

1932.

Kenya

1

No. 18286.



SUBJECT

C0533/426

Cement Scheme.

Institution of a Company.

Previous

17411/31.

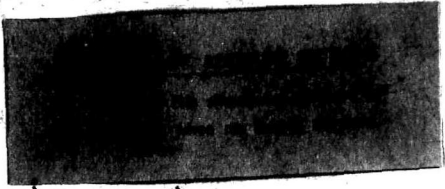
Subsequent

3051/33.

1932.

Kenya.

No. 18286.



SUBJECT

C0533/426

Cement Scheme.

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Previous

17411/31.

Subsequent

3051/33.

Submits obsons. on letter from Mr. Cumming in regard to the Likoni Cement Coy. proposed activities in Kenya.

It seems clear from this and from the Cement Marketing Coy's letter enclosed with 14 & 17411/31 that, without preference which is at present in possible because of the treaty-position, no adjustment of tariffs ~~can~~ can prevent Japanese Cement from displacing other imported or locally manufactured cement.

Whether anti dumping legislation can assist to readjust the balance is a question on which B/T might be asked to advise - G.D. may have done so.

? subject to any obsones by G.D.
The prob of 1 may be conveyed to the Cumming in reply to 10 & 17411/31

J.H. Cross
2/19/32

During our talk at the end of July (see my minute of 30/7 or 17411) Th. Cumming was careful to emphasize that he and his friends did not seek protection from "fair" competition but only from attempts at "dumping", which he anticipated from the British U.K. cement

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Subject to any obsns by G.D. the fish of 1 may be conveyed to the Cumming in reply to 10 & 17411/31

J.H.S. Cross me
21/9/32

During our talk at the end of July (see my minute of 20/7 or 17411) Mr. Cumming was careful to emphasize that he and his friends did not seek protection from "fair" competition, but only from attempts at "dumping", which he anticipated from the British U.K. cement.

manufactures. He was, I gathered, satisfied that the proposed local industry would be amply safeguarded against fair competition by their lower labour costs (as regards the U.K. product) and the freight charges payable by Japan.

The real point at issue in this despatch is that contained in para. 5. In the sack-bag case, dumping is (if B.I.T. agreed) to be thwarted by prohibition the sale of bags ^{in Kenya} at a price lower than that quoted (to all comers) by the Calcutta Chamber of Commerce (with due allowance for ~~cost~~ freight, insurance addition). A similar procedure would, as the former suggests, be impracticable in the case of cement as there is no standard world price by which to regulate the minimum price for sale in Kenya.

And we must tell Mr. Cumming that Govt cannot see his way to afford any form or measure of protection of locally manufactured cement against the imported product; and add as in

para. 6 of the despatch.

Mr. Cumming will, no doubt, write or call in reply, when the point can be further discussed with him.

J. H. ...

The Company seek protection from 'unfair competition' & as far as I can see that simply means ^{new} competition from cement selling at a lower price than imported British cement not a cement sold at a loss. This is not of course the proper meaning of 'unfair competition', for Japanese cement can be sold at a figure representing a profit, although the same figure would represent a heavy loss to a British Co.

Obviously we could hardly encourage the E. Afr. Govt to impose a duty on all ~~the~~ imported cement high enough to protect local cement against the Japanese without entirely killing British imports, & the upshot seems to be that cement will have to be added to textiles as another reason for getting out of an end to the Treaty of St. Germain & thus depriving Japan of her most rights.

G. A. ...
23/9/32

T.O.

On the point of substance, I agree. The exact form of the reply is more difficult. If we merely say that the Govt. can't agree to any form or measure of protection for the local product, we invite, perhaps, criticism? Great Britain "protects"; protection is almost universal; Kenya may shortly be protecting the sisal bag industry; etc. To meet this probable difficulty, I have suggested (in pencil) some amplification of the reply proposed by Mr. Freeston. The 26-9-32.

Handwritten initials and date: JH/9/32

So proceed? So long as the UK. export to Kenya is as long as is shown in the first minute on 17/4/31, action will be inevitable. So Kenya must, in this instance also, send its money out of the country.

Wes. 26.9.32.

Mr. Freeston.

Sec of State should see.

I agree with action proposed.

J.H.G.

3.10.32.

Handwritten initials and date: JH/10

To J. Cumming (No 10 on 17411/31 Answered) 7.10.32 4

3. Gov. Kenya (Tel 10th October, 1932) Unnumbered

Quotes telegram received from Mr Cumming by local representatives, and states that while most anxious to attract capital to Colony, fears unfair Japanese competition will prevent this. Promoters of the Company will seek interview at C.O. Governor would welcome a solution if one could be found.

*Mr Cumming was informed
2 that protection could not
be given.*

*There seems nothing more than to
await the promoters' application
for an interview, if they do apply then
to nothing to add to 2.
Partly*

*H.S. Dennis
10/10/32*

*It is for Mr. Cumming to suggest the
solution*

*L.P. Austin
10/10*

*ack note the intention to
the promoters to seek an interview
& enclose a copy of the letter to
Mr Cumming of the 7 Oct (No 2)*

L.P. Allen

*11/10/32
Wes. 11.10.32*

*H To Gov 771 (W/e 2) 12 Oct 1932
1 Answerd*

5- Mr. Cummings _____ 11/10/32
regrets to note contents of No 2,
as without the preaction desired,
he feels it will be impossible to
raise the necessary finance.

It is worth
a short discussion
with
? Copy to Gov. Lt. inf. 4
12/19

This letter does not seek an increased
as proposed by the Gov in
No 3. I send in, as, in that tel,
the Gov said that if a solution
could be found he would welcome
it. But I see no possible
hope in an attraction to
pursue the matter to ? as proposed

J.H. Allen
17/9/32

13/10/32
Gov. S. Wilson was unable to see with
me, as he has been out back home.
Mr. Cummings's reading of the
letter as conveying the S. Gov's
decision must I think be deliberate;
i.e., they do not want to know what
the matter.

To Gov. & proposed
with 2/10/32

Mr. Cummings called on Tuesday (when three
pp. were not available), & saw Mr. Allen &
& myself. Yesterday he came to see me
again; he thinks he has found a
"solution", and will write in very
shortly.

Mr. Allen agrees that, in the case,
action shd. be suspended on the foregoing
minutes.

Wait for letter
D. F. Fisher
22/10
after

6 Mr. Cummings _____ 22 Oct 32.
Gives details of selling price of cement & asks that he
may be given the Gov's assurance that if a cement manufacturing
company is formed dumping of cement in Kenya or Uganda will
not be tolerated. Suggests that should the landing price fall below
say sh. 50.00 per ton a compound duty should be imposed & price
brought to this figure.

Yesterday three telephone messages were
received:-

- (1) Mr. Cummings reported that he had had
an opportunity of personal discussion with
one of the Parliamentary Secretaries to the B/P.
(I did not gather which), and gave him
a copy of 6
- (2) Mr. Chapman (Cementing Marketing Co., -
see minutes on 17/11) asked for an interview -

6
He is calling on Monday at 11:00 am.
(5) Someone from the F.B.I. enquired
whether any decision had been reached
in regard to the "Government concession"
for a cement works in Kenya.

I said that there was no question of a
"concession", but that certain proposals
for manufacturing cement were under
consideration, & no decision had yet been
taken by Govt. I added that if
F.B.I. had views to express, it would be
well if they wrote very soon.

Action must wait at any rate
till we have heard what Mr. Chapman
has to say on Monday.

R. Hunter
29/10

- ~~4. The Cement Marketing Co Ltd. 3rd November 32~~
4. The Cement Marketing Co Ltd. ^{holding forward} 3rd November 32
Dated an official letter relating to their case in
regard to grinding of clinker in Kenya, in which it is stated
they are distressed at the information that H.V. Rly is
granting a preferential rate of freight on cement clinker, &
also furnish their views on the scheme to lay down a
cement grinding plant near Nairobi.
7a The Cement M. Co Ltd. 29/10 - 3 Nov 32
8. Mr. McHardy 30/10 - 4th Nov 32.
Gives details of railway rates on cement & cement
clinker & also refers to proposed charge on cement.

Please see my minute of 29th October.
Nothing has since been heard from the Federation
of British Industries. Mr. Chapman (Cement
Marketing Company) called on October 31st; his
letter (No. 7) summarises what he said; and Mr.
McHardy's letter (No. 6) disposes effectively of the
suggestion that the Local Government is deliberately
subsidising the clinker grinding project by
differential rates.

Drafts herewith in reply to No. 7.

As regards Mr. Cummings' letter (No. 6) I
attach a separate memorandum and a draft to the
Board of Trade, which has been prepared largely on
suggestions made by Mr. Clauson.

R. Hunter
11/11/32

We recently had a despatch from the O. A. B.
of Hong Kong (No. 462 of the 2nd of Oct.,
registered on a Hong Kong paper of which
I have not the number) on the subject
of lumber in that Colony. That despatch
states that the "cost of production"
of ~~Japanese~~ ^{Japanese} is X.X. \$22-26 per ton,
say 27/6 - 32/6 per ton at the then
rate of exchange.

I don't know what the cost of freight
Japan - ~~Hong Kong~~ ^{Europe} by indirect Japanese
service is, but since the year has
gone down again since the beginning
of October, it would I think be diffi-
cult to make out much of a case
for the statement that Japanese
cement is being dumped at about

Japanese cement
that is to say,
apparently, the
landed cost in
Hong Kong without
allowing anything
for profit.

39% per ton, whether we take the figures in 6 or the figures in the Hong Kong figures.

But I must admit that these papers leave me in a somewhat state of confusion.

Mr. Cummings (6) says that it will be a feasible proposition to subvert a cement factory in Kenya, ~~to~~ given sufficient protection. I don't know what his qualifications are but the Cement Marketing Co., who really do know what they are talking about say in 7 that the proposition is unsound, & considering the sort of interference that Mr. Cummings wants I am inclined to agree.

The odd thing is that the Cement Marketing Co. don't seem to be afraid in 7 of Japanese competition, what they are afraid of is a local ^{clinker} grinding factory.

As regards that, I am afraid I cannot agree with Mr. Freeston's view that 8 provides a complete answer to 7. There can be no difference in cost to the Rly. between moving cement & moving clinker in 10 ton lots; if therefore they are charging 10% per ton more for the former than the latter then either they are charging too high a freight on cement, which they ought not to do, considering its importance in the life of the community or they are carrying clinker at a loss, which they certainly ought

not to do, particularly if it is foreign. Perhaps of course they are doing both these things.

But my final inclination, after indecision for which I apologize, would be to put all our difficulties to the Board of Trade and ask them for their advice generally. I venture to attach the sort of draft in which I think this might be done.

G.L.M. Clauson
14.11.32.

[I am sorry that ^{this} other papers have been somewhat delayed owing to the Kenya deputation.]

Cement Factory. When Mr. Freeston and I saw Mr. Cumming together, it was made clear to him that the Governor (who must have considered the question of a suspended duty) saw no solution through the Customs tariff; that the position of the United Kingdom industry presented a real difficulty; that we saw no solution; and that if he wished to pursue the matter it was up to him to produce one. Mr. Cumming asks not merely for a suspended duty of the rate mentioned, but also for an assurance as to adequate protection against dumping for the future. When I saw him I asked what guarantee there was that, if the Government put on a suspended duty of, say 2/- a cask, they would not come along later and ask for more protection if they found the initial rate insufficient. I gathered that his idea was to get the Government to accept the principle, and that frightened me. It has also been pointed out to him that if there is a suspended duty in Kenya, it would not necessarily apply to Uganda and Tanganyika; but on that he again said they were content to start with Kenya.

Kenya. This again is somewhat disturbing. I am not inclined to think that Mr. Cumming has provided any solution. On the other hand the Governor said he would welcome me, and I do not read the minutes above No. 2 as precluding a reference to the Board of Trade for the purpose of obtaining their views: but I prefer Mr. Clauson's draft since it is a mere reference without the suggestion of a lead. ^(Necessary) Clinker/Rates. I attach (No. 10) an extract on the point from Mr. Gibbs' report, from which it would appear that they have differentiated on the ground that clinker is a raw material. I have therefore cut out para. 3 from the proposed reply to the Co.

General. I have added dfts. to Mr. Cumming, to the Gov., to the H. Cr. and to Sir J. Byrne also but these are merely routine and those to the B. of T. and Cement Marketing Co. are approved.

10/11/32

23/11/32

As these drafts do not cover any points I have found them. Let me see the results.

Conf. 23/11/32

11 To Bureau Indus. Co. (7/11/32)

12 Cumming (6/11/32)

13 "H.T. (with small as aft.) Bous. 11/11/32

flagged

** The draft actually sent on is a revised draft agreed with the Clauson & Co. to be sent to the Gov.*

10/11/32

DESTROYED UNDER STATUTE

14 To Gov. 868 (w/les 2, 5, 6, 7, 11, 12, 13 + 15) (Unsuited)

15 To H.C.T. 164 (w/les 7 + 11 and 14) (w/ small except 7 + 11)

8
17/11/35
1932

Bygone 16 to Bygone 170 Conf. 28/11/32

Bygone

14 Governor Bygone 553 (Air Mail) 14 Nov 32.
States that local representatives of the Lukoni Cement group have presented & discussed the enclosed memorandum on legislation for protection of local cement industry. *His views on these local proposals & state Mr. Meyer has been obtained that they are not likely to meet with approval.*

*U.T. (R.H.)
P. Woods
with Baker
note minutes*

18

Mr. Cumming called today and I attach a note of my conversation with him.

