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We will pay compensation from future profits: the nationalisation of foreign businesses in post-colonial Uganda

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ABSTRACT
The 1970 nationalisation of foreign businesses in Uganda was arguably the first time that a country would announce to pay compensation for nationalised businesses from the future profits earned by such businesses. Using two interrelated models, namely the Obsolescing Bargaining Model and Political Bargaining Model, and materials from three UK archives and the World Bank Archives, this paper critiques the negotiations between the nationalised businesses and the Ugandan Government during the period. It explores the role of the British Government in the entire episode, including the covert negotiations with international agencies such as the World Bank in order to ensure that UK companies got the best possible settlement from the Ugandan authorities. The result of this study shows that Uganda's nationalisation programme was indeed hastily formulated and implemented, which joined to weaken the government's bargaining powers and rendered the major clause of 'paying compensation from future profit' more idealistic than practical.

KEYWORDS
Obote; nationalisation; foreign businesses; post-colonial uganda; British Government; OBM; PBM

Introduction

During the colonial era and until the 1960s, Uganda was considered one of the most prosperous and liberal states in East Africa. The country which was once described as the Pearl of Africa, was prosperous at least in part because its coffee, cotton, and tea-dependent economy flourished (Sejjaaka, 2004; Ofcansky, 1996). Its mineral resources also offered the promise of substantial production and wealth (Cohn, 1998). These core economic sectors were majorly foreign private-investment driven. The widespread British interests, coupled with those of the Catholic Church and the feudal traditional systems in the dominant Buganda territory curtailed potential threats to the associated private capital (Gingyera-Pinycwa, 1978). It was on that basis widely believed to be the East African country that was least susceptible to the vagaries of nationalisation (Ryan, 1971, 1973). In addition, the regulatory instruments on the ground provided viable protections for foreign businesses and robustly promoted the flow of foreign capital. The Uganda Industrial Act of 1963, for example,

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provided sumptuous incentives for both local and foreign investors alike (Obwona, 2001). The right of foreign investors to repatriate capital, interests, and dividends and to shield such investments from compulsory acquisition by the state was also guaranteed under the Foreign Investment (Protection) Act of 1964. As was the case in most other countries, nationalisations were only permitted if necessary in the interest of defence, public safety, public order, public morality, town and country planning, or public benefit. Even for these classes of firms, the Investment Protection Act made provision for prompt payment of adequate compensation[1]. Similar provisions for the protection of foreign business interests in the country were contained in Section 13 of the 1967 Ugandan Constitution.

Amidst the robust legal protections for foreign businesses and the dominant influence of foreign capital, what factors could have prompted the swift move by the Ugandan Government in 1970 to initiate what comparatively qualified as one of the most contentious nationalisation programmes in former British colonies? To what extent did political events at the time, particularly the strategic move by President Milton Obote to consolidate power, contribute to the framing and implementation of the scheme? How did the interplay of interests of the Host Country (HC) and the Multinational Enterprises (MNEs), and the involvement of home countries (HOs) and international alliances, influence the compensation bargaining process?

This study adopted the interactive version of the Obsolescing Bargaining Model (OBM) and Political Bargaining Model (PBM) as the analytical framework for addressing the above research questions. This has enabled us to capture the interplay between politics and industry considerations in the nationalisation episode in Uganda. The OBM emphasises that the nature of assets is a major determinant of bargaining power distribution between a home country and an MNE, while the PBM introduces politics and other endogenous factors (liability of foreignness and transaction cost) in the bargaining power equation. The major sources of materials for the analysis include information from three archives (the National Archives London, the London Metropolitan Archives (London), the Barclays Bank Archives Manchester), Ugandan Government official records, as well as historical and contemporary literature on state-business relations. The study uses the cases of foreign businesses in import-export, banking, insurance, petroleum marketing, and transport to critique the nationalisation programme implemented by Obote's government and the diverse dynamics that impacted the programme.[2] The aim is to interrogate the unique model of compensation that underscored the negotiation and implementation; and how state-business relations intercepted strategic alliances to bring business associations and international agencies into the contestations. In doing this, the paper contributes to the rich literature on how the dynamics of government-business relations shaped post-colonial public policies in Africa, and how the build-up of political intrigues threatened the sanctity of private capital.

In the context of this paper, the sanctity of private capital was fundamentally breached in 1969 when Obote's Government promulgated the Common Man's Charter which represented the country's version of socialism and radical shift to the left (Aasland, 1974). It was based on this that President Obote, during his Labour Day speech on 1 May 1970, announced that with effect from that day, the workers and parastatal bodies in Uganda would "acquire 60 per cent of the shares in every important manufacturing industry and plantation" while the Government "will acquire 60 per cent of the shares of every bank, credit institution, and insurance company operating in Uganda" (Obote, 1970). To back up the pronouncement, the Government enacted the Companies (Government and Public Bodies Participation) Act Number 3 of 1970

(Government of Uganda, 1970). Under the Act, 85 firms were slated for nationalisation (Schedule 1). Given that Uganda was previously a British colony, it was not surprising that most of the companies that were affected were of UK origin (The Economist, 1970, 9 May). This explains the focus of this article on British businesses and the role of the British Government.

Obote's sudden shift of policy towards nationalisation was largely exogenously driven. As in most other parts of Africa, it was motivated by three factors – overly foreign control of African economies at the time, the increasing wave and acceptance of nationalisation, and "an absence of legal inhibitions within the African cultures" (Rood, 1976, p. 429). From 1960 to 1974, for instance, Rood (1976, p. 431) recounted that "of 875 cases of nationalisation in 62 countries of the world, 340 (or 39 per cent) were in black Africa", with the region leading in all categories of industry except petroleum. At the time, the nationalisation of foreign properties all over the world was not new, partly in the bid to get foreign businesses to serve the local development needs of the host countries (Bostock, 1991). Diverse forms of nationalisation and/or indigenisation of foreign business interests had earlier occurred in countries like Mexico, China, Cuba, Argentina, Iraq, Brazil, and Guyana (Kobrin, 1984; Rood, 1976; Tignor, 1998; Uche, 2012). Bucheli and Decker (2021), along this line, classify the expropriation of foreign assets in the 20th and 21st centuries into three distinct periods: the 1920s and the 1930s, the 1960s and the 1970s, and the early 21st century. In Africa, most of the nationalisations occurred in the 1960s and 1970s, which coincided with the post-colonial move by the countries to secure their national sovereignties (Rood, 1976; Mittelman, 1978). It was for instance within this era that the Government of the Republic of Zambia acquired 51 per cent of "the largest privately owned industry in Black Africa" - the Zambian Copper Mining Industry (Burdette, 1977, p. 471). The driving force was the widespread belief that political independence in the absence of economic independence was not very helpful (Genova, 2010; Tignor, 1998).

Given that nationalisation was a widespread practice at the time, it was not surprising that the right of nation-states to nationalise foreign businesses in the pursuit of national interests was widely accepted (Alagiri, 1992). This was however on the condition that prompt, adequate, and effective compensation should be paid (Doman, 1948; Dawson & Weston, 1961). Concerning payment of compensation, the general view was that whatever compensation was agreed upon had to be paid immediately. In some jurisdictions, however, the nationalising government did not have the financial capacity to meet this requirement. To remedy this, some governments incorporated the time value of money in designing their deferred compensation plan.

