LESS THAN AN EMPIRE AND MORE THAN BRITISH: FOREIGN INVESTOR COMPETITION IN GHANA AND NIGERIA IN THE 1960s

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Abstract

The post-war British empire has been described as "more than British and less than an *imperium*." Once decolonisation began, it was "nationalized and internationalized as part of the Anglo-American coalition." This process continued after independence in Ghana and Nigeria, which experienced economic booms that attracted different international investors, sometimes with political motivation and frequently with home country support in terms of risk guaranties. These investments favoured contracting, turnkey factories and suppliers' credit, which created a political economy of favouritism and corruption that saddled newly independent countries with significant amounts of debt when economic conditions deteriorated. Substantial competition between Western foreign investors, such as West Germany, the UK and the US, were the result of a shared economic vision of Western economic dominance around the world. What this vision did not resolve was how this economic and commercial dominance would be shared between different Western investors and African governments.

Kwame Nkrumah raised the spectre of neocolonialism with his book, alleging joint diplomatic and corporate efforts to keep African countries subject to an informal empire.[1] While imperial historians overwhelmingly agreed that empire went beyond the boundaries of those areas covered in red, after decolonization this concept of informal empire became even more difficult:

> It should be a commonplace, therefore, that the post-war Empire was more than British and less than an *imperium*. As it survived, so it was nationalized and internationalized as part of the Anglo-American coalition.[2]

It became less than an empire because the traditional forms of informal empire were hard to maintain as a result of Cold War competition and the relative decline of Britain as an economic and political force in the post-war world. Research into the relationship of British business and the government during decolonization has shown a conspicuous absence of official interest in the multinational agents of informal empire.[3] At the same time as the informal empire was internationalized as an Anglo-American, or broadly Western, sphere of influence. Like the informal empire in the nineteenth century, economic and commercial interests interlinked with political and diplomatic ones in ways that were neither clearly defined nor consistent over time. As Britain decolonized its empire in Africa, other Western interests, such as the United States, West Germany and France sought to gain influence and economic opportunity.

This has often been discussed in terms of Cold War competition. For investors such as the US and West Germany, competition with the Soviet Union and East Germany was undoubtedly important.[4] But competition in terms of foreign investment among the Western powers was also very common, as was taking recourse to ambassadors and home governments for investment support. How Britain imagined its former colonial markets became increasingly shaped by how other significant foreign investor nations viewed them, most notably the US and West Germany.

As a result of post-war economic growth and the competition between investors formerly excluded from colonial dependencies, newly independent countries experienced a surge in investment in the 1960s, and Ghana and Nigeria were no exception to this. These countries were of little direct geopolitical importance in terms of resource security (this obviously changed after Nigeria began exporting oil in the late 1960s) or ideologically based proxy wars (despite Nkrumah's rhetoric and visibility in international affairs), something they had in common with the majority of former colonial territories. This new investment mostly came from Western Europe (West Germany, the Netherlands, France) and North America.

Extensive research in British, Ghanaian, German and US archives highlights a number of interconnected issues that shaped West African economies: the diplomatic efforts of private foreign investors in gaining support from their home governments; the nature of the investment, specifically contractors and supplier credit and the subsequent increase in indebtedness of new states; the role of export credit guarantees and other forms of government support for foreign investors; and finally corruption and bribery linked to opportunistic business practices and the emergence of postcolonial, neo-patrimonial states. All of these combined created economic "bubbles", driven by easy access to finance, often partially guaranteed by investors' home governments; imaginary economic opportunities for which the bill would have to be paid later.

I

After political independence, economic decolonization was considered the next step.[5] The Gold Coast was the first sub-Saharan African colony to gain independence as Ghana in 1957, with Nigeria following suit in 1960. Both countries emerged into independence with their commercial sector dominated by British firms. African firms were largely marginalized, and other foreign investors had been restrained through a variety of informal measures, with some French, Swiss and German trading companies present. Nigeria and Ghana chose different avenues to address these imbalances: Nigeria was larger and less developed than Ghana and remained generally pro-Western in its economic policies. Ghana was significantly smaller in physical size and population, considered to be one of the more highly developed countries on the continent (other than South Africa), experimented with Afro-socialism under Kwame Nkrumah and subsequently continued to control foreign exchange rates.

