

FINANCE CAPITAL AND THE SO-CALLED  
NATIONAL BOURGEOISIE IN KENYA\*

By

Willy Mutunga

One of the imperialist roles which has been imposed upon Kenya has been her serving as an area for exported finance capital. This has been called foreign investment. But the main reason for this export of finance capital to Kenya has always been to fight the tendency of rate of profit to fall in the countries from which capital is exported. Modern imperialism has its roots in this law of the tendency of rate of profit to fall.<sup>1</sup> (Emphasis added, Ed. K.M.) The Industrial and Commercial Development Corporation (ICDC) is one of the main Kenyan corporations through which this imperialist role is performed. It is one of the purposes of this paper to examine and comment generally upon ICDC's performance of this role and to analyse specifically one of the corporation's management contracts.

Related to this first purpose we also seek to relate to our discussion one of the very important aspects of the analyses so far on class formation in Kenya. This aspect is the formation of the so-called indigenous (national) bourgeoisie with its ability to accumulate national capital. We wish to offer our critique on all that has been written on this issue up to date. In so doing we confine ourselves only to major works on the issue. On the ground, we use specific data from ICDC to back up our critique.<sup>2</sup>

Lawyers have tried to relate the relevance of the particular legal form of a corporation to its performance.<sup>3</sup> ICDC has a corporate form set up by a statute and this paper attempts, in view of the first two purposes, to gauge the relevance of ICDC's legal form to its performance.

I. CLASS FORMATION IN KENYA

A. The Class Analyses: Swainson & Co., Ltd.

Class analyses of the Kenyan society have been done by various social scientists, notably, Brett<sup>4</sup>, Leys<sup>5</sup>, Mutiso<sup>6</sup>, Swainson<sup>7</sup>, and Van Zwaneberg<sup>8</sup>, among others.<sup>9</sup> Here we will seek to summarise the analyses as related to the sole aspect of our discussion on class formations in Kenya as already pointed out.

\*This is a logical sequel of Willy's article: "Commercial Law and Development in Kenya," and should be treated as an integral part of this. Here Willy takes a specific instrument of class-ical neo-colonialism and shows how it works in practice in a concrete neo-colonial situation, viz: Kenya.

Brett deals with class formations in East Africa in his concluding chapter (pp. 282-311). This chapter must be read closely with his introduction and generally with other chapters. His conclusion clearly shows that what he calls the national bourgeois class (using Frantz Fanon's expression) can develop on an autonomous base for the exercise of political and economic power. On page 284 he states:

*But external dominance in the Third World meant that the commanding heights of the new economy and administration were occupied by expatriate groups from the beginning; expatriate groups, moreover, with access to resources derived from their metropolitan base which were far in excess of anything which indigenous groups could hope to acquire in the short run. The crucial question for the long term development of the society as a whole therefore relates to the effect of their dominance upon the emergence of indigenous social formations which might be capable of replacing them and establishing an autonomous base for the exercise of political and economic power.*

He ties this up on page 309 with this recommendation:

*What is required is not a process involving total separation [from the metropolitan centres] but one in which indigenous social forces are able to create a political basis which is strong enough to enable them to change the terms on which these cumulatively unequal exchanges now take place. (Brackets inserted by author).*

Brett again hammers out this same theme on pp. 13-14 and relies on Baran's<sup>10</sup> exposition of the Japanese case as an example of how an autonomous base can be created by an indigenous class.

Colin Leys' class analysis of Kenya is brought out particularly in Chapters 5 and 6. He has the following classification:

1. Asian and European Bourgeoisie, that is, Asian business families and resident European businessmen who had not sold to incoming foreign corporations. These, according to Leys, formed two distinct elements within the international bourgeoisie.
2. African bourgeoisie -- new auxiliary bourgeoisie. This is also an element within the international bourgeoisie.

3. The African petty-bourgeoisie "ensconced within the general system of protection and monopoly in such a way as to serve and complement foreign capital, not to replace it." (p. 149)
4. The higher bureaucracy. "In this scenario Kenya was destined for continued and dramatic growth as a regional centre for international capital. All the task of the higher bureaucracy was to plan and facilitate this process, acting partly through general policy, partly through statutory boards, and partly direct partnerships with foreign companies. For this it should be paid something near the 'international market rate'." (p. 197)
5. Workers and peasants.

Roger Van Zwanenberg's class analysis of the Kenyan society appears specifically in an article entitled "Neo-colonialism and the Origin of the National Bourgeoisie in Kenya Between 1940 and 1973."<sup>11</sup> Van Zwanenberg states the theme of his article as follows:

*... , the forces of neo-colonialism [in Kenya] are not yet as deeply embedded as they appear to be in many Latin American countries, as a result there is still room for the growth of an indigenous semi-autonomous bourgeoisie. It is argued that despite the powerful influences and importance of the branch companies of the MNCS (Van Zwanenberg's abbreviation for multinational corporations) and other agencies of the metropole, there has evolved a new nationally based petty and grande bourgeoisie.* (p. 161) Brackets inserted by Van Zwanenberg.

According to Van Zwanenberg, this grande bourgeoisie has its national capital (p. 173) but the national capital is in deep contradiction with international capital. The class position of this bourgeoisie is not petty-bourgeois. The petty-bourgeoisie "buttresses and stabilizes the entire capitalist order." (p. 177) It is also admitted that

*The growth of a national capitalist sector has yet neither the strength nor the vision to move towards the industrial sector which alone can shift the balance of the productive forces towards the next stage of massive structural change.* (p.182)

Nicola Swainson has also provided her analysis in the paper she read in Lagos in April 1976, entitled "Against the

Notion of a Comprador Class: Two Kenyan Case Studies." Her argument, on page two of the paper, runs as follows:

*In this paper, by the use of two case studies I shall argue that an indigenous bourgeois class is developing in Kenya, and that the use of the term 'comprador' to describe this class is incorrect and politically reactionary.*

Swainson's stand is therefore not unlike Van Zwanenberg's. Her two case studies are Brooke Bond (tea industry) and Lonrho. It is also quite clear that in her indigenous bourgeois class she has three obvious members in mind: Njenga Karume, Udi Gecaga and Ngengi Muigai.

Mutiso's analysis appears in Chapter IV of his book.<sup>12</sup> He first coins his own terminology: Asomi<sup>13</sup> and non-Asomi. Within the Asomi class, historically, were the associative Asomi and the dissociative Asomi, the term 'association' being related to the role played by the two Asomi strata vis-à-vis the colonial administration during the struggle for independence. The non-Asomi term refers to the Kenyan masses. After independence the two strata of the Asomi class merge to form what Mutiso calls the political petty-bourgeoisie. His class analysis is brought out forcefully on page 76:

*...there has always been cleavage between the mass nationalist needs, basically of the non-Asomi, and the needs of the nationalists, basically Asomi. The existence of this cleavage throughout the colonial period is the most critical issue in the politics of independence since it allows for manipulation of the inheritance by neo-colonial forces. It allows also the emergence (of) an African group in "formal" rulership which manipulates the state for accumulation, by co-existing with the international economic forces. This class has been variously called the "monopolistic petty-bourgeois" by Leys, "comprador bourgeoisie" by Van Arkadie, "nascent middle class" by Wasserman, "gentry" by Wasserman, "petty-bourgeoisie" by Okumu.... What we would like to suggest is that independence transforms this asomi class, into the political petty-bourgeoisie [sic], as a result of having control over the state machinery which then gives access by the class to internal economic opportunities, be they land or trade or even distributive and non-substantive managerial partnerships with international firms. (Mutiso's emphasis.)*

