal (SA) held 24.2%, Stewarts and Lloyds (SA) held 14.5%, Lancashire Steel (UK) also held 14.5%, Roan Select Trust (UK) held 7%, and Tanganyika Concession held 6.5%.<sup>395</sup> Riscom, like many other state-owned industries, continually made losses, thus prompting privatisation. This was despite the fact that the state had funded development programmes to increase the plant's capacity. For instance, a new blast furnace had been installed in 1953/4 in addition to the existing one installed in 1948.<sup>396</sup> Moreover, the state had recruited skilled and experienced personnel from abroad, yet the situation did not improve. After the takeover, some £10 million was injected by the new owners to finance expansion programmes.<sup>397</sup> Although the iron and steel industry, particularly RISCO, stabilised and expanded in the period beyond the scope of this study, it is worth mentioning that it was the privatisation and the takeover by foreign capital that encouraged such stability and expansion.<sup>398</sup> The case of Riscom also demonstrates the partnerships that sometimes existed between the state and foreign capital.

The Cotton Industries Board was disposed to private foreign capital in 1959. Although the transfer took place during the period beyond this study, the desire to sell the state owned enterprise had started as early as 1947.<sup>399</sup> Throughout the debate and negotiations over the terms of selling the enterprise, the running theme was to find a capitalised purchaser and

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<sup>394</sup> *Anglo-American Corporation in Zimbabwe: The First 40 Years*, November, 1994, p. 12.

<sup>395</sup> J. W. G. Kaliyati, *The Iron and Steel Industry in Zimbabwe and Regional Co-operation in the SADCC: Consultancy Report*, Harare: Zimbabwe Institute of Development Studies, 1991, p. 4.

<sup>396</sup> Pangeti, 'The State and Manufacturing in Zimbabwe', p. 178.

<sup>397</sup> Kaliyati, *The Iron and Steel Industry in Zimbabwe and Regional Co-operation in the SADCC*, p. 4.

<sup>398</sup> For a further discussion on the development and performance of RISCO since 1957, see Kaliyati above and also Pangeti, 'The State and Manufacturing in Zimbabwe', p. 170-199.

<sup>399</sup> Mlambo and Phimister, 'Partly Protected', p.166-168.

the chances of foreign capital taking over became more likely. For instance, the chairperson of the IDC, Musgrave often argued that the textile industry needed to be developed by a 'big private manufacturing concern from overseas, either by itself or in co-operation with the government.'<sup>400</sup> However, the suggestion of IDC was opposed by the CRIB, particularly its chairperson, on the basis that the enterprise could not be passed to a large concern as this was tantamount to giving monopoly which could then crowd out other local manufacturers.<sup>401</sup> As a result of these disagreements, the enterprise could not be disposed.

It was only in 1955, after subsidiary industries complained of poor yarn being produced by the Gatooma mills, that the talk of the sale of the mills was re-introduced. Pursuant to the complaints, the government established a cotton industry Working Party (1955) to look into the matter.<sup>402</sup> Having duly investigated the matter, the Working Party gave its report in early 1956. Among other recommendations, the Working party advised that 'future expansion of the spinning industry should be carried by private enterprise and that the Board's mills should be disposed of to a private purchaser at the earliest suitable opportunity.'<sup>403</sup> As a result, the Cotton Industries Board's mills at Gatooma were sold under a scheme funded by the African Finance Corporation, David Whitehead (which was now owned by Lonrho), and Barclays Bank Development Corporation.<sup>404</sup> The eventual disposal of the mills affirmed the government policy that it would establish and develop basic industries until such a time when they could meet demands of the dependant industries. Thereafter it would let private enterprise take over. Central for this study is the fact the takeover was by foreign concerns, thus confirming the significant role played by foreign capital in the development and expansion of secondary industries in Southern Rhodesia.