Both countries, however, subscribed to the view that economic development required industrialization, and that their backward economies needed modernization. Modernization and economic decolonization required that international investments were diversified while creating more domestic industry. The latter was often addressed through creating state-owned enterprises (SOEs) or development agencies, as the capital requirements appeared to be beyond private industry. However, there was also a sense, in some cases, that private industry could potentially challenge the government if it became too influential, so the support for domestic industry was often ambiguous and at times non-existent. Development agencies and SOEs were supposed to deliver the twin objectives of modernization and diversification with the help of new foreign investors from Europe and North America who provided supplier's credit, turnkey factories and contracting services.

Incumbent firms such as the United Africa Company (UAC), a Unilever subsidiary, controlled a large percentage of the import and export trade in West Africa and expanded into manufacturing and department stores in the 1950s and 1960s. Strongly identified as an "imperial business", the company became the target of the general dissatisfaction with existing foreign business.[6] African politicians were understandably cynical about the political strategies of former imperial companies, as were other foreign investors, particularly the Americans.[7] During the negotiations for the Ghanaian investment bill in 1963, American business felt that the British business community alienated the committee under Minister Aye-Kumi by seeking to include provision which the committee felt were “not justified, […] too greedy and reminiscent of past colonial exploitation.”[8] It is difficult to disentangle whether it was the result of anti-imperial sentiment that much of the politically driven investments in industrialization projects went to new investors from the US, Israel and West Germany, or whether it was the result of national competitive advantage in machinery and engineering exports that these countries held over Britain.

Yet after the heady days of early independence, criticism of turnkey factories and other industrialization projects was ripe, as by the late 1960s these showed clear signs of having been inappropriate, overpriced, and in some cases connected to overt bribery. Although African countries should have benefitted from the increased competition and rivalry between different investors and investor countries, the opposite was in fact the case. Nigeria and Ghana are important case studies for these issues precisely because contemporary observers were of the opinion that these issues first manifested themselves in Anglophone West Africa, mostly because this was where African leaders first assumed executive control.[9] Ghana, moreover, was highlighted as one of the main recipients on suppliers’ credit, partly because most of it went to public-sector institutions and thus data was more readily available than in other cases. Around 60-80 percent of the country’s foreign exchange liabilities between 1964 and 1969 were based on suppliers’ credit, compared to 5-20 percent in the same time period for Uganda (see table 1).[10]

Table 1: Ghana's foreign exchange liabilities (in N₵000)

End of year	*Total liabilities*	*Liabilities of suppliers' credits*	*Percentage of total*
1963	38,372	n.a.	-
1964	346,486	286,276	82.4
1965	378,363	301,010	79.5
1966	395,337	283,583	71.9
1967	483,985	341,173	70.5
1968	494,254	324,827	67.1
1969	496,187	301,940	60.9

Source: DA Cohen and MA Tribe, 'Suppliers' Credits in Ghana and Uganda: an Aspect of the Imperialist System', *Journal of Modern African Studies*, 10 (1972), 530–1.

As Peter Kilby pointed out in his study of industrialization in Nigeria, the late 1950s saw significant changes in the structure of West African colonies, and his description also fits Ghana, which was as economically vibrant at the time.

> "The rapid post-war growth in imports (from £20m in 1946 to £166m in 1958) had a profound effect on the structure of competition. The general enrichment of the market attracted many new sellers and, at the same time, by permitting geographic specialization reduced the capital requirements for entry. The new sellers may be divided into three groups: merchant firms, manufacturers' sales agencies and Nigerian traders."[11]

These new entrants threatened the dominance of the established merchant companies, even though this type of investment mostly targeted manufacturing, as this was an area that merchant companies increasingly ventured into. As a result of government policies and clearly stated preference that retail should be reserved for Africans, the merchant companies withdrew from some traditional activities (including produce buying), and refocused their activities onto wholesale trading and distribution as well as some manufacturing consumer goods, sometimes in joint ventures with technical partners.[12]

Significant new investments that challenged the status quo in formerly British territories came not only from the US, but also from mainland Europe, especially West Germany, the Netherlands and France. While the ideological competition from the Eastern bloc countries may have been considered fierce, its economic competition appeared decidedly less significant. In fact, US and German investors seemed to refer to it more as a rhetorical device to ask for government support, while any reference to direct commercial competition normally identified other Western companies.

