

# The Nationalization of Lonrho's Business Interests in Postcolonial Tanzania

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On June 2, 1978, the Tanzanian government under President Julius Nyerere ordered the British multinational corporation, Lonrho Limited, to leave the country. The “official reason” provided for this action was Lonrho’s “continued defiance of the United Nations mandatory sanctions against Rhodesia and the expansion of its business interests in South Africa.” Using newly available materials, mainly from the National Archives London, this paper attempts to document the rise of Lonrho in Tanzania up until the nationalization, the factors that influenced the compensation negotiations process between Lonrho and the Tanzanian government, and the role the British government played in the entire episode.

**Keywords:** Lonrho Limited, Nationalization, Tanzania government, British government, “Tiny” Rowland.

## Introduction

The important role foreign business interests played in encouraging colonialism has been well established.<sup>1</sup> An outcome of the above was that during the colonial era, such businesses “were able to operate within an imperial culture that allowed them to ignore many dissatisfied voices.”<sup>2</sup> It was therefore not surprising that the nationalization of such foreign business interests was widespread once African countries began to attain political independence. According to Robert Tignor, from “every corner of the continent came statements that political independence without economic autonomy would be a sham liberation.”<sup>3</sup> In 1960 alone, fifteen African countries gained independence. By 1962, at least seventeen African countries had enacted new laws that either modified existing investment regimes or created entirely new ones.<sup>4</sup> The result was that between 1960 and 1974, Africa recorded more expropriations of foreign business interests than any other region of the world.<sup>5</sup>

Given the widespread nature of nationalization of foreign business interests in post-independence Africa, it is not surprising that the subject matter has attracted enormous research attention.<sup>6</sup> In the past, most indigenization studies have focused on analyzing the various instruments used by states to nationalize or curtail foreign business

interests across several countries in the continent or in specific countries, and on the role of nationalization in economic development of the concerned states.<sup>7</sup> An under-researched aspect of the indigenization exercise is the role played by home country governments of multinational businesses during the indigenization period. This is in part because of the widespread belief that such home governments lost both the power to help and interest in assisting their multinational businesses once political independence became imminent.<sup>8</sup> As a consequence, it has been argued that host country attitudes towards foreign investments became more important than home country power.<sup>9</sup>

One reason for the emergence of this view is the fact that the imminence of political independence necessitated a change in the strategy of home governments, from overt to covert support, when dealing with their multinationals in their former colonies.<sup>10</sup> Evidence of the covert activities of foreign governments is rarely made public, however. Documents that demonstrate such covert support take the form of restricted internal memos, which normally end up in national archives. Because of their sensitive nature, such materials are not generally made public until after a considerable amount of time has elapsed. Most archives have a thirty-year rule in this regard.<sup>11</sup>

Using newly available materials mainly from the British National Archives (BNA) in London, this paper contributes to the literature on the role home governments of multinational businesses played during the nationalization era in postcolonial Africa.<sup>12</sup> Specifically, the paper uses the 1978 nationalization of all the subsidiaries of a British multinational company in Tanzania, the London and Rhodesia Holdings (Lonrho) Limited as a case study.<sup>13</sup> Lonrho was at the time “the largest and most widely established company on the African continent.”<sup>14</sup>

This paper shows how Lonrho's activities in other African countries and the specificities of postindependence Tanzania put Lonrho on a collision course with the government of Tanzania under President Nyerere. This culminated in the nationalization of all Lonrho's business interests in Tanzania in 1978. The paper argues that during the entire episode of the nationalization of Lonrho's assets and the compensation negotiations, the UK government, while providing general support for Lonrho, strategically refused to get drawn into the dispute. Aside from the fact that it disapproved of Lonrho's combative tactics of in the company's attempt to obtain fair and prompt compensation for its nationalized assets, the British government was mindful of the fact that there were other British interests with nationalized assets in Tanzania at the time. In this direction, it believed that supporting a multilateral approach to dealing with Tanzania would be a better strategy for getting Tanzania to live up to its international obligations, which included respecting international laws on the expropriation of foreign capital. At the time, Tanzania was not a member of the International Centre for the Settlement of Investment Dispute (ICSID), which operates under the auspices of the World Bank.

The British government believed that membership of such a multilateral organization was the most effective way to ensure that Tanzania lived up to its international responsibility to pay fair, appropriate, and prompt compensation for expropriated assets. Finally, this paper also documents the role played by Lonrho's chairman,

Lord Duncan-Sandys, who was formerly the secretary of state for the colonies and commonwealth relations, in bringing the process to an amicable conclusion. To achieve its aim, this paper is divided into four parts. Part 1 describes the economic and political history of Tanzania prior to the nationalization of Lonrho in 1978, while part 2 explores the rise of Lonrho and its business interests in Tanzania. Part 3 critiques the drawn out negotiations and the various tactics used by the British and Tanzanian governments and Lonrho during the process, and part 4 concludes the paper.

### **The Economic and Political History of Tanzania**

The country Tanzania was established in 1964 with the unification of mainland Tanganyika and the island of Zanzibar.<sup>15</sup> Prior to the time, Tanganyika had been a German East African colony from 1881 to 1919. After the defeat of Germany in the First World War, Tanganyika became a British colony until 1961, when it gained political independence. Julius Nyerere, who was then the leader of the Tanganyika African National Union (TANU), became the country's first prime minister. In the 1960 elections that brought Nyerere to power, TANU "candidates were returned in all but one of the 71 constituencies being unopposed in no less than 58 of them."<sup>16</sup> In 1962, Tanganyika became a republic and Nyerere was elected the country's president.<sup>17</sup>

In 1962, two years before unification, Nyerere had propounded *Ujamaa* (from the Swahili meaning extended family, or brotherhood) as the economic model for the newly independent Tanganyika. This represented Nyerere's conception of "African socialism."<sup>18</sup> It has been suggested that Nyerere's idea of *Ujamaa* was extensively influenced by his time at the University of Edinburgh, where he studied economics and history between 1949 and 1952. Specifically, the concept of *Ujamaa* followed closely the ideas expressed in *An Introduction to Social Anthropology* (1950), written by Professor Ralph Piddington, Nyerere's lecturer in social anthropology.<sup>19</sup>

According to Nyerere, the essence of *Ujamaa* was to create a country "in which all her citizens are equal; where there is no division into rulers and the ruled, rich and poor, educated and illiterate, those in distress and those in idle comfort." The adoption of *Ujamaa* was to further ensure that Tanzania became a country where "all would be equal in dignity; all would have an equal right to respect, to the opportunity of acquiring a good education and the necessities of life; and all her citizens should have an equal opportunity of serving their country to the limit of their ability."<sup>20</sup> It has also further been suggested that the major benefit of *Ujamaa* was to "get rid of individualistic gains (selfishness)."<sup>21</sup>

On the other hand, the Zanzibar archipelago, which is about twenty-five to fifty kilometers off the coast of Tanganyika, consists of numerous small islands and two large ones: Zanzibar and Pemba. The territory developed as an empire based on the twin foundation of commerce and a plantation economy.<sup>22</sup> The population of the islands consisted of Africans, Arabs, and Asians.<sup>23</sup> Although Africans were in the

majority, they were not united. The Africans who were descendants of slaves (Shirazis), for instance, considered themselves different from those that migrated from the Tanganyika mainland. The result was that the Arabs governed the territory as a sultanate while the Asians were dominant in commerce. At the bottom of the hierarchy were the Africans, who dominated the manual labour force.<sup>24</sup>