## **Conclusion**

This chapter has contributed to existing scholarship by demonstrating how the establishment of the Central African Federation encouraged the inflow of foreign capital and industrial expansion in Southern Rhodesia. Whereas before 1953 the inflow of capital

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<sup>400</sup> NAZ S482/180/42, Textile Industry in Southern Rhodesia: IDC Memorandum, March 1947. See also Mlambo and Phimister, 'Partly Protected' p. 168.

<sup>401</sup> As cited in Mlambo and Phimister, 'Partly Protected' p. 168.

<sup>402</sup> *Ibid*, p. 169.

<sup>403</sup> *Ibid*, p. 170.

<sup>404</sup> *Ibid*.

originated primarily from Britain and South Africa, the setting up of the Federation and its attendant effect of expanding the market in Central Africa attracted new sources of capital. American and Italian companies increased their presence in the country. The net result of the abundance of investment capital was the increase in secondary industries reaching a record number of 739 by 1956, while industrial production reached the gross output value of £87.063 million by the same year. While the impact of the Federation has been visibly shown, the role of the state in creating a hospitable environment for foreign investment ought also to be noted. Due to its commitment to secondary industrialisation of the country, the state was able to enter into partnerships with foreign capital to develop the basic industries and infrastructure. This was reflected in foreign capital's funding of the capacitation programmes at Wankie, as well as the construction of the Kariba Dam. The efficient operations of these basic services proved invaluable to industrial development in particular and the economic development of the country in general. Smooth operation of Rhodesia Railways assured the availability of a reliable transport system, while the capacitation of Wankie and the completion of the Kariba project guaranteed adequate supplies of power to secondary industries.

Also the entry of one of the world's biggest corporations, Anglo American Corporation, to partner with the government was a vote of confidence and a great advertisement of the country to other potential investors and industrialists. While state-foreign partnerships and the denationalisation process affirmed the Southern Rhodesian government's commitment to private enterprise-led industrialisation with the state complementing either as a partner or regulator, they also reflected state shortcomings in properly managing and funding the nationalised industries. It is against this background that foreign capital played a significant role in the country's industrial development and became entrenched in the Southern Rhodesian economy. This entrenchment of foreign capital remained intact well into the post-colonial period although some slight decline occurred during the period of the Unilateral Declaration of Independence and the war of liberation.

## **Chapter Five: Conclusion**

This study has examined the significant role played by foreign capital in the development of secondary industries. It has demonstrated the historical and cumulative development of foreign capital inflows that underpinned Clarke's observation in 1980, that with the exception of South Africa, no sub-Saharan African economy was as dominated by foreign capital as that of Southern Rhodesia. This has been demonstrated by revealing the pervasiveness of foreign capital and foreign ownership in Southern Rhodesian secondary industry after 1945. In so doing, this thesis has also addressed issues surrounding the relationship between the Southern Rhodesia state, local industrialists and foreign capital, and how this shaped the industrialisation of Southern Rhodesia. The study has shown that foreign capital investing in secondary industry originated overwhelmingly from companies and organisations of British and South African origin and to a lesser extent also included American and Italian concerns and individuals. In the case of British and South African investment capital, it is difficult to distinguish between these two sources. This was because almost all foreign companies or foreign funded firms established in the colony had some link with a bigger firm in either Britain or South Africa. Nevertheless, this capital represented the bulk of foreign capital invested in the secondary industries of Southern Rhodesia.

As shown in Chapter Two, the development of secondary industries gathered momentum during the war years. This did not correspond with foreign investments in secondary industries. The scenario was influenced by the nature of the colonial economic development of Southern Rhodesia from 1890 onwards. The country relied on the export oriented industries of agriculture and mining. Similarly, investment of capital was influenced by the nature of the economy, hence, its concentration in these sectors. In fact, it could be said that it was foreign capital which established the colony of Southern Rhodesia in 1890: The British South Africa Company (BSAC), which pioneered the occupation of Southern Rhodesia and formed the first administration of the colony until 1922, was foreign-owned and funded. Its interests lay in exploiting the mineral resources of the colony, but later diversified into railways and land. This pattern of development lasted up until the Second World War when the outbreak of the war stimulated the development of ISI as a result of war-induced supply bottlenecks. Patterns of investment, however, did not change despite these developments in the economy. Foreign capital remained