It was the design and implementation of a suitable deferment compensation plan that made the nationalisation of foreign businesses in Uganda unique and controversial. To the best of our knowledge, the Ugandan case was the first time that a country would announce to pay compensation from the future profits to be earned from nationalised businesses. This meant that full compensation could only be actualised when the specific nationalised business can generate adequate returns to cover such investments. Such policy was, however, complicated because nationalised businesses rarely survived to generate sufficient profit to sustain them, especially in consideration of what Jenkins (2004, p. 78) described as "harmful short-term political interventions". Although compensation for nationalised assets has always been contentious (Francioni, 1975), the contests have mostly focussed on the avoidance of outright confiscation or the choice of valuation methodology (Onah et al., 2022), and not on withholding compensation.

Despite the unique nature of the demand by the Ugandan government to pay compensation from future profits, there has been no historical account and analysis of how the model fits into the broader literature on post-colonial nationalisation of foreign business interests in Africa. Very little is also known about the underlying dynamics that shaped the reactions of MNEs and the UK Government to the nationalisation exercise, and how such reactions impacted the process of negotiation and its outcome. It is primarily this gap that our paper is designed to address.

To achieve its aim, the rest of the paper is divided into five parts. Part One explores the post-colonial dynamics of the Ugandan political economy – focusing on the difficult political issues that emboldened President Obote and resulted in the nationalisation programme, the confused constitutional position of different regions, and the particular points of tension. Part Two illustrates the theoretical framework of analysis adopted in the paper, while Part Three considers the role of the UK Government and international organisations in the bargaining process. Part Four focuses on how industry specificities influenced the process, and Part Five concludes the paper.

The historical background to the nationalisation programme

To lay a background for analysing the reactions of foreign business and foreign government reactions against the Ugandan nationalisation policy, this section provides a historical account of the structural dynamics and political interplay informing the introduction of the policy by the Obote's government. As has been observed, Uganda was one of the most promising and most vigorous economies in Sub-Saharan Africa upon gaining independence in October 1962. The agricultural and mining sectors were major foreign exchange earners that availed the country of a positive balance of trade (Thompson, 2003). There was also a vibrant manufacturing sector considered capable of meeting most of the country's local household needs (Kasfir, 1983). The economic prosperity, driven by private foreign capital, prevailed until the emergence of a new political order that fuelled ethnic struggles in the country in 1960/1961 (Ravenhill, 1974; Carbone, 2003). Of the major ethnic groups that made up the newly independent Uganda, Buganda was the most politically organised and economically viable (Wrigley, 1957),[3] and was at the same time the most aggressive in challenging the then colonial order (Goodfellow & Lindemann, 2013). Buganda's quest for an independent status was responsible for the political alignment that brought Obote to power, first as the prime minister and later as the executive president of Uganda. To date, Obote's reign remains arguably one of the most influential in East Africa's post-colonial economic history.

At the onset of party politics in Uganda, there were three official parties in the country: the Democratic Party (DP), the Uganda Peoples Union (UPU), and the Uganda National Congress (UNC). These were in addition to the semi-autonomous government of Buganda headed by a King (the Kabaka), who then was Sir Edward Mutesa. Obote was a member of the UNC. His strategic move towards increasing his political stronghold earlier in March 1960 led to the merger of UNC and UPU to form Uganda's People's Congress (UPC), of which he was elected the leader. After the 1961 General Election in the country, Obote then became the leader of the opposition in the legislative Council (Carbone, 2003). The Kabaka and his Group had boycotted the General Elections on the grounds that the British Government ignored its call to be allowed to form an independent state. As a consequence of the boycott

the DP, led by Dr. Benedicto Kiwanuka, who was also from Buganda and had the backing of the Catholic Church, won the elections by default (Hancock, 1970).

Obote, being from a minority northern tribe of Lango, needed to gain political influence enough to consolidate his stay in power. To achieve this, his strategic move was to forge an alliance with the semi-autonomous government of Buganda (the Kabaka). The alliance essentially made it possible for Buganda to maintain its autonomy after Uganda's independence in October 1962. In return, the support of the Kabaka Yekka (KY) facilitated Obote's emergence as Prime Minister (Mazrui, 1970). As expected, the alliance later failed because Obote's quest for political power was in direct conflict with the Kabaka's goal to continue to reign over an independent Buganda in an independent Ugandan state (Tumusiime, 1992; Chick, 1970). To further weaken the influence of the Kabaka, Obote's strategic move was to engineer the seceding of Buyaga and Bugangaizi from the Buganda Kingdom to the Bunyoro Kingdom.[4] This left Obote with overwhelming political powers to decide the affairs of the country with little opposition. He achieved this by encouraging defection to his party from the DP and the KY.

The growing political influence of Obote enabled him to ensure the swift passage of a Republican Constitution in September 1967 (Gingyera-Pinycwa, 1978). Targeted at undermining the reign of the Kabaka over Buganda, the new Constitution abolished the idea of autonomous regions and introduced a federal structure of governance under an executive president. It was as a result of this that Obote declared himself the Executive President and became increasingly dependent on the Military as a "coercive arbiter of conflict in Uganda" (Sejjaaka, 2004). In order to further protect his position, he also recognised the need to adopt socialist policies that facilitated the establishment of a power base among the masses (Aasland, 1974; Tumusiime, 1992).

The most prominent of the socialist policies was the promulgation of the Common Man's Charter in October 1969. The Charter specifically affirmed the status of Uganda as a one-party state (article 6). Article 1 of the Charter also explicitly stated that it was being adopted "for the realisation of the real meaning of Independence, namely that the resources of the country (material and human) be exploited for the benefit of all the people of Uganda following the principles of Socialism".[5] It went on to reject in theory and practice, that the country "should be the domain of any person, of feudalism, of capitalism, of vested interests of one kind or another, of foreign influence or foreigners" (article 4).[6] An aspect that attracted the most international concern and attention was the nationalisation of foreign businesses in Uganda (Willets, 1975). This singular thrust betrayed Obote's motive to disregard the prevailing Constitutional order that guaranteed the protection of foreign capital and investment interests in Uganda.

Once the Charter was published, there was understandable apprehension among private business concerns that the document foreshadowed the nationalisation of at least some businesses. To assuage this fear, President Obote assured that "he has been careful to stress that the Constitution still limits nationalisation to projects which are needed for public purposes and that it requires just compensation to be paid" (Financial Times, 1969). Consequently, President Obote, on 1 May 1970, announced the immediate nationalisation of the import and export businesses and the compulsory government acquisition of 60 per cent of the shares of all oil companies, credit institutions, banks, and insurance companies operating in Uganda. Other industries listed for compulsory 60 per cent participation by local stakeholders

included transport services, Kilembe Mines, every important manufacturing company, and plantation.

Obote was emphatic that the programme was neither expropriation nor confiscation of assets. This point was supported by the compensation negotiation procedures contained in the Companies (Government and Public Bodies Participation Act of 1970). Specifically, the Act stipulated that "compensation will be based on the valuation of the shares or the premises fixtures or fittings (whichever the case may be), as determined by the valuer appointed by the Minister of Finance" (section 2(2)). "The decision of the Minister can however be appealed first to a special tribunal established under the Act and then to the High Court" (section 2 (5)).

As previously mentioned, the most contentious provision of the Act (and audacious of Obote) was the requirement that the compensation for the nationalised shares should be paid from future dividends from the profits made from the companies concerned within 15 years (Financial Times, 1970a; Financial Times, 1970b). This was an explicit violation of the international norm that prompt and fair compensation had to be paid for nationalised assets.