There was a general sense that in the first years after independence, the British government did not support investors in the same way other Western countries did, and appeared willing to sacrifice economic influence for good political relations with newly independent countries. As Sarah Stockwell, Nicholas White and Larry Butler have shown in their studies of the political strategies of business during decolonisation, British business was not very close to the UK government during this phase, and had neither great influence on official policy, nor experienced much support from its home government.[13] However, the British commercial presence (and remaining administrative presence) in formerly colonial countries was so strong that other investor countries, for example the Rockefeller Foundation representative in Nigeria, felt that British investment was unduly favoured anyway without any overt corporate political activity.[14]

It is clear from business archives that company representatives had a close eye on diplomatic relations after independence. One of Barclays Bank senior managers, Brian Macdona, reported back on his experience when attending the opening of

Broadcasting House ("all notables of Ghana, black and white and party-coloured") in Ghana's capital Accra in 1958: "Really, nobody could have cared about him [Lord Listowel, Governor-General] less and I was most concerned, if not a little horrified." He went on to describe that only few speakers refer to his excellency, when taken round for small talk, and that the new prime minister, Kwame Nkrumah, would go off and talk to people and leave him on his own to talk to whoever floated by. "I think they have got a lot to learn as to their relations with a Governor-General but I doubt very much whether the present incumbent of the office is the sort of fellow to teach them the respect which is due to his seat." He discussed his impressions with professor W Arthur Lewis, at the time still one of Nkrumah's economic advisors: "He thinks that Lord Listowel is doing well and is showing a proper appreciation of the change in status of Governor-General of Ghana from that of a governor of the Gold Coast. He thinks that Listowel is deliberately 'playing it softly' and allowing himself rather to be ignored on occasions and playing very much second fiddle to Nkrumah and the senior Ministers."[15]

The way diplomatic representatives from investors' home countries presented themselves to the elites of the new African countries was also closely observed by West German investors. The local representative for Otto Wolff OHG, a major West German, family-owned steel and machinery manufacturing and trading company, similarly reported back on what diplomatic changes were afoot in Nigeria. In this case the news was that the West German ambassador, Dr Graf von Posadowsky-Wehner, was to be replaced due to his over-indulging the Nigerians and "failing to show sufficient interest for German concerns."[16] This was seen as regrettable, as he was apparently beginning to change to a more acceptable position, according to the representative. Large US corporations, such as Kaiser Industries, similarly maintained relatively close relationships with the US administration and its diplomatic representatives.[17]

Ghana's new political elite was similarly interested in diplomatic machinations and quite suspicious of potential British machinations that could have prevented them from strengthening relations with other European powers. Ghana's ambassador to West German, Theodore O Asare, kept Nkrumah informed of potential conspiracies:

> "There is now a triangular gentleman agreement relating to the economic and political spheres of influence in Africa in which Ghana is a party. This appears to be between German, British and French Governments. The British are demanding that Germany should go slow in granting aids to Ghana towards our Industrial Development Plan, also in matters of education and culture; Germany should let Britain dominate. Strict instruction have been given to the German ambassador on this matter as a means of pleasing Britain and France although within their hearts the Germans are opposed to it. They would prefer the initiative to be taken by Ghana to release them out of this Dilemma [sic] […] The provisions of this agreement are not known by industrial Germany and has not been brought and cannot be brought officially to the attention of industrial Germany."[18]

Only a few months later, when the financing for the Volta River Project was still not settled in early 1960, the Ghanaian government requested finance from the Federal Republic of Germany. The internal correspondence of the West German foreign office showed little evidence of such a "gentlemen's agreement", but lamented its inability to afford the facilities of DM700 million, because of the attendant danger of Ghana being "lost for the West". Similar to the US, West German foreign politics was heavily influenced by Cold War considerations, and the Soviet threat was judged to be severe enough to merit that Germany should take the initiative to work with other states and the World Bank to find the necessary finance.[19] This finance never materialized from the German side. Yet the Volta River Project was considered of such central importance that nearly everyone seemed willing to try just because of the geopolitical relevance they attributed to it. The retiring UK High Commissioner to Ghana, Sir Arthur Snelling, hoped that if the Americans would refuse to finance the Volta River Dam project, finance would be forthcoming from either the British Government or the United Africa Company, a Unilever subsidiary, "in view of importance of this scheme to President Nkrumah".[20] Eventually US investors (Kaiser Aluminum & Chemicals Corporation and Reynolds Corporation) and the US government (Eximbank), together with the World Bank, raised the funding, precisely because they viewed it as crucial for keeping Ghana allied with the West.[21]

US investment in West Africa remained relatively insignificant in the early 1960s, and support for it appeared quite ideologically driven. For Ghana, an economic report in the Economist in 1966 identified the British UAC and the US Volta Aluminium Company (VALCO) – the company at the centre of the Volta River Project – as the two largest foreign investors in the country, accounting for about half of the estimated £150m foreign investment in the country.[22] VALCO's existence was the result of significant private business diplomacy.[23] No similarly dominant US investor existed in Nigeria. In a lengthy and emphatic letter to the US ambassador to Nigeria by the local representative of the Rockefeller Brothers Fund in Lagos, US foreign investment appears replete with manifest destiny:

> "In any judgment, these years immediately following Independence constitute a 'watershed' period during which those firms, hopeful of playing a major role in Nigeria future, must establish their footholds. […] This is the time when the

> ‘seeding industries’ are being established, those on which other industrial developments depend: iron and steel, textiles, salt and chemicals, cement, flour, petroleum refining, etc. Inevitably, those nations which win control of these industries enjoy a great advantage in the struggle to dominate the many ancillary developments which follow. […] Whoever dominated industry will enjoy great commercial advantages as well, so there is much to be gained by concerted action now, and commensurately, much to be lost if we fail. […] This is another reason for haste in the establishment of American beach-heads.”[24]

The language of war and colonizing territory (beach-heads, seeding, struggle, dominate, footholds, watershed) seems outdated now, but what is more interesting is that this letter from 1962 did not use this language in the context of Cold War ideology. On the contrary, where concerns about other investors were expressed, these were directed at other Western companies. The anti-competitive practices of monopolistic British trading companies such as the UAC were sharply criticized, as was the unconscious pro-British bias of the remaining expatriates in the administration, while at the same the suspicion of colonial motives by foreign investors on the part of the Nigerian elites were acknowledged. In his response, the US ambassador curiously referred to a speech he gave on which he received very positive feedback, however “one always wonders whether there is not simply a tendency—however well intentioned – for people to tell you what they think want to hear. It would be most helpful to me, in connection with future speeches, to receive from you any other reactions which you might here through that year which you so able keep close to the ground.”[25] This odd request suggests that the ambassador was concerned with the opinion of US investors in Nigeria, and may have been subject to similar suspicions or criticisms as his British and German counterparts.

II

By the late 1960s, dissatisfaction across Africa with the slow pace of industrialization and the behaviour of foreign investors was growing. Nigeria and Ghana witnessed the overthrow of the post-independence government early in 1966, and the successors were highly critical of the types of investment, its performance, and the contracts associated with it. Academics like Esseks and Schatz similarly criticised what they perceived at the time as an emerging pattern of economic decolonization subverted by corporate neo-imperialism – the latter particularly associated with non-traditional investors. Schatz mentions four 'new' types of business that had gained particular notoriety: equipment sales, supplier credits, contractor finance and feasibility surveys.[26] In the industrial sector and construction industry, these four were frequently closely connected.

Schatz criticized that home governments frequently backed these questionable business deals, either intentionally or unintentionally, through export credit and political risk guaranties. Most Western governments provided some form of protection backed by public funds to promote exports and foreign investment, primarily to politically risky destinations, but at least in the case of the German Hermes insurance, coverage was also extended to "secure" states, and to some types of commercial risk.[27] The organization of these guaranties differed among Western states, the key organizations dealt with here are the US Eximbank, the UK Export

Credit Guarantee Department (ECGD), and the German Hermes Insurance (see Table 2).

Table 2: Types of export credit and political risk coverage

Country	**USA**	**UK**	**FRG**
Organisation	Eximbank	ECGD	Hermes
Type of cover	Provides government-backed credit at normal commercial conditions through Eximbank, US government effectively assumes risk	Provides finance and insurance for UK exports	Provides insurance for deals with government & private entities
Excess	0%	5%	20%
Cost	At commercial rates	More expensive	Cheaper
Coverage	Narrower	Narrower	Broader
Percentage of exports covered	Not known	15-20%[1]	Not known

[1]BoE OV172/4.

A lot of US investment was politically motivated, such as the involvement of Kaiser Engineers, Kaiser Aluminum & Chemicals Company, and Reynolds Corporation in the Volta River Project. The political rationale behind most West German investment was driven by a desire to re-establish the international commercial position lost during World War II. German foreign investment focused mostly on developed countries, and amongst the developing economies, where business was more likely to require Hermes cover, India, UAE, Argentina and Iran were foremost (see Table 3 for a comparison with West Africa). The newly emerging African states were also of interest, although not of the same strategic importance as Asian, Middle Eastern and Latin American countries.

Table 3: Hermes obligations in 1959 (in DM millions)

Country	Current	Accepted	Special obligations
India[1]	1,590	423	-
UAE[1]	599	255	2x200, one for Aswan dam construction
Argentina[1]	768	214	200 special fund petroleum industry
Iran[1]	386	605	-
British West Africa[2]	2.54	33	-
Ghana[2]	3.76	7.89	-

Source: Memo - concentration of Hermes obligations, 13 May 1959; List of [Hermes] obligations, 9 June 1959, PAAA B55.2-287.

