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Asian African Business—the national
perspective

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Asian African Business—the national perspective

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Asian African business represents one of the major strengths of our economy. It has also represented from time to time one of the abrasive issues in our politics.

What was the position at Independence? In the years before December 1963 we saw ourselves through three spectrums. Firstly, we saw ourselves as a society in which there were overwhelming inequities after a colonial period of seventy years. The economy was divided into European ownership of the immensely productive White Highlands, African ownership of traditional areas severely restricted into Reserves that were now overcrowded uneconomic units, and Asian domination of retail business. Secondly, we acted on the basis that these occupations were near exclusive economic enclaves. There were no Africans and Asians farming in the White Highlands, relatively few Whites and Africans in retail trade, and no Europeans and Asians owning land in the Reserves. We were unfamiliar with each other's economic experience, and yet were rushing into a joint nationhood. Thirdly, we had been divided economically on the basis of racial aptitudes: Africans were good at doing heavy manual work but not business or government; Asians were good at business but not farming or self-rule, and Europeans were good at everything. Constantly, and in every field a pattern of racial stratification was offered as a description of the colony. I deliberately use these loaded and racial descriptions and terms (that most people did internalise), because they give you a flavour of how we looked at our problems and ourselves then.

Those who saw a future better than this were locked up, placed in detention or had been killed in the war of the preceding decade. Their release and the return of people from the detention camps brought at Independence a determination to do away with these inequities of income, to do away with economic opportunity that was based on colour or 'racial aptitude'. There

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would be neither exclusive highlands nor exclusive retail trade nor restrictive Reserves. We would no longer be unfamiliar with each other's economic experience.

We brought a mixture of idealism and practical politics to the solution of the conundrums created by our past. Our idealism would ensure that all Kenyans would be able to participate in any economic activity anywhere in any form. We would demonstrate that in our Constitution. We would proudly be a nation that was inclusive and that did not attach labels of colour to its diverse citizens. The practical politics part forced us to pay heed to the need for visible ownership of the economy by black Kenyans to be brought about quickly. We would pursue a process of Africanisation, not just of Kenyanisation. There were thus conflicts between our idealism and the immediate demands of our people. That gap was no bigger than that of any other country, and much, much less, for example, than the gap between the Declaration of Independence and the 1789 Constitution and the simultaneous presence of slavery in the United States.

In 1963 we began addressing that gap. First we addressed the issue of the White Highlands and began to buy out (not '*à la* Mugabe' to terrorise and to invade) those farms and, after subdivision, we created the settlement schemes and gave land and title deeds. Then our Government turned its attention to the retail trade and office jobs. A review took place and from 1965 we began to put into place legislation which would effect change in those areas.

In quick succession, Parliament passed the Landlord & Tenant Act 1966 for business premises, the Trade Licensing Act 1967, the Immigration Act 1967, and created the Africanisation Bureau. Over several years, notices were given to non-citizen-owned shops and non-citizen employees so that opportunities could be created for Kenyans, preferably black. The Industrial & Commercial Development Corporation (ICDC), the Industrial Development Bank (IBD), the Development Finance Corporation of Kenya (DFCK), and Housing Finance Corporation of Kenya (HFCK) pursued these aims in several ways—by giving loans to Kenyans as widely as possible, by never foreclosing on default, and by buying shares in public companies and corporations effecting black ownership through government participation in the economy. Loans for borrowers in rural areas were facilitated by the application of the Land Adjudication Act and the extension of the Registered Land Act. By these, land in the former Reserves could be mortgaged and credit obtained. Direct loans were given by the ICDC, by the Ministry of Commerce and, after government pressure, by the private commercial banks. In respect of the latter, ultimately it was necessary to buy out the whole of National & Grindlays Bank as a sign of

major black control of the economy. This became the Kenya Commercial Bank, KCB. Policy changes for preference were initiated in the Transport Licensing Board, the University, in construction contracts, in Government tendering, in loans from the private banks, and other sectors.

What we achieved by this was the access of Kenyans to credit. From the period 1963 to 1976, this process continued and the use of this credit saw borrowers buy land at home and elsewhere, and saw them putting up homesteads. Then, between 1976, 1977, 1978 and 1979 something significant happened. We experienced the Coffee Boom. This also coincided with our ability to buy cheap smuggled coffee from Uganda. The result was that substantial wealth came in. What happened for the first time was that black Kenyan businessmen had significant surpluses, and not just credit. These surpluses were no longer to go into buying rural land (which had already been bought) or in building farmhouses at home. For the first time this surplus was available for investment for other and substantial returns, and thus manifested itself as capital.