This social structure remained even after the island became a British protectorate in 1890.<sup>25</sup> Before Zanzibar became independent in 1963, the mainly Arab Zanzibar Nationalist Party (ZNB) aligned itself with the Zanzibar and Pemba Peoples Party. Although the African dominated Afro-Shirazi Party pulled over 54 percent of the votes in the pre-independence election, they only won 13 of the 31 seats in the national assembly "due to arrangement of constituencies." Just before the elections however, a radical faction broke from the ZNP and formed the Umma Party. The new party immediately aligned with the Afro-Shirazi Party and started accusing the ruling alliance of being a scheme for sustaining Arab oligarchy. The ensuing crisis culminated in a coup within a month of the country's gaining political independence; at least 5,000 Arabs were killed and several others fled the island.<sup>26</sup> This resulted in the establishment of the Peoples' Republic of Zanzibar and Pemba. The uncertainty caused by the coup, however, caused its leaders to approach Tanganyika about the possibility of forging a union of the two countries. This was "perfectly understandable since the regime saw itself as definitely non-Arab and was predisposed to identify with the peoples of the mainland who had previously manifested sympathy for the plight of the African majority."<sup>27</sup>

In April 1964, the Peoples' Republic of Zanzibar and Pemba subsequently merged with the United Republic of Tanganyika to form the United Republic of Tanzania. In 1965, Nyerere was elected president of Tanzania under a new constitution that turned the country into one-party state.<sup>28</sup> Given the dominance of Tanganyika (and Nyerere) in the new union, it was not surprising that Ujamaa became the economic philosophy of the new Tanzania. Despite this, Ujamaa remained an idea, not a fact. There was very little effort to achieve its objectives and there was little difference between Nyerere's policies and those of other newly independent African countries at the time. For instance, it has been noted that in Tanzania at the time, private and foreign "investments were officially encouraged."<sup>29</sup> According to Coulson, foreign "companies were given tax concessions to invest in import substituting industries" and the economy still depended "on a few hundred foreign owned plantations and estates producing about half of the country's export earnings."<sup>30</sup>

Another major source of income for the Tanzanian government at the time was development aid. However, Tanzania's deteriorating diplomatic relations with some of the more important countries that provided such aid, including West Germany and the United States, had a negative impact on this.<sup>31</sup> The Unilateral Declaration of Independence (UDI) by the government of Ian Smith in Rhodesia (now Zimbabwe) in 1965 made Tanzania's dependence on foreign aid even more precarious. Once UDI was declared, for instance, the foreign ministers of the Organization for African Unity (OAU) gave the British government two weeks to rescind it or face severance of

diplomatic relations.<sup>32</sup> On December 15, 1965, Nyerere cut diplomatic ties with the United Kingdom. Nyerere defended his action by arguing that there was need for Tanzania to stand up for its belief in the fundamental principles of anti-colonialism and non-racialism irrespective of the fact that it was heavily dependent on foreign technical assistance and development aid for its economic survival. “How can we criticize Britain for not being willing to pay the price of freeing Southern Rhodesia ... if we ourselves are not prepared to pay a price to show our own determination?”<sup>33</sup>

From the above, it is clear that Nyerere did not allow the perceived benefits of western aid to influence his position on the continued suppression of Africans.<sup>34</sup> By cutting off diplomatic relations with the UK, Tanzania lost £7.5 million worth of British aid yearly.<sup>35</sup> This “showed that Tanzania could not continue to rely on external grants and aid, as it had done in the past.”<sup>36</sup>

Paucity of development aid funds however led to the rise of internal descent in various sectors of Tanzanian society. Unemployment, for instance, was on the increase and the attempt by the government to cut the allowances of university students was vehemently resisted. Independent trade unions were also in conflict with government, while the army had in 1964 rebelled partly because it wanted more pay. Although Nyerere remained popular and had successfully turned Tanzania into a one-party state, it was clear that there was need for new initiatives if the status quo was to be maintained.<sup>37</sup>

The result was that in 1967, the ruling TANU party passed the Arusha Declaration, which also promoted the concept of socialism and self-reliance. This “set the stage for the formal inauguration of Ujamaa.”<sup>38</sup> The consequence of the Arusha Declaration was the lowering of the salaries of and allowances for civil servants and politicians, and the nationalization of all the banks in the country (except the Cooperative Bank),<sup>39</sup> insurance companies, certain firms engaged in processing food, and key firms engaged in wholesale and external trade.<sup>40</sup> Tanzania Sisal Estates, a Lonrho subsidiary, was nationalized in 1968. Over the years, the list of nationalized businesses gradually expanded. In April 1971, for instance, the Tanzanian National Assembly passed a law nationalizing all buildings worth more than TSh 100,000 (£5000) that were not solely occupied by their owners. According to Nyerere, the goal of the law was “to prevent the emergence of a class of people who live and thrive by exploiting others.”<sup>41</sup> Interestingly, as will be seen in the next section, the subsequent nationalization of all Lonrho subsidiaries in Tanzania in 1978 was purely a political decision that had little to do with attaining the objectives of Ujamaa.

### **Lonrho and Tanzania**

Lonrho was founded in 1909 as the London and Rhodesia Mining and Land Company (renamed Lonrho in 1963). In 1961, Roland “Tiny” Rowland joined the company as joint managing director.<sup>42</sup> The impact of this singular development on the company’s history was profound. It has been suggested that during “Lonrho’s first century of business no individual figured more prominently than Roland Walter

'Tiny' Rowland." He transformed "a moribund mining and ranching company ... into a sprawling conglomerate that straddled much of the world, with operations blanketing all of Africa". Also, annual "sales during the three decades of Rowland's stewardship increased 787-fold. Profits rose 1365 times."<sup>43</sup>

At its peak in the mid-1980s, the Lonrho Group comprised over 800 companies, was represented in over 80 countries,<sup>44</sup> and employed 150,000 people.<sup>45</sup> This growth is even more remarkable when one takes into consideration the fact that its rapid expansion in Africa took place at the peak of the nationalization era in Africa, when other British multinationals operating in the continent were shrinking their operations.<sup>46</sup>

Based on the above, it was not surprising that Rowland was seen as the business "rainmaker" in Africa.<sup>47</sup> He was also seen as the man who "understands African business methods."<sup>48</sup> There was however evidence that his methods included bribing African leaders.<sup>49</sup> Rowland also once asserted "These African leaders ... are so corrupt that that there's not a single one of them I could not buy."<sup>50</sup> He also believed that "the success of his activities in Africa depended on contacts at the highest possible level" and that "ex gratia payments to individuals may be required to oil the wheels of business."<sup>51</sup>

Rowland was very successful in Africa because the continent, which was at the time dominated by countries with strong leaders and weak institutions, was peculiar. This has been explained thus: "African politics are based on private power, where individual loyalties and fear compliment [*sic*] a system of material incentives in replacing institutions of effective government." The consequence of the above is that individuals in positions of power, rather than being guided by rules of office, "are motivated by expediency and the pursuit of personal and factional aggrandizement." Such leaders are therefore, often "courted, cajoled, convinced, and even bribed to agree to circumstances or procedures that are generally institutionalized processes in many industrialized states."<sup>52</sup> The success of Rowland and Lonrho in Africa stemmed from Rowland's clear understanding and exploitation of these tendencies. The political dynamics in Tanzania at the time did not quite fit the above construct because, although Nyerere was a strong leader who believed that government with the people's confidence was more important than government with the peoples consent, he was not corrupt.<sup>53</sup> Personal financial enhancement was of little importance in his decision-making process.