[1] As of 28.4.59. [2] As of 26.5.59.

Note: Hermes obligations in 1963 showed a slightly different spread, with Argentina, Brazil, Egypt, Iran, Turkey and South Korea showing the greatest concentration of Hermes obligations. Memo 13.3.63, PAAA B55.2-287.

Businessmen in these countries tended to compare their own provisions unfavourably to other countries. US American businessmen argued that the coverage available to them was insufficient compared to Western Germany's Hermes insurance:

> "From the Business International report, the Germans are far out in front and the United States really has a big 'Guarantee Gap'."[28]

On the basis of this analysis, the US multinational Kaisers sought additional risk guarantees for its proposed aluminium smelter in Ghana in addition to the Eximbank funding that they would receive for the Volta River Project. The company argued that the standard type of political risk guarantee was not adequate as it did not cover political risks such as revolution, riots and civil strife, nor any US trade restrictions. The guarantee could not cover more than twenty years, when Kaisers was to sign a contract for thirty. Also, the coverage of expropriation risks was vague, and described as "an invitation to a law suit."[29] The aluminium consortium preferred a Development Loan Fund guaranty for ninety percent of their equity investment, assuming that ten percent would be normal business risk. This was not entirely accurate, because Valco was a tolling company (processing raw materials from and delivering finished aluminium to its owners), it had no normal business-type risk (other than theft, accidents etc.). The government basically accepted this, with backing from Kennedy directly, and Kaisers were satisfied that the coverage was very near comprehensive.[30]

In West Germany, the Arbeitsgemeinschaft Aussenhandel der deutschen Wirtschaft (AG Aussenhandel, Consortium of External Trade of the German Economy) requested to lower the excess of Hermes coverage from twenty percent to ten, in order to allow German firms to compete more effectively in developing countries overseas with companies from Great Britain, Italy, Switzerland and the Netherlands amongst others, where excess on guaranties was much lower. German firms claimed they were losing contracts because they required expensive bank loans (in addition to being exposed to capital transfer and currency risk).[31] The Ministry's response was negative, and sceptical of the latter claim. They pointed out that the overall levels of, as well as the consistent increases in export surpluses in 1959, made any criticisms of Hermes's shortcomings unconvincing.[32]

In the UK, criticism of ECGD focused on the strict limitation to a maximum of five years for loans covered, the high cost of the insurance and the danger of credit limits being revoked in certain countries. More importantly, British exporters and investors were dismayed by the competition from other European countries that disregarded Berne rules, especially the above-mentioned five-year maximum for commercial credit. This applied particularly to France, Italy and West Germany, although Hermes was considered to be generally above board. But German business could get finance with the Kreditanstalt fuer Wiederaufbau (Bank for Reconstruction, KFW). KFW was in effect a development bank that was originally instituted to support West Germany's postwar reconstruction, but subsequently shifted towards a model similar to the US Eximbank, providing a mix of export promoting private sector development finance.[33] In the case of France's it was the practice of providing so-called credite-mixtes, which overlapped with private development finance. These credits did not require the common 15-20 percent down payment. The US Eximbank was an associate member of the Berne Union generally conformed to its practice on suppliers' credit, but not in terms of development loans.[34] ECGD was regularly criticised for its firm line on the five-year limit, high premiums and low levels of cover for risky markets. The Bank of England noted that the Berne Union five-year rule was being broken mainly government intervention in Germany and France, and that KFW, for example, could offer semi-official facilities beyond five years.[35] The only thing political risk guaranties seemed to have in common was that every country had its companies complaining about better treatment of their international competitors by their home governments.[36]

The German foreign office was aware of some of the criticisms of export credit guaranties. In response to the complaint from the AG Aussenhandel about the comparatively high level of excess on Hermes coverage, Dr Henkel of the Federal

Ministry of the Economy justified the ministerial decision to only consider lower levels in exceptional circumstances in these terms:

> "The level of excess is an indispensable measure to induce the exporter to make a careful selection of business deals for which federal coverage is claimed. This contributes to reducing the risk of failed investments. It furthermore reinforces the interest and personal responsibility of the exporter for the correct execution of export deals. The degree and composition by country of the claims with which the federal budget has been charged as a result of actual losses, or in order to avoid the threat of political risk-induced outstanding losses, reveals that if excess is too low, it essentially serves as an inducement to enter into business deals with such countries that are in no position to meet their commitments, particularly considering that profit margins in such deals are frequently especially high."[37]