## B. The Critique:

In his note to the English edition (1888) of the *Communist Manifesto* Engels defined bourgeoisie as follows:

*By bourgeoisie is meant the class of modern capitalists, owners of the means of social production and employers of wage-labour.*<sup>14</sup>

Marx and Engels went on to define capital as

*that kind of property which exploits wage labour and which cannot increase except upon condition of begetting a new supply of wage labour for fresh exploitation.*<sup>15</sup>

Marx's analysis of capital was of course developed by Lenin's theory of imperialism and the stage set for modern imperialism.<sup>16</sup> Modern imperialism is characterised by the rise of a financial oligarchy with its finance capital, the dominant layer of the bourgeoisie which dominates and rules neo-colonies. Lenin's analysis of the export of capital and the rise of finance capital appears in Volume 1 of his *Selected Works*, pages 703-719, where he reveals the latter's constituent parts:

*The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry -- such is the history of the rise of finance capital and such is the content of that concept.*<sup>17</sup>

Lenin also analysed possibilities of the emergence of national capitals in colonies and semi-colonies. And he made it clear that political liberation of colonies would not remove the grip of finance capital. On page forty-two of his *Questions of National Policy and Proletarian Internationalism* he states:

*...There was formerly an economic distinction between the colonies and the European peoples -- at least the majority of the latter -- the colonies having been drawn into commodity exchange but not into capitalist production. Imperialism changed this. Imperialism is among other things the export of capital. Capitalist production is being transplanted to the colonies at an increasing rate. They cannot be extricated from dependence on European finance capital.*

And addressing himself specifically to national capital in the colonies, on page forty-three, he states:

*...in a commodity-producing society, no independent development or even development of any sort whatever is possible without capital. In Europe the dependent nations have both their own capital and easy access to it on a wider-range of terms. The colonies have no capital of their own, or none to speak of, and under finance capital no colony can obtain any exception on terms of political submission.*

Wadada Nabudere has correctly shown in his manuscript<sup>18</sup> and more particularly in his critique<sup>19</sup> of Issa Shivji's book entitled *Imperialism, State and Race*,<sup>20</sup> that under the dominance of finance capital it is impossible to develop in the neo-colonies national capital with its national bourgeoisie. Finance capital has even knocked down national capital where it has grown (e.g. South Africa) and even in imperialist countries the national bourgeoisies have been knocked down giving rise to financial oligarchies.

If we adopt the Marxist-Leninist line on the issue of class formation in Kenya we cannot underplay the dominance of the international bourgeoisie which is the ruling class in Kenya. Historically we will find the essence of Kenyan petty-bourgeoisie (African, Arab, Asian, European) as agents of this ruling class, the agency relationship being based on the sole CONDITION: the exploitation of the Kenyan masses. Political independence was a progressive event and a stage in the struggle against imperialism. That the African petty-bourgeoisie control the state does not mean that they have become the ruling class in Kenya. They have not shaken off the firm grip of finance capital and their rule is that of an agent of the international bourgeoisie.

It becomes clear, as Mutiso correctly points out, that the indigenous "political petty-bourgeoisie" suffer political submission in the hands of finance capitalists, in exchange for immediate economic gain. Leys recognises this as well in his talk about "auxilliary bourgeoisie." Van Zwanenberg admits that his "grande bourgeoisie" cannot bring about industrial revolution in Kenya (p. 182).

Now delving into the critique, Brett is not sure whether a national bourgeois class can arise to establish an autonomous base for the exercise of political and economic power. Characteristically apologetic of imperialism he affirms that

*what is required is not a process involving total separation [from the metropolitan centres] but one in which indigenous social forces are able to create a political basis which is strong enough to enable them to change the terms on*

*which these cumulatively unequal exchanges now take place.* (Brackets inserted by Mutunga.)

How the tables are to be turned to achieve "what is required" Brett does not bother to go into. He does not tell us how relations can be maintained with metropolitan centres and at the same time change the "unequal terms of exchange."

According to Brett, we are dominated because of unequal terms of exchange and not because of the exploitation of our people by monopoly capital and the plunder of our resources by imperialism which has turned our country into a market for its capital and goods as well as a sphere of raw materials. Brett's views are the mystifications and ideological reinforcements to the underdevelopment school of Gunder-Frank, Samir Amin and Ali Mazrui, apologists of imperialism who would advise us to go to the UNCTAD (United Nations Conference on Trade and Development) to negotiate about "unequal exchange terms." The experience of the last decade has shown that the solution does not lie at UNCTAD. Neither is the problem unequal exchange. Exploitation in the scientific sense of the term does not take place at the level of exchange (in the market) but at the level of production. Experience shows that only when exploitation is eliminated can there be genuine development. A neo-colony will never exchange on equal terms with imperialism, because the latter exists precisely by virtue of unequal exchange. (Emphasis added, Ed. K.M.)

Would exchange on equal terms end the dependence of Brett's bourgeoisie on imperialism for technology and capital? Would it restore its market that has been captured by the monopolies? Without these how will Brett's bourgeoisie create an "autonomous" base for the exercise of political and economic power. Without these in what sense is this class a "bourgeoisie"?

Brett's analysis is undialectical. It is just an empiricist petty-bourgeois analysis. It is characteristic of petty-bourgeois intellectuals who do not understand the dialectical method and thus magnify small things into big ones. That is what Brett does for the Kenyan petty-bourgeoisie. It is deplorable but not surprising that these magnifications take place in the brains of imperialist apologists.

Colin Leys' class analysis is a confused mass of eclecticism and contradictions. He does not seem to know who owns what or who is in what position. He tells us that the local Asian bourgeoisie owns over two-thirds of the non-African assets in Kenya. This would leave only one-third to foreign capital. It would also suggest that the Asian bourgeoisie owns the bulk of industry. But we soon learn that this Asian bourgeoisie

actually does not yet constitute industrialists but "Asian merchant capitalists" who are "poised to become an indigenous industrial bourgeoisie of the classical type" (p. 38). Now does this mean that two-thirds of the non-farm assets belong to merchants? If they are only merchants, then who owns industry? Secondly, if the merchants own two-thirds of the non-farm assets, how come the "central contradiction of neo-colonialism" (p. 271) becomes "domination by foreign capital"? Furthermore how can this so-called commercial bourgeoisie be "poised" to become industrial when, as Colin Leys himself tells us, there was a "tacit decision" not to allow the resident Asian commercial bourgeoisie to exchange their commercial dominance for dominance in manufacturing (p.119) at the pre-independence settlement? Who made this conspiratorial (so it would seem) arrangement?

As if that were not enough confusion, Colin Leys goes further to coin a new "auxilliary" African bourgeoisie. Still not contented with appending a petty-bourgeoisie to it, he also adds a "higher bureaucracy" (p. 193). The class nature of this bureaucracy is not mentioned. This kind of classification of social classes actually shows that Colin Leys does not know what class analysis means. Indeed his analysis turns out to be no more than a "scenario" as he tells us on page 197. He could not have used a better word! The only correct thing he has in this 'scenario' is the statement that "Kenya was destined for continued and dramatic growth as a regional centre for international capital" (p. 197). Once this is realised, why then does Colin Leys fabricate such numerous bourgeoisies in his head? It turns out that Colin Leys is not sure. He stumbles and falls theoretically at an attempt to use materialist theory. Only he does not have the dialectical method and inevitably he falls prey to empiricism.