concentrated in mining and agriculture, leaving the settler state after 1922 and local industrialists as the main financiers and investors in secondary industries. There were a handful of cases of foreign capital participating in incipient secondary industries even before the Second World War. Outstanding examples include South African Breweries Limited take-over of the local brewery industry in 1910; the establishment of the African Explosives and Chemical Industries in 1918; the formation of the Fisons Ibatros Fertilisers Company in 1929 and the setting up of Rhodesian Bata Shoe Company in 1939. Nevertheless, there was a general lack of interest on the part of foreign capital in secondary industries which persisted once war broke out due to the pessimism with which industrial development was viewed during this period. Secondary industries were perceived as a temporary phenomenon stimulated by war which would subside once the war ended. Therefore, investing in them was too risky. Furthermore, capital for investment outside war industries was difficult if not impossible as the war effort received the highest preference.

Contrary to these expectations, however, the end of the war saw an increase in the inflow of foreign capital into Southern Rhodesia, especially from Britain and South Africa. As Chapter Three argued, a number of developments encouraged this increase in foreign investment. Foreign companies which historically exported to Southern Rhodesia faced competition on the local market from emerging local industries. In order to secure their established markets, they either relocated or formed subsidiary companies or merged with local ones. Part of foreign capital came in through immigrants whose rate of immigration also increased in the post war period. The International Bank for Reconstruction and Development noted that immigrants brought between £3 million and £6 million worth of capital annually between 1946 and 1952.<sup>405</sup> Quite a number of immigrants were absorbed into manufacturing. Some of the capital that came in from Britain and South Africa was a result of capital flight from Britain and South Africa. Even more important for the inflow of this foreign capital were the efforts of the state and local industrialists to attract investment and immigrants from abroad. As shown in Chapter Three, both the state and local industrialists undertook publicity campaigns abroad as evidenced by the publication

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<sup>405</sup> International Bank for Reconstruction and Development Report, No.E-200A, *The Economy and Development Plans of Southern Rhodesia*, 17 January 1952, p. iv.

of the *Rhodesian Recorder* and *Southern Rhodesia: A Field for Investment*. The effect of these efforts was that industrial opportunities in Southern Rhodesia were popularised, thus luring foreign capital which in turn enabled the expansion of secondary industries.

Importantly, foreign capital found that outlets existed in secondary industry as the fastest growing sector in the Rhodesian economy at the time, notwithstanding the boom in tobacco and base minerals production. Overall this internal boom revealed an economy that was on the rise, thus lending further impetus to foreign capital inflows. This capital inflow coupled with other factors such as state's support through tariff protection and trade agreements, allowed for the expansion of secondary industries to the extent that its net output (£22,028 million) grew greater than gross output of both European farming (£18,6 million) and mineral production (£11,3 million) as at 1949.<sup>406</sup>

Additionally, the inflow of capital and the concomitant industrial expansion pointed to the partial restructuring of Rhodesian colonial society. The African urban population increased as Africans were absorbed into industrial wage employment. For the first time, Africans enjoyed relatively higher wages and relaxed entry into towns with the blessing of Sir Godfrey Huggins, who, according to Gann and Gelfand claimed that 'white men and black were blood brothers whose differences had their origin environmental and climatic factors' and therefore should be allowed to live in what was supposed to be 'an island of whites.'<sup>407</sup>

Chapter Four showed how the trends in foreign capital inflows and the expansion of industries were accelerated by the establishment of the Central African Federation in 1953. For secondary industries, the Federation offered a relatively large market for their products. The value of industrial production reached the value of £106,000,000 by 1956.<sup>408</sup> The increase in manufacturing production occurred on the backdrop of entry of new industrial ventures initiated by European immigrants or residents<sup>409</sup> and influential British and South African companies which in most cases took over existing small local concerns. American and Italian capital also increased their presence in the country, largely as a result

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<sup>406</sup> *Rhodesian Recorder*, August 1951.