The subsequent sections of this paper provide evidence in support of the claim that most of the nationalised British businesses were in a strong negotiating position at the time. This was at least in part because the fairly long period between the publication of the Common Man's Charter and the announcement of the nationalisation exercise provided such companies ample opportunity to engage in capital repatriation, and for the British Government to engage in some diplomatic shuttling targeted at protecting the corporate interests of their citizens. Furthermore, most of the concerned companies did not have material long-term investments in Ugandan assets. Many of the said firms were also not incorporated in Uganda – implying that no basis existed for nationalisation to be foisted. More so, the hasty and faulty nature of the nationalisation design provided the MNEs with some bargaining power advantage over the Ugandan Government. Consistent with the tenets of the OBM-PBM interactive framework, therefore, the risk of expropriation faced by British businesses was already being addressed at the commencement of the nationalisation programme.

The obsolescing bargaining model and political bargaining model interaction

This section provides the framework for analysis of the impact of the power-play between the host government and a multinational corporation on one hand, and between the host and the home governments on the other hand, on the process of negotiations and its outcome. The framework here is the interactive Obsolescing Bargaining Model (OBM) and Political Bargaining Model (PBM). Although the OBM is widely held as a necessary tool for exploring the changing relationship between HC and MNEs in post-independence nationalisation and decolonisation studies (Verma & Abdelrehim, 2017), the PBM has emerged as its subset to account for the role of politics and other endogenous factors (than the nature of assets) on the strength of the bargaining powers of MNEs (Eden et al., 2004). In a multi-case analysis involving firms of different industry classes and influence, therefore, the interactive version of OBM and PBM could prove more robust. Such an interactive model, for instance, allows for an account of the HO role in framing the power dynamics, especially in a developing country context.

The OBM originally propounded by Vernon (1971) proposes that swings in the bargaining powers between the HC and the MNE are influenced by the manifestation of difficult-to-recover sunk costs of investments. It emphasises that the greater the physical assets of a foreign firm, the higher the amount of sunk costs involved, the easier it is for such assets to be taken hostage in the event of nationalisation, and the more exposed the firm is to the risk of expropriation (Vernon, 1971; Kobrin, 1984, 1987; Bucheli & Salvaj, 2013; Bucheli & Kim, 2015). Orazgaliyev (2018, p. 31) argues that the HC has the tendency of tightening its position when it thinks that it is difficult for an MNE to divest or pull out of the country. It is, as a consequence, the investment mood and commitment of the MNE that determines the bargaining powers of the HC in issues relating to increasing corporate taxation rates, extracting more royalties, contract renegotiations (Orazgaliyev, 2018), or for expropriation purposes (Mahdavi, 2014; Wilson & Wright, 2017).

Similarly, the OBM clarifies the role of industry type and nature of business of MNEs in the bargaining process. This, among others, affects fixed asset commitments in the host countries, as well as the availability or otherwise of local expertise. The ease of full transfer of ownership from the MNE to the HC and the scope of compensation, for instance, could differ according to whether the business is service-based or manufacturing/mining-related. As the evidence in this paper shows, this explains the conflicting evidence of the HC-MNE power dynamics in different industry contexts.

Notwithstanding, the strength of the OBM is weakened by the claim that, regardless of the size of fixed asset investments, the bargaining powers of MNEs can be enhanced if their HOs can influence the HCs' policies and attitudes directly or via their economic or political networks (Haber et al., 2003; Bucheli & Aguilera, 2010). It is this criticism that forms the basis for the emergence of the PBM – the position that asset values alone do not translate to stronger bargaining powers.

The PBM, first propounded by Eden et al. (2004), complements the OBM by "incorporating emerging insights from the liability of foreignness, transaction cost economics and the resource-based view literatures" (Eden et al., 2004, p. 4). It distinguishes between the MNE's bargaining power advantage (ownership claims on capital and technology) and the HC's bargaining power strength in terms of the relationship with the home markets, natural resources, and cheap and skilled labour (Bakir, 2015; Boddewyn, 2015). The inter-relatedness of the OBM and PBM makes it difficult to apply any in isolation, which makes the OBM-PBM interactive version an optimal framework for explaining the nationalisation and decolonisation power dynamics.

Under the interactive framework, Abdelrehim and Toms (2017) identified some factors that could influence bargaining positions. Among them are the availability of foreign expertise, disposition of the host country government to expatriate advice, and the source of accounting information. Where locals are in managerial positions demanding specialist knowledge, accounting information is locally produced, and the government is receptive to professional advice, the bargaining position swings in favour of the HC. In the case of Uganda, the government did not give room for any foreign or expert advice in planning the nationalisation programme. Instead, the programme was exclusively designed by President Obote and the Minister of Finance, Mr. Laurence Kalule-Settala, who was also a brother-in-law to Obote. Prior to the announcement of the policy, the Minister had already initiated the process of pulling out of a proposed economic union in East Africa to adopt nationalist policies that saw to the birth of the Bank of Uganda.[7] This was also in the light of the claim

that all points of principle were required to be solely cleared with the Ugandan President in the implementation process.[8] The involvement of the Finance Ministry was no doubt influential considering that the ministry then was led by technocrats like Emmanuel Wakhweya who was at different times Treasury Secretary and Governor of Bank of Uganda, and "was considered both at home and abroad as being very able and constructive".[9]

Within the OBM-PBM interactive framework, the political environment has also been identified as a mediatory variable (Vivoda, 2011; Eden et al., 2004). The degree of political intrigue and the source of inherent diplomatic influence (including the role of organisational alliances) can complicate or enhance the position of MNEs in the negotiation process. This was the case with a good number of post-colonial nationalisation programmes executed in former British colonies (Cullen, 2020; Onah et al., 2022; and Stockwell, 2004). In those instances, intervention by the British Government occurred in both the design and operationalisation of a compensation framework (Yacob, 2009; White, 2012, 2017; Uche, 2015), and was premised on the ground that the interest of the HO goes beyond businesses and extends to the need to retain reasonable control (Rahaman et al., 2017). It has for instance been noted that the UK government's post-colonial engagements were influenced by the need to ensure that British businesses retained considerable influence in ex-colonies (White, 2004). To achieve such an implicit goal, the engagements were framed overtly, as in cases where British businesses in the concerned colonies worked closely with the British Government (Butler, 2007; Uche, 2008); and covertly through indirect support, especially in the use of development aid, trade finance, and other forms of diplomatic supports (Decker, 2018; White, 2017). Such strategies were successful at least for some time in countries like Malaysia (White, 2000, 2003, 2014) and Nigeria (Uche, 2008, 2012).

The OBM-PBM interactive framework is presented in Figure 1 below.

As illustrated in Figure 1, two sets of factors go into the bargaining power-play equation. The first is the amount of investments in fixed assets, which when it is high and involves significant sunk costs weakens the position of the MNEs. In addition to asset value consideration, other endogenous factors relating to industry class and assets are the size of the MNE and ownership diversification. As shown in this study, larger firms with more diversified ownership are less likely to succumb to HC's pressures. The second set of factors includes the level of political connectivity and network alliance the MNE enjoys. Firms that understand the internal politics of the HC and enjoy a reasonable degree of support from the HO and

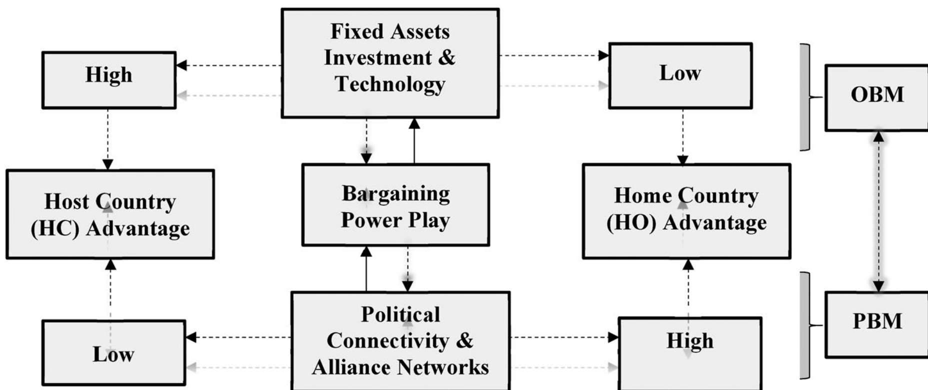

Figure 1. The OBM/PMB interactive model.

international alliances are more likely to extract larger bargaining outcomes. This interplay between politics and industry considerations forms the basis of our analysis in the sections that follow.