What Colin Leys does not realise is that his commercial and auxiliary bourgeoisies are small property owners heavily dependent on monopoly banks for their operations. In actuality the property belongs to these banks on whose loans and securities it is purchased. What is more, these so-called bourgeoisies belong almost wholly to the sphere of circulation. In other words they are just a petty-bourgeoisie that snatch a portion of surplus value in the process of circulation while the others engage in the cultivation of raw materials for the captains of industry -- monopoly capital.

Swainson's paper and Van Zwanenberg's article deserve more comments as both raise more directly the issue of emerging national capital in Kenya with its national bourgeoisie. Van Zwanenberg fails dismally in showing how capital is accumulated by this national bourgeoisie and in what sectors of the economy the accumulation is taking place. He does not show us when this

capital becomes national. He does not even show why the European petty-bourgeoisie and the Asian commercial petty-bourgeoisie operating in the same economic structure did not open the society for national capitalism. Indeed in another work<sup>21</sup> he shows how bank capital controlled the operations of the settlers. When did this control cease?

Van Zwanenberg also advances the theory of a national bourgeoisie with its own capital and in deep contradiction with monopoly capital. According to him the forces of neo-colonialism (in Kenya) are not yet as deeply embedded as they appear in many Latin American countries. This is to reduce things to the absurd. One wonders whether Van Zwanenberg understands what neo-colonialism means. The comparison with Latin America is even more absurd for nowhere in Kenya are there as strong indigenous capitalists as in Latin America. Thus it should be in Latin America where deeper contradictions with international capital should be.

We would challenge Van Zwanenberg to demonstrate when and how this grande-bourgeoisie accumulated its capital and in what way it is in deep contradiction with international capital. All evidence available on the role Kenya plays in relation to international capital proves the baselessness of Van Zwanenberg's arguments. For example, Colin Leys, referring to the Ndegwa Commission appointed to deal with Kenya's civil service structure and remuneration, notes that one of the commission's submissions designated Kenya as a 'service centre' for foreign capital. Leys writes, "Kenya's future...must be seen in part as that of a 'service centre'," so that in this scenario "Kenya was destined for continued dramatic growth as a regional centre of international capital" (p. 197).

But if, as Van Zwanenberg himself admits, the "growth of a national capitalist sector has yet neither the strength nor the vision to move towards the industrial sector"... (p. 182) then what kind of bourgeoisie is Van Zwanenberg's grande-bourgeoisie? What is the nature of its capital and in what sector is it in contradiction with "international capital"?

Nicola Swainson has also put forward the concept that there is a 'bourgeoisie' growing in Kenya and accumulating capital in its own right and that it is a mistake to say this bourgeoisie is actually a dominated petty-bourgeoisie in a neo-colony. Apart from failing to cite figures and evidence to prove how and what the nature of the capital being accumulated by this 'bourgeoisie' is, Swainson makes a very unhistorical and undialectical analysis of this class in Kenyan society. She even has the intestinal fortitude to state that Lenin's analysis of imperialism is misleading and erroneous! One wonders whether she has ever understood Lenin's book *Imperialism, the Highest Stage*

*of Capitalism*, where he cites irrefutable evidence to show the rise of finance or monopoly capital and its domination of the whole world which it divided up completely at the turn of the last century.

When the whole world was divided up among monopolies, Kenya did not remain an exception. It also became a market for the monopolies, among other things a sphere for the export of capital to exploit cheap labour, extraction of raw materials and export of manufactured goods. Kenya remains so today.

When monopoly capital invaded Kenya it broke down pre-capitalist relations and established capitalist relations. In the process it created the working class as well as the petty-bourgeoisie.

This petty-bourgeoisie did not and has never had any base for accumulating capital, growing into a bourgeoisie which can complete the bourgeois revolution as happened in Europe in the 19th century. This is so because this bourgeoisie has no technology which was the basis of capitalist development in the metropolises. Secondly, monopoly capital did not subjugate Kenya for the needs of an indigenous bourgeoisie but for its own accumulation needs. It protected its market and sphere of exploitation and raw materials by means of a colonial state.

The struggle for self-determination ended British colonialism. Instead of being a sphere for British monopoly capital Kenya was opened up to the exploitation of all the monopolies that could compete there for the market. Thus finance capital from all over the imperialist world competed and still competes in Kenya after the multilateral imperialism strategy was effected after World War II.

So whence the capital of this petty-bourgeoisie that is magnified in Swainson's head to the extent of challenging finance capital? Has she not herself shown that this bourgeoisie gets its bits and pieces by buying shares in some of these monopolies? Can she cite an example to show which monopoly or which industry is controlled by her so-called bourgeoisie?

Swainson's thesis is a lame thesis. Indeed it is a reactionary thesis that blurs the domination of imperialism over our country. It gives false hopes to the Utopian petty-bourgeoisie that they might also one day become captains of industry -- a role that they were deprived of by history almost a century ago.

Secondly, it is reactionary in that it misleads the working class into thinking its major enemy is the local petty-bourgeoisie and not monopoly capitalism that exploits and oppres-

ses them every day. In her example on Brooke Bond, Swainson actually defeats her case. She shows there that it is finance capital that dominates the tea industry in Kenya, namely, it is Brooke Bond, CDC and the World Bank which will effect further development of the tea industry. Is not this a clear demonstration of the domination of finance capital?

Swainson shows further that these monopolies allow the local petty-bourgeoisie or her "bourgeoisie" to purchase a few shares in their companies for the sake of "political insurance" (page four). The monopoly is only given a Kenyan image under which it even gets the opportunity to capitalise local money for itself. This is precisely what is meant by concentration and centralisation of capital.

Swainson, undialectical as she is, thinks that Brooke Bond is being pushed out by petty-bourgeois farmers taking over cultivation of tea. Swainson does not know that Brooke Bond, being a world-wide monopoly in the production of tea and monopolizing most markets, need not cultivate the tea itself. It can leave the cultivation of the raw material to the petty-bourgeoisie, very well knowing that the tea will end up being in its factories and markets anyway. It has the technology, it has the markets, the trade marks, etc. What do the petty-bourgeois growers have? Even the total advanced capital, complete with its constant and variable components, i.e., capital to be expended on farms, machinery, transport and labour for the cultivation of tea, is borrowed from monopoly imperialist bankers. These then order the petty-bourgeois growers to buy the machinery from 'Caterpillar', another monopoly, thus completing the monopoly circuit.

Swainson herself shows us that this bourgeoisie can do nothing but buy a few shares in foreign monopolies. Indeed we challenge Swainson to show what the proportion of her bourgeoisie's capital to the total capital of the monopolies operating in Kenya is -- even in the single case of Lonrho. At best Swainson shows that her bourgeoisie is composed of indigenous "managers" or regional "directors" of foreign monopolies who also own some few shares in the local subsidiary. We would like to point out to Swainson that 'ruling classes' are not managers with a few shares but owners of the means of production! Who exploits the bulk of the Kenyan working class today? The so-called indigenous bourgeoisie or monopolies? Indeed Swainson shows that even to purchase a small property her 'bourgeoisie' runs to monopolies for security. If she had gone further, she would have found out that what she calls their capital is actually finance capital, which is dished out in form of small loans to this petty-bourgeoisie and the terms of the loans are dictated by finance capital.