I was at a certain disadvantage as I was unfamiliar with the subject and had only had time to look through the papers very cursorily.

It appears to me prima facie that Mr. Cumming's suggestion for legislation based on the legislation approved in the case of the sisal bags, the minimum imported price being computed on the price in the country of origin, ^(if it is practicable) meets most of the difficulties raised in No. 17. The difficulty which is not met is that referred to on the last page of the 2nd encl. about the possibility of transfer from Uganda and Tanganyika to Kenya. ~~But~~ On this point it appears to me that Uganda can be neglected on account of transport difficulties and costs; ^{possibly} and the Tanganyika difficulty might be met by placing a Customs post

(18077/32)

on the boundary where the railway crossing is,
~~as it may seem~~
~~it do not suppose~~ ~~assumption~~ ~~that it would be~~
 an economical proposition to import cement into
 Kenya through Tanganyika ^{by road}. ~~But the price~~
~~one of conditions, which would require investigation.~~
 There remains however the difficulties
 arising out of "quality" and "fixing the price in
 the country of origin". And I am not sure that
 Mr. Cumming's assurances that these difficulties
 can easily be overcome are not over-optimistic.

The action proposed is to send to the
 Board of Trade in continuation of No. 13 a copy of
 No. 17 and its encl. together with a copy of the
 note without expressing any opinion but asking
 them to take these documents into consideration.
 The Board should be referred to the correspondence
 which we have had with the Governor on the
 subject of the manufacture of steel bags in the
 course of which they have been furnished with a
 copy of the draft legislation in Kenya on this
 point.

*(I am asking on the pp about the group which
 Mr. Cumming reports. If it is ultimately
 proposed to pass legislation to protect the group, we
 ought to know something about their first labour
 contract)*

I agree generally with the Govt. that the
 project is impracticable & disadvantageous
 to E. Africa, but ~~the~~ ~~the~~ ~~the~~
 Govt. is perhaps right in this.
 The immediate action is obviously
 on K. Action program.

*G.L. [Signature]
 J.H. Allen 1/17/32*

*possibly
 omitted to send
 Govt. (Mr. Cumming
 24.2 (with alternative)
 Mr. Cumming's App*

19 To B of T - (146 17010) - 2/12/32

Sir J. Davidson left the attached with
 me today. He considers that instead
 of pursuing the "clinker" scheme the
 Govt. ought to encourage all building
 in these times. He says that the
 Lileon scheme will break down
 as soon as the figures are
 examined by those interested in the
 scheme.

*1/7/32
 needs to be
 later
 that might be*

Govt. in reply to Mr. [?]

1/12/32

*Mr. Christman
 replies to Nos 159 19 have not yet been
 received.*

*1/30/32
 1/27/32*

1. The Cumming case on my opinion... [unclear]...
 before we might be in the position for an
 action before the [unclear]
2. Subsequently to receive [unclear]... [unclear]...
 say that Mr. Cumming has taken a decision [unclear]
 has sent it to [unclear] from the [unclear]
 over, a decision before the [unclear]
 people.
3. The meeting the T. Club (later [unclear] [unclear])
 called on 8th [unclear] the [unclear] [unclear]

in Mr. Cumming's scheme. I arranged that
he shd. call on Mr. Weston at 3 pm. on
Monday 21/Jan.

Put by
R. H. Weston
31/12/33

sp

20. Mr. J. Cumming 2/6 — 9 January 33
States has arranged a meeting with Mr. Overton
for further discussion on the cement proposition and a
copy of a letter to him.

(B.G.F.)
21. J. A. C. Halmore / S.O. — 11.1.33
8 mins. copy S.O. records, with Sir
Herbert Lawrence

21a minutes relating to No. 21

22. Board of Trade — 8th Jan. 33
Encls. a copy of a letter from Mr. Cumming setting
out certain considerations which have been placed
orally before the Board, & furnish these views on the
various points raised in No 13919 regarding the proposed
cement scheme.

Mr. Clauson:

We have discussed and I attach a note.

? Inform Mr. Cumming that his proposals
have received the fullest consideration by the
Secretary of State in consultation with the
Board of Trade, but that on the facts before him
the Secretary of State does not feel justified in

asking

16
asking the Government of Kenya to give the desired
assurances of protection against competition from
overseas.

Copy of the above to Board of Trade if
and copy with copy of No. 29 to Governor in short
draft.

R. H. Weston
20/1/33

I agree. The balance against giving
the desired assurances seems to me
to be overwhelming.

G. L. H. Clauson
20/1/33

I also agree—though some, reluctantly, in
this case. The main operative reason seems
to be the question of the practical and
administrative difficulties in the way of
effective "dumping" legislation—as also
the "international" and legal aspects
of such a measure, in this case. Further,
the automatic protection which geography
and duties already give is large, and should
be sufficient.

The 21-1-33.

I feel bound to agree; but I should
be glad if the promoters saw their way
to make a start without help.

There is, however, a chance of our getting into
deep waters if we pursue the matter, because of

the

the rival enterprise which is beginning to
make cement locally from imported clinker.
I would rather back the British against the
Danish enterprise, but we cannot be sure that
we should be successful. Both, of course,
would have equal benefit from any anti-dumping
legislation.

Action as Mr. Freeston proposes?

W.S.

21.7.33.

M.S. 23/1/33

In view of the B.P. letter,
it wd. be impossible to
give this project total
protection. It must
always be remembered
that these dependencies
like Kenya, which enjoy
preference here without
the power to reciprocate,
owe a special duty
to the U.K. to give
a voluntary preference

to her manufacturers, "a
still more to avoid
subsidies or protected
competition with them.
Re forwarded here a
copy of 2 B.P. T. letter.

M.L.

24/1/33

See my note of 6/2/33
on 3057/33
W.S. 13.33

24 To J.A. Cumming (20 ans.) - 25/1/33

25 To Gen. Kenya Lt. No. 26 (17 ans.) - 25/1/33

DESTROYED UNDER STATUTE

By ^{air mail} 26 To Gov. 62 (w/cs 22+24) 30 JAN 1933
DESTROYED UNDER STATUTE

27 Governor Kenya Feb 29 30 Jan 33
DESTROYED UNDER STATUTE Requests that dispatch promised in No 25 may be sent by
first air mail.

28 J. Cumming 26 Jan 33
Asks No 24 & points out that the protection asked for
is not against ordinary competition but against unfair competition
or dumping.

J.L. 28 calls for no reply.

W.S. 21/1/33

29 To Gen. Kenya Lt. No 25 (27 ans.) - 31/1/33

30 B.P. (C.R.S.T.) (w/cs 24) 18/6 - 3/2/33

copy 26/1/33
to Gen. LF
President
noted
30

C.O.

Mr.
Mr.

Newton 31/1/33

D286/34
Kenya

12
14

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perms. U.S. of S.

Parly. U.S. of S.

Secretary of State.

TC

Coded Note
12 noon 31/1/33

C.O.
R 31 JAN
D 31

DRAFT. Tel.

By Mr. Nairn

27)

26)

A35

Your tel N^o 29. Despatch going
by air mail of 1st Feb enclose
letter from Board of Trade. In
reaching my decision I was
influenced by B/i views and
by practical objections set out
in your despatches 387 438
and 553

14/1/33

17)

SECRET

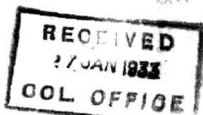
(After discussion with
Sir C. Bottomley)

LF action

AVENUE 8025.

13
28

ARMADORES HOUSE,
BURY STREET,
LONDON,
E. C. 3.



26th January, 1933.

The Under Secretary of State,
Colonial Office,
London, S. W. 1.

Sir,

Note
I have the honour to acknowledge receipt of your letter of yesterday's date Number 18286/32 and note that Secretary Sir Philip Cunliffe Lister does not feel justified in asking the Government of Kenya to give the desired assurance of protection against competition from Overseas.

I trust that the Secretary of State thoroughly realizes that the protection that has been asked for is not against ordinary competition but against unfair competition or dumping from Overseas; in other words, we wish to be sure that if the funds were found the venture could not be annihilated at the commencement by dumping.

I am communicating the contents of your letter to my friends in Kenya.

I have the honour to remain,

Sir,

Your obedient Servant,

Channing

C. O.

Mr. Priestman 24/1

Mr. *D. H. H. 24/2*

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

S/S

DOWNING STREET,
Q.D.
JAN
25

25 January, 1933.

Sir,

(20)

I am, etc., to refer to your letter of the 9th January and previous correspondence on the subject of your proposals for the establishment of a cement factory in Kenya.

DRAFT.

J. A. CUMMING, ESQ.,

2. I am to say that your proposals have received the fullest consideration by the secretary of State for the Colonies in consultation with the Board of Trade but that on the facts before him Sir I. Cunliffe-Lister does not feel justified in asking the Government of Kenya to give the desired assurances of protection against competition from overseas.

*copy to Sec. (26)
ATT (ART) (30)*

I am, etc.;

(Signed) L. B. FREESTON

Copy Board of Trade
if ref. 22.

1. A London group, with which Sir J. Milson Rees is associated, has acquired an option expiring on 31st January, 1933) over certain lands near Kilindini which contain shale suitable for manufacture into Portland cement.

2. A Swedish cement expert (Mr. Elmqvist) has been sent to the Colony and has reported favourably on the possibility of establishing a local factory to supply the East African market with cement made from the local shale with British machinery (costing £90,000) and South African coal (to the estimated value of about £16,000 a year).

3. As a necessary preliminary to raising the capital required (£300,000), the promoters seek an assurance that their enterprise will be afforded protection by the Government of Kenya against Japanese competition.

It is alleged that Japanese cement (duty paid) sells in Mombasa at Shs. 38.40 cents; the corresponding price for cement from England is about Shs. 63. The promoters have refrained from quoting the figure at which they hope to sell the local product, but it may be assumed to be somewhere between these two prices.

4. It has been suggested by Mr. Cumming, who represents the promoters, that this protection should be afforded in one of two ways:

(a) A suspended duty on all imported cement, calculated at a rate which would bring the local selling price of the cheapest imported variety to not less than the selling price of the local product:

(b) Legislation (on the pattern of the Sisal Bag

Ordinance, recently approved) to prohibit the selling of imported cement in Kenya at a price less than that determined by Government to be a "fair price": the "fair price" to be assessed on the cost in the country of manufacture, plus reasonable charges for freight, handling expenses, etc.

5. Both these proposals have been adversely commented on by the Governor, who, after taking the advice of his Comptroller of Customs, has come to the conclusion that they would be unworkable.

The Board of Trade hesitated to commit themselves definitely, but they point out a number of difficulties and are evidently reluctant to support the scheme.

6. The only advantage claimed for Kenya is the re-adjustment of the adverse balance of external trade by the replacement of imported cement (valued at £912,000 for Kenya and Uganda over the five years 1927-1931) by the product of the local factory. From this figure must, of course, be deducted the value of the coal imported for manufacturing the cement locally.

7. On the other hand, account must be taken of the following serious objections:

(a) Each of the proposed remedies (paragraph 4 (a) and (b) above) is open to criticisms, which have not been answered, on the ground not only of administrative impracticability, but also of possible inter-territorial and international complications:

(b) If the local manufacture succeeded, the United Kingdom cement industry (which is admittedly being ousted from the East African market, so far as the private consumer is concerned, by the Japanese product)

product) would lose the orders which it at present receives from Government Departments:

(c) The East African Governments would lose the revenue from duty (Shs.8.40 cents per ton) on imported cement:

(d) The Shipping Companies would lose the freight on imported cement. The outward carrying trade is understood to be unremunerative, and its disappearance might lead the Conference Lines to increase their charges ^{already} (now considered to be oppressive) on homeward cargoes.

On balance there can be little question that it would be imprudent, to say the least of it, to give Mr.Cumming the assurance which he seeks.

J.P. Brewster
20/1/32.

1822

Any further communication should be addressed to—

THE ASSISTANT SECRETARY,
at the address given opposite.

The following letter and number should be quoted—

C.R.T. 6345/32.

Telegraphic Address:

COLASTA, PARL, LONDON.

5140—Whitehall

Telephone No.: 2544 XERESK

COMMERCIAL RELATIONS AND TREATIES
DEPARTMENT,
BOARD OF TRADE,
GREAT GEORGE STREET,
LONDON, S.W.1.



11th January, 1933.

Sir,

No 13

No 19

I am directed by the Board of Trade to refer to your letters of the 26th November and 2nd December (18286/32) relative to the proposed manufacture of cement in Kenya, and I am to enclose, for the information of the Secretary of State, copy of a letter received in this Department setting out certain considerations which had been placed orally before the Board.

No 13

copy 6-10-33 (26)

2. As regards the questions put in paragraphs 3 and 5 of the letter of the 26th November I am to state that, while a conclusive answer is not possible without expert investigation on the site of the proposed manufacture in Kenya, the Board are not aware of any reason why the Cement Marketing Company, who must wish in view of Japanese competition to reduce as far as possible the cost of production of cement sold in Kenya, should have decided after detailed investigation against local manufacture if that in fact were the more economical course. They have no information as to the

The Under-Secretary of State,
Colonial Office,
S.W.1.

proposal to manufacture cement from imported clinker beyond that contained in the enclosures to the letters under reply.

3. As regards the question put in paragraph 4, the great bulk of the trade has been held in the past by British exporters. The principal factor in the near future may well be the relative external values of sterling and the yen as to which a forecast is impossible, though the British exporters seem likely in any case to retain the trade in the better qualities, and presumably in the requirements for Government Contracts, so long at least as the present policy is maintained of granting a preference in such contracts.