The UK government, international organisations, and compensation negotiations

In this section, we examine the extent to which the involvement of the UK Government and various international organisations affected the bargaining power distribution in the nationalisation exercise. Evidence on the extent of British Government support for British multinationals in the post-colonial era remains divided mainly along two lines. The first is that support was limited (Stockwell, 2004; White, 2000a) and the second is that it was significant and overt (Onah et al., 2022; Uche, 2015). As for the latter, Maurer (2013) has contended that the business of foreign countries defending the private investments of their citizens overseas is a common post-war post-independence phenomenon. More so, according to Nikiema (2013), the British Government's involvement was premised on the claim that "the investors' only recourse in cases of an expropriation or nationalisation was the diplomatic protection of their home State". Notwithstanding, the results of the studies leading to the diverging evidence appear to be context-sensitive. The divergence is not only related to the specific structures of the economies of the former colonies, but also the types of business in question. In the case of the banking industry in Tanzania, for instance, Onah et al. (2022) showed clear evidence of "close collaboration between the British Government and British banks in Tanzania throughout the nationalisation process".

For the Ugandan case, the British Government applied different strategies in its interventions. These included direct engagement with the Ugandan Government, coercion using the instrument of official development aid, and involvement of international organisations. Necessitating the involvement of foreign third parties (governments and international organisations) is the fact that even when agreements are reached regarding what the appropriate ownership transfer and compensation would be, operationalising such agreement is often both difficult and contentious (Vig & Gajinov, 2016), and as such often necessitates a conciliator. It is, for instance, not always possible for host nations to compensate promptly and adequately for such nationalised assets. Even when a host country is willing to pay compensation for nationalised assets, determining what constitutes adequate compensation has often proven contentious. This is at least in part because, in accounting, the use of book value and market value are both legitimate methods of asset valuation (Beaver & Ryan, 2000). Conventionally, what plays out is that the host governments of nationalised businesses insist on paying for the nationalised assets based on book value while the nationalised businesses insist on the use of market value in determining the compensation for the nationalised assets. Concerning the principle of effective compensation, the general idea is that the compensation must be paid in a form that would be useful to the owners of the nationalised assets. For example, it makes little sense to pay compensation for the nationalised assets of a multinational company when there is no mechanism for transferring such compensation payments abroad (Rubin, 1950). It is in the light of these contestations that HOs and possibly international organisations get involved in the bid to ensure that their interests are protected and that the expropriation risk exposures of their corporate nationals are mitigated.

Issues around the adequacy and modes of compensation were the first target of British Government's direct intervention. Immediately Obote announced the nationalisation of foreign companies in Uganda on 1 May 1970, the British Government drew the attention of the Government of Uganda to the requirement of customary international law for prompt, adequate, and effective compensation to be paid for the compulsory acquisition of the property of nationals of another country. The British Government made it clear that it was also giving urgent consideration to how the interests of British firms affected by the takeover measures could best be protected.[10] In its response, the Uganda Ministry of Foreign Affairs stated that it recognised the right of the British Government to offer diplomatic protection to its nationals resident in Uganda but pointed out that under international law, local remedies available in Uganda must first be exhausted before such intervention and that the entities concerned must have British nationality. It then went on to assure of its intention to pay fair compensation to the owners of the shares compulsorily acquired within a reasonable period and that a fair rate of interest will be paid in respect of deferred payments.[11]

The foregoing direct intervention by the British Government was complemented by an attempt to lobby through the World Bank and IMF. Once the nationalisation programme was announced, the Foreign and Commonwealth Office (FCO) informally consulted Mr Mitchell who was the UK Director for both the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) as to whether it would be possible for him to get the IMF or IBRD to express concern for Uganda's plan to nationalise foreign banks because it would militate against the development of a healthy investment climate in the country. Mr Mitchell advised that for him to effectively do this, "he would need some kind of cue e.g. an IBRD proposal to lend money to Uganda or an IMF consultation exercise relating to Uganda. It was, therefore, agreed that FCO would now pursue the matter with the Treasury and send Mr Mitchell instructions in the lines he had suggested if all concerned agreed.[12]

At the time, the IBRD was considering a proposal for the funding of the Uganda Tobacco Project. The British Government saw that as an opportunity, considering that the tobacco industry was then the country's fourth most important smallholder cash crop; and the Ugandan Government's interest was tied to the expectation that the industry had the potential of contributing significantly to foreign exchange earnings and to improved livelihood of many thousand small farmers (World Bank, 1970). On its request, representatives of the IFC and the World Bank were swiftly dispatched to Uganda to impress on the authorities the need to settle the question of compensation as amicably and as speedily as possible and largely by negotiating with each company on an individual basis. In a similar vein, the British High Commissioner in Uganda, Richard Slater, had impressed on the firms that "HMG was keeping in contact with Uganda Government at a high level and doing what it could to seem the best climate for negotiations by individual firms".[13] Arising from the visit (and against the British Government's interest), however, the World Bank President's (McNamara's) Report to the Executive Directors of the Bank on the Uganda project concluded that "I do not consider that the recent measures in Uganda should deter action on the proposed credit. In the light of the fact that the scenario was still unfolding." This position was a reflection of the general disposition of the Bank, under President McNamara, towards international development as a critically important issue, and a solution to global poverty and humanitarian problems leading to political conflicts (Sharma, 2017; Clark, 1981). McNamara ended on a cautious note thus: "I shall, however, follow the developments in this respect closely and

shall present to the Executive Directors further proposals for lending to Uganda only if satisfactory progress can be observed in making arrangements for compensating those affected by the recent measures."[14]

In reaction, the British Government found McNamara's cautious endorsement of the loan to Uganda to be unsatisfactory. They wanted to know the "specific assurance that has been given to the Bank that fair, prompt and adequate compensation will be given in all cases since if there is any doubt about Uganda's intentions in this respect, it must inevitably affect their creditworthiness."[15] They consequently advised its director to liaise with the US Treasury to seek a postponement of the IBRD Board approval vote for the project. This strategy was supposed to help force the Ugandans to give assurances of good faith in the negotiation of nationalisation compensation with the British firms. It, however, stated that:

> If the US cannot give the assurance… we think you should try and put [the] onus on McNamara… to demonstrate that specific assurances have been given to the Bank by the Uganda Government on [the] question of compensation. Even if McNamara fails to give all the assurance you think is desirable, we consider that you should not, repeat not, abstain unless ….sufficient [number] of your Part 1 colleagues were also prepared to abstain to (a) make McNamara have second thoughts about pushing the project through at this time, and (b) ensure that [the] UK…. has adequate support on the Board and is not isolated.[16]

The above position was arrived at as a compromise between the different UK Government agencies. The FCO was of the view that "the UK should not be seen to take the lead in seeking to defer this project but could support postponement if this could be done without it becoming apparent that this was British inspired." Specifically, the Bank of England and FCO "were inclined to take a "hawkish" line although the Board of Trade began to have doubts."[17]