The state has not been used for the accumulation needs of the so-called indigenous bourgeoisie. On the contrary, it is

a neo-colonial state that has consolidated and facilitated the export of more finance capital into Kenya to exploit the working class. In an era where the whole world has been divided among monopolies, there can be no chance of a neo-colony attaining independent capitalist development. This, precisely because its market is already divided among monopolies which also monopolise technology. This being so, how can then an indigenous bourgeoisie rise to compete with monopoly capital?

The petty-bourgeoisie realised that they had little or no capital at independence. As a result they had to kneel to their imperialist master and beg for finance to effect their "development plans." They also agreed to safeguard the investments<sup>22</sup> and repatriations of profit for monopoly capital.

What Lenin long ago pointed out, as reiterated above, remains true of the neo-colony called Kenya today. Swainson does not seem to understand this historical rise of imperialism. According to her, capitalism is as competitive as it was in the 18th century. She does not seem to understand that it is only monopolies that compete in the capitalist world market today. Can Swainson convince us that the 'Kenyan bourgeoisie' also owns monopolies so as to compete in the world market? Swainson's thesis suggests that conditions of capitalist competition like those which Marx analysed in the 19th century can return for the Kenyan bourgeoisie to compete. Or does she suggest that a monopoly bourgeoisie exists in Kenya that can compete with the monopoly bourgeoisie of the imperialist countries? If not, will Swainson tell us how she is going to roll back the wheel of history to create technology, finance, and markets for her bourgeoisie to emerge with its own capital in order to compete with monopoly capital?

What Swainson and company do not understand is that, in the general formula of capital, M-C-M', (money-commodity-more money), delineating the movement of social capital, i.e., the totality of the wealth of society, commercial capital exists as a special function of the commodity form of social capital. In this capacity it expresses the 'will' of merchants, as opposed to industrial capital, the former being but an independent form of the latter. The essential point to note here is that finance capital, arising as it does from the sphere of circulation, and serving only to promote the special tasks of commercial and industrial capitals, remains tied to the multinational corporations. That is why it cannot exist as an independent entity in its own right to form a basis for an independent national bourgeoisie.

Cowen and Kinyanjui also dispute the dominance of finance capital. They do not agree that commercial capital serves industrial capital<sup>23</sup> and the fact that finance capital pervades

the entire spheres of industrial and commercial capitals, as we have seen above. They advance their argument in a heavy footnote on page six of their paper:

*The most incisive separation between industrial (productive) and commercial (merchant) capital is to be found in G. Kay, Development and Underdevelopment" A Marxist Analysis, London, 1975. Now, a rupture between the production of commodities and the circulation of commodities within the spheres of production and realisation of surplus values -- breaks the unity between the two processes. The incisive separation is necessary to counteract the tendencies which place production and circulation within the same order of analysis, the tendencies which treat commercialisation in the same moment and as equivalent to the capitalisation of production processes have bedevilled the concept of exploitation. Yet, by subordinating circulating capital to productive capital in the form of rupture and treating the phenomenal form of capital as a concrete institutional instance, some equally bedevilling results are obtained.*

*...The recent spate of radical interpretations of class formation in East Africa all negate the phenomenon of domestic and in particular indigenous capital with reference to dependent commercial bourgeoisie, an auxiliary bourgeoisie, a monopolistic petit (sic) bourgeoisie.*

This argument throws some light on the form of accumulation that Cowen and Kinyanjui talk of. Leys, Mutiso, Swainson and Van Zwanenberg also talk about accumulation. The economic gains the petty-bourgeoisie derive from their agency role vis-à-vis monopoly capital is seen as accumulation. According to the Marxist-Leninist view, accumulation takes place at the level of production on an ever-expanding scale through capitalization of surplus value. This goes on unceasingly from year to year from each period of turn-over to another. Such a case has not been established in Kenya vis-à-vis the petty-bourgeoisie.

Yet most of these works tell us what happens to the accumulated money capital of the petty-bourgeoisie: conspicuous consumption takes some; the church, the banks where it becomes finance capital, buying of farms where it performs the traditional imperialist roles of providing raw materials and food-stuffs to metropolitan industries and populations. The petty-bourgeoisie become landlords and earn rent. Not to be left out is the ruinous living the petty-bourgeoisie engage in. The use of their money capital emphasizes the grip of finance capital.

The ideological significance of these arguments is vital. Those who talk of national capital and its national bourgeoisie in Kenya standing up against finance capital would have us believe that Kenya is developing towards a fully-fledged capitalist country and will in due course independently (of finance capital) pursue its political and economic development autonomously. This view is reactionary. The imperialists would find nothing objectionable in this view.

It can be seen that these social scientists imagine and create bourgeoisies and capital out of nothing. The fact remains that what we have here is a petty-bourgeoisie which is dominated and oppressed by the capital of the imperialist bourgeoisie. As long as imperialism keeps its exploitative fangs firmly dug in our country, no bourgeoisie with its own national capital can emerge to become "captains of industry." The negation of the bourgeoisie started at the turn of the last century when a monopolist stratum of capitalists arose with the gigantic concentration and centralisation of capital that led to modern imperialism. From that time the bourgeoisie has increasingly been relegated to the ranks of the petty-bourgeoisie precisely because their capital is not strong enough to compete with monopolies. Yet you still have those writers who believe that a petty-bourgeoisie will grow with the help of monopoly capital into a bourgeoisie! When will they ever learn that the exact opposite is happening, and that, this is precisely what we mean by concentration of capital!

## II. THE CASE OF ICDC

### A. History of ICDC<sup>24</sup>

By the Defence Regulations Act of 1944, the East African Industrial Management Board was made a body corporate. The purpose of the Board was to supply certain essential commodities during the then on-going war. The Board was intended to operate in the East African countries. It was also to undertake commercial management of such industries financed from public funds as might be entrusted to it. Subsequently its activities were confined to Kenya.

In 1946 the Emergency Powers (Defence) Acts, 1939 and 1940 and other related acts, ceased to operate in U.K. War-time Defence Regulations in Kenya also expired although the Governor was empowered to continue such defence regulations by the Supplies and Services (Transitional Powers) Act, 1945 (U.K.) and the Emergency Laws (Transitional Provisions) Act, 1946 (U.K.). Under these acts the Governor made orders scheduling those regulations which he considered should be continued. These orders did not refer to the 1944 Defence Regulations. One of the objectives of the Industrial Development Bill (1954) was, therefore,

to legalize the activities of the Board since 1946 and to define and extend its powers for the future.

The Industrial Development Ordinance<sup>25</sup> was assented to in Her Majesty's name on 21st December 1954. Section 3 of the ordinance, which established the Industrial Development Corporation (IDC) and set out its functions, stated that

3. (1) *There shall be established a corporation known as the Industrial Development Corporation, for the purposes of acquiring and taking over as a going concern the undertaking and business of the Former company,<sup>26</sup> and the property, rights and liabilities thereof, and of facilitating the industrial and economic development of the colony by the initiation, assistance or expansion or by aiding in the initiation, assistance or expansion of industrial, commercial or other undertakings or enterprises in the colony or elsewhere.*

The Ordinance provided for the constitution of the Corporation<sup>27</sup>, its powers<sup>28</sup>, its borrowing powers<sup>29</sup>, advances or grants from the government.<sup>30</sup> The Minister responsible for Commerce and Industry could from time to time apply the provisions of the companies ordinance<sup>31</sup> to the corporation as long as the said provisions were not inconsistent with the provisions of the Ordinance.