Although the standard twenty percent excess was in some cases higher than in other European countries (generally ten percent, but only five percent with ECGD), but this was seen to be more than matched by the lower cost of Hermes and the more comprehensive coverage of risks.[38]

Both large as well as small West German exporters disagreed with the high levels of excess of Hermes insurance. The association of smaller exporters specifically criticized that the majority of losses due to political risk in overseas developing countries were the result of large-scale projects driven by political concerns. Hence, they particularly criticized that the minister of the economy, Dr Ludwig Erhardt, had justified higher excess because of these losses, which in effect made small to medium-sized exporters shoulder part of a burden that was caused by large-scale politically-induced projects.[39] This composition of Hermes cover was in stark contrast to the ECGD, which was "over weighted" with smaller firms, since companies with long-established connections deemed cover unnecessary.[40]

As early as 1959 the German ministries were clearly aware of the trade distortions that export credit and political risk guaranties caused, as well as the frequently questionable nature of how some of these deals were negotiated and discharged. There had been a large number of deals covered by Hermes that broke the law of either the country extending, or the country receiving the guarantee, especially in Argentina, Brazil, Chile, Columbia, Ecuador, Iran, Paraguay, Spain and Turkey. These practices included invoicing too low, too high, or twice, refunds of payments, payments in a foreign currency into a third country either without permission or entirely illegal.[41] These practices pointed towards the payment of bribes and transfer pricing.

III

The combination of political motivations to invest and the availability of finance and political risk guaranties drove the rise in a new type of foreign investor. West German archives were quite revealing in terms of the issues this raised. Similarly, to the US, Cold War rhetoric featured heavily in the foreign investment policy of business and public policy circles, mostly because West Germany enforced the Hallstein doctrine in its external affairs. The Hallstein doctrine stated that the West German government would sever all diplomatic ties, including development aid, and not extend any export guarantee to a country that recognized the East German state. West German big business carried over this doctrine into decision-making to some extent as well, although some notable exceptions such as Otto Wolff OHG, which was, together with Krupp and Thyssen, amongst the pioneers in West Germany to begin trading with Soviet bloc countries in the 1950s – according to internal sources this trade amounted to twelve percent of group turnover in the 1970.[42]

By 1961, Nkrumah's pro-Soviet statements on Cold War issues, esp. in the Congo conflict and on the recognition of two Germanies, alienated public opinion in the US and West Germany further, and the press remained highly critical of Nkrumah's autocratic style in subsequent years.[43] In the early 1960s Hermes cover was granted to many West German companies, some of them quite questionable such as the Drevicis, as a result of competition from East Germany, which was referred to as SBZ (Soviet Occupied Zone) rather than its official name. Nevertheless, the Foreign Office also requested information on comparable terms from the UK's ECGD at times. Even though Ghana's position on the non-recognition of East Germany was considered "extremely unsatisfactory", this was not seen as a sufficient reason to change existing agreements on the Hermes cover, especially as the country was considered as creditworthy at the time.[44]

The other factor influencing political backing for German investment was old-fashioned nationalism. For example, the West German foreign office intervened in the bankruptcy of the trading company G.L. Gaiser in Nigeria, which represented ten German industrial corporations and had an agreement with the Dutch trading company Borsumij as well. Borsumij (N.V. Borneo Sumatra Maatschappij) was a Dutch trading company from Den Haag, which apparently sought to enter the Nigerian automobile business as they had been "kicked out of Indonesia".[45] Despite ample evidence of mismanagement, bad debts, dubious political and financial contacts to the African Continental Bank (which had significant links to one of Nigeria's political parties), West German authorities clearly leaned on the foreign office to "not lose Gaiser for German export".[46] The aim was to keep out Borsumij and Unilever. In the case of Unilever, through the dominant position of its fully-owned subsidiary UAC, this appears to be a somewhat unrealistic or perhaps ill-informed goal, which nevertheless illustrates the ongoing rivalry between European neighbours in international commerce.