4. As regards the question whether Japanese cement is "dumped", it would be necessary, in order to form a judgment, to collect particulars as to the prices at which particular grades and makes of Japanese cement were sold over a period at Mombasa, and then to make inquiries as to the prices at which the same grades and makes were sold over a similar period in Japan. It might then be possible, having made suitable

19

allowance for freight and similar charges, to compare selling prices in the two countries. It would probably be impossible to obtain any reliable information as to the total costs incurred by Japanese suppliers in selling in Kenya.

5. As regards the proposal generally, the Secretary of State will appreciate that it is not in the interests of the industry in this country that encouragement should be given to its establishment in Kenya. It would seem that the only condition on which the local production in Kenya could possibly be on a sufficient scale to be economic would be the displacement of the great bulk of the British as well as of the Japanese imports. Moreover it is understood that the promoters would wish to secure special advantages in Uganda and Tanganyika as well as in Kenya. Those concerned in the cement industry in the United Kingdom have recently been at some pains to eliminate surplus manufacturing capacity, and it would be a matter for regret from the point of view of industrial efficiency if further redundant plant were now to be set up in other parts of the Empire. The Board would not however wish to press this point of view unduly if it were to appear that the proposed development were desirable in the interests of Kenya.

6. While the considerations mentioned in paragraph 2 of the letter under reply are appreciated, the question whether the proposed development is in the best interests of the Colony depends in the Board's view primarily on whether cement can be manufactured in Kenya at a cost as low as that of manufacturing it in this country and exporting it to Kenya. Otherwise the result can only in the long run be a rise in the price of cement in Kenya which must be an undesirable burden and handicap upon other forms of production.

7. As stated above, it is not possible for the Board to give a conclusive answer on the question whether the manufacture of cement in Kenya would be economic, though they feel that due weight must be given to the views of the Cement Marketing Company. It may be argued that an undertaking to protect the industry only against unfair competition could safely be given, since if the industry proved to be uneconomic it would not survive. In practice however experience shows how difficult it would be, if the expectations of the promoters were not realised, to refuse to give such protection as might be necessary to preserve the industry once it had been set up, having regard to the heavy initial outlay of capital and the employment of labour.

8. Moreover, as the Secretary of State is aware, His Majesty's Government look on anti-dumping duties as discriminatory and contrary to the ordinary most-favoured-nation provision in our commercial treaties unless these duties are confined to particular consignments which can be shown to have been in fact "dumped". In order to obtain the necessary evidence, special arrangements would be required to ascertain the facts in the countries from which the goods, alleged to be dumped, were imported. It would appear that very similar considerations would apply in East Africa under the provisions of the Treaty of St. Germain-en-Laye. The Board would moreover feel bound strongly to deprecate any scheme under which the duty was based upon selling price in the country of origin. Such a scheme might impose a severe handicap on the industry in this country, since the domestic selling prices here are probably considerably higher than in most, if not all, competing countries.

9. On the other hand, it might conceivably be possible to frame provisions similar in general character to those applied in respect of jute bags, though, as indicated in the memorandum, dated 11th November, 1932, by the Commissioner of Customs the difficulties and disadvantages would be great.

End to No 17

AVENUE 8025.

ARMADORES HOUSE,
BURY STREET,
LONDON, E.C.3.

9th January, 1933.

A. E. Overton, Esq., C.M.G., M.C.,
The Board of Trade,
Great George Street,
London, S.W.1.

Dear Sir,

KENYA CEMENT PROPOSITION.

I would like to take this opportunity of thanking you for arranging an interview for Mr. McClure and myself with your Department on Wednesday last with a view to further discussing the above proposition.

As I have already explained there is very suitable material for cement manufacture a few miles south of Mombasa. In order to ascertain whether it would be possible to float a company to exploit this, Sir Milsom Rees, myself and a few friends obtained an option on this land. The original option we obtained expired on the 9th August, but we managed to have it extended to the 31st December. In view of our expected reply from Government as to their decision regarding legislation against dumping we have succeeded in obtaining a further extension to the 31st January, but I doubt very much if an additional period will be granted. My anxiety is therefore entirely due to the fact that the time at our disposal is limited in so far as our option on the land in East Africa is concerned.

In the course of our conversation on Wednesday last I gather that you are now considering whether it is economically sound to encourage the formation of a cement industry in Kenya. I do not know what arguments there are against it, but might I

record what in my opinion are at least a few arguments in favour. First and foremost it seems to me that if the cement industry were established in Kenya on sound lines, which I trust this one will be, it must definitely improve Kenya's balance of trade. Take figures for the years 1927 - 1931. According to customs returns £911,829 was spent by Kenya and Uganda during these five years in purchasing cement from Overseas. Had, during that period, a cement manufacturing company been in existence this money would have been spent locally with the exception of the amount that would have had to be paid for coal. I estimate that the amount required in coal, at a figure that has been quoted to me, namely 21/- per ton c.i.f. Mombasa, would equal approximately £15,800 per year, or £79,000 during the period under review, leaving a balance of £832,829, or £166,566 per annum to improve the trade balance. Again, as I pointed out in my letter to the Colonial Office dated 22nd October, had the cement manufacturing company been in existence, the saving to the Kenya and Uganda Governments by purchasing local cement would more than counter-balance the loss in revenue from duty.

Another very important point is the inroads of the Japanese and foreign countries into British trade there. In the last year or two, Japanese imports have increased very considerably and as you are aware they are selling cement in Kenya at a price unpacked of Shs. 38.40 per ton which includes duty at Shs. 8.40 and landing charges of approximately Shs. 5.00, whereas their ex factory selling price in Japan to-day is in the neighbourhood of 30/- per ton. Thus without any allowance for the freight and shipping charges from Japan to Kenya, the Japanese receive 5/- per ton less from their Kenya sales than from that sold at their factory.

Another form of foreign competition is the possible establishment of a clinker grinding company in Nairobi, which is being

backed by Danish interests to sell Danish plant.

Again, if one looks at the development of the Colonies, one observes that the one thing that encourages the development of a new country is the importation of new capital. If this Company came into existence the new capital required would be in the neighbourhood of £300,000, and I think you will admit that in order to raise this money the investor must have some sense of security against annihilation at the commencement through what I might describe as unfair competition by dumping from overseas.

As an illustration of the feeling prevalent in Kenya at the present time towards new industries, may I quote the following resolution which was carried unanimously at a recent meeting of the Nairobi Chamber of Commerce :

"That this Chamber approves of the Sisal Bag Industry Bill, and welcomes the principle of safeguarding new industries in this Colony against dumping and of encouraging the introduction of new capital."

Should Government agree to introduce the necessary legislation on similar lines to that which they have already passed so far as the sisal bag industry is concerned, it would be impossible or illegal to sell cement in Kenya under the ex factory selling price in the country of origin plus a reasonable amount for freight and other charges. In other words, the Colony would not have to pay more than a fair price for their cement and further the local company would not charge more than this fair price. It is unnecessary to state that the proposed Company would sell its cement as cheaply as possible consistent with reasonable profit so as to encourage consumption and thereby increase its annual output. This could only be done by keeping the price low and thereby

encouraging such progressive sections of the native community as, say, the Baganda to buy cement and to utilize it for the construction of their huts, which, owing to the high cost of imported cement, are still being built of mud.

With regard to over-production of cement in this country, this may be said to apply only to the "Combine" which includes a number of uneconomical factories. Other factories, I learn, are working to capacity and are even extending, without discouragement from the British Government. Any discouragement by Government of a similar enterprise 6,000 miles away would surely be still less necessary.

I have the honour to remain,

Sir,

Your obedient Servant,

(Sgd.) J. CUMMING.

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Slaps.

You should see Mr Helman's letter & enclosures, as Sir Milton Rees may approach you.

You will see from the file that the office has been in touch with Mr J. Cumming on this subject & we awaiting a reply from the Board of Trade on the subject (see nos: 11 & 19 on the file). We have had no dealings with Sir Milton Rees, but Mr Cumming has mentioned his name in conversation.

Would you agree to see Sir Milton Rees if he approaches you?

AC Cliffe

12.1.33

I want to be like I have had the B of T. advice. I am that the forecast is all favourable.

If the B of T. object, I think it is the responsibility to take the scheme. Rees is a prof. & a caution here.

AC

11/1

AC Cliffe

Can you kindly let me know of any developments?
AC Cliffe

21
26

11th January, 1933.

Dear Cliffe,

I enclose a copy of a letter which Sir Herbert Lawrence sent to the President, about the proposal to manufacture cement in Kenya, together with a copy of my reply.

Yours sincerely,

J. R. C. Helmore

C.A.L. Cliffe, Esq.

21
26

11th January, 1933.

Dear Cliffe,

I enclose a copy of a letter which Sir Herbert Lawrence sent to the President, about the proposal to manufacture cement in Kenya, together with a copy of my reply.

Yours sincerely,

J. R. C. Helmore

C.A.L. Cliffe, Esq.

COPY.

42, Gracechurch Street,
London, E.C. 3.

6th Jan. 1934.

My dear Runciman,

I wonder if you would be kind enough to see a friend of mine - Sir Milsom Rees - on a matter which concerns the Board of Trade. Sir Milsom is the well-known surgeon and aurist of 18, Upper Wimpole Street, is a man of very considerable means and is interested in Kenya where he has valuable concessions and wants to start a cement making plant.

The matter has got hung up between the Colonial Office and the Board of Trade.

If you would see Rees and allow him to put his case to you, I should be greatly obliged.

Yours sincerely,

(Sgd.) H. A. LAWRENCE.

10th January, 1955.

Dear Sir,

In the absence of the President, I am writing to acknowledge the receipt of your letter of the 6th January in which you ask him to see Sir Milson Rees about the proposal to start a cement making plant in Kenya, and to let you know that this is a matter for the Colonial Office, which Department has, however, consulted the Board of Trade on certain aspects of the question. I understand that the Board's reply to the Colonial Office letter will be despatched within the course of the next day or so.

I would be glad to send a copy of your letter to the Secretary at the Colonial Office in case Sir Milson should wish to discuss the question with the Secretary of State.

Yours faithfully,

(Sgd.) J. R. C. HELMORE
Private Secretary.

Approved by the Hon. Sir Robert Lauder, C.B.,
Secretary of State for the Colonies.

J. CUMMING.

TELEPHONE: AVENUE 8025.

ARMADORES HOUSE.

BURY STREET.

LONDON. EC3

9th January, 1933.

L. B. Frieston, Esq.,
Colonial Office,
Downing Street,
London, S. W. 1.

Dear Sir,

Answer (24)
In consequence of my telephone conversation with you a few days ago I arranged a meeting with Mr. Overton of the Board of Trade, with a view to further discussing the Kenya cement proposition. I have now written to Mr. Overton, and I thought it might be of interest to you to receive a copy of my letter, which I enclose herewith.

I have the honour to remain,

Sir,

Your obedient Servant,

Kumari B.

Mr. Lister

30

AVENUE 8025.

ARMADORES HOUSE,
BURY STREET,
LONDON, E. C. 3.

9th January, 1933.

A. E. Overton, Esq., C.M.G., M.C.,
The Board of Trade,
Great George Street,
London, S. W. 1.

Dear Sir,

KENYA CURRENT PROPOSITION.

I would like to take this opportunity of thanking you for arranging an interview for Mr. McClure and myself with your Department on Wednesday last with a view to further discussing the above proposition.

As I have already explained there is very suitable material for cement manufacture a few miles south of Embasa. In order to ascertain whether it would be possible to float a company to exploit this, Sir Milson Ross, myself and a few friends obtained an option on this land. The original option we obtained expired on the 9th August, but we managed to have it extended to the 31st December. In view of our expected reply from Government as to their decision regarding legislation against dumping, we have succeeded in obtaining a further extension to the 31st January, but I doubt very much if an additional period will be granted. My anxiety is therefore entirely due to the fact that the time at our disposal is limited in so far as our option on the land in East Africa is concerned.

In the course of our conversation on Wednesday last I suggested that you are now considering whether

it is economically sound to encourage the formation of a cement industry in Kenya. I do not know what arguments there are against it, but might I record what in my opinion are at least a few arguments in favour. First and foremost it seems to me that if the cement industry were established in Kenya on sound lines, which I trust this one will be, it must definitely improve Kenya's balance of trade. Take figures for the years 1927 - 1931. According to customs returns \$911,829 was spent by Kenya and Uganda during these five years in purchasing cement from Overseas. Had, during that period, a cement manufacturing company been in existence this money would have been spent locally with the exception of the amount that would have had to be paid for coal. I estimate that the amount required in coal, at a figure that has been quoted to me, namely 21/- per ton c.i.f. Mombasa, would equal approximately £15,000 per year, or £75,000 during the period under review, leaving a balance of £832,829, or £166,564 per annum to improve the trade balance. Again, as I pointed out in my letter to the Colonial Office dated 22nd October, had the cement manufacturing company been in existence, the saving to the Kenya and Uganda Governments by purchasing local cement would more than counter-balance the loss in revenue from duty.

Another very important point is the influx of the Japanese and foreign countries into British trade there. In the last year or two, Japanese imports have increased very considerably and as you are aware they are selling cement in Kenya at a price unpacked of Shs. 38.40 per ton which includes duty of Shs. 8.40 and landing charges of approximately Shs. 5.00, whereas their ex factory selling price in Japan to-day is in the neighbourhood of 30/- per ton. Was offered any allowance for the freight and shipping charges from Japan to Kenya, the Japanese receive

5/- per ton less from their Kenya sales than from that sold at their factory.