The colonial state saw in the establishment of IDC a vital move to provide what it called development in a country which was primarily an agricultural country.<sup>32</sup> Significantly, the colonial state stated that it looked to industry to establish itself "voluntarily" and was only going to help where "extreme difficulties" were met.<sup>33</sup>

By Legal Notice 2 of 1964 the Industrial Development Ordinance was renamed the Industrial Development Act. There was an attempt to amend the Act in 1964<sup>34</sup> which did not materialize. The Act was ultimately amended in 1967.<sup>35</sup> The debate on the Industrial Development (Amendment) Bill 1967 threw some light on the purpose of the amendment. Under Section 9 of the Industrial Development Ordinance the Corporation had powers "subject to the approval, generally or specially, of the Minister and subject to such terms and conditions as he may impose in giving such approval." Thus the Minister's power was exercised in practice after deliberations of the Board of the Corporation. It seems that this procedure worked well, but the independent Kenya Government wanted an amendment to what Mr. Kibaki called:

*...an oversight which should be corrected, so as to avoid any doubt as to who would be able to give directions if there was any conflict of opinion.*

The Corporation was renamed by this act and given its present name of the Industrial and Commercial Development Corporation (ICDC).<sup>36</sup> The main amendment provision<sup>37</sup> provided:

*8A. The Industrial and Commercial Development Corporation shall, in the exercise of its powers and in the performance of its duties under this Act or any other written law, act in accordance with general or special directions that may be given to it by the Minister.*

It is quite certain that the Kenyan government felt that the Board was very autonomous and that the Board's autonomy should be restricted and if there was any conflict of opinion that of the government should prevail and dominate. The amendment most likely highlighted the intra-petty-bourgeois conflict between the European petty-bourgeoisie and the African petty-bourgeoisie at the time.

#### B. Analysis of the Legal Form

Here we will briefly discuss the legal duties and institutional framework of the ICDC as set up by the act.

Sub-section (3) of section 3 of the act provides that the corporation shall be a body corporate.<sup>38</sup> With perpetual succession and a common seal, with power to hold land and to sue and be sued in its corporate name. This means that ICDC is an artificial person in law and can enter into contracts with individuals and other corporate bodies. Section 8 of the act sets out fully the powers of the corporation. The provisions of the section are reproduced fully under

*8. Without prejudice to the generality of the provisions of section 3 of this Ordinance the Corporation shall, subject to the approval, generally or specially, of the Minister and subject to such terms and conditions as he may impose in giving any such approval, have power*

*(a) to provide credit and finance by means of loans or the subscription of loan or share capital or otherwise for industrial, commercial or other undertakings or enterprises in Kenya or elsewhere;*

- (b) to subscribe for, conditionally or unconditionally to underwrite, issue on commission or otherwise take, hold, deal in and convert shares, stocks, obligations and securities of all kinds, and to enter into partnership, or into any arrangement for participating in undertakings, sharing profits, union of interest, reciprocal concession or co-operation with any person, partnership or company, and to take or otherwise acquire and hold shares or stocks in or obligations or securities of, and to subsidize, any person, partnership or company, and to sell, hold, reissue, with or without guarantee, or otherwise deal with any such shares, stocks, obligations or securities, and to promote and aid in promoting, constitute, form or organize companies, syndicates or partnerships of all kinds and to exercise and enforce all rights and powers conferred by or incident to its ownership of any shares, stocks obligations or securities for the time being held or owned by the Corporation;
- (c) to advance, deposit or lend money, securities and property to or with such persons, partnerships or companies and on such terms as may seem expedient to create, make, draw, accept, endorse, execute, issue, discount, buy, sell, negotiate and deal in bills, notes, bills of lading, warrants, coupons, debentures and other negotiable or transferable instruments;
- (d) subject to the provisions of section 10 of this Ordinance, to guarantee or become liable by way of suretyship or indemnity for the payment of money or for the performance of any contracts or obligations, and generally to transact all kinds of guarantee, trust or agency business;
- (e) to purchase, take on lease, hire or otherwise acquire, and to sell, exchange, surrender, lease, mortgage, charge, convert, turn to account, dispose of and deal with, any movable or immovable property and rights of all kinds;
- (f) to purchase or otherwise acquire and carry on the whole or any part of the business, property, goodwill and assets of any person, partnership or company carrying on, or proposing to carry on any business which the Corporation

is authorised to carry on, or which can be conveniently carried on in connexion with such business or may seem calculated, directly or indirectly, to benefit the Corporation, or possessed of property suitable for the purposes of the Corporation, and, as part of the consideration for any of the acts or things aforesaid or property acquired, to undertake all or any of the liabilities of such person, partnership or company, or to acquire an interest in, amalgamate with or enter into any arrangement for sharing profits or for co-operation or for limiting competition or for mutual assistance with any such person, partnership or company, and to give, issue or accept cash or any shares, stocks, obligations or securities that may be agreed upon, and to hold and retain or sell, mortgage and deal with any shares, stocks, obligations or securities so received;

- (g) to sell, exchange, mortgage (with or without power of sale), assign, lease, sublet, improve, manage, develop, dispose of, turn to account, grant rights and privileges in respect of and generally otherwise deal with the whole or any part of the business, estates, property, rights or undertakings of the Corporation, upon any terms, either together or in portions, and as a going concern or otherwise, for such consideration, whether of cash, shares, stocks, obligations or securities, as the Corporation may think fit;
- (h) to invest and deal with money upon such securities in such manner as may from time to time be determined, and to place money on deposit or current account with any bank or building society;
- (i) subject to the provisions of section 9 of this Ordinance to raise or borrow money, with or without security and also to secure the payment or money by the issue of or upon debentures or debenture stock, perpetual, terminable or otherwise, or bonds or other obligations charged or not charged upon, or by mortgage charge, hypothecation, lien or pledge of the whole or any part of the undertaking, property, assets and rights of the Corporation, both present and future and generally in such other manner

*and on such terms as may seem expedient, and to issue any of the Corporation's obligations or securities for such consideration and on such terms as may be thought fit; and also, by a similar mortgage, charge hypothecation, lien or pledge, to secure and guarantee the performance by the Corporation of any obligation or liability it may undertake, and to redeem or pay off any such securities;*

- (j) to act as the manager, agent or secretary of any undertaking and to nominate or appoint any person to act as director of, or in any other capacity in relation to, any undertaking, and to act as the agent or representative of any undertaking, whether carrying on business in Kenya or elsewhere*
- (k) to do all or any of the above things as principals, managers, agents, contractors, trustees or otherwise, and either by or through trustees, agents, sub-contractors or otherwise, and either alone or in partnership or in conjunction with any other person, partnership or company, and to contract for the carrying on of any operation connected with the Corporation's business or any other person, partnership or company;*
- (l) to do all such other things whether of an industrial, commercial or other nature as may be deemed to be incidental or conducive to the attainment of the above objects or any of them and to exercise of the rights, powers and authorities given by this Ordinance.*

8A. (refer to the penultimate paragraph under A. History of ICDC)

Section 9 also indicates the powers of the Kenyan government vis-à-vis the Corporation. The section deals with borrowing powers of the Corporation. These borrowing powers, the section provides, can only be exercised with the approval of the Minister of Finance who has to approve not only the amount borrowed but also the source of borrowing and the conditions on which the borrowing is exercised. By section 11 of the Act, the Minister for Finance may with the consent of the National Assembly make advances or grants to the Corporation. This is to enable the Corporation to exercise its powers or to fulfill any of its obligations. By section 12 of the Act the Minister for Finance may also from time to time, after consultation with the Minister for Commerce and Industry, direct the Corporation

to pay into the consolidated Fund any money held by the Corporation and deemed by the Minister for Finance to be surplus to its existing or anticipated requirement.