<sup>407</sup> Gann and Gelfand, *Huggins of Rhodesia*, p. 172.

<sup>408</sup> Southern Rhodesia Central Statistics Office, *Census of Industrial Production*, 1962, p.1. International Bank for Reconstruction and Development, *Economic Position and Prospects of the Federation of Rhodesia and Nyasaland*, 23 May, 1958, p. 5.

<sup>409</sup> *Economic Position and Prospects of the Federation of Rhodesia and Nyasaland*, p. 5.

of the attraction of the expanded market and, in the case of American interests, it was also a result of its effort to forestall the expansion of communism in Central Africa.<sup>410</sup> Also, 'relatively low taxation, duty-free entry for most materials for industry, ample labour supply and the prospect of ample power from Kariba influenced the decisions of foreign investors.'<sup>411</sup> A new dimension of foreign capital during this time was also its interest and partnership with the state in funding the provision of basic services and facilities as the case of Anglo American Corporation shows.

What also emerged in the thesis was the increasing contribution of secondary industries to national income, which reached about 15 per cent of the national GDP by 1956. This partly explains why foreign capital identified secondary industries as an outlet for investment. Furthermore, some secondary industries grew from the backyard-type small family workshop to large scale factories, well capitalised and mechanised. More importantly, industrial production became concentrated in the hands of a few big corporations, often foreign owned and funded. For instance, in the textile industry David Whitehead and Forthergill & Harvey became outstanding. Big corporations even became dominant in the food and iron and steel industry. Anglo American Corporation emerged as a major investor and financier. Whereas only eight industries exceeded a gross annual output of £50,000 in 1938, these industries numbered 51 in 1949, 99 in 1953, and 117 by 1957. The concentration of production is further reflected by the fact that 85 firms had gross output of £250,000 and over by 1957 (page 95, Table 9). These firms only constituted 9% of the total number of secondary industries yet they contributed 67.8 of the gross output of all industrial production in the country by 1957 (page 94).

Significantly, this thesis suggested that industrialisation in Southern Rhodesia during this period should be contextualised and understood vis-à-vis the policy of ISI implemented in Latin America. A survey of Southern Rhodesian secondary industries, especially since Second World War, reflected the tenets of Latin American ISI. The early phase of ISI in Latin America was an 'attempt by economically less-developed countries to break out of the division of labour which had emerged in the nineteenth century and the early part of the twentieth

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<sup>410</sup> NAZ F292/2/2/5, United States Investment in the Federation: Statement by Honourable C. Douglas Millon to the Sub-committee on Foreign Trade Policy, no date.

<sup>411</sup> *Economic Position and Prospects of the Federation of Rhodesia and Nyasaland*, p. 5.

century.<sup>412</sup> While the desire to delink from existing trade patterns influenced the development of ISI in Latin America, the same cannot be said of Southern Rhodesia during this time. Production patterns remained export-oriented, although these patterns were also marked by interval disruptions during the crisis periods of First World War and the Great Depression. Another typical characteristic of Latin American economies during this time was their dual dependence on the export of food and raw materials to, and imports of manufactured goods from the United States of America and Europe. This was also typical of many African countries in general and Southern Rhodesia in particular. In Latin America, ISI was stimulated by the outbreak of the Second World War, which disrupted the inflow of manufactured goods from the USA and Europe. The same happened in Southern Rhodesia. The solution to the crisis was therefore to develop the industrial capacity of incipient local industries as a substitute to imports. This was precisely the stimulant behind the development of secondary industries in Southern Rhodesia during the war years.