Lonrho came to Tanzania in November 1964 when the British Central African Company, a subsidiary of the African Investment Trust, itself a Lonrho subsidiary, acquired interests in sisal production in Tanzania. At about the same time, Lonrho also acquired Riddoch Motors.<sup>54</sup> The next move by Lonrho in Tanzania was its attempt to obtain the contract for the construction of a 1,500 mile pipeline from Dar es Salaam to Ndola (Zambia) costing £12 million. This was linked to a £6 million oil refinery at Ndola. This attempt however failed.<sup>55</sup> Despite this setback, Lonrho further expanded its Tanzanian operations in 1967. This was as a consequence of the company's activities in neighboring Kenya. Specifically, in June 1967 control of Consolidated Holdings Limited Kenya passed to a subsidiary of Lonrho in the

**Table 1.** Lonrho's Investments in Tanzania as at June 2, 1979

S/N	Tanzanian Companies	Direct Interest	Activity of Company
1	Tantrust Ltd	100%	Management Company
2	Riddoch Motors Ltd	51.29	Motor Distribution
3	East African Motors Assembly Ltd	100	Vehicle Assembly
4	National Tours Ltd	100	Car Hire
5	Stationary and Office Supplies (Tanzania) Ltd	100	Office Equipment Distributors
6	Express (Tanzania) Ltd	74.36	Freight Forwarding
7	Tanzania Vehicle Finance Co. Ltd	100	Motor Trade Finance
8	Tanzania Motor Corp. Ltd	100	Motor Distribution
9	Bruce (Tanganyika) Ltd	100	Motor Distribution
10	Motor Mart (Tanganyika) Ltd	100	Refrigeration Equipment Manufacturers
11	Mwananchi Tractor and Vehicle Assemblers Ltd	47.08*	Vehicle Assembly
12	Farm Machinery Distributors (Tanganyika) Ltd	100	Agricultural Equipment Distributors
13	Motor Service Co. (Tanganyika) Ltd	100	Motor Distribution
14	Burns and Blane (Tanzania) Ltd	100	Engineers
15	Tanganyika Cotton Co. Ltd	100	General Trade
16	Mufindi Tea Co. Ltd	100	Tea
17	Stone Valley Tea Co. Ltd	100	Tea
18	Neon and General Signs Tanzania Ltd	100	Sign Manufacturers
19	Metalock (East Africa) Ltd	100	General Trade
20	Afcot Ltd	100	Investment Company

\*Effectively 51 percent.

Source: Sir George Bolton (Lonrho) to Bank of England (26 September, 1978, BNA FCO31/2379).

country, African Investment Trust Limited. This singular transaction brought the following Tanzanian companies into the Lonrho Empire: Tanzania Standard Newspapers Limited, Stationary and Office Supplies Tanzania Limited, and Printpak Tanzania Limited.<sup>56</sup>

Following the Arusha Declaration in October 1967, the Tanzanian government nationalized Lonrho Sisal Estates in 1968.<sup>57</sup> Lonrho subsequently established several new subsidiaries in Tanzania. By 1978, for instance, the company had twenty subsidiaries operating in Tanzania (see table 1).<sup>58</sup> Despite the public statements by the Tanzanian government that it would pay full and fair compensation for nationalized assets, it was not until June 30, 1978, that Lonrho Sisal Estates finally signed a settlement agreement with the Tanzanian government.<sup>59</sup> On June 2, 1978, however, only a few weeks before, the Tanzanian government announced its decision to nationalize all subsidiaries of Lonrho Limited in the country (see table 1). At the

time, Lonrho employed 2500 people in Tanzania. Of this number, 1200 worked in the company's tea estates.<sup>60</sup> Lonrho was directed to sell all its assets in Tanzania to the National Development Corporation (NDC) at a fair price acceptable to the government of Tanzania.

The "official reason" provided for this action was Lonrho's "continued defiance of the UN mandatory sanctions against Rhodesia and the expansion of its business interests in South Africa."<sup>61</sup> The Tanzanian government specifically cited the 1976 Lonrho investigation report by the Department of Trade of the British government as evidence of this.<sup>62</sup> The said report had its origins in Lonrho's internal boardroom squabbles of the early 1970s. This was essentially linked to the company's increasing scandals and declining fortunes. Lonrho's overexpansion and Rowland's "informal style of management" was partly responsible for this.<sup>63</sup> This dispute, which was also played out publicly in the court of law, was eventually resolved at an extraordinary general meeting in which shareholders decided to support Mr. Rowland and sack the eight directors who opposed him.<sup>64</sup> The fact that the many sins of Lonrho and some of its directors were now public, however, made it difficult for the British government not to intervene by initiating some form of investigation into the company's activities. This made the secretary of state for trade and industry, in pursuance of the powers conferred on him by section 165 (b) of the Companies Act of 1948 (as amended), to appoint inspectors Sir William Slimmings and Mr. Allan Hayman, OC, to investigate the affairs of Lonrho Limited on May 23, 1973.<sup>65</sup>

With respect to Lonrho's defiance of the UN's mandatory sanctions against Rhodesia, the report published in July 1976 specifically found that Rowland and two London-based Lonrho directors had contravened the regulation by financing the Shamrocke and Inyast Mines, both in Rhodesia. This was done without the knowledge of the whole board.<sup>66</sup> Though the Lonrho officials were indicted, they never faced prosecution. This was because the director of public prosecution concluded that the evidence at his disposal, or which could in practice be procured, would not justify his proceeding with prosecution.<sup>67</sup>

Lonrho interpreted the above to mean that they "had been totally cleared of all the allegations of sanctions-breaking in Rhodesia."<sup>68</sup> According to Mr. M. Steel, a legal counselor of the Foreign and Commonwealth Office (FCO), this interpretation was misleading.<sup>69</sup> Despite the above, the British government was of the view that the sanctions-breaking was unlikely to be the real reason for the nationalization, especially given the time that elapsed between the time the inspectors' report was published in July 1976, and the announcement of the nationalization of Lonrho's assets in June 1978, nearly two years later. In the opinion of the British government, the real reason for the nationalization was that Nyerere was "piqued" by Rowland's attempts to bolster individual nationalist factions, including Joshua Nkomo in Rhodesia.<sup>70</sup> A socialist and Pan-Africanist "untainted by corruption or scandal," Nyerere was fundamentally opposed to outside intervention in African matters,<sup>71</sup> and he was irked by Rowland's support for Nkomo, who favoured a mixed economy over his Marxist rival, Robert Mugabe.<sup>72</sup>



Subsequent to the 1978 nationalization announcement, Lonrho had no choice but to commence negotiations with the government of Tanzania in order to determine the compensation it was entitled to receive.