Section 4 of the Act provides for the constitution of the Corporation. The Corporation consists of a chairman, who is also a director under the Act, and not less than five or more than nine other directors. The Minister for Commerce and Industry appoints all directors after consultation with the Corporation. Each director can appoint an alternate director in his place during his absence or his inability to attend any meeting. A director can only exercise this power subject to the approval of the Minister. The alternate director can be either another director or any person approved by other directors or the majority of them.<sup>39</sup>

It is clear from the analysis of these legal provisions that the Corporation has power to borrow money from any source subject to the approval of the government. It has also wide powers as set out under Section 8. An illustration of the Corporation's exercise of its powers vis-à-vis the government is in the area of Joint Venture Agreements to which we now turn.

#### C. The Joint Venture Agreement

We have before us a Joint Venture Agreement between the government of Kenya, ICDC, and the Industrial Development Bank (IDB), Société Internationale Financière Pour Les Investissements et le Développement en Afrique, S.A. (a corporation of the State of Luxembourg), Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit Mba, International Finance Corporation, Seditex Engineering GMBH (a corporation of the Federal Republic of West Germany) and Rift Valley Textile Mills Limited. This Joint Venture Agreement was for the purposes of realizing the project of setting up a textile mill in Eldoret, Kenya, to be run by the Rift Valley Textile Mills Limited. Part of this Joint Venture was a Management Agreement between the Rift Valley Textile Mills Limited and Seditex, etc. in which the former appointed the latter to plan, design, carry out and complete the project and to manage all aspects of the business of the former.

All these agreements are standard form contracts drawn by the foreign parties to the contract and imposed upon the Kenya government, ICDC and IDB. The foreign parties, in drawing the contracts, had their interests as paramount. This is now an obvious legal point. Standard form contracts emphasize the doctrine of freedom of contract which has been demystified to mean freedom to exploit and to be exploited.<sup>40</sup>

The documents we have are bulky and we cannot reproduce all the essential terms in the limited scope of this paper. But

we will draw out a few terms which emphasize the glaring dominance of finance capital:

1. Not only is capital exported but along with it technology, technical facilities, personnel, etc., required for the construction, setting up and operation of the project.

2. Title to the plot of land in Eldoret where the factory stands was given without cost to the investors!

3. Importation of machinery has been on duty free basis.

4. Kenya market is protected for the investors. Other imported textiles are not allowed to compete.

5. Maximization of profits and their repatriation has been guaranteed as under:

a. Exemption or minimizing of the impact of sales tax on imported machinery, etc.

b. Repatriation of commitment fees, loans and suppliers credits and interest payment thereon and payment of dividends, salaries to expatriate staff (i.e., their savings, relative school fees, social security subscriptions and other justified expenditure).

6. Implied also has been the provision of cheap labour at Eldoret. Cheap labour has actually been provided.<sup>41</sup>

#### D. The Data

1. Present Operations of ICDC -- these are shown in Appendix A. The following paragraphs refer to headings under 'Investments' in that appendix.

(a) Capital shareholdings involved wholly-owned subsidiaries which in fiscal year 1974-1975 accounted for over Shs. 47 million of the Corporation's total net assets, and associated companies which in the same year accounted for nearly Shs. 86 million. The aim of this part of the Corporation's operations is to increase the "degree of local control" and/or "to enable citizens to have a stake in ownership of existing profitable companies." In 1975, the Corporation established a scheme whereby citizens could buy shares in its enterprises, as another way of encouraging the participation of nationals in the economy. This was also meant to fulfil the role of mobilising local savings for investment in industry.

In 1975, ICDC's capital shareholdings were:

<u>Wholly Owned Subsidiaries</u>	<u>Amount</u> (Shs.)
Kenya National Trading Corporation	200,000
Kenya Film Corporation Limited	40,000
Kenya Industrial Estates	80
Kenya National Properties Ltd.	2,000,000
Pulp and Paper Company of E.A. Ltd.	--
	<hr/>
	2,240,120

Other Subsidiaries

Kenya Wine Agencies Ltd.	4,657,820
Fluorspar Company of Kenya Ltd.	8,160,000
Kenatco Transport Co. Ltd.	6,660,000
Kenya Mining Company Ltd.	7,150,000
ICDC Investment Company Ltd.	1,682,560
Wananchi Saw Mills Ltd.	132,240
Industrial Development Bank Ltd.	15,300,000
Mining Corporation of Kenya Ltd.	1,333,440
	<hr/>
	45,076,060

Other Companies (Associates)

Development Finance Co. of Kenya Ltd.	10,000,000
Kenya Engineering Industries Ltd.	3,780,000
Metal Box Kenya Ltd.	4,635,000
NAS Airport Services Ltd.	3,116,300
E.A. Industries Ltd.	3,034,600
J. H. Minet and Company (E.A.) Ltd. (Now wholly-owned as Minet ICDC Co.)	1,058,760
Union Carbide Kenya Ltd.	4,887,060
Block Hotels Ltd.	612,500
Elson Plastics of Kenya Ltd.	506,000
Firestone East Africa (1969) Ltd.	8,435,860
Ceramic Industries of E.A. Ltd.	600,000
The Raymond Wollen Mills (Kenya) Ltd.	300,000
Lake Baringo Fisheries Ltd.	140,000
African Radio Manufacturing Co. Ltd.	818,680
Kenya Industrial Plastics Ltd.	100,000
E.S.A. Ltd.	245,000
Kearsley Ltd.	197,640
J. W. Kearsley (Kenya) Ltd.	38,600
Mea Garments Ltd.	45,000
Kenya Toray Mills Ltd.	5,180,000
Pan African Paper Mills (E.A.) Ltd.	3,582,380
Polysynthetics Easlein Africa Ltd.	643,000
Kenya Fisheries Industrial Ltd.	860,000
Kenya Fishing Industries Ltd.	400,000

Nakuru Chrome Tanning Co. Ltd.	200,000
E.A. Fine Spinners Ltd.	6,601,100
Brollo Kenya Limited	6,666,660
Kenya Peanuts Company Ltd.	625,000
Seracoatings Ltd.	800,000
Associated Battery Manufacturers (E.A.) Limited	855,000*
Sokoro Fibreboards Ltd.	3,214,800
Kenya Cashewnuts Ltd.	4,400,000
Kenya Bowling Centres Ltd.	4,400,000
	200,000
C.P.C. Industrial Products Ltd.	2,784,000
Somerset Africa Ltd.	256,000
Panafrica Vegetable Products Ltd.	4,100,000
Dawa Pharmaceuticals Ltd.	666,000
Tanneries of Kenya Limited	600,000
Salt Manufacturers (Kenya) Ltd.	363,140
Infusion Kenya Ltd.	100,000
Tiger Shoe Company Ltd.	70,000
	<hr/>
	85,893,740

As shown in the table, ICDC's equity capital in joint ventures exceeds by far its capital investments in the wholly-owned subsidiaries. The Joint Ventures are usually with multinational (transnational) corporations such as Firestone (ICDC equity 40 percent), Union Carbide (26 percent), Unilever's East African Industries (14 percent), etc. The objective, according to ICDC, is to attract investment funds as well as technology. The result is that ICDC provides finance for these (predominantly multinational) firms as well as a certain immunity from enforced takeover or other pressures from the government.