Based on prior discussions that the UK Director had with the US Treasury and State Department, however, it was clear to him that the US was not "willing to exercise the right of postponement."[18] It was, therefore, not surprising that the Project was approved by the IBRD Board on 21 July 1970. The British director wrung a concession out of McNamara. He agreed "to look into any specific problem that directors wish to raise concerning the compensation issue."[19]

Another active tool applied by the British Government to smoothen the bargaining process for the MNEs is development aid. Before the nationalisation programme in most parts of Africa, overseas aid programmes were designed to finance development, but such benefitted foreign businesses who transformed themselves into agents of development (Bamba, 2020). Dilley (2020) argued that the manifestation and subsequent involvement of multinational organisations in the development agenda were to validate capitalism and avoid communist infiltration of the third world. Aid was also used as a tool for the defense of foreign interests and businesses in most parts of the Continent (Mosley, 1987; Kirshner, 1997). This played out in Uganda when, from the very beginning of the negotiations, the British Government stated that it was not sure that the threat to withdraw aid would be an effective tactic to get the Ugandan Government to fall in line. According to Mr Slater, had the British Government immediately threatened to withdraw aid, this would have been disastrous for British commercial interests. He was sure that Obote would not be susceptible to this type of pressure; regardless of the cost, he would have probably told us to "jump in the lake."[20] At that point, British foreign aid to Uganda amounted to $10 million annually[21] and was largely being used to finance infrastructure and manpower development in the country.[22]

In addition to overtly playing a mediatory role in the negotiations between the MNEs and the Ugandan Government, the British Government was also receptive to the move by international business associations to support their corporate members. In the case of Uganda and other East African countries, one such association readily available was the East African and Mauritius Association (EAMA) – which was formed by a group of business leaders earlier in 1964 to deal with their future in the era of decolonisation" (Cullen, 2020, p. 71). In effect, EAMA provided a vehicle for foreign businesses' relationships with the new governments; and for forging a united front with both home and host governments (p. 77). This was also in recognition of the fact that businesses had experienced these changes in former British colonies in other parts of the world. The active push by the Foreign and Commonwealth Office was evident in the entire lobbying embarked by the EAMA.

The intervening role of the EAMA was, however, not very successful for some major reasons. The first was the unwillingness of larger firms to participate actively in the block negotiation arrangement. The reason, according to Cullen (2020), is that negotiating in the block had a tendency to benefit small companies (through joint representatives), but not larger ones who had the needed bargaining powers and already had built a viable relationship with Ugandan political elites. The Ugandan Government was also observed to have adopted the strategy of reaching an agreement with a few individual big companies[23] and then using such agreements as a template to be followed.[24]

The second reason was the irreconcilable difference in the positions of the Foreign and Commonwealth Office and the Her Majesty's Government (HMG) over what should be a common front to be presented by the EAMA. The disagreement centred on the realism of the proposal emanating from a memo dated 27 July 1970, which was instigated mainly by British businesses operating in Tanzania, where the East Africa and Mauritius Association had, among others, requested that companies already granted a Certificate of Approved Enterprise should be paid within a period not exceeding six months from the date of positional acquisition; compensation should not be dependent upon the earning of profits by a company, and that payment of compensation in cases other than those where the companies hold Certificates of Approved Enterprise should be limited to five years.[25] On the part of the Ugandan Government, the certificates were said to be "hardly worth the payment they are written on" because the government had little respect for them.[26]

Whereas the Foreign and Commonwealth Office (FCO) in London was in support of the EAMA proposal, the British High Commission on the ground in Uganda, did not. For instance, D. A. Truman of the FCO was of the view that the demands were reasonable propositions.[27] On the other hand, Mr Slater advised against the hard-line stance being advocated by the Association, contending that the slow progress being made in the negotiations was only temporary.[28] He further stated that the Ugandans already knew that they were in a weak legal position but to keep hammering on this would be counterproductive because it would only antagonise the Ugandans and reduce the chance for British firms to reach satisfactory individual arrangements.[29]

There was also the claim that the nationalisation programme was designed to fail. It was, for instance, generally recognised that when the Ugandans came to a fuller realisation of the financial commitments they had taken on, they might look around for cheaper ways of handling their nationalisation. This was an argument for British firms to press ahead with their nationalisations as fast as possible.[30] The absence of any generally acceptable framework for joint negotiation forced the process to take an industry-level path.

Industry-specific dynamics in the bargaining process

The essence of this section is to contextualise the OBM-PBM interactive framework, and consequently examine the industry-specificities in the design and implementation of the nationalisation programme. The aim is to account for the arising controversies surrounding the government's position to pay compensation from future profits of the nationalised MNEs. The analysis focuses on five major industrial sectors – namely, export-import, banking, insurance, transportation, and petroleum. The list of MNEs affected by the nationalisation exercise in Uganda is contained in Table 1. The choice of these sectors is justified on the ground that they dominated the country's formal economic sphere before the nationalisation exercise. The case of the banking sector offers insights into the intertwined nature of MNE, HC, and HO in the implementation of the nationalisation process in Africa. In a similar vein, a focus on the petroleum industry provides insights into how the involvement of the HO can inadvertently incentivise an MNE to insist on a fair deal from a nationalisation. The following sub-sections discuss the forms and substance of the bargaining processes across the five selected industries.

The banking industry

Banking features prominently in studies on post-colonial nationalisation and indigenisation in Africa and other developing regions (see for instance Onah et al., 2022; Mittelman, 1978). This was at least in part influenced by the fact that expatriate commercial banks "are the most conspicuous example of the multinational corporation operating in economically underdeveloped countries" (Gershenberg, 1973). It was thus commonly held that banks needed to be nationalised as a strategy for moderating capital export and mobilising finances for domestic development (Decker, 2005; Ketkar & Ketkar, 1992). On the other hand, the inextricable link between foreign banks and foreign businesses was itself a source of

Table 1. List of companies listed for 49 per cent of compulsory acquisition of minority shareholding by the Government of Uganda (1971).

S/N	Name of Company
1	Shell and BP Services Limited
2	Agip
3	Total
4	Brooke Bond Oxo (U) Limited
5	Grindlays Bank (U) Limited
6	Grindlays International
7	Uganda American International Company
8	Standard Bank (U) Limited
9	Barclays Bank of Uganda Limited
10	Bank of Baroda (U) Limited
11	Bank of India (U) Limited
12	E.A General Insurance Company
13	Jubilee Insurance Company
14	British American Insurance Company
15	Motor and General Insurance Company
16	Madhvani Sugar Works Limited
17	Uganda Sugar Factory Limited
18	East African Steel Corporation Limited

Note: Nos. 1 to 7 had reached agreement with the Government of Uganda before the nationalisation was curtailed by Idi Amin on 1 May 1971.
Source: Amin (1971). See also Government of Uganda, 1971.

attention (Wilson et al., 2018). It was at the time widely known that the British banks that dominated the African economic space focussed mainly on international trade finance (Engberg, 1965), with exclusive bearing on facilitating the export of raw materials from such (ex) colonies to the metropole. The view was that the banks were not favourably disposed to facilitating the economic and industrial development of Africa (Gershenberg, 1972; Austin & Uche, 2007).[31]

As in other African countries, therefore, the most important industry targeted by the Uganda government for nationalisation was banking. Even before the nationalisation programme was announced, the government had commenced plans to get the foreign banks operating in Uganda to increase their contribution to local economic development. In March 1969, for instance, the Government promulgated the Banking Act under which all banks incorporated in Uganda were required to have a paid-up capital of at least 2 million shillings (equivalent of US$142,860).[32] Banks that were, however, incorporated outside Uganda were required to maintain a minimum paid-up capital of 10 million shillings in cash. In addition, such banks were required to maintain in Uganda, out of their funds, assets amounting to at least 5 per cent (and not less than 2 million shillings of total deposit liabilities in Uganda (Section 2(2)).