### **The Lonrho Negotiations with the Government of Tanzania**

Once the 1978 nationalization of all Lonrho subsidiaries in Tanzania was announced, the company had good reason for being concerned about compensation, for it had taken a decade for an agreement to be reached about Tanzania Sisal Estates after it was nationalized in 1968.<sup>73</sup>

At the beginning of the negotiations, Rowland visited Tanzania twice without seeking the assistance of the British High Commission. The initial negotiations between Lonrho and the NDC, which lasted from July to September 1978, ended in a stalemate. Lonrho's proposition that the valuation of its nationalized businesses be based on asset value and profitability was rejected by the NDC, which proposed a valuation based on "the share prices of a basket of Kenyan companies having no connection with the expropriated companies, and ... insisted on disregarding cash balances."<sup>74</sup> Another point of divergence between the two negotiating parties was the fact that Lonrho's compensation plan was based "not only on the assets of Lonrho but also on Lonrho's estimate of the value of the goodwill of the companies concerned." The NDC was clearly not prepared to offer compensation for goodwill. The consequence of the above valuation difference meant that while the NDC was offering TSh 27 million, Lonrho was demanding TSh 378 million.<sup>75</sup>

It was at this point that Rowland wrote to the Tanzanian government to call off the negotiations. He asserted that unless they had a cheque for approximately TSh 378 million to give him when he arrived, there was no point in negotiations proceeding.<sup>76</sup> Lonrho subsequently sought the assistance of the British government urging it to intervene at a political level. From the very beginning, the British government was consistent in its position that Lonrho was entitled to "prompt, adequate and effective compensation."<sup>77</sup> This was so despite the fact that Lonrho was not "HMG's favourite company"<sup>78</sup> and that a British prime minister once described the company as "the unacceptable face of capitalism."<sup>79</sup> It was also made explicit that Lonrho "are as much entitled as any other British company to appeal for the support and assistance of HMG in securing prompt, adequate and effective compensation."<sup>80</sup> Such support is usually "no more than oiling the wheels of the procedures, and encouraging expeditious handling of cases."<sup>81</sup>

As already mentioned, Britain at the time had other strategic interests in Tanzania and believed that getting consumed in the Lonrho affair could jeopardize its wider interests.<sup>82</sup> Specifically, its primary goal at the time was to see to "the renewal and successful conclusion of negotiations between the Tanzanians and the I.M.F. in order that there can be a coordinated response to Tanzania's aid requirements." Britain, which was aware of the financial problems Tanzania was facing at the time, was also pursuing compensation claims by other British interests in Tanzania amounting to

£5 million. Britain was therefore not willing to see its wider interests damaged by Lonrho's tactics.<sup>83</sup>

Perhaps more important, the British government believed that the "sooner Tanzania can reach an agreement with the IMF and the World Bank, the better will be our chances of making progress on the compensation issue."<sup>84</sup> This was because, at the time, the express purpose of the World Bank was to act "as a safe bridge over which capital can move."<sup>85</sup> In light of the above, the British realized that such a multilateral agreement would become a much stronger basis for making Tanzania amenable to foreign pressures. This was particularly important given the fact that unlike the UK, Tanzania was at the time not a signatory to the ICSID Convention.<sup>86</sup> With an IMF- and World Bank-sponsored multilateral aid agreement in place, for instance, it would become easier to get Tanzania to sign the ICSID Convention, and achieving fair, full, and prompt compensation under such circumstances would be by far much easier.

Based on the above objective, the British government did not support Rowland's combative stance on the compensation issue. Rowland's letter also "considerably annoyed President Nyerere who, without even consulting the NDC further, had personally ordered the takeover to proceed."<sup>87</sup> It was as a consequence of the above directive that the government of Tanzania, in October 1979, published a draft of Lonrho Companies (Acquisition and Regrant) Bill 1979, its proposed law aimed at legalizing the acquisition of Lonrho. This bill essentially provided for the acquisition of all shares, liabilities, and assets of all the Lonrho companies incorporated in Tanzania by the Treasury Registrar. The bill also gave retrospective authority for the control of all the business and affairs of the companies by an ex-Lonrho management board from the time of the takeover announcement until such a time when the companies were regranted. The president of Tanzania was required to order the regrant of Lonrho companies to public corporations or other parastatal organizations as soon as practicable after the enactment of the proposed law.

Section 12 of the proposed law dealt with provisions for the payment of compensation for the nationalized Lonrho companies. This contained a clause that in "assessing the compensation, the Minister for Finance will take into account any losses which in the opinion of the Minister for Finance have been caused to the national economy as a result of the conduct of the business or the conduct of the previous owner or of the failure of the previous owner to maintain the assets."<sup>88</sup> The draft legislation was subsequently passed by parliament on 24 October 1979. According to local press reports, "there was no substantive debate, members mostly confining themselves to praising the government for acquiring the companies belonging to a notorious multi-national corporation."<sup>89</sup>

Despite the above developments, the Tanzanians were still interested in getting Lonrho to the negotiating table. On a number of occasions, officials of the NDC privately informed the British High Commission in Dar es Salaam that the Tanzanian government would be willing to negotiate based on the value of the assets of Lonrho companies that were nationalized, and that its position on earlier negotiations could

not be its last word on the subject matter.<sup>90</sup> In fact, the NDC had at the time commissioned Coopers and Lybrand to undertake a detailed audit of the nationalized ex-Lonrho companies with a view of ascertaining their fair value. It was the above developments that led Mr. Moon, the British High Commissioner in Tanzania, to conclude that the “Tanzanians were [still] anxious to get Lonrho to the negotiating table so that they could prove to the international business community that Tanzania was prepared to pay full compensation in cases of expropriation.”<sup>91</sup> Despite the best of intentions by the Tanzanians, the British government also realized that the severe economic difficulties the country was facing at the time made it extremely difficult for it to guarantee prompt payment of any agreed expropriation charges.<sup>92</sup>

Lonrho however remained combative. Promulgation of the Lonrho Companies (Acquisition and Regrant) Act further incensed the company and made it more confrontational. In an open letter to President Nyerere, Rowland accused him of spending TSh 96 million from the Tanzanian bank accounts of the nationalized companies, and of taking and using rail and pipeline surveys that had cost Lonrho over £2.5 million sterling. Rowland concluded that Nyerere’s objective was simply to “avoid payment” of compensation.<sup>93</sup>

The tone of the above letter simply made the Tanzanians “more stubborn than ever.”<sup>94</sup> Nyerere placed a “political blockade” on the completion of the Coopers and Lybrand audit.<sup>95</sup> Lonrho also went to the extent of petitioning the president of the World Bank on the subject matter. This was a strategic move because the World Bank was at the time “Tanzania’s largest public source of aid extending over \$100 million in new loans annually.”<sup>96</sup> Specifically, Lonrho asserted that at the time it was expelled from Tanzania, its twenty subsidiaries operating there had cash balances of approximately £6.3 million pounds, and assets of approximately £27 million. Lonrho went on to accuse the Tanzanian government of deliberately delaying the signing of the Coopers and Lybrand audit it had commissioned in order to “frustrate meaningful compensation discussions and to enable them to prepare legislation to “legalize” the seizure. The letter then went on to conclude thus:

Although the Tanzanian Government is not party to the convention with the World Bank for settlement of investment disputes, we nevertheless understand that the World Bank is considering the possibility of granting aid to Tanzania and in particular for the construction of the Songea-Mukmbaka road.... We submit that Tanzania’s seizure of our assets followed by retroactive legislation covering this seizure 18 months later is the most flagrant example of an expropriation of private property by any government.... It is this background and the certainty that this Tanzanian Government has no intention of compensating us in fair, full and prompt fashion which lead us to ask for your full cooperation in denying Tanzania any aid and to further ask you to make it clear to other credit organizations throughout the world that you do not intend to support the Tanzanian Government until adequate compensation has been agreed.<sup>97</sup>

Coopers and Lybrand, which doubtless had an “eye to their commercial future in Tanzania,” swiftly denied aspects of the claim relating to it.<sup>98</sup> The British government

also refused to support the Lonrho petition to the World Bank.<sup>99</sup> Despite this setback, Lonrho continued to exploit any opportunity it could to press its case for full, fair, and prompt compensation.<sup>100</sup>

As already mentioned, with respect to tactics, the British government consistently opposed Lonrho's generally combative approach to the compensation problem. Particularly, the company's personal attacks on Nyerere raised serious concerns in British government circles. In fact, it became difficult for the British government to meaningfully aid Lonrho because they could neither control the company nor guarantee that classified information shared with it would be respected.<sup>101</sup>

Lonrho also pressed the British government to use its aid programme as a tool to enforce compensation. This view was particularly canvassed by a British parliamentarian who was also a director of Lonrho, the Rt. Hon. Edward du Cann, MP. Specifically, he argued that "insult is added to injury by HM government providing huge amounts of aid for a government like that of Tanzania which has stolen British and Commonwealth owned assets and apparently has no intention for paying for them unless compelled to do so."<sup>102</sup>

The British government was however not keen to link its aid program to the issue of confiscation of British assets in Tanzania. An undated FCO confidential note argued that the "the direct use of aid to compensate in expropriation cases is contrary to parliamentary legislation and tends to encourage further expropriations." Generally, it was argued that the British government had always avoided this kind of linkage in the past for two main reasons: the long-term nature of the development process ensured that aid could be stopped and restarted at short notice without waste and without harming its primary objectives. Furthermore, recipient countries of such aid usually reacted strongly to attempts by donors to link aid and expropriation compensations. On the other hand, some argued that "judicious manipulation of the aid programme can improve general bilateral relations and make diplomatic representations more successful."<sup>103</sup>

With particular reference to Tanzania, there were also other limitations. The British government, for instance, knew from experience that Nyerere was capable of imposing hardship on his country for what he considered to be matters of principle. Furthermore, Britain conceded that given the economic difficulties in the country at the time, Tanzania was constrained in its ability to pay. Finally, the British also knew that the fact that it was not the leading aid donor to Tanzania greatly limited its leverage in using aid as a coercion tool.<sup>104</sup>

Without any resolution in place, Lonrho deployed its new chairman, Lord Duncan-Sandys, to help resolve the dispute. Duncan-Sandys, had served as secretary of state for the colonies and commonwealth relations under Prime Ministers Harold Macmillan and Alec Douglas Home in the early 1960s.<sup>105</sup> He was first appointed as a consultant to Lonrho by Rowland in November 1971. According to Rowland, he invited Sandys to become a consultant because of his "personal status and extensive experience in international affairs, particularly in Africa."<sup>106</sup> Sandys later became Lonrho's chairman, again at the invitation of Tiny Rowland, on April 4, 1972.

“His knowledge as a former Commonwealth Secretary has always been highly regarded by Rowland.”<sup>107</sup> Interestingly, Duncan-Sandys had related with Nyerere when he was the colonial and commonwealth secretary. One such occasion was in 1964 when there was a military uprising in Tanganyika. Ironically, it was Nyerere, who had always detested foreign intervention in Africa, who invited the British to quell the mutiny. “By his own admission, Nyerere was profoundly embarrassed by having to rely on Western military assistance.”<sup>108</sup> His “nationalist ego was wounded.”<sup>109</sup> Nonetheless, a grateful President Nyerere subsequently expressed his gratitude in writing to Lord Sandys.<sup>110</sup> Once this crisis was over, however, Nyerere quickly moved to distance himself from Britain in order to strengthen his image as a pan-African nationalist. Nyerere, for instance, was “reluctant to accept Sandys’ offer of a British military training team when they met” barely one month after the uprising.<sup>111</sup>

Before intervening in the Lonrho nationalization dispute, Duncan-Sandys had concluded that “in the past, part of the problem had been the style of negotiation adopted by Lonrho.” Duncan-Sandys “approach to Nyerere was [thus] extremely skillful and persuasive.”<sup>112</sup> First, he wrote an “emollient” letter to Nyerere.<sup>113</sup> This was a totally different approach from that of Tiny Rowland. He then travelled to Tanzania and met with President Nyerere on July 18, 1980. During the meeting, Sandys was accompanied by Spicer, a Lonrho director and P. Moon, the British High Commissioner in Tanzania. Present on the Tanzanian side were the Tanzania’s Ministers of Finance and Industry, Amir Jamal and Cleopa Msuya, respectively, and Professor Simon Mbilinyi, who was Nyerere’s economic adviser. According to Moon, “the main discussion took place in an initial private meeting of some 20 minutes when Lord Duncan-Sandys was alone with the President.”<sup>114</sup>

The all-inclusive meeting, which was essentially a formality, therefore proceeded without a hitch. During the said meeting, Nyerere made it explicit that “if only for reasons of political ‘face’ it was quite impossible to turn the clock back for Lonrho to be reestablished.” Nyerere did not, however, exclude the possibility of future investment by Lonrho in Tanzania if the company so wished. With respect to the delay in compensation, President Nyerere “somewhat to the embarrassment of his Ministers said that he did not personally understand the delay over presenting the audit.” He therefore gave instructions that the work should be completed as quickly as possible and a copy of the said audit report given to Lonrho.<sup>115</sup>

At the instance of Duncan-Sandys, Nyerere also agreed that a joint statement be made recording their discussions. The key sentence in this statement, which was publicized, read: “In the course of a most cordial and constructive discussion about the relationships between Lonrho and the Tanzanian government, a number of misunderstandings were clarified.” Furthermore, it was agreed that Lonrho was at liberty to unilaterally add, when answering press questions for instance, that “it was agreed that the question of compensation for the nationalization of Lonrho’s assets should be settled without delay” and that “hope was expressed that the company might be able once again to develop mutually beneficial commercial activities in Tanzania.”<sup>116</sup>