Now business premises including prestigious buildings in the cities were bought. Factories started to be put up. More significantly, banks owned by black Kenyans began to be established. This was the period 1978 to 1984.

All this while Asian businesses had thinned out after the Africanisation policies, and only those that were Kenyan had survived. These Asian African businesses had been through slumps and highs and had carried on. They had suffered through the fairness and the unfairness of Africanisation, and the dilemma of law versus political necessity had affected them. But they had no political cover. In 1963, the Kenya Indian Congress had voluntarily ceased operations. It believed that an ethnic-based political organisation was not proper in a free Kenya and that its members should carry out their political activity like any other Kenyan. But there was also the unwanted residue of the colonial period. The return of a racial minority to anything approaching power or parity with African control or even representation, would be viewed not just with suspicion and distrust, but with positive repugnance, and could result in a dangerous release of carefully controlled racial animosity. So Asian African business during this period was ignored by Government and left to fend for itself; there certainly were more urgent issues to tend to, or so thought the Government. However, those fewer businesses grew steadily, and due to the effect of all the above legislation on retail business, an increasing amount of Asian African business was now in industrial enterprises. Here, it was considered their larger capital would be filling a gap not capable of being taken

up presently by black entrepreneurs. It would thus be more productive, both financially and politically.

Thus in 1984, capital in Kenya consisted of five main pillars:

1. international capital, controlling finance, agriculture, and agro-business;
2. domestic capital which was Asian African, and invested principally in light industry and business properties;
3. domestic capital which was black Kenyan and private, and invested principally in financial institutions, light industry, business and residential properties;
4. domestic capital which was black Kenyan through the collective and co-operative sector including KFA, KCC, the tea growers, coffee growers and the co-operative unions; and
5. domestic capital which was black Kenyan and public, being governmental and parastatal holdings in every sector of the economy.

From 1984 we began to see a major intervention. Suddenly these black Kenyan private financial institutions and factories began to have problems. Their loans were called up. They were not given the usual accommodations. Government institutions stopped lending to them. The cost of money for them rose higher. Some companies were put into receivership. Some were sent into liquidation. Infusions of capital were denied to others. Down came Continental Bank, Jimba Credit, Valentine Footwear, Rural Urban Bank, Madhu Paper, (aftershocks affecting its descendants, Royal Card, and Citizen, are being felt today), all the constituent banks of what is now Consolidated Bank. I.C.D.C. lending in a certain province dried up. National banks refused loans to individuals from that province.

But the public economic activity also was attacked. KFA was reconstructed into another organisation. The elected committees of co-operative unions were dismissed. Compliant managements were imposed by the Commissioner for Co-operatives. State monopolies were maintained on the coffee auctions. The successive boards of KCC were tightly controlled. Payments due to farmers were withheld for long periods. The economic strength of all these institutions, which were running successfully for years after independence, suddenly faded. Industry after industry was brought down. Tea, coffee, sugar, textile, shoe manufacturing, have all seen dramatic adverse trends. Every single

governmental and parastatal institution holding funds was looted to collapse or imminent collapse.

Specifically, between 1984 and 1989 the pillar of private black Kenya capital was broken. This was not done by Asian African competitors or foreigners, but by our own Government. And public capital was equally damaged. All this was done by our own Government, because this government considered:

- 1) the creation and possession of wealth by other black Kenyans was a threat to its own political control; and
- 2) because that new domestic capital was Kikuyu.

Meanwhile what was happening during this period to the Asian African pillar of domestic capital? There were two principal effects: one, because it was by and large not disturbed by similar government-inspired liquidations and receiverships, it continued to grow steadily. Two, as the oppression and dictatorial nature of the government of the 1980s increased, these businesses did come under political pressure. They could not always resist this pressure. Lacking the organisational political voice and cover that the Kenya Indian Congress' absence left them to, many Asian African businessmen sought individual deals of protection with the oppressive regime. No longer politically able to protest, they felt they should instead exercise the option of quietly buying protection. Later there were no options left, and the price of that protection kept increasing and became prohibitive. Protection also often included identification with the regime. Commerce and industry, whether Asian African or Kikuyu, often turned into patronage. Several Asian African businessmen did resist these pressures and went through hard times. Today they are sound economic units. Those who had been with the regime in lucrative deals year after year are no longer viable commercial enterprises.