Another form of foreign competition is the possible establishment of a clinker grinding company in Nairobi, which is being backed by Danish interests to sell Danish plant.

Again, if one looks at the development of the Colonies, one observes that the one thing that encourages the development of a new country is the importation of new capital. If this Company came into existence the new capital required would be in the neighbourhood of £300,000, and I think you will admit that in order to raise this money the investor must have some sense of security against annihilation at the commencement through what I might describe as unfair competition by dumping from Overseas.

As an illustration of the feeling prevalent in Kenya at the present time towards new industries, may I quote the following resolution which was carried unanimously at a recent meeting of the Nairobi Chamber of Commerce :

"That this Chamber approves of the Fiscal Bag Industry Bill, and welcomes the principle of safeguarding new industries in this Colony against dumping and of encouraging the introduction of new capital."

Should Government agree to introduce the necessary legislation on similar lines to that which they have already passed so far as the fiscal bag industry is concerned, it would be impossible or illegal to sell cement in Kenya under the ex factory selling price in the country of origin plus a reasonable amount for freight and other charges. In other words, the Colony would not have to pay more than a fair price for their cement and further the local company could not charge more than this fair price. It is unnecessary to state that the proposed Company would sell its cement as cheaply as possible consistent with reasonable

profit so as to encourage consumption and thereby increase its annual output. This could only be done by keeping the price low and thereby encouraging such progressive sections of the native community as, say, the Baganda to buy cement and to utilize it for the construction of their huts, which, owing to the high cost of imported cement, are still being built of mud.

With regard to over-production of cement in this country, this may be said to apply only to the "Combine" which includes a number of uneconomical factories. Other factories, I learn, are working to capacity and are even extending, without discouragement from the British Government. Any discouragement by Government of a similar enterprise 6,000 miles away would surely be still less necessary.

I have the honour to remain,

Sir,

Your obedient servant,

3234
2

MEMORANDUM RE CEMENT.

Present Import Duty on Cement.

Shs. 1.50 per 400 lbs = Sh. 8.40 per ton.

(Equivalent to about 15% ad valorem).

Present Import Duty on Clinker.

10% ad valorem.

Present Railway rates Nairobi/Mombasa.

Cement	...	Shs. 41.67	per ton.
Clinker	...	<u>Shs. 31.57</u>	per ton.
Difference	..	<u>Shs. 10.08</u>	

The Railway would thus lose 10/- per ton by accepting Clinker, and the Government would obtain less Import Duty.

The c.i.f. Mombasa cost of Cement in bags is Shs.46.50 per ton and (unless much heavier duty is imposed) Coast buyers would not be able to buy Nairobi made Cement as the cost of bringing the Cement from Nairobi to Mombasa would be Shs.41.67 per ton.

There would thus appear to be no possibility that the Railway would have the benefit of any freight from Nairobi to Mombasa.

- - - - -

G. O.

- Mr. Priestman 1/12
- Mr. *A. J. ...* 2/12 f.
- Mr.
- Mr. Parkinson.
- Mr. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Permt. U.S. of S.
- Party. U.S. of S.
- Secretary of State.

Answered by No 22

C.D.
R 2-DEC
D

December 1932

Important

Sir,

I am etc. to refer to the letter

DRAFT. *Amom*

The Secretary,
Board of Trade.

(13)

from this Office of the 26th of Nov. inviting the advice of the Board on the proposal to establish a cement factory in Kenya, and to transmit to you, to be laid before the Board of Trade, a copy of a further despatch with enclosure from the Governor of Kenya on the subject, together with a copy of the note of an interview granted to Mr. Cumming at this Office on the 30th of November.

Dr. Geo. Kenney 17 Nov 32 (17)

Note
(amended)

2. I am to ^{request} suggest that the above documents may be taken into conson. by the Board in formulating their views on the questions submitted to them

in the letter under reference above.

3. As regards the Sisal Bags

Industry Bill mentioned by

Mr. Cumming at the interview, I am
to invite the attention of the Board
to the correspondence with the Governor
of Kenya on the subject of the manufacture
of sisal bags in the course of which they
were furnished with a copy of the draft
legislation in Kenya on this point, and on
which they furnished Sir Philip
Cunliffe-Lister with their views in their
letter No. C.R.T. 2306/32 of the 1st of Oct.

(No. 31 on
18077/32)

I am etc.

(Signed) H. T. ALLEN

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(No. 31 on
18077/32)

I am etc,

(Signed) H. T. ALLEN

1836

Account of Interview with Mr. Cumming.

The Governor's Dispatch No 552 of 17th Nov 1907

1907/32

1. Mr. Cumming was aware of the general tenor of the conversations held in Kenya to which ~~the~~ refers. He was under the impression that we had already received ^{from the Kenya Govt} a draft of a Bill, based on the ^{Subsidies} Sisal Bags Bill, in regard to cement. He was told that this was not the case.

2. He at once indicated that he anticipated that ^{the} difficulties ^{felt by} raised in Kenya had been due to the proposal that the minimum price of imported cement at Mombasa should be governed by the market price in London, and he stated that if that was the case he was prepared to have substituted the market price in the country of origin.

3. His general case was as follows:-

British financiers were prepared to put up the necessary money (£300,000 to begin with) to start the local industry in Kenya, but ~~it was essential that~~ while not afraid of legitimate competition it was essential that they should be protected against unfair competition either from Japan or from elsewhere. From the Japanese he anticipated direct dumping and from the Danish Company which proposes to import clinker, indirect dumping (i.e. hidden subsidies, provision of capital free of interest etc).

This protection would be afforded by legislation preventing the importation of cement except at a fair price, i.e. a price which legitimately represented the cost of production and transport. The argument that such legislation would operate to deprive Great Britain of the cement trade in Kenya was, he admitted, valid in ^{since} so far as ~~it would enable~~ ^{would} the locally manufactured article to undersell the

British

①
L.S. 46

1836

Account of Interview with Mr. Cumming.

The Lygonian Dispatch No 552
17th Nov 1907

1007/32

1. Mr. Cumming was aware of the general tenor of the conversations held in Kenya to which ~~the~~ ^{the} refers. He was under the impression that we had already received ^{from the Kenya Govt} a draft of a Bill, based on the ^{2-Drafts} Sisal Bags Bill, in regard to cement. He was told that this was not the case.

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British

(1) 1/10/07 40

Mr. Cumming suggested that the legislation which should be introduced for the licensing of the local manufacture of cement should define Portland cement as both the finished Portland cement or partly manufactured Portland cement as clinker, or any other cement which can be used as a substitute for Portland cement, and should further provide that no Portland cement should be sold or imported at a price lower than the average selling price of cement at Works, Great Britain, for consumption in Great Britain, plus such amounts as the Commissioner of Customs should decide to be reasonable to cover loading, freight, landing charges, insurance, delivery, selling expenses, containers for cement and other cognate charges. The average selling price should be the average selling price for the year preceding the despatch of the cement from Great Britain, taken from the 1st Jan. to the 31st Dec.

In

British article. But he pointed out (a) that Great Britain was already losing the trade fast; (b) that ~~the manufacturers had had an opportunity of coming in with him in the local manufacture venture and had declined;~~ ^{Legal British} (c) that in any case they would not be ~~penalised;~~ ^{penalised}; and (d) that the ~~loss~~ ^{effect} of the Kenya trade ~~was~~ on employment in this country would be entirely negligible (he said that an additional 50,000 tons of cement per annum would probably enable the cement manufacturers in this country to employ only two more men).

On the other hand the proposed legislation would enable some £300,000 to be spent largely in Kenya, but also to the tune of £90,000 for machinery in Great Britain; ~~which~~ ^{it} would give British interests a chance of keeping the trade which in present circumstances will inevitably go to foreign interests.

4. The advantages of basing the minimum imported price on the British selling price would be to give the British manufacturers an opportunity to compete ~~in the Kenya market, which is now being lost~~ ^{at a price not less than they received today,} and provide stability of price undisturbed by exchange fluctuations. But if this was impossible, then he would be prepared to see the minimum imported price based on the market rates in the country of origin. The Company would be prepared to take the risk involved by exchange fluctuations, and could, he felt confident, successfully compete against any "reasonable" fall in the sterling value of Japanese currency.

on the same time as foreign imports

Substitute in green slip

L L L [Mr. Cunningham had prepared himself a rough draft of the kind of legislation which he had in mind giving alternative clauses according to whether

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Substituted in green slip

LLK [Mr. Cumming had prepared himself a rough draft of the kind of legislation which he had in mind giving alternative clauses according to whether

Handwritten mark

the minimum imported price were based on the market in Great Britain or the market price in the country of origin. *& the Drafts attached below, the effective clauses are as follows*

5. He was asked whether difficulties may not arise in regard to quality. He indicated that this would not be the case. ~~His proposal was that the legislation should apply to Portland Cement defined as "both the finished Portland Cement or partly manufactured Portland Cement as clinker or any other cement which could be used as a substitute for Portland Cement"~~

6. He was asked whether any difficulty would arise in obtaining the market prices in the country of origin. His answer was that no difficulty could arise. The prices would be obtainable from the local press and no doubt the British authorities in Japan and elsewhere would be willing to furnish information.

7. Finally he was asked whether protection of this kind would not in fact enable the local Company to make ~~enormous~~ ^{excessive} profits as they would naturally sell at the highest price possible to enable them to compete with the imported product. The answer was that they would naturally expect to make a reasonable profit, but that they would be controlled not only by the prices of imported cement but also by the possibilities of finding a market. They looked for their profits not so much to a large margin but to an extensive ~~production~~ ^{sale} and they could not hope for an extensive ~~production~~ ^{sale, without bringing in} ~~especially amongst~~ the native population (and he instanced the Baganda who were appreciating the advantages of cement as opposed to mud houses), unless the price was kept at a reasonably low level. His own calculations had been based on a margin of 14

per cent profit.

8. Finally he urged the desirability of an early decision. His financial group was a powerful one, ^{but} ~~and~~ they were in danger of losing interest unless things were brought to a head pretty soon; further his option on the land in Kenya expired at the end of December. He strongly urged that every possible effort should be made to give some final decision at an early date.

Alternatively Paragraph 3. (1) could read : No person shall sell within the Colony, or import to the Colony, any cement of the description mentioned in the paragraph 2 of this Ordinance, at a price lower than the average selling price of cement at Werks for consumption in country of origin, plus such amounts as may, in the opinion of the Commissioner of Customs, be reasonable to cover loading, freight, etc.

Alternatively Paragraph 3. (1) could read : No person shall sell within the Colony, or import to the Colony, any cement of the description mentioned in the paragraph 2 of this Ordinance, at a price lower than the average selling price of cement at Works for consumption in country of origin, plus such amounts as may, in the opinion of the Commissioner of Customs, be reasonable to cover loading, freight, etc. W

42

GOVERNMENT NOTICE NO

His Excellency The Governor in Council has approved of the following Bill being introduced in the Legislative Council.

A BILL RELATING TO THE PROTECTION OF THE PORTLAND CEMENT INDUSTRY.

BE IT ENACTED by the Governor of the Colony of Kenya, with the advice and consent of the Legislative Council thereof, as follows :-

1. This Ordinance may be cited as "the Portland Cement Industry Ordinance, 1932".

Short title.

2. In this Ordinance, unless the context otherwise requires, "Portland Cement" shall mean both the finished Portland Cement, or partly manufactured Portland Cement as clinker, or any other cement which can be used as a substitute for Portland Cement.

Interpretation

3. (1) No person shall sell within the Colony or import to the Colony, any cement of the description mentioned in the paragraph 2 of this Ordinance, at a price lower than the average selling price of cement at Works Great Britain for consumption in Great Britain, plus such amounts as may, in the opinion of The Commissioner of Customs, be reasonable to cover loading, freight, landing charges, insurance, delivery, selling expenses, containers for cement, and other cognate charges. The above mentioned average selling price shall be the average selling price for the year preceding the despatch of the cement from Great Britain, taken from the 1st January to the 31st December.

(2) The Government in Council may by order, add to or vary the Schedule to this Ordinance and may also by such order specify the minimum price at which any trade description of Cement added to the said Schedule may be sold.

4. (1) No person shall manufacture Cement unless he is in possession of a licence issued to him by the Governor in Council.

Licence to manufacture cement.

(2) Every applicant for a licence under this section shall specify the building and/or place at which the licensee proposes to manufacture Cement and no licensee shall manufacture Cement otherwise than at such building and/or place.

(3) The Governor in Council may in his discretion refuse to issue a licence to any person on the ground that a sufficient number of licences have already been granted or on any other ground which may appear to him to be sufficient.

43

(4) Every licence shall be in such form and shall contain such conditions as may be prescribed by the Governor in Council and the annual fee in respect of each licence shall be the sum of ten pounds.

5. Any person who contravenes or fails to comply with any of the provisions of section 3 or section 4 (1) of this Ordinance shall be guilty of an offence, and, subject to the provisions of this Ordinance, shall be liable on conviction to a penalty not exceeding five hundred pounds or to imprisonment for a term not exceeding six months or to both such fine and imprisonment. Penalties

OBJECTS & REASONS

Certain promoters are prepared to institute an industry in Kenya for the manufacture of Cement, but before they embark on this undertaking they desire an assurance of protection from two forms of what they submit would be unfair competition. In the first place, they fear that the Colony may be flooded with cheap cement, sold below the market price obtaining and at a loss, in order to stifle at the outset what may prove to be dangerous competition. The second form of competition of which the promoters are apprehensive is that of premature competition within the Colony itself by the setting up of more factories than the industry would support.