The above regulations were justified on the grounds of the prevailing evidence that many foreign banks in former British colonies were facilitating the export of capital. According to a confidential memorandum of the British Foreign and Commonwealth Office, the practice of UK banks operating in Africa investing part of their funds abroad has been criticised because "the net result of their activities is a drain on the capital resources of the countries concerned, and we must recognise that this must be a powerful argument locally for exchange control and, indeed, nationalisation".[33] It was arguably the above dynamics that made President Obote assert that since independence, Uganda had received very little net investment from abroad (Financial Times, 1970c). Such a skewed ownership structure and the prevailing push for the Africanisation of banks[34] joined to make the Uganda case imminent.

At the time of the enactment of the 1969 Banking Act, three British banks controlled 80 per cent of the banking assets in Uganda. These were the National and Grindlays Bank, Standard Bank, and Barclays Bank DCO. The remaining 20 per cent of the market was controlled by four other international banks and one Uganda government-owned bank: the Bank of Baroda (India), the Bank of India, the Nederland Bank, the Commercial Bank of Africa (Kenya), and the Uganda Commercial Bank (Gershenberg, 1972). Given that the Act did little to alter the existing ownership structure of the foreign banks, it was subsequently amended in October of the same year (Government of Uganda, 1969b). This amendment required all banks operating in the country to be incorporated locally. The minimum paid-up capital for such banks was fixed at twenty million Ugandan Shillings and this was to be held in securities to be defined by the government of Uganda (sections 2 and 2A).

Some of the British banks however protested the suddenness of the local registration directive. According to the then Chairman of Barclays Bank, Sir Frederic Seebohm, the "announcement of the change of policy was made abruptly on a weekend and the time limit given for implementation was embarrassingly short". Furthermore, although Barclays Bank "do not in the least challenge any country's right to have whatever banking system [that] best suits its economic and political needs but "instant decrees" without prior consultation do not lead to efficiency or smooth adaptations to the new conditions" (Barclays Bank Annual Report,

1969). According to the Chairman of Barclays Bank, once the nationalisation was announced on 1 May 1970, the Ugandan government did not interfere with the management of the bank. Rather it focussed on negotiating compensation and a management contract (Barclays Bank Annual Report, 1970).

The foreign banks' resistance was informed by the fact that the bulk of their operations and assets were domiciled overseas with limited financial exposure in Uganda, and had little to lose in the event of any forced exit. In July 1970, the Chairman of National and Grindlays Bank, Lord Aldington, flew to Uganda for talks with President Obote and his Ministers. After the talks, he announced that the Ugandan Government had agreed that the takeover of the bank's assets should be accomplished based on the "willing seller, willing buyer" basis (Financial Times, 1970b). This meant that both sides had to approve the share transfer before it could be effected, and to the owners of foreign banks, approval could only be granted on favourably designed compensation plans.

It was based on the above agreement that National and Grindlays Bank was able to get the Ugandan Government to allow it to carve out its very lucrative investment banking business as a separate legal entity (Grindlays Bank International Uganda Limited) where it still controlled 60 per cent of the shares.[35] The bank then went on to sell 40 per cent of this business and 60 per cent of its remaining commercial banking business to the Ugandan Government. It was agreed that the Government of Uganda should make a token payment of ten per cent of the value of the shares it intended to take over while the balance should be regarded as a debt to be settled in sterling (Financial Times, 1970b). The above negotiation outcome is no doubt clear evidence of the strong negotiating position of the bank, which enabled it to subtly manoeuvre its ways out of the trapped policy of paying compensation from future profit.

For Standard Bank and Barclays Bank, however, the negotiations were less complex as they did not attempt to establish a new bank and/or divide their operations in Uganda. Like Grindlays Bank International, from the onset of negotiations, both banks were also negotiating from a position of strength, which they cashed in to attempt to improve on the compensation settlement that they got a few years earlier in Tanzania.[36] After Barclays Bank reached a compensation agreement with the Government of Tanzania, for instance, the Chairman of the bank proudly announced to the Board of Directors of the Bank that the bank had set important new precedence of 10 times the average profit because of possible future nationalisations. Standard Bank was also compensated for its assets in Tanzania based on the same formula. This was by far the best compensation British banks had received for the nationalisation of their assets anywhere in the world at the time (Onah et al., 2022). As in Tanzania, the banks strategically coordinated their compensation negotiations in Uganda. This explains why the banks sought compensation for things they considered to be inconveniences caused by the policies of the Ugandan Government.[37]

The above negotiation processes consequently laid the foundation for foreign banks to be compensated based on the potential loss of future income streams. On the basis of that, the banks were able to negotiate a compensation agreement of 8 1/3 times their average profits after tax for relinquishing 60 per cent of their shareholding (Barclays Bank Archive Ref0011-0957). This was better compensation than the one received by the banks in Tanzania a few years earlier where they got an average of 10 years of profit for 100 per cent of their shares.

The petroleum sector

Previous studies have examined the nature and outcomes of nationalisation in the petroleum industry, with overwhelming evidence of how state-business relations can influence the choice and implementation of public policies (Genova, 2010; Salas, 2005; Rood, 1976). Orazgaliyev (2018), for example, applied the case of oil MNEs in Kazakhstan and the MNE-HC bargaining framework to show how the MNE-HC power balance could change over time. Salas (2005) demonstrated how the threat of nationalisation in Venezuela's petroleum industry shaped the relationship between the oil companies and the government of Venezuela on one hand, and the wider interests of the United States (as the home country of the major oil companies) on the other hand. He argues that "foreign oil companies, with millions invested in the country, adapted and proved capable of operating under different political arrangements" (p.148).

The above-mentioned accounts were predominantly from the perspective of oil-producing nations. The case of Uganda was, however, unique being that the country is not an oil-producing or refining nation. Thus, foreign firms controlling the sector were into the marketing of refined petroleum products. The implication is that such firms had little capital commitments on the ground in Uganda. It is therefore not surprising that the first company that reached a full and final settlement with the Government of Uganda was Consolidated Petroleum Limited. This company, which was jointly owned by Shell (50%) and BP (50%), was run by Shell. The swift resolution was made possible by the fact that big companies like Shell-BP were able to garner local goodwill by positioning themselves before the nationalists as "a model employer, a modernising and industrialising force, and a source of development finance" (Bamba, 2020). At the time, Shell controlled 42% of the oil market in Uganda and had a major stake in the country's petroleum sector generally. The other oil companies operating in the country were Esso, Caltex, Mobil (USA), CFP (France), and AGIP (Italy). They were also involved in oil marketing. All of them got most of their products from the refinery in Mombasa from where such products were transported to Uganda.

Before the 1 May 1970 announcement of the nationalisation programme, Consolidated Petroleum Limited had approached the Ugandan authorities and offered it up to 50 per cent of its shares. Although the Government announcement stated that 60 per cent of the company was to be acquired, Consolidated Petroleum insisted on the 50 per cent earlier offered. Before then, the company had arranged similar deals with the Governments of Zambia and Tanzania, in which it succeeded (Wilson, 1990). This was also consistent with their historical attitude of dragging negotiation "for as long as possible" so as "to get the most out of a given situation" and centralising policymaking (Howarth & Jonker, 2007, p. 2/6). Throughout the negotiations, they refused to accede to the Ugandan Government's demand to take over 60 per cent of its shareholding because it would represent the results of expropriation, not negotiation. The company further argued that such an arrangement would deny it adequate control of operations with safeguards for minority interests and that the compensation agreement in place at the time was unsatisfactory. The companies (Shell and BP) generally did "not object to Government participation as such because this is a growing feature of oil production, refining, and marketing. But they cannot be seen elsewhere as accepting expropriation because of possible repercussions."[38]

From the above, it was clear that Shell BP had the upper hand in the negotiation process. Consistent with the postulation of the OBM framework, the reason was that the company

did not have many physical assets that the Ugandan authorities could seize if no agreement was reached during the negotiations. By the middle of June, the Ugandan Government had agreed to the Shell offer of a 50 per cent stake. To reflect that discussions had commenced on this particular case before the announcement, the agreement was backdated to 1 April 1970.