The meeting therefore essentially resulted in the removal of the “political blockade” on the completion of the Coopers and Lybrand audit.<sup>117</sup> This made John Robson of the Foreign and Commonwealth Office’s economic affairs division to conclude that Duncan-Sandys’ “skillful and persuasive handling of Nyerere indicates that this is the right tactic for producing the desired result.”<sup>118</sup> Coopers and Lybrand was subsequently “instructed to give the highest priority to completing their work on Lonrho.”<sup>119</sup> Based on the report, which took four months to complete,<sup>120</sup> the compensation negotiations resumed in earnest. In 1982, Tiny Rowland reported to Lonrho that he had been advised by Nyerere that “the circumstances giving rise to the confiscation of the Group’s assets arose from a misunderstanding and are no longer valid.”<sup>121</sup> On 12 September 1983, an agreement was finally signed between Lonrho and the government of Tanzania whereby the government agreed to pay the Group TSh155,000,000 (£8.37M).<sup>122</sup> This brought an amicable end to this long drawn-out compensation dispute between the government of Tanzania and Lonrho.<sup>123</sup>

### **Conclusion**

By introducing newly available evidence mainly from the BNA London, this paper has attempted to document and critique the rise of Lonrho in Tanzania, the circumstances that led to its nationalization by the Tanzanian government in 1978, and the protracted negotiations that eventually resulted in a compensation agreement being reached in 1983. Contrary to the view that the British government lost interest or the power to aid the foreign activities of its multinational businesses in its former colonies, evidence in this paper demonstrates that the British government was strategically involved in the compensation negotiations between Lonrho and the Tanzanian government in the 1970s and 1980s. This was so despite the fact that the British government refused either to use its aid to Tanzania as a tool of coercion or to support Lonrho’s petition to the World Bank to suspend all aid and loans to Tanzania. This was because it believed that getting Tanzania to join the ICSID was a more effective strategy for ensuring that Tanzania lived up to its international responsibility to pay fair, appropriate, and prompt compensation for nationalized assets.

At another level, the paper also shows how the intervention of Lonrho’s chairman, Duncan-Sandys, helped facilitate the conclusion of the long drawn-out compensation negotiations. Duncan-Sandys’ less combative and skilled approach to Nyerere played an important role in the resolution of Lonrho’s nationalization compensation impasse with the Tanzanian government and the subsequent clearance the company got to reestablish in Tanzania. Tiny Rowland’s confidence in the value of Duncan-Sandys’ experience as the basis for appointing him chairman of Lonrho was not misplaced. Evidence in this paper therefore broadly suggests that the experience garnered by British colonial and commonwealth officials in foreign territories remained useful to British economic interests even after such officials had retired from public service.

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## Notes

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- 1 Cf. Tignor, *Capitalism and Nationalism at the End of Empire*, p.479, Hopkins, “Economic Imperialism in West Africa,” 580, and Cain and Hopkins, “The Political Economy of British Expansion Overseas,” 463–65.
  - 2 Decker, “Building up Goodwill,” 603.
  - 3 Tignor, *Capitalism and Nationalism at the End of Empire*, 20–21.
  - 4 Akinsanya, “Host Governments’ Responses to Foreign Economic Control,” 769–70.
  - 5 See Rood, “Nationalization and Indigenization in Africa,” 431.
  - 6 See for instance, Rood, “Nationalization and Indigenization in Africa,” Beveridge, “Taking Control of Foreign Investment,” Biersteker, *Multinationals, the State and Control of the Nigerian Economy*, Goel, “Indigenization: Corporate Control by Nigerians, A Plea for Company Law Reform,” Adedeji, “Prospects and Limitations of Indigenization,” Uche, “British Government, British Businesses and the Indigenization Exercise in Post-Independence Nigeria,” and Teriba, “Financing Indigenization.”
  - 7 Examples of such studies include: Kobrin, “Expropriation as an Attempt to Control Foreign Firms in LDCs,” Rood, “Nationalization and Indigenization in Africa,” Rood, “Foreign Investment in African Manufacturing,” Akinsanya, “Host Governments’ Responses to Foreign Economic Control,” Teriba, “Financing Indigenization,” Verhoef, “Economic Empowerment and Performance,” and Bobo “Multinational Corporations in the Economic Development of Black Africa.”
  - 8 Stockwell, “Political Strategies of British Business during Decolonization,” 293, idem, *The Business of Decolonization*,

- 225, and White, "The Business and Politics of Decolonization," 555.
- 9 Decker, "Corporate Political Activity in less Developed Countries," 994.
- 10 See Uche, "Lonrho in Africa," 357.
- 11 Unfortunately, Lonrho (now Lonmin) does not have a public archive. The very extensive Lord Duncan-Sandys papers at the Churchill Archives Centre Cambridge also contained nothing on Duncan-Sandys, Lonrho activities.
- 12 A recent study on East Africa, around the same period but on a different subject matter, that has also effectively used newly available UK Government archival materials is that by George Roberts, "The Uganda-Tanzania War."
- 13 The original name of this company, which was established in 1909, was London and Rhodesian Mining and Land Company Limited. It was not until 1963 that the name was changed to Lonrho (Cronje, Ling, and Cronje, "Lonrho," 12).
- 14 Lonrho, *Annual Report 1985*, 5.
- 15 For an analysis of the reasons for this union see Listowel, "Tanzania and her Future," 279–80.
- 16 Lonsdale, "The Tanzanian Experiment," 330.
- 17 For a political history of Tanzania see United Republic of Tanzania, *The Executive Summary of the Report on the Fifty Years of Independence of Tanzania Mainland 1961–2011*.
- 18 Ivaska, *Cultured States*, 16.
- 19 See Molony, *Nyerere: The Early Years*, chapter 7.
- 20 Quoted in Mohiddin, "Relevance and Development in Tanzania," 572. See also Nyerere, "Ujamaa: the Basis of African Socialism."
- 21 See Giblin, *A History of the Excluded*, 247.
- 22 Sheriff, "Race and Class in the Politics of Zanzibar," 301.
- 23 Speller, "An African Cuba?" 1.
- 24 Nugent, *Africa Since Independence*, 77.
- 25 Speller, "An African Cuba?" 1.
- 26 Nugent, *Africa Since Independence*, 77.
- 27 It was such sympathy that made Tanzania curtail its diplomatic relationship with the United States, which it accused of plotting the overthrow of the postrevolutionary government of Zanzibar (Pratt, "Julius Nyerere," 140).
- 28 Lonsdale, "The Tanzanian Experiment," 330.
- 29 Pratt, "Julius Nyerere," 174.
- 30 Coulson, "Introduction," 1.
- 31 See Pratt, "Julius Nyerere," 140.
- 32 See Pratt, "African Reactions to the Rhodesian Crisis," 192–93. For a detailed analysis of the circumstances surrounding the UDI see Hoskyns, "Africa's Foreign Relations," and Mlambo, "From the Second World War to UDI."
- 33 It is pertinent to note that at the end of the OAU ultimatum, Tanzania was one of the only nine African countries that cut off diplomatic relations with the UK. It was also the last of the nine countries to restore diplomatic relations with London (4 July 1968). The other African countries were Ghana, the short-lived United Arab Republic (Egypt and Syria), Sudan, Guinea, Algeria, Mali, Mauritania, and Congo (Brazzaville). See Pallotti, "Southern African Liberation Struggles and Nation Building: the Case of Tanzania-UK Relations 1965–1974."
- 34 Later, it was documented in the Arusha Declaration (1967) that "loans and grants will endanger our independence." However, it did not say that such overseas finances would be refused. This policy was clarified to mean that Tanzania would not "bend its political, economic and social policies in the hope of getting overseas aid as a result." See Sundet, "Beyond Developmentalism in Tanzania," 47. See also Gitelson, "Why Do Small States Break Diplomatic Relations with Outside Powers?" 472–73.
- 35 Omari, "Civil-Military Relations in Tanzania," 95.
- 36 Ibhawor and Dibua, "Deconstructing Ujamaa," 64.
- 37 Coulson, "Introduction," 1.