The objects of this bill are to prevent the manipulation of prices in such a way as to result in unfair competition, and to control the erection of factories for the manufacture of Cement. Power is taken to refuse to issue licences to manufacture Cement on the ground that a sufficient number of licences in an area have already been granted or on any other sufficient ground.

No expenditure of public moneys will be involved if the provisions of this Bill become law.

17/44



GOVERNMENT HOUSE,
NAIROBI,
KENYA.

KENYA.

No. 553

AIR MAIL

RECEIVED
29 NOV 1932
COL OFFICE

17th November, 1932.

Sir,

No 3

With reference to my telegram of the 9th October, I have the honour to inform you that the local representatives of the Likoni Cement Group presented and discussed with me the enclosed memorandum on the 8th instant. They also handed to me a copy of a letter addressed to the Under Secretary of State on October 22nd by Mr. Cumming.

No 6

2. You will observe that, while Mr. Cumming asked for protection by means of the imposition of a suspended duty against dumping understood as meaning that no cement should be landed at Mombasa at a smaller price than manufacturing costs plus freight, landing charges and duty, the local proposal goes very much further and advocates that cement shall not be permitted to be imported into Kenya at a price below that quoted in London by the Cement Marketing Combine as their market price, plus the charges landed at the port of entry, that is to say that Japanese cement shall only enter Kenya at London prices plus freight charges for cement of similar standard specification.

3. The proposal thus aims at an artificial increasing of Japanese manufacturing costs and is so

removed

THE RIGHT HONOURABLE
MAJOR SIR PHILIP GUNLIFFE-LISTER, P.C., G.B.E., M.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S.W.1

47 5747 7 (3)

25

removed from the sphere of anti-dumping legislation.

4. The local proposal would also be detrimental to the interests of the Anglo-Danish group which is in process of establishing itself in Nairobi. This group imports clinkers and the proposal definitely envisages an artificial increase in the home cost of this material. It aims therefore at protecting the Likoni group from the competition of its rival local firm as well as from Japanese competition, the justification offered being that the Likoni group will be supported by British capital and machinery whereas its rivals are dependent chiefly on foreign capital and will buy foreign machinery.

5. As I have already advised you, I am anxious that as much legitimate assistance as possible should be given to the production of Kenya cement, but none of the proposals submitted by this group appear to be acceptable or practicable for various reasons. I may add that I had an interview with Mr. R.F. Mayer on the morning of the 15th instant when I warned him that there was little likelihood of these fresh proposals receiving your approval.

6. For your information I enclose a copy of a minute by the Commissioner of Customs.

I have the honour to be,

Sir,

Your most obedient, humble servant,

BRIGADIER GENERAL.
GOVERNOR.

Memorandum on suggested legislation for the protection
of a local Cement Industry.

Early in 1931, a few local prominent men formed a Syndicate with a view to investigating the possibilities of the manufacture of Cement in Kenya.

These investigations proceeded with the assistance of the local Government Analyst and after the Syndicate were satisfied that the necessary ingredients were present and that the situation was economically sound, Mr. R.F. Mayer proceeded to London towards the end of that year with a view to raising the necessary capital for the manufacture of Cement.

In April 1932, Mr. E. Elmquist, who is recognised in the Cement World as being among the leading authorities on this question, visited this country and further investigated and reported on the possibilities.

His report was extremely favourable and certain prominent financiers in London became interested.

Various difficulties then arose that had to be surmounted such as permission to cross the Air Ministry reserve, Kilindini Harbour etc.

Government was approached and all difficulties were satisfactorily overcome and the financiers were in a position to proceed with the manufacture of cement in Kenya when the Ottawa Conference intervened and, owing to uncertainty as to the outcome of the Ottawa Conference in relation to the Colonies of the Empire, the whole matter of the production of Cement in this country was held up until after the Conference had been held.

When it was found that the Ottawa Conference did not in any way affect Kenya as far as the manufacture of cement was concerned, the negotiations reopened.

During this period, Japan commenced to take a keener interest in the import into Kenya of cement from Japan and commenced to reduce their prices to such an extent that British imports were seriously affected.

The financiers realised that if Japan handled the Cement situation in the same way as it handled the Cotton Piece goods trade there was a grave possibility of its being in a position to under-cut any economic price by dumping.

This alarmed the financiers to such an extent that they were not prepared to proceed with the proposition unless they could obtain some written assurance from Government that in the event of Japan or any other country dumping cement in Kenya the local industry would be protected.

The Kenya Government and the Colonial Office were approached with a view to obtaining this assurance.

His Excellency the Governor of Kenya showed great sympathy with the whole proposition and undertook to communicate with the Secretary of State for the Colonies giving his views on the advisability of protecting the

local industry from dumping if this were proved necessary.

The Secretary of State was approached in London and he, apparently, was unable to give this assurance prior to referring to the Board of Trade and the Empire Marketing Board.

At this stage, the British Portland Cement Combine commenced to take notice of the proposed local cement industry and it is submitted that they used every influence they could to hinder the promotion of the local industry.

This was naturally to be expected.

The argument put forward in London by the Colonial Office and others was that if cement were manufactured locally in Kenya it would be detrimental to the importation of British Cement, and, therefore, would place further man power in Britain out of employment.

This argument from the point of view of the Board of Trade and others interested in the political aspect of Great Britain was sound and the financiers as well as the Local Syndicate realised perfectly the difficulties with which the Colonial Office were faced in giving this assurance.

The question of the Congo Basin Treaties was raised, but it was proved to the satisfaction of those concerned that the proposed local industry was not asking for any preferential treatment nor for any increased import duties on imported cement, but only for protection against unfair competition by dumping.

It was suggested to Government that one of two courses could be taken to protect local industry. The first was that anti-dumping legislation should be introduced so that no product could be imported into the territory except at an economic cost of production, plus freight and charges to the port of entry.

The second suggestion was that legislation should be introduced to protect cement on an identically similar basis to the new legislation about to be introduced to protect the Sisal Bag Industry.

The Congo Basin Treaties allow Government to legislate against dumping so long as all Nations are treated equally.

Neither of these suggestions has yet been accepted on the ground that if a local company commenced to manufacture cement in Kenya it would affect the British exports and thereby increase unemployment in Great Britain.

It is submitted that even if the local Syndicate went no further in the matter of the manufacture of cement and withdrew completely all their negotiations, yet, in a very short time, the importation of British cement into East Africa would practically cease and the same effect on unemployment would occur.

Arguments to prove this are numerous, the principal being the question of Japan. Importation

figures show that in 1928 Japan imported 1.4% of the total imports of cement into Kenya and Uganda for home consumption while in 1931 this percentage had increased to 17.86.

Japan's importations into Kenya have thus seriously increased.

Secondly, in 1928 the price of Japanese cement c.i.f. & c. Mombasa was 24.5% below that of British while in 1932 Japan's price was reduced to 54.75% below that of British.

These figures are alarming and show that Japan has now commenced dumping cement and that the price quoted c.i.f. & c. is well below the economic cost of manufacture plus charges and, undoubtedly, this year and in the near future Japan's hold on this market will, unless checked, increase to a very large extent to the detriment of exports from Great Britain.

Thirdly, Local Government is aware that a Danish concern is now contemplating erecting a Clinker Grinding Mill in Nairobi. From its prospectus it will be seen that all the machinery for this plant is to be imported from Copenhagen, Denmark.

It is the intention of the Danish concern to import Clinker, from the cheapest market possibly Great Britain, Japan or elsewhere and grind this Clinker in Nairobi and sell the manufactured article as "Local Cement".

Due to the fact the Clinker travels in bulk, its charges will be below that of manufactured Cement, and therefore, this Danish company will be able to place Cement on the local market more cheaply than that imported from Great Britain. As it is the policy of the local Government to support local industries, if this local grinding mill can produce a cement equal in quality to British Standard specification and equal or cheaper in price than any imported cement, the Local Government will be compelled to use the cement produced locally thereby ceasing its importations from Great Britain.

The general public consumers of cement will, undoubtedly, support a local industry and, subject again to quality and price being equal, will use the Danish Milled cement in preference to imported.

Therefore, with Japan's increasing hold on the market and with this new concern milling Clinker in Nairobi, British importations of cement into Kenya will consequently decrease to such an extent that the value of British exports of cement into Kenya will be negligible.

This, it is submitted, proves that under any circumstances Great Britain will lose this market, as far as cement is concerned and will gain nothing in return as Japan is not purchasing machinery, for the manufacture of cement, from Great Britain.

The Danish concern definitely state in their prospectus that their machinery is solely Danish so that nothing will be received from that source whereas the proposed local industry which is applying for assurance of protection have given Government through the Secretary of State a written undertaking that, in the event of their receiving an assurance from the Colonial Office

of protection against unfair competition, the proposed company will spend at least £90,000 immediately in Great Britain for machinery.

The capital of the proposed company, the machinery and the workmen will be solely British.

If the above argument is sound, are the Colonial Office, the Board of Trade, the Empire Marketing Board and others interested in this question going to jeopardise or prevent the expenditure of over £90,000 in Great Britain on machinery, and the employment of British labour in the manufacture of machinery and in the local cement industry, by withholding assurance of protection against unfair competition on the ground that this would affect British exports when, if figures and facts are examined, undoubtedly British exports of cement into Kenya will automatically be reduced from now onwards.

On the other hand, it is admitted that if this assurance is given, Britain will lose its export of cement into Kenya but it is submitted that, on the other hand, Great Britain will gain by large sums of money being spent on machinery.

Local Government, some time back, promised to assist the Tea industry of Kenya by protection against unfair competition. This did not materialise owing to the necessity not arising but the principle was approved by Government.

Local Government is now undertaking the protection of the industry manufacturing Sisal bags and are controlling the price at which Jute bags are to be sold in this country.

It is, therefore, reasonable to ask of and expect the same protection from Local Government in the case of a local cement industry.

The principal clause in the draft legislation protecting the Sisal bag industry is that which lays down that Jute bags cannot be sold in this country at a price below that quoted on the market in Calcutta, plus charges, etc.

As far as the local cement industry is concerned the protection asked is identical to that accorded to the Sisal bag industry with the exception that the words "sold at" be changed to "imported at". In other words cement shall not be imported into Kenya at a price below that quoted in London by the Cement Marketing Combine as their market price, plus charges landed at port of entry.

This would give not only protection to a local industry but to British cement imports into this country, because Japanese and other foreign cements would then have to be imported at the same price as British and the British manufacturers would no longer fear Japanese competition but would only have to face competition from a local industry which competition Great Britain, today, has to face from all corners of her growing Empire.

In this case the legislation would have to cover Clinker as well as manufactured cement.

This, it is submitted, could be done on the same lines so that if the market price in London of cement, plus charges, is "X" and cement could be imported at "X",

then Clinker could not be imported below a price equal to "X" minus the cost of milling Clinker to the completed cement.

These figures are obtainable as they are worked on a formula which can be obtained from the Board of Trade or the Cement Marketing Combine.

It is submitted that no hardship whatsoever would be entailed in Great Britain through this suggested legislation. In fact, Great Britain would benefit in the same way as India will benefit by the Sisal bag legislation in that India is in a better position to compete with foreign competition from Japan and elsewhere.

As the Board of Trade has made a precedent in raising no objection to the protection of the Sisal bag industry it is suggested that the Board of Trade should also agree to the protection of a local cement industry.

Government is not asked to introduce this legislation immediately. The financiers only request Government to give an assurance that should the local cement industry be faced with unfair competition Government will bring in legislation to protect such local industry on the basis of the protection afforded to the Sisal bag industry.

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MINUTE BY THE COMMISSIONER OF CUSTOMS
DATED 11.11.32.

In order to protect sectional local interests in the matter of competition with imported cement or cement clinkers, the protection suggested by the Likoni Cement Group is that cement shall not be imported at a price below that quoted in London by the Cement Marketing Combine as their market price, plus charges to the Port of Entry, and that cement clinkers shall not be imported at a price lower than the price of cement calculated as above less the cost of milling clinkers with cement.

It seems necessary in the first place to examine the principles underlying this proposal and then to explore the practicability of effective application.

As regards the principle, I am of the opinion that extraneous considerations must be eliminated before a proper decision can be reached. For example, the fact that the Company proposing to manufacture cement from cement clinker is a Danish concern appears to be entirely beside the point as it does not affect the question as to whether or not the manufacture of cement from clinker is desirable in this Colony, and it is of course quite possible that a British Company employing British capital, labour, machinery and clinkers might wish to commence operations at any time. If cement from clinkers can be manufactured as an ordinary business proposition at a less cost than cement from local raw materials calcined by imported coal, it seems grossly unreasonable to suggest discouragement of manufacture by the cheaper method and it may well be that importations of clinker at an arbitrary value based on British cement prices would be quite impracticable unless manufacturers of clinker are forced to charge an unduly high rate to the importer.

Protection of the local manufacturer of cement from raw materials against the local manufacturer of cement from clinker in the manner suggested is in my mind out of the question.