Since the Government of Uganda was not in a position to pay for the shares and in the light of the subsisting policy, Shell had to provide it with a loan to cover 90 per cent of the amount required. "When President Obote said he did not think they could raise the other 10% themselves, Mr Broughton pointed out that the profits accruing to the Ugandan Government from Shell's operations in Uganda in April, May, and June of this year would practically cover the 10% payment."[39] It is, however, important to note that the Government of Uganda agreed to pay interest on the deferred payment at the rate of 7.5 per cent per annum. The loan was also supposed to be repaid within five years (Financial Times, 1970c). As part of the nationalisation agreement, Shell was to provide management and consultancy services on a commission basis. This was fixed at about 1 per cent of profits (Financial Times, 1970c). This meant that the oil companies also had the advantage with respect to staffing.

The insurance industry

The nationalisation of insurance businesses during the post-colonial era was also not a new idea. For instance, life insurance businesses were nationalised in India as early as 1956 (Wilkins, 2009). In Russia, insurance was nationalised after the Revolution of 1917. It was therefore not surprising that the industry was among those President Obote marked out, on 1 May 1970, for immediate nationalisation and compulsory acquisition of shares by the government. Consequently, during a meeting convened on 6 May 1970 by the Ugandan Ministry of Finance to discuss the implementation of the programme, the fate of the foreign insurance companies in the country was a dominant issue. During the meeting, Mr Emmanuel D Wakhweya (the then Secretary of Treasury), made it clear that all companies were now duty-bound to incorporate locally. He also made it clear that the Government intended to participate in both the management and policy-making of the concerned firms. This was to make sure that foreign insurance companies not incorporated locally would have considered themselves out of business. This was arguably because immediately after the nationalisation announcement, the Government directed all its parastatals to undertake insurance business with only locally registered insurance companies. Unlike the banking sector at the time, only two of the concerned insurance companies were locally incorporated in Uganda. These were the National Insurance Corporation and the East Africa General Insurance Company.

At the time, the foreign insurance companies had the advantage as they had few local assets that could be held hostage by the Government of Uganda during the negotiations process. Mr Kizito, the Deputy Chairman of the National Insurance Corporation, for example, expressed the opinion that since 90 per cent of the companies were incorporated outside Uganda, they could not be taken over without their agreement.[40] Not being locally incorporated thus strengthened the negotiating position of such foreign businesses as this meant that they were not statutorily mandated to maintain local reserves or prepare financial reports for the government of their host territory. Also, a takeover was only possible if the stock of such companies were available for purchase. The case of insurance businesses further exposed the poor planning of the entire nationalisation programme by the Ugandan

Government. On the assertion that government insistence on local incorporation could result in 90 per cent of the companies leaving Uganda, The Secretary of Treasury insisted that the Government was "looking for control in every aspect of the word".

The foreign insurance companies also inquired whether the government directive which required all government agencies and parastatals and quasi-government agencies to place their insurance only with the National Insurance Company would still stand after the local legislation and government majority shareholding of their companies are implemented. The Minister of Finance, however, made it clear that the matter would be examined and discussed only after the companies had complied with the government directive. The companies were then given three weeks, from the date of receiving firm proposals from the Government, to consult with their principals/head offices. This could be increased in special circumstances to a maximum of one month.[41]

It was after this that the American Life Insurance Company of Delaware formed a new joint venture company with the Ugandan Government in August 1970. This enabled it to regain access to the Ugandan market. This move was "followed by several other insurance companies" which incorporated local companies to be able to do business in Uganda. Thus, in the case of the insurance industry, the policy on payment of compensation from future profits was not relevant and did not constitute a major element of the negotiation process.

The import-export sector

One sector that exposed the lack of preparedness of the Ugandan Government for the nationalisation exercise was the import and export trade. Unlike what was obtainable in other sectors where individual firms were targeted for nationalisation, the export-import business sector was nationalised in its entirety – meaning that upon that pronouncement, no foreign ownership was to be allowed into the sector. This was facilitated by the operations of the Ugandan Development Corporation established in 1952 to promote local manufacturing and exports, and the National Trading Corporation (NTC) later in 1966 "to engage in commerce and trade both domestic and foreign, and to promote the participation of Ugandans in trade and commerce".[42] The operations of the NTC and the Government's policy on Ugandanization of trade did not, however, accord domestic trading firms much advantage. Ugandan businesses that were approved to procure and distribute goods on behalf of the Corporation were encumbered because they "lacked both experience and capital for their operations" and often "latched onto the Asian traders already in the field".[43] There was also the Government-owned Export/Import Corporation, which had to deal with mostly foreign immigrants, Indians, and Pakistanis that specialised in the import of food, clothing, and other approved items into the country. The export sector concerned mostly British firms operating under the platform of the EAMA.

The implication of the pronouncement was that the Government planned to take over the sector without putting in place the necessary mechanism for ensuring this. It was, therefore, not surprising that the sector witnessed the greatest disruptions after the May Day announcement by President Obote. It was the above dynamics that led to the Government being "told quite politely but firmly by UK Department of Commerce and Industry that the intended method whereby Government and its agents were to take over the import/export trade together with a large chunk of industry and the plantations will not work, and that

any obstinate refusal to back-pedal could but bring the country's economy to a grinding halt."[44]

The Ugandan Government also realised this. Consequently, it was noted that immediately after Obote's announcement, those concerned with the import and export business in Uganda, both on the commercial and government sides "have been active in trying to restore some degree of normalcy into the chaos which ensured after the May 1 announcement." The Minister of Finance was, for instance, allowed to temporarily authorise 180 companies to continue with their export activities. This permission was also extended to companies that were involved in the import business.[45]

The transport sector

In most of the countries where nationalisation took place at the time, transport businesses were classified as among the "simple industry" where local ownership was necessitated (Rood, 1976). The nature of the transport business in the country then was such that most of the companies operating therein were duty-bound to hold most of their fixed assets in Uganda. Such assets naturally became hostages in the event of nationalisation. In Uganda's case, in the years prior to nationalisation, the transport sector was designed and operated in a way that systematically skimmed out "African enterprises", especially as "stringent conditions as regards type of vehicle and method of operation are laid down before a licence is issued" (Walker & Hawkins, 1962, p. 727). The implication was that at the time of the nationalisation, the sector was already dominated by foreign firms who could afford the stringent licencing conditions for operating commercial transport services.

The case of the British-owned Uganda Transport Company (UTC) was of significance because of its dominance in the sector, controlling the entire urban transport system, with an exclusive franchise for bus services in Kampala. At that time, its only competition came from shared taxis which were saloon or estate cars. This essentially informed why the Kampala and district bus services were particularly mentioned among the 84 major industries in which the government was to acquire 60% shareholding (Document No. 4 of the Nakivubo Pronouncement, 1 May 1970).