Another typical characteristic of ISI relates to the involvement of the state: ISI is usually state-led through direct participation in certain industries where neither domestic nor foreign private capital is willing or able to invest.<sup>413</sup> Other ways in which the state participates are through funding, tariff protection and provision of basic infrastructure to complement industries and often skilled manpower and machinery are imported. These elements of state involvement were present in both Latin American industrialisation, as well as Southern Rhodesia's industrial development. As demonstrated in Chapter Two, the Southern Rhodesian state led industrial development through nationalisation and the establishment of basic industries. Immigration, especially of skilled labour, was encouraged. The only major difference between the Latin American and Southern Rhodesian cases was in tariff protection, because the Rhodesian state was reluctant to implement full protectionist policies for secondary industries for fear of increasing the cost structure of mineral and agricultural production which were still deemed the two pillars of the economy.

This thesis has also shown how in its industrialisation generally, Southern Rhodesia followed the South African path. This is unsurprising, as Robert Blake contended,

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<sup>412</sup> Baer, 'Import Substitution and Industrialisation in Latin America: Experiences and Interpretations', p. 95.

<sup>413</sup> Ibid, p. 96, 98.

Its [Southern Rhodesia's] legal system, Roman-Dutch, unlike that of Northern Rhodesia and Nyasaland, was derived from South Africa. People went to the Union for holidays, they married South African spouses, thought in South African terms, drank South African wine. Nearly everyone who came to the colony came via South Africa. There were strong business connections and the ultimate control of Rhodesian Anglo-American lay with Sir Ernest Oppenheimer in Johannesburg. Even British South Africa Company (BSAC) ended up under the Rhoanglo [subsidiary of Anglo American Corporation of South Africa].<sup>414</sup>

This strong orientation towards South Africa was replicated in the industrial development of the country. For instance, when the Industrial Development Advisory Committee was established in 1940, its advocates referred to South Africa among other countries, as an example of a country that had set up an industrial board to advise and assist in the development of secondary industries.<sup>415</sup> In the case of the nationalisation of the iron and steel industry which resulted in the setting up of Rhodesia Iron and Steel Commission in 1942, again parallels were drawn to South Africa's establishment of the Iron and Steel Corporation of South Africa (ISCOR) as a statutory company in 1928. The same can be said regarding the protection of secondary industries.<sup>416</sup> Additionally, a substantial inflow of foreign capital into Southern Rhodesian economy in general and secondary industries in particular, came from south of Limpopo. As shown in Chapter Four, South African investment in Federation totalled £115 million by 1956 of which £28.6 million was invested in Southern Rhodesian secondary industries, especially in textile, food and engineering sectors. More specifically, a small number of secondary industries (although in Southern Rhodesian terms, they were large) were often subsidiaries or associate companies of bigger South African firms. Southern Rhodesia was not alone in this southwards orientation, as Northern Rhodesia also looked to South Africa.<sup>417</sup> Overall, this thesis has demonstrated that in order to understand the industrialisation of Southern Rhodesia, one has to look at a number of factors to which the role of foreign capital stands out as significant in that regard.

Going forward it will be worthwhile to carry out a study into the dynamics and trend of this inflow of foreign capital and industrial development, especially in the face of complexities of the dissolution of the Federation, the Unilateral Declaration of Independence, the outbreak

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<sup>414</sup> Blake, *A History of Rhodesia*, p. 279.

<sup>415</sup> See *Southern Rhodesia Legislative Debates*, 1 May, 1940, Cols. 171-191.

<sup>416</sup> See NAZ S916/20, Protection of Rhodesian Industry: 1945, *Report of the Commission of Enquiry into the Protection of Secondary Industry in Southern Rhodesia*, 1946.

<sup>417</sup> W. J. Busschau, *Report on the Development of Secondary Industries in Northern Rhodesia*, 1945.

of the war of liberation and the eventual establishment of new independent black majority government. Investigating foreign capital in the period after 1956 and its evolving relationship with the state could provide important insights on the role of foreign capital in the period of decolonisation. Tracking foreign investment patterns against this backdrop would also provide important insight into the impact of political shifts on foreign investment. Perhaps this could also be fruitfully compared to other countries in Southern Africa.

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