As regards competition from imported foreign cement, Japan happens at the moment to be the most formidable potential competitor, but many other countries (Italy, Belgium, Germany, S. Africa, & etc.) are possible sources of supply of cement, usually of lower quality than that procured from Great Britain. The fixation without undue hardship of the minimum sale price of jute bags is possible as there is virtually only one available source of supply and the various qualities can be distinguished and enumerated with ease. The proposal of the cement interests, however, embodies an entirely different principle which, in fact does not aim at prevention of dumping in the proper sense of the term, but seeks to fix an artificial minimum c.i.f. price, based not upon the quotations at the source of supply (as in the case of jute bags) but upon quotations from the most expensive centre of manufacture. Reference to the proposed jute bag legislation now under consideration is therefore liable to be extremely misleading if quoted as a parallel and the fundamental difference between the two proposals should be clearly understood. So far as practical application of the suggestion is concerned, if all transactions were bona fide the result would

undoubtedly be a complete stoppage of importations into Kenya of all cement other than cement supplied by the Cement Marketing Combine, as no importer would pay a fictitious price for what is acknowledged to be an inferior article, and consumers would be forced to use either local cement or imported cement of the highest grade. The importer might, and probably would, so arrange matters as to receive invoices for foreign cement at English Combine rates with secret rebates of the difference between those rates and the proper foreign market values, and nothing in the suggestion would prevent him from selling at an apparent loss after importation had been effected and duty, at a specific rate, paid.

There is also the question of importations for Uganda and Tanganyika Territory and subsequent transfer from these territories to Kenya. For a variety of reasons Uganda and Tanganyika Territory may wish to place no hindrance on the importation of cheap cement for native and other uses and concerted action with a view to keeping internal prices at a fictitiously high figure can scarcely be anticipated. Transfers between the territories after delivery from customs control are allowed without restriction as an agreed policy and practical control unless exercised equally in the territories by agreement would be extremely difficult if not impossible.

I submit that the principle embodied in the suggestion of the Likoni Group (which as I have pointed out is essentially different from that proposed in regard to jute bags) is open to the gravest objections as it aims at fixation of the import price of a commodity at a purely arbitrary figure. If used as a means of encouraging trade with Great Britain (possibly at the expense of the Dominions and Colonies) it should obviously be extended to cotton piece goods and a large variety of other articles where price competition is felt with equal severity; if used purely for protectionist purposes, local interests concerned in the tea, sugar, soap, aluminium, cigarettes and tobacco interests might with equal reason ask for the same sort of shelter, the ultimate result being that only the very highest quality articles could be imported into Kenya, and presumably the cost of living would increase accordingly.

C. O.

PC file 53 16

Mr. Allen

21/11 fo

18286/32 Kenya.

Mr.

Mr.

Mr. Parkinson.

For Mr. Allen's signature.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Confidential

28 November, 1932.

Dear Sir Joseph,

DRAFT for conson.
v. minutes.

(To be filled in)

The S. of S.'s despatch.

BRIGADIER GENERAL
SIR JOSEPH BYRNE, K.C.M.G.,
K.B.E., C.B.

No. 868 of the 2nd ~~handbook~~

refers to you, for your observations, representations made by the Empire Cement Marketing Company in regard to the railway rates on cement clinker.

In dealing with the matter we have not overlooked the remarks made by Mr. Roger Tibb in paragraph of the advance copy of his report, but as the report is confidential at present no reference has, of course, been made to it in the despatch.

6 dfts.

Your sincerely,
(Signed) H. T. ALLEN

C. O.

Mr. Allen

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Perly. U.S. of S.

Secretary of State.

18286/32 Kenya.

Answered by Nos 3051/33

28 November, 1932.

DRAFT for conson. v minutes.

TRANSPORT.

KENYA-UGANDA.

No 164

H.CR.

27 5 Kenya 868 28 NOV 1932

Sir,

I have etc. to transmit to you the accompanying copy of correspondence with the ~~Empire~~ Cement Marketing Company Limited, and to request that you will furnish me with your observations on the representations

~~Fr. Cement Marketing Co. - 3rd Nov (No. 7)~~

~~To Cement Marketing Co. (dit. herewith)~~

~~To Gov. Kenya (comp. dit. with encls. other than corres. with the Cement Marketing Co.)~~

made by the Company in regard to the railway rates on cement clinker.

2. I have addressed you

separately in your capacity as Governor of Kenya in regard to the proposal for establishing a cement factory. A copy of my despatch is enclosed for convenience of reference.

I have, etc.

6 dfts.

(Sgd.) P. CUNLIFFE-LISTER

15-54

PC
11/11/55

C. O.

Mr. Allen

21/11 *[Signature]*

18286/32 Kenya.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shackburgh.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

28 November, 1952.

Sir,

DRAFT for consen. v.
minutes.

KENYA

NO. 868

GOV.

(No.1)

With reference to your
despatch No.438 of the 6th September,
I have etc. to transmit to you, for
your information, a copy of the
correspondence noted in the margin,
relative to the proposal to establish
a cement factory in Kenya.

To Mr. Cummins 7th Oct. '32
(No.2)

Fr. -dg- 11th Oct. '32.
(No.3)

Fr. -dg- 22nd Oct. '32
(No.4)

Fr. Cement Marketing Co. 3rd Nov. '32
(No.5)

To Cement Marketing Co. 26 Nov.
(Comp. Art. 1)

To B of S
(Comp. Art. 1) without call.

To B of S
(Comp. Art. 1) without call.

6 A/10.

2. You will observe that I am
consulting the Board of Trade in the
matter. I shall communicate with you
again when a reply has been received
from that Department.

3. I have addressed you in
your capacity as High Commissioner for
Transport in regard to the
representations of the Cement Marketing

Company

Copy C.N.C.T. sent 28 NOV 1952

PC 1656

26 NOV 1932

- Mr. Clauson 14/11
- Mr. Frost on (hasan)
- Mr. Allen 22/11
- Mr. Parkinson.
- Mr. Tomlinson.
- Sir C. Bottomley. 23.11.32
- Sir J. Shuckburgh.
- Parad. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

Amended 4 N022

26 November, 1932.

Sir,

I am etc. to transmit to you herewith, to be laid before the Board of Trade, copies of correspondence on the subject of a proposal to establish a cement factory in Kenya, and to request you to inform the Board that he would be greatly obliged if he might receive to receive the advice of the Board thereon.

2. As the Board are no doubt aware, the most pressing economic problem at present confronting the East African territories is that of reducing their adverse balance of external payments. Any project, therefore, which holds out the prospect

DRAFT. cons. v. minutes
THE SECRETARY,
BOARD OF TRADE.

copy for 568/28 NOV 1932

- From Mr. ... 29/7/32
- (10 on 1/4/11/31)
- To Govt. Secy 3/8/32
- (11 on ditto.)
- From ditto. 10/8/32
- (14 on ditto.)
- From ditto. 8/9/32 P
- (1 on 18286/32)
- To Mr. Canning 7/10/32
- (10 on ditto)
- From Govt. Secy 10/10/32
- (3 on ditto)
- From Mr. Canning 11/10/32
- (8 on ditto)
- From Mr. Canning 22/10/32
- (8 on ditto)
- From Cement Marketing Co. 31/10/32
- (7)
- To Cement Marketing Co. 25.11.32
- (copy. dit.)
- To Mr. Canning 29.11.32
- (copy. dit.)

of local production of goods which would otherwise have to be imported from abroad is prima facie to be welcomed, since it will relieve the exchange position of the country.

3. The Board will observe that while Mr. Cumming, the promoter of the enterprise, appears to be satisfied that, given an adequate measure of protection against Japanese competition, the project is sure of success, the Cement Marketing Company came to the conclusion, after careful consideration, that under present conditions there is not sufficient local trade to justify a plant being erected and that certainly the cost of manufacture in Kenya would be so high that it could not compete with imported British cement. The Secretary of State would be glad to learn whether

of local production of goods which would otherwise have to be imported from abroad is prima facie to be welcomed, since it will relieve the exchange position of the country.

3. The Board will observe that while Mr. Cumming, the promoter of the enterprise, appears to be satisfied that, given an adequate measure of protection against Japanese competition, the project is sure of success, the Cement Marketing Company came to the conclusion, after careful consideration, that under present conditions there is not sufficient local trade to justify a plant being erected and that certainly the cost of manufacture in Kenya would be so high that it could not compete with imported British cement. The Secretary of State would be glad to learn whether

the Board are in a position to express an opinion on this particular point.

4. It will also be observed that while Mr. Cumming is principally concerned at the prospect of *cement making* Japanese competition, the Company make no reference to this question in their letter but are concerned rather at the prospect of a cement industry being created in Kenya by which cement is to be manufactured from imported clinker. The Secretary of State would be glad to learn whether the Board consider that, whether or not this industry is established in Kenya, it will be possible for the British manufacturers to compete with the Japanese on a basis of equal customs treatment, which is inevitable so long as the

Treaty of St. Germain remains in force.

It may be recalled that customs duty is not payable on imports on Government account, which have hitherto formed a substantial portion of the total imports.

5. He would also be glad to learn whether the Board have any information regarding the undertaking *(a guiding body could be set up for advice)* referred to in the previous paragraph.

and whether broadly speaking they consider that such an undertaking would be an economic one.

6. The Board will also observe that Mr. Cumming's claim for protection against Japanese imports is based on the contention that at present prices ^{Japan} Japanese is being dumped in the Colony, that is presumably sold at a price insufficient to cover the suppliers' actual out of pocket expenses. The

Secretary

Secretary of State would be glad to learn whether the Board agree that "dumping" is actually taking place.

7. The whole question is one of such complexity that the Secretary of State before approaching the Governor again would be glad of any advice which the Board may be able

to offer. *A copy of the enclosed regarding this letter, is handed here sent to the Secy. I am, etc.*

PC file 59
11

G. O.

Mr. Freeston 11/11

Mr. Allen 2/1/11

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley, 23. 11/11

Sir J. Shuckburgh.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

18286

26 November, 1932.

Sir,

I am etc. to acknowledge

the receipt of your letter of the 3rd November (Export W.G.C.) regarding the rates of freight charged by the Kenya and Uganda Railway Administration on cement and clinker respectively.

2. Previously to the 1st January, 1932, the rate charged on cement and cement clinker from Mombasa to Nairobi was Sh.26.44 per ton. On

January 1st alterations in the classification of a number of commodities and in the rates imposed were effected, with the object of securing additional revenue to the Railway. The effect of this readjustment was to increase the rate

DRAFT. *Crain*

THE SECRETARY

THE CEMENT MARKETING CO. LTD.

11/11 (57)

6 dts.

*copy of 8/6/32 8 NOV 1932
H.C.T. 1243
copy to B/T 26/11*

(See Sp. 17/11)

Copy with copy of encl. to 7 to H.Cr.LF. observations.

Copy this only to Trade & Inf. Office LF. ref. 8. *necessary think 1/11*

rate charged on cement from

Sh.26.44 to Sh.41.67 per ton.

while the rate on cement clinker

was increased to Sh.31.59, with

the latter case the

an overriding maximum of Sh.30/-

sh. operated

per ton. On June 25th, 1932, the

maximum was cancelled so that the

full rate of Sh.31.59 per ton is

now chargeable on *clinker*.

4. The S. of S. is assured

that the only object in increasing

the rates ~~of cement~~ was to secure

additional revenue, and that

justification for the difference in

the rates between cement and cement

clinker is to be found in the fact

that the more valuable article can

~~bear the heavier charge.~~

3

7. A copy of this correspondence

refers

is being sent to the H.C. for Transport,

Kenya and Uganda, for any further

~~observations.~~

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3

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Kenya and Uganda, for any further

observations.

~~observations which he may be in a
position to offer on the question~~

~~I am, etc.~~

~~of differentiated rates~~

Sir P. Godd' Cawleffer
 has taken note of the
 observation in your letter
 with ^{interest} in regard
 to the establishment of a cement
 factory in Kanga.

~~observations which he may be in a
position to offer on the question~~

~~I am, etc.~~

~~of differential rates~~

Sir P. Gadi Cawleffer
 Lister has taken note of the
 observations in your letter
 under acknowledgment in regard
 to the establishment of a cement-
 factory in Kanyar.

Extract from ~~the~~ report by Mr. Roger Gibb.

(22, 4235)

x

x

x

x

98. The existing classification, moreover, suggests that slogans or catch phrases have, at times, been permitted to act as guiding principles instead of the more fundamental ideas the slogans are intended to represent in "tabloid" form. There is much to be said for changing comparatively low rates on raw materials though this practice, carelessly applied, may lead to very harmful results. Thus, cement clinker has just been classified lower than cement almost solely on the ground that it is a raw material. The railway can only lose money from this change and will probably cause harm to industry at the same time. The lower rate for clinker will tend to cause cement to be ground in small mills near the points of consumption probably with harmful effect upon the quality of the cement. It would, in my opinion, have been better for the railway to charge cement and clinker the same rates (as wheat and flour are charged the same rates in England)

and

and to encourage local cement to be made, if at all,
at few, rather than many, points

x x x x

MEMORANDUM

(No. 6)

Plans are afoot for building a cement factory in Kenya to supply the East African market. The raw material is available locally. Machinery (to the value of £90,000) would be bought from the United Kingdom; and 20,000 tons of coal per annum would be obtained from South Africa.

It is estimated by the promoters that the local product could be sold locally at a price well below the price of imported British cement. It could not, however, compete against the Japanese article which is alleged to be sold in East Africa at a figure below the cost of production in Japan, plus freight and handling charges; i.e. to be dumped.