West Germany's comparative advantage was, however, not in trade, but rather in export-driven investment, especially in terms of machinery and construction services, often in the form of turnkey factories. These factories were sometimes bought by private companies, but mostly purchased by Nigerian government development boards or Ghanaian SOEs and became the target of significant criticisms in the late 1960s. The majority of German turnkey factories and other types of contracted construction in West Africa apparently came from the Hamburg-based company Coutinho, Caro & Co (CCC). Peter Kilby listed a number of CCC projects in Nigeria, which amounted to £18m worth of turnkey factories alone, an impressive amount considering the overall size of the sector:

> "Yet the promotional activities of German, Italian and Israeli machinery merchants have resulted in over £30m in public investment since 1962, and most of it in uneconomic projects."[47]

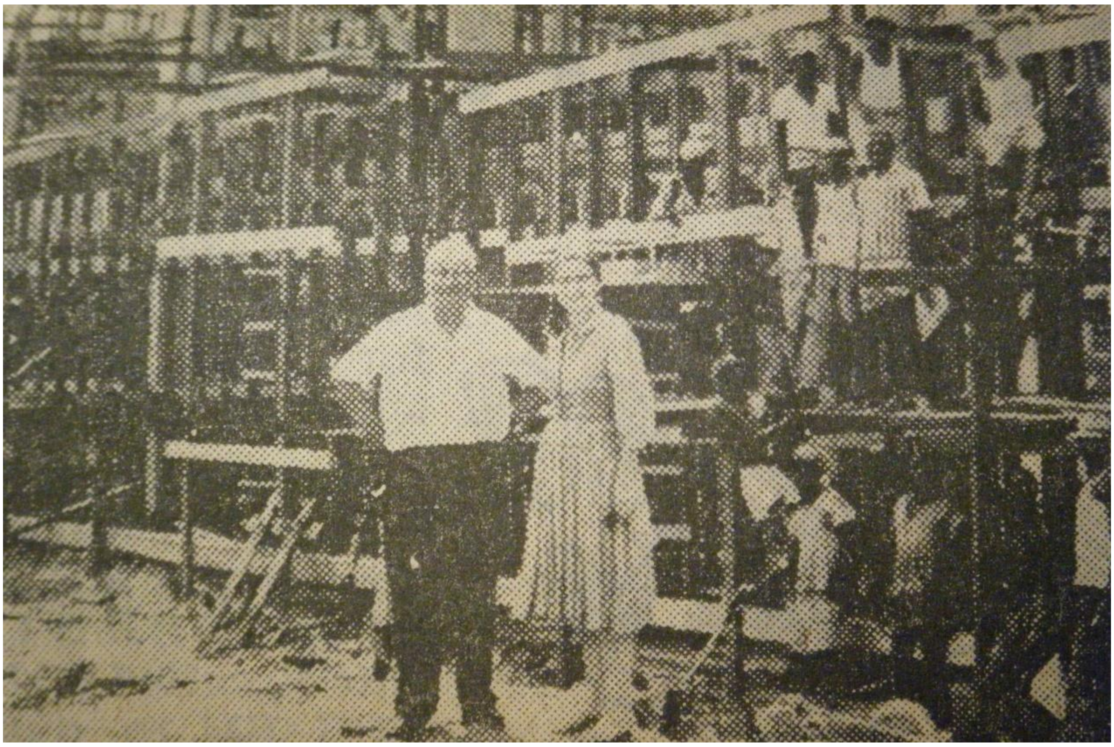
Otto Wolff joined into a public-private consortium with the Nigerian investment and development organizations for the Midwest Textile Mill at Asaba (Danylow & Soénius, 2005). Their experience with CCC were not positive, and internal memos noted to triple check every suggestion from CCC before entering any agreements, because their negotiators found that during seven hours' worth of meetings, Coutinho continuously attempted to downplay certain issues or deal with them nonchalantly. Otto Wolff's impression was that CCC's modus operandi was to only develop a project in detail after the contracts were signed, and then search for [Hermes] cover for deliveries. This was furthermore perceived as an interesting fact about their current options in terms of gaining finance.[48] By 1972, CCC was on a list of undesirable foreigners in Nigeria.[49]

The key issue with these types of investment were that the opportunities for bribery and corruption were significantly larger than for traditional private foreign investment into subsidiaries or joint ventures. Contemporary observers were frequently disappointed with the performance of the newly independent African governments, especially the problematic standards of governance regarding economic and commercial matters:

> "The atmosphere of easy money rampant in the fifties was the undoing of public thrift. After 1960-61 when cocoa prices tumbled and the reserves began to shrink, the old habits stubbornly persisted. […] After 1951 Ghana had become a happy hunting ground for business entrepreneurs from many countries […] They quickly discovered that Ghana's politicians spoke out against 'capitalism' with one side of their mouths whilst they sucked its sweets with the other."[50]

This formed part of a wider discourse of corruption that emerged during the decolonization in the British territories. The outgoing colonial administration became highly critical of the standards of governance of the new African political elite, frequently in order to remove someone too radical and unsympathetic to colonial officials. As Robert Tignor showed for Nigeria, this discourse of corruption was accepted by African public opinion, and in the years after independence, there was evidence that African governments now began to employ these arguments against foreign business.[51]