- 38 Ibhawor and Dibua, "Deconstructing Ujamma," 63.
- 39 See Coulson, *Tanzania*, 1. For a history of the nationalization of banks in Tanzania, see Mittelman, "Underdevelopment and Nationalization."
- 40 Essack, "The Arusha Declaration," 488.
- 41 See Brennan, *Taifa*, 3–4.
- 42 For a detailed biography of Mr. Tiny Rowland and analysis of his tactics and role in Lonrho please see Cronje, Ling, and Cronje, "Lonrho," Hall, *My Life with Tiny*, and Bower, *Tiny Rowland*.
- 43 Grant and Pederson, *International Directory of Company Histories*, 351. See also Kabler, "Political Regimes and Economic Actors," 405.
- 44 See Lonrho, *Annual Report 1985*, 6.
- 45 See Lonrho, *Annual Report 1982*, 8.
- 46 For a general analysis of the indigenization and nationalization exercises across Africa at the time, see Rood, "Nationalization and Indigenization in Africa," and Akinsanya, "Host Governments' Responses to Foreign Economic Control." For a country specific case study, see Uche, "British Government, British Businesses and the Indigenization Exercise in Post-Independence Nigeria."
- 47 *Guardian* (UK), September 2, 1994, p. 13.
- 48 Quoted in *Daily Mail*, undated newspaper cutting titled: Lonrho and African Correction (BNA FCO 65/ 1351).
- 49 "We do not have complete information but it seems likely that at least in some countries leading political figures had accepted bribes and other inducements." See Undated FCO confidential memo titled: "implications of an official inquiry into Lonrho's activities", paragraph 5 (BNA FCO 65/ 1351).
- 50 See *The Observer* (UK), June 6, 1993, p. 9.
- 51 See Confidential Memo by M. Walawalkar (Mrs.) [Research Department FCO] dated 25 January 1980 (BNA FCO 31/ 2892).
- 52 See Thachuk, "The Contingency Perspective," ii.
- 53 See, for instance, Mazrui, "Political Leadership and the Control of Temptation," 182.
- 54 See Secret (UK Eyes Only) Research Department Memorandum dated 22nd August 1972 and titled Lonrho's Activities in Africa, Research Department Departmental Series Number 39, (BNA FCO 59/ 766).
- 55 Ibid, Paragraph 33 (NA FCO 59/ 766). For a detailed history of this pipeline, see Griffiths, "The Tazama Oil Pipeline."
- 56 See Secret (UK Eyes Only) Research Department Memorandum dated 22 August 1972.
- 57 Other subsidiaries of the company that were nationalized at the time included: Tanzania Standard (February 1970) and Printpak Tanzania Limited (March 1970). Furthermore, in April 1971, a number of properties belonging to Lonrho subsidiaries were nationalized under the Acquisition of Buildings Act See Secret (UK Eyes Only) Research Department Memorandum dated 22 August 1972 and titled Lonrho's Activities in Africa, Research Department Departmental Series Number 39, Paragraph 33 (NA FCO 59/ 766).
- 58 Unfortunately, we have been unable to obtain data on the financial strength and standing of these Lonrho subsidiaries at the time.
- 59 For details of the said agreement, please see Lonrho (London) to Treasury Registrar (Government of Tanzania), letter dated August 13, 1979 (BNA FCO 31/ 2659).
- 60 See P. D. Warden to F. X. Gallagher, Letter dated 18 August 1978 (BNA FCO 31/ 2379).
- 61 Ibid. See also English translation of article on the 8 July 1979 issue of *Tempo* titled, "Lonrho: An Active Enemy of Africa" (BNA FCO 31/ 2959) and Lonrho Limited, *Reports and Accounts* (1978, p.19). For an excellent analysis of how Lonrho tried to navigate the Rhodesian oil sanctions after UDI, please see Cohen, "Lonrho and Oil Sanctions against Rhodesia in the 1960s."

- 62 For a critique of the Lonrho crisis and the subsequent UK Department of Trade investigations, please see Uche, "Lonrho in Africa."
- 63 See Department of Trade, "Lonrho Limited, Investigation," paragraph 2.7. See also "The Strange Case of Lonrho," 45.
- 64 See, for instance, *New Statesman*, 27 April 1973 (p. 606), and *The Economist*, 1 December 1973 (p. 110).
- 65 For a detailed analysis of the circumstances that gave rise to the appointment of the inspectors see Department of Trade, "Lonrho Limited, Investigation," paragraphs 0.1–0.5.
- 66 See *ibid.*, part 4.
- 67 See H. Steel to Rosling, Confidential FCO memo dated 17 November 1978 (BNA FCO 31/ 2380).
- 68 See George Bolton (Lonrho) to A. G. Munro (East African Department [EAD] FCO) letter dated 8 November 1978 (BNA FCO 31/ 2380). See also Confidential Telegram Number 506 from Owen (FCO) to British High Commission [BHC] (Tanzania) dated 30 November 1978 (BNA FCO 31/ 2380).
- 69 See H. Steel to Rosling, Confidential FCO memo dated 17 November 1978 (BNA FCO 31/ 2380).
- 70 See Confidential Memo by A. G. Munro (EAD) dated 12 January 1979 (BNA FCO 36/ 2645).
- 71 For a detailed analysis of Nyerere's Pan Africanist credentials, see Ishemo, "A Symbol that Cannot be Substituted."
- 72 See *The Observer*, 11 November 1979, p. 9; *The Guardian*, 15 October 1999, p. 24; and *The Guardian*, 22 October 1999, p. 21.
- 73 See letter from Rt. Hon. Edward du Cann, MP, to Neil Marten, Minister of State FCO, dated 31 October 1979 (BNA FCO 31/ 2660). See also Rowland to Lord Carrington (Secretary of State for Foreign and Commonwealth Affairs), Letter dated September 11, 1979 (BNA FCO 31/ 2660).
- 74 See Confidential Telegram Number 49 from Owen (FCO) to British High Commission Tanzania stamped February 12, 1979 (BNA FCO 31/ 2659).
- 75 See Confidential Telex from Moon (BHC Tanzania) to FCO dated 25 October 1978 (BNA FCO 31/ 2380).
- 76 Confidential Telex from Moon (BHC Tanzania) to FCO dated 25 October 1978 (BNA FCO 31/ 2380).
- 77 See H. Steel (Legal Counsel) to Rosling (FCO), FCO Internal memo dated November 17, 1978 (BNA FCO 31/ 2380).
- 78 See M. G. Petter (DTI) to A. G. Munrho (East African Department, FCO) dated 23 June 1978 (BNA FCO 31/ 2379).
- 79 See *The Daily Mail*, 16 May 1973. See also Munslow, "Lonrho: There Is Nothing Tiny about Rowland," 381.
- 80 See M. G. Petter (DTI) to A. G. Munrho (East African Department, FCO) dated 23 June 1978 (BNA FCO 31/ 2379).
- 81 See P. E. Rosling (East African Department, FCO) to Messrs Munro and Mansfield, Internal Confidential Memo dated 23 June 1978 (BNA FCO 31/ 2379).
- 82 According to J. A. Robson (EAD FCO) "Mr. Rowland has clearly fished in troubled waters through Lonrho's intervention in Rhodesian politics." See J. A. Robson, Confidential Internal Memo of the EAD FCO dated 24 August 1979 (BNA FCO 31/ 2660). Mr. F. C. Munro therefore concluded that the British Government "should be careful to avoid giving any impression to the Tanzanians that we are in league with Lonrho." See F. G. Munro to Mr. Graham, Confidential EAD FCO Memo dated 3 October 1978 (BNA FCO 31/ 2380).
- 83 See Confidential Telegram from Carrington (FCO) to Smith (UK Del Washington) dated 6 December 1979 (BNA FCO 31/2660).
- 84 See J. A. Robson (East African Department) to Aspin (FCO) dated 3 December 1979 (BNA FCO 31/ 2660).
- 85 Quoted in Barker and Wield, "Notes on International Firms in Tanzania," 307. See also Buckley, "Now We Have Come to the ICSID Party," 358.