The promoters of the local industry are trying to raise the necessary capital in London, but are meeting with a natural reluctance to invest in an enterprise threatened with destructive Japanese competition. They ask therefore that the Kenya Government will undertake to impose such a duty on all imported cement as will bring the local selling price of the cheapest imported product (i.e. the Japanese) to a point above the level at which the local product can be profitably sold.

As such a duty could not discriminate between the exporting countries, it would have the effect of completely eliminating the United Kingdom product

product from the Kenya market so far as sales to ~~private~~ users are concerned (imports on Government account of course pay no duty), But this market is already being lost to the Japanese. The question at issue is therefore - is it preferable that United Kingdom cement should be ousted by Japanese cement or by cement produced in Kenya?

The most pressing economic problem in East Africa at present is how to reduce the adverse balance of overseas payments. Replacement of imports from whatever source by local products is one of the more obvious lines of solution.

When the proposal for a local cement factory was first brought to his notice, the Secretary of State minuted: "Here it is proposed to establish an efficient local industry, economically sound, and using local material which would not be exported, employing local labour and saving the Colony money. Moreover it is in a Colony which cannot grant a preference so long as the Congo Basin Treaty lasts. In this case I should certainly not oppose."

The Governor, on the advice of his Controller of Customs, has expressed the view that "the disparity in price between Japanese and British cement is so great that the ordinary methods of control exercised by Government through the Customs tariff could not redress the balance", and "the rate required to afford effective protection

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on 17411.

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above No 2 of this file
JMS*

No. 1 on
18286.

No.3 on
18286.

(No. 6)

protection against foreign cement would be so high as to render this course impracticable."

In a later telegram, however, he said "If a solution could be found I would welcome it."

According to the promoters' figures, Japanese cement (duty paid and unpacked) now sells in Mompasa at Sh.38.50 per ton. They ask that an additional duty be imposed to bring the price to a minimum of Sh.50/per ton; i.e. Sh.11.60 per ton or an additional Sh.2/- per cask (of 400 lbs.). The present duty is Sh.1.50 per cask. With these figures before him it seems at least possible that the Governor will be willing to reconsider the position.

B. D. ...
11/11



NEW ADDRESS: GRAND BUILDINGS, ^{16/8}
 TRAFALGAR SQUARE
 (ENTRANCE STRAND)
 LONDON. W.C.2

His Majesty's Eastern African Dependencies

WMCH/ND

KENYA, UGANDA,
 TANGANYIKA, ZANZIBAR

TELEPHONE WHITFALLS 5791/2/3.
 ANY COMMUNICATION RESPECTING THIS
 MATTER SHOULD BE ADDRESSED TO THE
 SECRETARY
 REF.

TRADE & INFORMATION OFFICE

*Royal Mait Building,
 Cockspur Street,
 (ENTRANCE GARDENS)
 London, S.W.1.*

NYASALAND
 NORTHERN RHODESIA.

CABLES: EXAMETERS, LONDON
 TELEGRAMS: EXAMETERS, LONDON.
 FROND

9578/32

4th November, 1932

Dear Freeston,

Reference our conversation on the telephone regarding rates over the Kenya & Uganda Railways on Cement and Cement Clinker, the following are the facts:-

Prior to January 1st 1932, Cement and Cement Clinker in 10 ton lots and over were both in Class 10 with a maximum charge in the case of Cement Clinker of Shs. 30 per ton.

Class 10 from Mombasa to Nairobi was Shs 26.44 per ton, so the maximum on Clinker did not operate between these points and the rates on both commodities were therefore identical.

On January 1st 1932, with the object of raising more revenue, alterations in the classification of a number of commodities took place and the two lowest classes, 9 and 10, were increased throughout. Under this readjustment, Cement was put from Class 10 to Class 9 resulting in the rate charged from Mombasa to Nairobi being raised from Shs. 26.44 to Shs. 41.67 per ton. Cement Clinker remains in Class 10 but with the raising of that rate, the charge per ton from Mombasa to Nairobi became Shs. 31.59 as against the previous Shs. 26.44. Finally, on June 25th 1932, the maximum of Shs. 30 per ton was cancelled so that the full rate is now chargeable.

Cement, therefore, is now Shs. 41.67 per ton and Cement Clinker Shs. 31.59 per ton from Mombasa to Nairobi.

L.B. Freeston, Esq., O.B.E.
 Colonial Office,
 Downing Street,
 London S.W.1.

I.....

68 7/A

THE CEMENT MARKETING COMPANY LTD

SELLING ORGANIZATION OF

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED.
THE BRITISH PORTLAND CEMENT MANUFACTURERS, LIMITED.

PORTLAND HOUSE, TOTHILL STREET
WESTMINSTER, LONDON
S.W.1

CODES USED

AI-ABCOR & OR
EDITIONS
BENTLEY'S
LIEBERS
5 LETTER
MARCONI'S
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WESTERN
UNION

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TELEGRAMS
PORTLAND
PARLONDON

CABLES
PORTLAND
LONDON

Reference Export. W.G.C.

RECEIVED
4 NOV 1932
GEN. OFFICE

3rd November, 1932.

L.B. Freeston, Esq., O.B.E.,
The Colonial Office,
Downing Street, S.W.1.

Dear Mr. Freeston,

I enclose an official letter putting forward our case with regard to the grinding of clinker in Kenya.

I am also sending you privately a copy of the reference in the Act and the Proclamations which were issued by the Government of the Union of South Africa with regard to dumping. The *raison d'etre* of this act was the keen competition which the Union was experiencing from Belgian and Yugoslavian cements.

Yours sincerely,

W. G. C. Freeman

Vertical text on the left margin, likely a stamp or reference code, partially illegible due to the image quality.

69

EXTRACT FROM UNION OF SOUTH AFRICA
CUSTOMS TARIFF AND EXCISE DUTIES

A M E N D M E N T - A C T

1925.

CHAPTER II - DUMPING.

15. (1) Whenever, after investigation and report by the Board of Trade and Industries, the Minister is satisfied that goods which are of a class or kind produced or manufactured in the Union have been or are being exported to the Union -

Imposition
of dumping
duty.

- (a) at an export price which is less than the domestic value thereof plus the extra cost of packing and packages for export, carriage to the port of shipment, and all other expenses incidental to placing the goods on board ship ready for exportation to the Union; or
- (b) at an export price, which owing to the depreciated exchange value of the currency of the country in which the goods were produced or manufactured or from which they were exported is less than the export price of goods of the same class or kind imported into the Union from countries the exchange value of whose currency in relation to Union currency is not depreciated by more than five per centum, and from which such goods on importation are not otherwise liable to any dumping duty in terms of this section; or
- (c) at a rate of freight lower than the rate prevailing at the date of shipment for those classes of goods usually rated for shipping purposes on the same basis, or at ballast rates of freight, or freight free, or that by reason of the granting

of rebates, refunds, or other allowances the net amount of freight payable is lower than that prevailing at the date of shipment; or

(d) that they are being sold or offered for sale at a port of entry in the Union in the usual and ordinary course of trade for an amount which is less than the domestic value thereof plus the extra cost of packing and packages for export, inland carriage, sea freight, insurance and all charges to that port, including landing and delivery charges and any duty (other than a dumping duty) payable under this Act or any amendment thereof; or

(e) that a bounty has been or will be granted in respect of such goods in the country in which they were produced or manufactured or from which they were exported, by way of a bonus, rebate, subsidy or otherwise, whether granted by a Government or other authority or person;

and is further of opinion that detriment may from one or more of the above causes result to an industry within the Union, and that it would be in the public interest to impose in respect of such goods a dumping duty, the Governor-General may by proclamation in the Gazette notify the class of goods and declare that one or more of the dumping duties enumerated in sub section (2), and set forth in such proclamation, shall be levied upon goods of such class on importation into the Union from a country or countries named in the proclamation; and from and after the date of publication of such proclamation in the Gazette such dumping duty or duties shall, in addition to any other duties payable thereon, be charged, levied, collected and paid on goods so notified on importation into the Union from the countries named: Provided that -

(1) no dumping duty or duties shall be imposed in respect of goods shipped to the Union from the country named in the proclamation prior to the date of publication thereof in the Gazette; and

(1i) such duty, or where there is more than one form of dumping, the total of such duties, shall not exceed one half of the value of the goods for duty purposes, as defined in section fourteen of this Act.

(2) The dumping duties which may be imposed in terms of sub-section (1) shall be the following: -

(a) "ordinary" dumping duty which shall be the difference between the export price and the domestic value plus the extra cost of packing and packages for export, carriage to the port of shipment, and all other expenses incidental to placing the goods on board ship ready for exportation to the Union; Provided that such difference is greater than five per centum of the export price;

(b) "exchange" dumping duty which shall be the difference between the export price of the goods in question and the export price of goods of the same class or kind imported into the Union, from countries, the exchange value of whose currency in relation to Union currency is not depreciated by more than five per centum, and from which such goods on importation are not otherwise liable to any dumping duty in terms of this section;

(c) "freight" dumping duty which shall be the difference between the net freight paid or to

into the Union from the countries named therein.

17. Notwithstanding the repeal of section eight of Act No.26 of 1914, sections five and six of Act No.35 of 1922, and section twelve of Act No. 23 of 1923, the proclamations issued thereunder and in force at the commencement of this Act, as set forth in the Third Schedule thereof, shall have full force and effect until superseded by a proclamation issued under section fifteen of this Act, and the special customs or dumping duties leviable under the aforesaid sections shall be charged, levied, collected and paid, as if those sections had not been repealed, on importation of any goods specified in the aforesaid proclamations which are shipped to the Union prior to the date of the superseding proclamation.

Period during which former duties remain effective.

18. The limitation of the dumping duty to one shilling per one hundred pounds, in respect of flour imported into the Union from Australia between the twenty-second day of September and the third day of October 1924, is hereby confirmed and declared to have been lawful; and every customs officer concerned is hereby indemnified against all persons in respect thereof, and no legal proceedings shall be instituted nor surcharge made in respect of the non-collection of the dumping duties on the said flour at the rate prescribed by section twelve of the Customs and Excise Duties Amendment Act 1923.

Indemnity for non-collection of dumping duty on certain flour.

DEFINITIONS.

19. In this Chapter, unless inconsistent with the context -
 "export price" means the price free on board at which goods are sold by the exporter to the importer in the Union.
 "domestic value" means the domestic value as defined in section fourteen (except that for the purpose of

be paid and the freight which would have been payable at the rate prevailing at the date of shipment for those classes of goods usually rated for shipping purposes on the same tariff. Provided that such duty shall not apply to goods of which the value for duty purposes, added to the marine insurance and freight charges, exceeds ten pounds per ton of 2,240 lbs.;

- (d) "sales" dumping duty which shall be the difference between the selling price in the Union and the domestic value plus the expenses and charges set forth in paragraph (d) of sub-section (1);
- (e) "bounty" dumping duty which shall be the amount of the bounty referred to in paragraph (e) of sub-section (1).

16. Notwithstanding anything contained in this Chapter, if the Minister is of opinion that the levying, in respect of wheat or wheaten flour, of the ordinary dumping duty to which in terms of section fifteen it is subject would, by reason of market fluctuations, be undesirable, the Governor-General may, by proclamation in the Gazette, declare that in lieu of such dumping duty, there shall be levied on wheat and wheaten flour imported in the Union from a country or countries named in the proclamation special dumping duties at such rates, to be specified in the proclamation, as in the opinion of the Minister would in the circumstances meet the object of the ordinary dumping duty; and from and after the date of publication of the proclamation in the Gazette such special duties shall be charged, levied, collected and paid on wheat and wheaten flour imported

Special
dumping
duties
on wheat
and flour

paragraph (a) of sub-sections (1) and (2) of section fifteen for the words "time of exportation" shall be substituted the words "date of purchase thereof by the importer"), less any drawback of duty granted by the Government of the exporting country in respect of the goods in question on their exportation;

"ballast rates" means special rates chargeable on any goods shipped as ballast or stiffening for any vessel, and being lower than the rates chargeable on those goods when carried as ordinary cargo.

cement by grinding in Europe, and in order to compete with English cement it will be necessary for the local company to sell at a loss unless help is given to them by the Government of Kenya in the form either of preference in duty and/or by the Kenya & Uganda Railway quoting, as it is rumoured, a lower rate of freight on clinker than on cement.

As a matter of fact the cost of completing the manufacture of clinker into cement, i.e. grinding, would not amount in England to more than 4/- to 5/- per ton of cement, but in East Africa this cost would be at least doubled.

The eventual object of the importers of clinker is to develop the trade in their locally ground cement sufficiently to enable them to erect a complete plant for the manufacture of cement.

We have examined in very great detail already a scheme for the manufacture of cement in Kenya, but have come to the conclusion that under present conditions there is not sufficient local trade to justify a plant being erected, and certainly the cost of manufacture in Kenya would be so high that it could not compete with imported British cement. The scheme could only be successful if the Government supported it by placing a very high import duty on British cement. If they did this, the local Government would lose the present income derived from the taxation on English cement, and would have to pay for their supplies of cement, prices far higher than they are at present paying through the Crown Agents.

Reverting to the import of clinker for grinding purposes, as the English firm in question interested in the project is of Danish origin, there is no guarantee that the clinker imported would be of

British manufacture. The firm in question practically controls the cement industry in Denmark. Therefore, it is to be presumed that the local company will import clinker from England or from Denmark whichever happens to be the most convenient to the parent company at the time of shipping.