(b) Large and Medium Loans in 1975 ranged between 82,380 Shs. and over 34 million Shs. each, given to seven subsidiaries and twelve associated companies.

(c) Kenya Industrial Estates. This is a wholly-owned project of the ICDC which "provides not only finance to purchase equipment but also ready-made factory premises." Started in 1968, the project now has establishments in Nairobi, Nakuru, Kisumu, Eldoret and Mombasa. Each of the estates have between twenty-five and fifty-five factory units for the use of industrial entrepreneurs who have already been provided with loans to purchase machinery. As shown in the table, these loans accounted for a total of 24 million Shs, while the infrastructural investment amounted to 34.7 million Shs. The scheme, which is eventually expected to have in production 150 citizen-

\*Evidently a typographical error in the original manuscript, as this figure corresponds to no real company name. (Ed. K.M.)

owned factory units, is associated with the Rural Industrial Development Centres, which is the same operation on a smaller scale in the rural areas.

(d) The Small Loans Scheme is what has made the ICDC famous among the African petty-bourgeoisie. It comprises short-term (five to eight years) loans of between 10,000 Shs. and 750,000 Shs. to property, industrial, commercial and machinery enterprises. By the end of fiscal year ending 1975, these accounted for the largest proportion (53 percent) of the corporation's total net assets. The scheme was established to meet the "ever-increasing" demand for funds by businessmen in the country. Therefore, it is the scheme in the on-going intra-petty-bourgeoisie conflicts in Kenya enabling the African petty-bourgeoisie to buy out business of non-citizen Asians or Europeans whose business licences have been withdrawn by the state. By the beginning of 1976, this scheme had financed 5,685 commercial loans, 1,271 property loans, 477 machinery loans, and 809 industrial loans. The regional distribution of the loans was as follows:

<u>Province</u>	<u>KShs.</u>
Coast	7,884,980
Eastern	27,578,240
Central	29,305,540
North-eastern	6,167,480
Rift Valley	36,416,160
Nyanza	32,224,660
Western	13,924,580
Nairobi	71,661,340
	<u>224,661,340</u>

In contradiction to ICDC's proclaimed priorities this scheme was discontinued in mid 1976 when no requests from small African businessmen were being processed. Although the reason given was that there was a financial squeeze, the Corporation continued to lend to its associates, mainly large companies with private foreign and local participation. Thus the big industrialists were being helped while the petty-bourgeoisie were momentarily abandoned. It is important to note about 70 percent of the funds in this category go to the purchase of machinery from foreign firms.

## 2. Sources of Funds

The government is the major source of ICDC's funds. Its annual contribution since 1968 has always been over 55 percent of the Corporation's total fresh fund. Next major sources were bank loans and the Federal German government and, of course, the Corporation's own capital and revenue reserves. A category

of diverse but small financiers of ICDC included SIDA, Eldoret Municipal Council, Mackenzie (Kenya) Ltd., and the U.S. government. These accounted for no more than four percent of the total fresh funds each year. In 1975, ICDC net fresh funds amounted to just over six million shs. The Ministry of Finance has not fully disclosed the sources of the ICDC's funds. But it is known that foreign loans and state capital form the sources.

#### a. Terms of Loans

Although many are called, few are chosen. The terms formally make every Kenyan eligible for loans, but the reality is that only the petty-bourgeoisie (particularly the higher and medium layers) qualify for loans. Repayment period in the small loans scheme is five years for loans below 50,000 Shs. and eight years for those above that amount. The rate of interest is 9 1/2 percent per year for industrial loans, and 10 1/2 percent for property and commercial loans. A period of grace of six months is given on capital repayments. Emphasis is on high financial returns. The Corporation finances no more than 70 percent of all financial requirements of the project, which means that the proprietor must be prepared to finance 30 percent of the project costs. Thus local money capital of the petty-bourgeoisie, if any, becomes finance capital. Land titles were the predominant security offered for the loans, followed by plots and machinery, and developments on land. As an example, projects which were given loans in the Small Industrial Scheme were posho-mills, printing, sawmilling, garage and vehicle repairs, carpentry, clothing and tailoring, dry cleaning, concrete making and quarrying, leather goods, baking and jaggery. For purposes of processing loans, industrial projects were defined liberally as those where machinery was involved.

#### b. Default Rate

The Corporation has constantly been perturbed by the high rate of default in the small loans scheme. This was 34 percent for industrial loans in February 1976 involving 23,640,000 Shs., 50 percent in commercial loans, nine percent in property loans and 12 percent in machinery loans. Default in the whole scheme at that time involved 175,277,000 Shs. of the Corporation's funds. Between 1975 and 1976 default cost the Corporation a loss of 2.5 million Shs. in doubtful debts and 0.5 million in bad debts. Now the Corporation has established a debt-collection department, which also runs an extension service to 'small' businessmen as one of the several devices to caution the high default rates.

### III. CONCLUSION

In view of the material evidence given in our discussion, we feel that a conclusion for our analyses is, so to speak, a

foregone conclusion. But to recapitulate: We feel that the data, coupled with the theoretical discussion before it, speak for themselves. The emphasis on dominance of finance capital in the activities of the corporation is irrefutable. There is no iota of evidence that ICDC in its operations is extricating the Kenyan economy from the Imperialist System. There is no iota of evidence that ICDC is "accumulating" capital for the local petty-bourgeoisie helping them to become "captains of industry". Evidence of accumulation is only by finance capital. ICDC clearly is facilitating the export of finance capital here and the sale of foreign manufactured goods. These are the traditional roles imposed upon Kenya by imperialism for the last 90 years. Lenin is undeniably vindicated. (Emphasis added. Ed. K.M.)

It is also clear that the ICDC legal form facilitates the role the corporation has to play. The debate on legal forms of corporations is a formal debate. All the legal forms express the will of finance capital and that is their essence.

#### NOTES

<sup>1</sup> See Lenin, *Selected Works*, Vol. 1, pp. 667-763, generally and in particular pp. 679-715; D. W. (Wadada) Nabudere, *The Political Economy of Imperialism*, University of Dar es Salaam, (Mimeo).

<sup>2</sup> A substantial part of this paper is owed to information and data collected by Ngure Mwaniki of the Institute of Development Studies (IDS), Nairobi, who is currently preparing a thesis on Capitalism in Kenya (see Ngure Mwaniki (1) "Africanisation of Small Industry in Kenya, The Role of ICDC," IDS Working paper, June 1976; (2) "Public Policy and Political Development: The Implementation of the Africanisation Policy Through ICDC -- 1961-1973," IDS Working Paper No. 295, January, 1977.) I thank Ngure for letting me see most of the data he has handled, and his incisive comments on the first draft of this paper. However, Ngure is, of course, not responsible for any views expressed in this paper, nor for any ideological interpretations in respect of the specific and general issues.

<sup>3</sup> International Legal Centre (ILC), *Law and Public Enterprise in Asia*, Praeger, New York, 1976; Pozen, Robert, *Legal Choices for State Enterprises in the Third World*, NYU Press, New York, 1976.