All this resulted in a combination of one pillar (the Kikuyu private sector) targeted for elimination, and parts of another (the Asian African businesses that succumbed), forced into extorted payments. Such a combination created a massive distortion in the operation of our domestic capital. Our commercial sector, once the pride of our nation and our Continent, was no longer a competitive force in national or world commerce. The Government regime and all commercial players had aided in creating corruption on a scale that had made us the third most corrupt nation in the world. These trends also camouflaged the pillars themselves. What for instance was national consciousness of that other pillar, international capital in Kenya, throughout this period? And what were its returns? Undisturbed, one would have to say. And unnoticed. While we Kenyans became dissatisfied with each other

increasingly on ethnic bases, international capital operations and profits continued unimpeded. All this also caused a massive distortion in the labour and trade union arena. But most of all, it caused a massive rise in poverty levels.

What is the national view on this dismal mismanagement of a once vibrant economy ? We can posit that breaking domestic capital by reason of its ethnic origins is bad economics, counter-productive and irrational capitalism. It only leads us to exactly where we are today: in the shambles of an economy in the minus mode.

On the other hand, no domestic capital can play a part in building an economy, or a nation, if it sees itself as Asian African or Kikuyu or any other ethnicity. It was equally an economic error for the Kenyatta regime to have pursued the rise of domestic capital in the context of creating capital for only a selected ethnic group, namely the Kikuyu, on a dominating and exclusive basis. It was not an accident that the 1984 black domestic capital was Kikuyu. Kenyatta's regime had funnelled every opportunity that way, and its backlash was the equally wrong programme to break it, pursued by the Moi regime. Neither approach was a national approach, though each had parochial justifications.

In the correction of all this, because Asian African domestic capital is a survivor, and within the failing ethnic politics is not a contender, it has a major and significant role to play. Giving up the ethnic approach is not enough. If we are to reconstruct our nation there are bigger and necessary tasks.

Domestic capital must clarify its concept of the role of Government in respect of the private sector. Does domestic capital believe in the theory that an authoritarian undemocratic government is the proper environment for economic growth? It is now necessary for the private sector to abandon this outmoded approach, which has now been disproved even in its supposed examples, the Tiger economies of South-East Asia. It is necessary to acknowledge that the opposite is true, and to draw upon the honoured work of Economics Nobel Prize Winner Amartya Sen. Better human rights in a country is a proven base for better and sustained economic growth and betterment.

Are there sections of the private sector that have no conceptual approach to government at all? To them is it an evil to be suffered, kept a distance from, and best seen through the sand in which it is safest to bury one's head? Is this particularly true of Asian African domestic capital? I think it is, though it is equally true of other domestic capital too. The slide of all domestic capital into uncertainty, the inability to plan, the high difficulty of making informed

predictions upon which to project growth, the deepening poverty of our people, the absence of property sales and prices, and the decline of local markets, all confirm that it is fundamental to the survival and growth of the private sector that it cannot continue being indifferent to corrupt governments and bad governance. The private sector and particularly the strong Asian African component within it must decide on its attitude to such government.

What the economic events of the past fifteen years show is that far from being silent, or currying favour with our government, it is necessary for the private sector to make a commitment to democratic structures in the country and for democratic change as a programme. It is not an accident that change in South Africa commenced with the active urging of big business.

Thirdly, arising out of this is the corollary: the private sector and Asian African businesses can no longer be silent on national issues. Are Kenyan private sector businesses, whether Kikuyu, Asian African or anything else, not Kenyan? Are they not affected by a held-up Telkom sale or a withheld IMF tranche or a new constitution or people getting beaten up in the streets? Yet Kenyans do not hear the private sector or any part of it voice its opinion on any of these events, much less speaking up for any of the protagonists. What is going on? Are you living in the same country with us other Kenyans?

Fourthly, it is necessary for domestic capital to look to not just investment, but nationalist investment, in precisely this era of enforced globalisation. There are areas of the economy that for our national security, we must be self-sufficient in, regardless of the demands of those who seek to impose 'globalisation' or cheaper liberalised economies. It took years from the late 1890s to 1912 for Jamshedji Tata the founder of what is now the great Tata giant of industry, and his successors, (he died in 1904), to put up an iron and steel factory in India. He was a businessman. Thereby he made huge sums of money. But he also made India free of its dependency upon British industry, and made India self-sufficient. Its maturity took years, but his vision was clear. He would be a good businessman, **and** a free man. Both. Globalisation or not, no one can, a century later, dictate to India in this critical area.