The present rate of freight from Kilindini to Nairobi charged by the Kenya & Uganda Railway is thirty nine shillings forty three cents per ton, and it is reported to us that the railway has quoted the figure of twenty six shillings forty four cents per ton for the carriage of clinker. Therefore, the Government of Kenya are subsidising the clinker project to the extent of 13/- per ton. This is all to the detriment of British trade, and as we consider neither the grinding of clinker nor the manufacture of cement in Kenya is a commercial proposition, we hope that the British Government will take the necessary action that such non-commercial propositions are not supported by the Government of Kenya, more especially as in the first case there is a danger that the clinker imported may be of Danish manufacture.

We are, Sir,

Your obedient Servants,

FOR AND ON BEHALF OF
THE CEMENT MARKETING COMPANY, LIMITED.

W. S. Sharma

SECRETARY

186

ARMADORES HOUSE,
BURY STREET,
LONDON, E. C. 3.

22nd October, 1932.

The Under Secretary of State,
Colonial Office,
London, S. W. 1.

Sir,

KENYA CEMENT PROPOSITION.

I have the honour to thank you for the interview that was granted me on Monday last with regard to the above proposition.

From what I learnt there is no doubt in my mind that his Excellency the Governor of Kenya favours very strongly the establishment of a Cement Manufacturing Company in that Country, but he cannot at present see how he can encourage its establishment by means of protective legislation.

As explained by me it is absolutely essential, if the necessary funds are to be raised, that the investor must have some reasonable sense of security against "unfair competition", or in other words, "dumping".

Some few months ago, namely at the end of June, the selling price of imported cement at Mombasa, excluding packing, was : -

British	Shs. 63.00 per ton
Japanese	Shs. 46.50 per ton

These figures at the time were considered abnormally low.

At present Japanese cement is selling in Mombasa at Shs. 8.40 per cask, which is equivalent to Shs. 38.40 per ton of unpacked cement, which is presumably equivalent

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to Shs. 35 if merchant's commission is deducted. According to information received, this cement costs Shs. 13.00 per ton to produce and this figure allows nothing for depreciation, interest, overhead expenses and Directors' fees. (The selling price of the same cement in Japan to-day is Shs. 24.00) This information was obtained from the Chief Chemist of the biggest combine in Japan. If one adds known charges as follows

Cost of Cement	Shs. 13.00
Customs Duty	8.40
Landing & Wharfage Charges	<u>5.00</u>
	Shs. 26.40

there only remains some Shs. 8.60 per ton which has to cover loading charges, etc. in Japan, freight and marketing expenses in Mombasa.

It is estimated that the landed cost price of cement in Mombasa made in this country allowing nothing for depreciation, interest, overheads, and Directors' fees would be not less than Shs. 49.90 per ton, thus Japan's landed cost is Shs. 14.90 below British cost price. This figure is arrived at as follows

Cost of Cement	Shs. 13.50
Customs Duty	8.40
Landing & Wharfage Charges	5.00
Freight to Mombasa	21.00
Handling charges at British Port	<u>2.00</u>
	Shs. 49.90

In order to allow the Investor in the Local Company to feel that he is secure against extermination from outside dumping, and likewise to ensure that the Colony has Empire cement, might I suggest that should the landed price of imported cement at Mombasa for Kenya

and Uganda fall below say Shs. 50.00 per ton unpacked, which is about the lowest price at which cement can be landed at Mombasa from any port of the World to-day, allowing a reasonable amount for freight but no depreciation on plant, etc., that a suspended duty should be imposed to force the landed price up to this figure.

If the present state of affairs continues Britain will undoubtedly lose the market in East Africa to Japan, so far as the public are concerned, and the only clients that would remain would be the Government. But with regard to supplies to the Government, the formation of a local company which would be able to supply Government's requirements at a considerably lower figure than that at which they have been buying in the past, must have its obvious advantages in the future development of the Colony.

Take for example the last five years, for which figures are available, namely 1927 - 1931.

The Kenya and Uganda Government imported 115,509 tons during this period valued at £415,801 = 72/- per ton. From the above the average yearly importation was thus 23,102 packed tons valued at £83,167. Let us now assume that the Government had purchased the above quantity in one year from the local cement company at a cost for the cement unpacked of 55/-, (namely the British dumped price plus Shs. 5.00 for marketing expenses) and let us assume that owing to the position of the factory half their requirements were taken in bags and half in casks. The total cost to Government for this quantity of packed cement would be £68646. thus showing a saving of approximately £14521. During the period under review cement was imported by the public at an average of 27,033 tons packed per annum, which I estimate would have brought in duty to the extent of just

over £11,000. Thus taking the above two items alone there is no loss in revenue to the Colony, in fact there is a gain, and to this gain has to be added Excise Duty of say £2,750. Apart from the gain to the Colony there would be additional advantages through the employment of a large force of labour both European and native, and money coming into the Colony from adjacent territories, not to mention approximately 20,000 tons of coal per annum, 1500 tons of Gypsum and sundry spare parts.

I should be pleased therefore if I could receive Government's assurance that if a cement manufacturing company is formed with the object of erecting a complete cement plant in Kenya that the Government will give their assurance that they will not tolerate dumping of cement in Kenya or Uganda from any country, and by dumping I understand that no cement is landed at Mombasa at a smaller price than manufacturing costs plus freight, landing charges and duty, namely approximately Shs. 50.00.

I might in conclusion mention that should a company be formed and a complete cement works be built at Mombasa, £90,000's worth of steel work, machinery and electrical gear will be purchased in Great Britain.

I have the honour to remain,

Sir,

Your obedient Servant,

Kenneth G.

Armadores House,

Bury Street,

LONDON, E. C. 3.

11th October, 1932.

RECEIVED
12 OCT 1932
OO

The Under Secretary of State,
Colonial Office,
London, S. W. 1.

Sir,

I have the honour to acknowledge receipt of your letter of the 7th inst. Ref:18286/32. from which I note Secretary Sir Philip Cunliffe-Lister's decision on the suggestions and questions asked him regarding the proposed cement company in East Africa. I regret to note that he cannot see his way to protect the local industry against unfair competition, as without this protection I feel it will be impossible to raise the necessary finance. The Japanese are dumping cement in Mombasa at the present moment at a price practically equal to the cost price at a local factory.

I have the honour to remain,

Sir,

Your obedient Servant,

R. Mansfield

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1932
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copy to BTR 10/11

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C. O.

Mr. Priestman. 11/10

Mr. *Smith* 11/10

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parlyc. U.S. of S.

Secretary of State.

~~FOODS AIRMAIL~~

DOWNING STREET,

12 October, 1932.

Sir,

I have, etc., to acknowledge the

(3) receipt of your telegram of the 9th October

which refers to your dispatch No. 438 of the

8th September on the subject of Mr. J.

Cumming's proposals for the establishment

of a local Cement Manufacturing Company.

2. I note the intention of the

promoters to seek an interview, and I

enclose for your information a copy of a

letter addressed to Mr. Cumming regarding his

proposals.

DRAFT.

KENYA

NO. *771*

Gov.

(Sgd) P. CUNLIFFE-LISHER

COPY FOR REGISTRATION

RECEIVED
10 OCT 1932
COL OFFICE

843

Telegram from Governor Kenya to the Secretary of State
for the Colonies

Dated 10th October Received 9.26.a.m. 10th October 1932

Unnumbered 9th October.

No. 1

My despatch of 8th September No. 438. Cement project. Local representatives have received the following telegram from Cumming begins. In view of Japanese dumping no margin of profit our Company. Convinced that if financiers receive Government written assurance protection of fund forthcoming otherwise unlikely receive support. Next meeting 10th October can you assist telegraph immediately. ends. Most anxious to attract capital to Colony but fear unfair Japanese competition will prevent this. My views are set forth in despatch quoted and in my 387 of 15th August. Promoters will seek interview at Colonial Office and if solution could be found I would be welcome it.

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No. 14
17/11/31

D. O.

10286/1932 Kenya

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Mr. Priestman

5/10/32

Mr. *D. M.*

Mr.

Mr. H. Butterlee

Permt. U.S. of S.

Partly. U.S. of S.

Secretary of State.

Downing Street,

7 October, 1932.

C.D.
A 6-OCT
D M

Sir,

DRAFT.

I am etc. to refer to your

J. CUMMING, ESQ.,

(10-1741/24)

Hand 5

letter of the 29th July, enquiring what the attitude of the Government of Kenya would be towards a local Cement Manufacturing Company if it were faced with unfair competition from overseas, and whether that Government would be prepared to purchase cement manufactured locally in preference to imported cement.

2. I am to say that it has now been ascertained from the Govr. of Kenya that, in view of the existing position as regards prices, and the legal and practical limitations on any action which the Government

of

copy of [unclear] 28 NOV 1932
 copy to [unclear] 771 12 OCT 1932
 - BT - 26/11

of Kenya could take, he cannot see his way to afford any form or measure of protection to locally manufactured cement against the imported product.

3. ~~I am to add that~~ ^A regards the second point in your letter under reference ^{above}, ^{the Governor states that} in the event of a sufficient quantity of locally made cement being available at a cost not higher than that of imported cement, and of a uniform reliable quality not inferior in any respect to that of imported cement, the Government of Kenya would be prepared to purchase and use it in preference to imported cement.

I am, etc.,

(Signed) H. T. ALLEN

83



GOVERNMENT HOUSE,
NAIROBI,
KENYA.

KENYA.

No. 438

RECEIVED
4 9 SEP 1932
COL. OFFICE

AIR MAIL.

8-September, 1932.

Sir,

No. 11
on 17/11/32

I have the honour to refer to your despatch No. 567 of the 3rd August last, enclosing a copy of a letter from Mr. J. Cumming, in which he asks what the attitude of this Government would be towards a local cement manufacturing company if it were faced with unfair competition from overseas; and whether this Government would be prepared to purchase cement manufactured locally in preference to imported cement.

2. On the first point, the words "unfair competition from overseas" are capable of several interpretations. The promoters in this case presumably wish to safeguard their interests by ensuring that they will be in a position profitably to meet all local requirements, and contemplate some Government action which would have the effect of eliminating competition from overseas sources of supply; both British and foreign. It appears that, as against Japanese cement, the local manufacturer would be in a position somewhat similar to that of the British producer. The disparity in price between Japanese and British cement is so great that the ordinary methods of control exercised by Government through the Customs tariff could not redress the balance, and the exclusion of competing foreign cement as such is, as you are aware, impossible under existing treaty obligations.

For forward 868 2 R 1932
received 7/12 1932
by a DIT (11)

I

THE RIGHT HONOURABLE
MAJOR SIR PHILIP CUNLIFFE-LISTER, P.C., G.B.E., M.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S.W.1.

88/1



GOVERNMENT HOUSE,
NAIROBI,
KENYA.

KENYA.

No. 438

RECEIVED
19 SEP 1932
COL. OFFICE

8 September, 1932.

AIR MAIL.

Sir,

No. 11
on 17/11/32

I have the honour to refer to your despatch No. 567 of the 3rd August last, enclosing a copy of a letter from Mr. J. Cumming, in which he asks what the attitude of this Government would be towards a local cement manufacturing company if it were faced with unfair competition from overseas; and whether this Government would be prepared to purchase cement manufactured locally in preference to imported cement.

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For command 868 28 1932
- command 77/12 201 1932
Copy to 17-17 (11)

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THE RIGHT HONOURABLE
MAJOR SIR PHILIP CUNLIFFE-LISTER, P.C., G.B.E., M.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S.W.1.

2/14 I would refer in this connection to Kenya despatch No. 387
02-17411/31 of the 15th August last.

Apart from all questions of dumping (i.e. sale in export markets at a price lower than that ruling in the country of production), if the local manufacturer is unable to produce cement at a cost lower than the Japanese current domestic price, which is very considerably less than the price of British cement in the home markets, plus duty and freight charges, competition with the local product must be severe, whatever action may be taken by this Government.

3. In the case of the proposed local manufacture of sisal bags, it is considered possible to fix a fair price at which jute bags must be sold in the Colony, since there is virtually only one source of supply and a fair market value of each quality of bag can be ascertained without great difficulty. This is not so, however, in the case of cement. If prices of imported cement were regulated so as to allow a fair margin of profit to both local and British manufacturers, importers would be forced into the position of selling Japanese and other foreign cement at an enormous profit, and consumers would be compelled to pay a fictitiously high price for Japanese cement, which would inevitably displace the local and the British product in the Kenya market. A similar position would result if prices were fixed on the Japanese figures.

4. The imposition of a high import duty would completely eliminate the British manufacturer and, apart from other considerations, the rate required to afford effective protection against foreign cement would be so high as to render this course impracticable.

The relative costs of production remain the ultimate issue.

5. Anti-dumping

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End

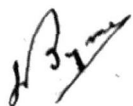
5. Anti-dumping legislation common to the three territories would not do more than fulfil the purpose of such legislation, namely, protection against deliberate dumping. Such legislation would involve many complications and I am unable to suggest that this Government should embark on a course beset by so many difficulties and dangers. I am, moreover, advised by the Commissioner of Customs that the application of anti-dumping laws to East Africa would not, in his opinion, have the effect desired by local cement manufacturers, whereas it appears to be the only possible means by which the Government could protect the potential industry "from unfair competition from overseas".

6. As regards the second point, in the event of a sufficient quantity of locally made cement being available at a cost not higher than that of imported cement and of a uniform reliable quality not inferior in any respect to that of imported cement, this Government would be prepared to purchase and use it in preference to imported cement.

I have the honour to be,

Sir,

Your most obedient, humble servant,



BRIGADIER GENERAL,
GOVERNOR.