- 86 See M. G. Petter (DTI) to A. G. Munrho (Eat African Department, FCO) dated 23 June 1978 (BNA FCO 31/ 2379). Tanzania later joined ICSID in 1992. For a detailed analysis of why countries prefer to act through international organizations, see Abbott and Snidal, "Why States Act through Formal International Organizations." For a general history and operations of ICSID, see Delaume, "ICSID Arbitration and the Courts," and idem, "ICSID Arbitration in Practice," Asouzu, *International Commercial Arbitration and African States*, and Sutherland, "The World Bank Convention on the Settlement of Investment Disputes."
- 87 Confidential Telex from Moon (BHC Tanzania) to FCO dated 25 October 1978 (BNA FCO 31/ 2380).
- 88 See restricted telex dated 23 October 1979 from Dar es Salaam to FCO (BNA FCO 31/ 2660).
- 89 See Unclassified Telex from Moon (Dar es Salaam) to FCO dated October 25, 1979 (BNA FCO 31/ 2660).
- 90 See, for instance, Moon (BHC Tanzania) to FCO, Confidential Telegram Number 48 dated 19 January 1979 (BNA FCO 31/ 2659). See also J. A. Robson (EAD FCO) to George Bolton (Lonrho), letter dated 23 February 1979 (BNA FCO 31/ 2659).
- 91 See Moon to FCO, Confidential Telex dated 19 January 1979 (BNA FCO 31/ 3659).
- 92 See Telegram Number 207 dated 6 December 1979 from Carrington (FCO) to UK Delegation to Washington (BNA FCO 31/ 2660). For a detailed analysis of economic development and difficulties in Tanzania under Nyerere, please see Kamuzora (2010).
- 93 Telex reproduced in Rowland to Lord Carrington, letter dated 17 October 1979 (BNA FCO 31/ 2660).
- 94 See P. Moon (BHC Dar-es-Salaam) to J. Robson (EAD FCO), letter dated 30 May 1980 (BNA DCO 31/2892).
- 95 See J. A. Robson (EAD FCO) to L. Allinson, Secret FCO internal memo dated 29 July 1980 (BNA FCO 31/2892).
- 96 See Ratner (1980).
- 97 See Sir George Bolton (Deputy Executive Chairman Lonrho Limited) to Mr. Robert S. McNamara (President, World Bank), letter dated 2 November 1979 (BNA FCO 31/ 2660). See also, undated FCO Confidential Notes, titled "Lonrho in Tanzania: Additional Background" (BNA FCO 31/ 2660).
- 98 See Confidential Telex dated 13 November 1979 from Moon (Dar es Salaam) to FCO, BNA FCO 31/ 2660).
- 99 See (See Confidential Telex dated 9 November 1979 from Moon (Dar es Salaam) to FCO, BNA FCO 31/ 2660).
- 100 See, for instance, Tiny Rowland to Lord Carrington (BNA FCO 31/ 12660, 8 August 1979).
- 101 See, for instance, D. M. Day to Rosling (EAD), Internal FCO memo dated 19 January 1979 (BNA FCO 31/ 2659).
- 102 See letter from Rt. Hon. Edward du Cann, MP, to Neil Marten, Minister of State FCO dated 31 October 1979 (BNA FCO 31/ 2660).
- 103 See undated FCO Confidential Notes, titled "Lonrho in Tanzania: Additional Background" (BNA FCO 31/ 2660).
- 104 See undated Confidential FCO internal notes titled "Lonrho in Tanzania: Additional Background" (BNA FCO 31/ 2660).
- 105 *The Guardian*, 27 November 1987, p. 1.
- 106 *The Guardian*, 10 May 1973, p. 1.
- 107 *The Guardian*, 7 July 1976, p. 14.
- 108 Parsons, *The 1964 Army Mutinies and the Making of Modern East Africa*, 132.
- 109 Shivji, "Nationalism and Pan-Africanism," 105.
- 110 *The Guardian*, 28 January 1964, p. 3. See also Baynham, "The East African Mutinies of 1964," 163–64, and MacRae and Laurence, "The 1964 Tanganyika Riffles Mutiny," 97.
- 111 Parsons, *The 1964 Army Mutinies and the making of Modern East Africa*, 162–63.

- 112 See Moon to Robson (EAD, FCO) dated 21 July 1980 (BNA FCO 31/2892).
- 113 Hobson to Allinson, Secret EAD FCO internal memo dated 29 July 1980 (BNA FCO 31/2892).
- 114 See Moon to Robson (EAD, FCO) dated 21 July 1980 (BNA FCO 31/2892).
- 115 Ibid.
- 116 Ibid.
- 117 See J. A. Robson (EAD FCO) to L. Allinson, Secret FCO internal memo dated 29 July 1980 (BNA FCO 31/2892).
- 118 Ibid.
- 119 P. J. Moon to J. Robson, Letter dated 19 September 1980 (BNA FCO 31/2892).
- 120 See Duncan-Sandys (Lonrho) to L. Allinson (FCO), letter dated 24 November 1980 (BNA FCO 31/2892). In a letter to Duncan-Sandys dated

27 September 1980, President Nyerere explained the four months delay thus: “Coopers and Lybrand accounted for a further delay by telling us that the work proved to be more difficult than they had anticipated. And that in addition, their accountant in charge of this work had to be given compassionate leave in his home country when he suffered a bereavement.” See Julius Nyerere to Lord Sandys, letter dated 27 September 1980 (BNA FCO 31/2892).

- 121 Lonrho, *Annual Report 1982*, 23.
- 122 Lonrho, *Annual Report 1983*, 45.
- 123 With the compensation agreement in place, Lonrho immediately “submitted proposals to the Government of Tanzania concerning reinvestment in Tanzania, particularly in relation to tea estates and other agricultural activities” (ibid.). The subsequent return of Lonrho to Tanzania is however beyond the scope of the current paper.