It is now coming on to forty years after Independence, and it is necessary for domestic capital to define its role in the national economy and not be simply an agent of international financial lenders mutely echoing their imposed preferences. The question is, what do Kenyans think is good for Kenya's economy? The private sector knows. But it does not speak. It has a critical input to make here. And there is only deafening silence.

In all this, without any ethnic gain in the present ethnic-based politics, Asian African businesses can show the way to a rejection of all this, discover a voice that can be respected for its disinterestedness. Rational profits and national interest are not incompatible, and will show a way in even this distorted Kenya. That is why Dr. Manu Chandaria was elected the most respected CEO by his peers.

It is time for Asian African domestic capital to turn economic muscle into political strength for the good of the whole nation. Asian African businesspersons are not contending for presidencies or offices. They can be a force for public good. Their participation is not only welcome at this critical stage of our country's problems, it is vitally necessary. There must be participation in economic debate, in political debate, in the search for solutions, and therefore necessarily in political activity. Political activity does not mean only going to Uhuru Park and Kamukunji and appearing the same evening on television. Political activity is any participation to ensure that our country moves as much as possible in the right direction. It means helping to articulate that direction, sharing experiences which helps us to avoid past mistakes, bringing an end to extortion, moving the country on to positive and productive directions. None of this is the contentious physical politics that bad governance has brought about.

Businessmen usually say they keep away from politics. But abandoning all politics because politicians are a disaster, is not only the sure way to continue bad politics, it is also bad economics. We know we have serious problems in our country. It is not only that we have cruelly impoverished ourselves, we have also destroyed our trust in each other, polarised Kenya, and destroyed our faith in politics to reverse all this. That is why we turn to supposedly more trustworthy and supposedly higher ties, like tribe, or religion or race or colour or whatever. That is why it is easy for those already in power to gain and remain in power through the manipulation of those basic loyalties, and supposedly basic enmities. More than ever, we need heads and hands (and hearts) that will help us to be a nation, and not a conglomerate of tribal atoms in conflict.

So these tribal and racial and other labels of origin which we have seen for so long, whose definitions were these? "Asian trader" 'Asian, Arab, African, European', 'minorities' 'immigrant' 'majority' 'indigenous' 'Africanisation'. They are not terms for a free people, they are the vocabulary of dividing Kenyans.

Dr. Sultan Somjee has reminded us that it is for us to define ourselves. That is how you see me speaking today of the Asian Africans, and not of 'Asian

businessmen', a racial tag attached by others in our past. When the Asian community defined *itself* they found something else: they found Asian Africans, a complex portion of Kenyan and East African peoples and history.

The commercial heritage, is likewise a major Kenyan achievement. In the 1930s, industrial plants were erected by persons who had the vision to look half a century into the future and the ability to organize it *then*. In the 1940s, Kenya was assembling bicycles in Nairobi. The Railway Workshops of the railway were producing wagons in Nairobi in 1911, and passenger carriages in 1921. Throughout the war from 1939 to 1945 those Railways Workshops manufactured every spare part needed for both the railways and the armed forces here. That heritage of capital with vision, and labour with highly developed skills and education, is one that shows that Kenya has a deep foundation to draw on. And which we now need to recall and restore.

In conclusion, I would like to emphasise two points. First, I would like to remind you that the task ahead of Kenya is the reconstruction of an economy that is in great difficulty and yet has the potential to be productive. This country is bursting with man-power to run an economy which can be well-managed and be profitable without the grand corruption of the past.

Secondly, I will contradict my opening remarks. There, I said Asian African business is one of our strengths and a significant issue in our politics. Now I urge from the national perspective, that there is no such thing as Asian African business, but only Kenyan domestic capital, and that it is not a political issue because of ethnicity, but a tool for the recovery and reconstruction of Kenyan prosperity. That by rejecting our old labels and rejecting ethnic-based identification, like Kalenjin capital to be made, or Kikuyu capital to be destroyed, and by defining ourselves anew as Kenyan domestic capital which is national and nationalist, we shall forge out of this darkness with strength into increased wealth, increasingly shared.