<sup>4</sup> Brett, E. *Colonialism and Underdevelopment in East Africa the Politics of Economic Change*, Heinemann, London, 1973.

<sup>5</sup> Leys, Colin. *Underdevelopment in Kenya: the Political Economy of Neo-colonialism 1964-1971*, UC Press, Berkeley, 1974.

<sup>6</sup> Mutiso, Gideon-Cyrus Makau. *Kenya: Politics, Policy and Society*, East African Literature Bureau, Kampala, Uganda, 1975.

<sup>7</sup> Swainson, Nicola. *The Development of Corporate Capitalism in Kenya, 1918-1977*, UC Press, Berkeley, 1980.

<sup>8</sup> Van Zwanenberg, R.M.A. "Neo-colonialism and the Origin of the National Bourgeoisie in Kenya Between 1940 and 1973," *Journal of Eastern African Research and Development*, Vol. 4, No. 2, (1974), pp. 161-188.

<sup>9</sup> Cowen and Kinyanjui, "Some Problems of Capital and Class in Kenya," IDS paper, Nairobi, Kenya, 1977, p. 6.

<sup>10</sup> Baran. *The Political Economy of Growth*, New York, 1957 and 1972, pp. 151-162. If Brett really knew the history of Japan, he would not have followed Baran blindly in showing how a bourgeoisie can create an autonomous base for accumulation of capital. Japan was never colonised during the era of imperialism when the whole world was divided among monopolies. Japan has never been a neo-colony. On the contrary Japan developed very fast as an independent capitalist state during the last century. Indeed before monopoly capitalism some colonies (e.g., U.S.A.) broke away from their colonisers to develop capitalism independently. That prospect was ruled out by the imperialism of monopolies. Far from being a neo-colony Japan itself became an imperialist power with its own monopolies which competed in the world market. Can any such thing be said of East Africa? Such is only arbitrary comparison.

<sup>11</sup> Van Zwanenberg, pp. 161-188.

<sup>12</sup> Mutiso. "The Political Economy as a Constraint to Equitable Development," *Kenya Politics, Policy and Society*, Nairobi, Kenya, 1976, pp. 75-101.

<sup>13</sup> "Asomi" as a Kamba word was originally used to refer to converts to white man's religion. Later it encompassed the educated ones as well.

<sup>14</sup> This definition appears in various works of Marx and Engels as an editor's note referring to Engels' annotation to the 1888 English edition of the *Communist Manifesto*. In this connection see *Karl Marx-Friedrich Engels Werke*, Band 4, Dietz Verlag, Berlin, 1972, p. 462; *Karl Marx and Frederick Engels*,

*Selected Works*, Vol. 1, Progress Publishers, Moscow, 1969, p. 108; K. Marx and F. Engels, *Ausgewählte Werke*, Verlag Progress, Moskau, p. 35; and Karl Marx et Friedrich Engels, *Oeuvres Choiesies*, Editions du Progrés, Moscov, 1978, p. 31. The English version of this note reads in full:

*By bourgeoisie is meant the class of modern capitalists, owners of the means of social production and employers of wage-labour. By proletariat, the class of modern wage-labourers (Lohnarbeiter) who, having no means of production of their own, are reduced to selling their labour power (Arbeitskraft) in order to live. (Full quote inserted by Ed. K.M.)*

15 Karl Marx and Frederick Engels, *Selected Works in Three Volumes*, Vol. 1, Progress Publishers, Moscow, 1969, p. 121.

16 See Marx, "The Role of Credit in Capitalist Production" (Ch. 17), *3 Capital*, Progress Publishers, Moscow, 1970, p. 704. Marx talks of "financial aristocracy" and correctly analyses the origin of what Lenin was to call the "financial Oligarchy."

17 See also V.I. Lenin, *Selected Works*, Progress Publishers, Moscow, 1971, p. 201.

18 Nabudere, *The Political Economy of Imperialism*.

19 Nabudere, *Imperialism, State and Race*.

20 Shivji, Issa G. *Class Struggles in Tanzania*, Monthly Review Press, New York, 1976.

21 With Anne King, *Economic History of Kenya and Uganda, 1870-1970*, Humanities Press, New Jersey, 1975, pp. 275-296 (Ch.14).

22 Foreign Investment Protection Act. 35/1964 as amended by Act No. 6/76, in particular sections 7 and 8.

23 See Marx, *Capital*, Vol. III, Moscow, 1971, pp. 279-280.

24 See also N. O. Jorgensen, "ICDC: Its Purpose and Performance," IDC Discussion Paper No. 47, Nairobi, April 1967. (ICDC and IDS stand for Industrial and Commercial Development Corporation and Institute of Development Studies respectively -- Ed. K.M.)

25 No. 63 of 1954.

26 E.A. Industrial Management Board later called the Industrial Management Corporation.

- 27 Vide s. 4 of the Ordinance.
- 28 Vide s. 9 of the Ordinance.
- 29 Vide s. 10 of the Ordinance.
- 30 Vide s. 12 of the Ordinance.
- 31 Now Cap. 486, Laws of Kenya.
- 32 Kenya Legislative Council Debates, 14 December 1954, Col. 1052.
- 33 Ibid.
- 34 The Industrial Development (Amendment) Bill, 1964.
- 35 The Industrial Development (Amendment) Act. 1967, (No. 7 of 1967).
- 36 Vide s. 2 of the Act, No. 7 of 1967.
- 37 Vide s. 3 of the Act, No. 7 of 1967.
- 38 Gower, Laurence Cecil with K. W. Wedderburn, O. Weaver and A.E.W. Park. *The Principles of Modern Company Law*, Stevens & Sons, London, 1969.
- 39 Vide s. 5 of the Act.
- 40 See Mitunga, The Rent Acts and the Housing Shortage in Kenya, LL.M. Dissertation, Dar es Salaam, 1974, p. 119 *et seq.*
- 41 Kamau Njogu has researched on the labour issues in this factory. He has also looked at the practical implications of the Joint Venture Agreement. So far he has found strict adherence to the terms of the Agreement. Meanwhile our workers are being exploited. Rivatex Kitenges are now on sale in Kenyan shops in various towns.

\* \* \*

ICDC's Operations As Seen From the Distribution of Investments

APPENDIX A

<u>Investments</u>	<u>1975</u>	<u>1974</u>	<u>Increase</u>	<u>%</u>
(a) Capital share- holdings				
(i) Subsidiaries	47,316,180	35,705,820	11,610,360	33
(ii) Associates	85,893,740	74,475,060	11,418,680	15
(b) Large and Medium- size Loans	50,566,548	24,336,680	26,229,868	108
(c) Kenya Industrial Estates				
(i) Infrastructure	34,681,178	18,860,740	15,820,438	84
(ii) Machinery Loans	24,162,757	111,700,280	12,462,477	107
(d) Small Loans				
(i) Industrial	35,685,336	30,058,320	5,627,016	19
(ii) Commercial	77,338,791	67,104,500	10,234,291	15
(iii) Property	87,445,732	78,017,800	9,427,932	12
(iv) Share Purchase	28,726	33,033,220	4,494	
(e) Fixed Assets	26,501,521	26,292,080	209,441	1
<b>TOTAL</b>	<b>469,620,509</b>	<b>366,584,500</b>	<b>103,036,009</b>	

Source: Report and Accounts 1974/75 p. 27.