Figure 1: The Drevicis in their cocoa processing plant



Source: Evening News [Ghana], undated press clipping from PAAA B55/2-247.[52]

This particularly applied to some of the new turnkey investments. One case caught the attention of governments and investors alike: a cocoa processing plant in Ghana that was associated with a Mr Noe Drevici, and his wife, Dr Drevici (see Figure 1). The US multinational Kaisers showed concern over the implication of Drevici's behavior for the reputation of free enterprise, which they interpreted as either using too much of Ghana's "rapidly depleting" foreign exchange, or extracting exorbitant or unconscionable profit from the country:

> "It is arrangements such as this may be and many of the others under the "Suppliers' Credit" deals that could easily bring discredit upon the West and the capitalist system."[53]

Kaisers received reports from the US ambassador Mahoney and Arthur Smith of the United Africa Company Board about a "West German outfit" (possibly Drevici) that paid substantial kickbacks which were reportedly put into a Swiss bank on an even four way split between Nkrumah, Ayeh-Kumi (a Ghanaian minister), CPP (Ghana's governing party) and a party organization called Freedom Fighters.[54] The Economist explained the exact nature of fraud such: Drevici received promissory notes to be cashed as the work proceeded, receiving four percent per annum on the credit he supposedly extended by building on deferred payments. It was however alleged that he convinced Nkrumah to leave the notes undated and discounted them so that he was paid in advance, while still benefiting from the interest.[55]

This cocoa processing plant had received Hermes cover, but in 1972 the German government, while still supporting the demands of German firms with bad debts, excluded the "Drevici case" from its diplomatic efforts to support the recovery of Hermes-guaranteed loans, as they had been involved in bribery.[56] Drevici, sometimes referred to as Polish (the Economist reported that Drevici was Rumanian), was of unspecified Eastern European origins, and probably German nationality, also appeared to have been Jewish.[57]

It is likely that bribery and corruption played a significant role in the awarding of contracts to new, and old, investors in this phase, notwithstanding the fact that the discourse of corruption was now deployed as a political weapon by Western and African governments and investors alike.[58] The key political contact of Otto Wolff's subsidiary in Nigeria, Wasco, was the Federal Minister of Finance, Chief Festus Okotie-Eboh, often referred to as one of Nigeria's "ten percenters". Wasco's business model was clearly more sustainable than that of West German contractors such as Coutinho, Caro & Co, but its political contacts indicate that this was not just an issue of a small number or rogue companies.

It would be too simplistic to just assume that this pattern only pertained to new investors in the region. The predominance of UK suppliers' credit, representing perhaps more new investors rather than traditional imperial businesses which had other sources of finance, suggests a similar pattern for the UK. The case of Drevici was unusual, because, even though corruption is usually a hidden practice, it was so blatant that the West German government did not even object to the repudiation of debt, making this an exceptionally clear-cut case. But it was not an unusual case in terms of the practices that it represented, or one that only affected certain foreign investors. In Lindsay Anderson 1973 film "Oh Lucky Man", conceived as an allegory of life in a capitalist society, the main protagonist starts off as a salesman for "Imperial Coffee", and ends up as the assistant to a wealthy London businessman who makes a corrupt business deal with the fictional African dictator of the equally fictional Zingara, facilitated by a member of the House of Lords. During the business meeting, with multiple screenings of short information clips aimed at investors, they discuss standard investment issues such as repatriation of profits and safety of investment. Anderson depicts Britain's retreat from empire as accompanied by attempts to maintain some influence through private business deals, politically facilitated corruption and provision of military supplies that helped keep foreign dictators in power. African corruption after the end of empire was in many ways driven by foreign finance.

IV

West African countries such as Nigeria and Ghana may not have been politically and economically important enough to feature significantly in the economic imagination of Western investors such as Britain, West Germany or the United States. Nevertheless, the post-war boom and the desire of West Germany and the United States to establish themselves as significant international investors, coupled with Britain's attempts to retain some imperial and economic influence in the world, meant that even relatively minor investment locations were subject to significant intra-Western competition.

More attention has been paid to the competition between the East and the West during the Cold War, without focusing on the deleterious effects of Western investors in developing countries competing (with the support of their home governments) for access to new African markets in the 1960s. Critics of neo-colonialism and economic imperialism believed in a more internally consistent foreign cabal, whereas proponents of neo-liberalism disavowed the existence of this type of politically motivated investment and associated financial support entirely. According to neoliberal economic theory, greater competition should have led to better outcomes for African economies, but the opposite was the case.

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