As expected, the negotiations between the Ugandan Government official and the UTC were more complicated. Most of its negotiations took place with the Minister of Works, Communications and Housing. As of 11 June 1970, Mr Woollford of the UTC had already held three meetings with the said Minister. According to Mr Woollford, the UTC had given to the Minister all the information for which he had asked but as far as the UTC was concerned:

> the only progress that had been made was that it was clear to them that the 60:40 basis of [the] takeover was not negotiable. The Minister had suggested that UTC be split into two operations- one as a City service and the other for country operations, which the company had pointed out would be illogical and in all probability would reduce profits. At this point, the Minister had accused the company of taking a negative attitude.[46]

The huge investments in fixed assets domiciled in Uganda made the UTC's position more precarious. Available evidence showed that it "has made no progress whatsoever and is extremely dissatisfied with the Ugandan attitude."[47] The deadlock between the Government and the foreign-owned transport companies at the time the nationalisation process was effectively halted by the overthrow of Obote on 25 January 1971.[48] Although earlier

literature had linked the British Government to the conspiracy to overthrow Obote, particularly as an attempt to resist nationalisation (Adyanga, 2001; Mamdani, 1993), a recent study by Aldrich (2020, pp. 5-6, 24) argued that "Britain was a complicit bystander" and only acted "unabashedly in its own self-interest" by embracing the new regime of Amin "with a speed and alacrity".

Using the OBM-PBM interactive framework, Table 2 below summarises the industry-specificities in the flow of bargaining powers in the Uganda's nationalisation programme. It shows that, from the standpoints of both OBM and PBM, foreign firms had more bargaining power in banking, petroleum marketing, and the import-export sector. Ugandan Government completely had the upper hand in the transport sector, essentially due to the huge asset commitments of the foreign firms and the fact that the industry required no special expertise. From the viewpoint of the OBM, foreign firms had higher bargaining powers in the insurance industry; whereas, from that of the PBM, Ugandan Government had the upper hand. The reason for the latter is attributed to the Government's threats to grant insurance businesses only to locally incorporated insurance companies. In general, the case of Uganda supports the asset value proposition of the OBM, as well as the PBM postulation that industries that depend on external linkages to function tend to give an advantage to foreign companies. Even without such external linkages, the validity of the PBM prevails and that of OBM is weakened if an industry depends largely on external expertise.

Table 2. Industry-specificities and the bargaining power dynamics.

	Shift in bargaining power advantage between MNE and the HC		
Industry	**Under OBM**	**Under PBM**	**The bargaining outcome**
Banking	Foreign banks: they could pull out their cash easily	Foreign banks: had the money and were intertwined with other businesses.	Agreement reached to compensate foreign banks based on the potential loss of future income streams
Insurance	Foreign insurance firms: they were not locally incorporated	Ugandan Government: they restricted insurance businesses to locally incorporated insurance companies	Some foreign firms left and others went into a compromise to establish new firms in partnership with the government.
Petroleum marketing	Foreign oil companies: because of their size and nature of assets	Foreign oil companies: due to political connection and take-it-or-leave-it position	Agreement reached with Shell BP. Ugandan Government yielded Shell's offer of 50 per cent shares, as opposed to the government demand for 60 per cent. Shell granted the Government a loan to cover 90 per cent of the cost of the shares.
Import-Export	Foreign firms: because of their size and nature of assets	Foreign firms: because credits were involved and a pullout could crash the Uganda's main source of foreign exchange earnings	No specific agreement reached. Government backed down and authorised up to 180 foreign exporting companies to continue operation.
Transport	Ugandan Government: due to foreign firms' huge asset commitments on ground	Ugandan Government: the industry is classified as a "simple" one and no special expertise was required.	No agreement reached. There was a deadlock between the Government and the foreign-owned transport companies

Source: Authors' analysis.

Conclusion

One of the most explored topics in international business and economic history is the nationalisation of foreign business interests in host economies. Arguably the least explored aspect of the subject matter is the dynamics of the compensation negotiations process after the announcement of such nationalisation of foreign business interests. The present Ugandan case study is unique because it was the first time that a country would propose to pay compensation based on the future incomes that would be earned from nationalised businesses. Using an OBM-PBM interactive framework of analysis, the paper explored the different dynamics that influenced the compensation negotiation outcomes. As is evidenced in the paper, the strategic manoeuvre undertaken by the nationalised companies to circumvent the Ugandan government's policy of paying compensation from the future profit was clear evidence of how OBM-PBM interacts to shape the power balancing in the flow of nationalisation benefits.

Specifically, the OBM was used to explain why the UTC, which had a lot of assets in Uganda, had a hard time during the compensation negotiation process. On the other hand, foreign companies that did not have many local assets such as banks, insurance companies, and oil companies were better placed during such negotiations. Furthermore, the PBM is used to show how the nationalised companies exploited their internal strengths and advantages like their dependence on expatriate staff for technical expertise, negotiation skills, and competence, not having their businesses incorporated in Uganda and operational leverage to influence the compensation negotiation outcomes after the announcement of the nationalisation exercise. In addition to the above, the PBM is also used to explain the diverse covert and overt roles played by the British Government all aimed at ensuring that British business interests got the best possible compensation deals for their nationalised interests. The British Government, for instance, covertly attempted to influence the Board of Directors and President of the World Bank and the US Treasury all in its bid to ensure that nationalised British companies had the advantage during compensation negotiations with the Government of Uganda. Despite the advantage of the British businesses during the compensation negotiations period, they realised that the Ugandan Government was oblivious of the magnitude of the debt they were getting into and was bound to explore other ways of nationalising foreign businesses once this became clear to them. Based on the above, it was perhaps not surprising that less than one year after the announcement of the nationalisation exercise, the Obote Government was overthrown with the support of the British Government which also became the first government to recognise the new regime in the country. On his part, Amin used the first anniversary of the nationalisation exercise to announce the immediate substantial curtailment of the nationalisation programme.

Notes

1. S. 22, Uganda Foreign Investments (Protection) Act, 1964; Financial Times, 9 October 1967)
2. We also approached the British Petroleum Archives in Warwick but was informed in writing that they did not have any materials relevant to the period on the subject matter of our study,
3. "Buganda has 60 percent of all establishments, produces 51 percent of gross industrial output, and provides 52 percent of total industrial employment in Uganda" (World Bank, 1971:5).
4. Buyaga and Bugangaizi, which originally belonged to the Kingdom of Bunyoro, were transferred to Bunganda at the time of conquest, and came to be popularly referred to as the 'lost counties'. Through a 1964 referendum that was openly opposed by the Kabaka (Mutesa, 1967),

they opted to secede from the Buganda Kingdom and revert back to the Bunyoro Kingdom, which had the full approval of Obote.

5. See United States Congress (1970), Report of Special Study Mission to West and Central Africa, March 29 to April 27, U.S. Government Printing Office, page 82.
6. This did not go down well with the opposition and some foreign interests. On 18 December 1969, for instance, Obote was wounded in an assassination attempt as he left the annual convention of the UPC where he unveiled the Charter. In reaction, Obote swiftly used the opportunity to declare a state of emergency and to ban the opposition Democratic Party (New York Times, 20 December 1969).
7. Bank of Uganda: 50 years of regulating Uganda's economy, Monitor, 4 July 2016. https://www.monitor.co.ug/uganda/business/prosper/bank-of-uganda-50-years-of-regulating-uganda-s-economy-1656406
8. See T317/ 1530, 'Confidential Telegram from Slater to FCO dated 15 September 1970'
9. World Bank Archives WB IBRD/IDA 03 EXC-10-4549S, 'Official Memorandum on Contacts with member countries: Uganda - Correspondence 01, : Records of the Office of the President, 30 March 1971'.
10. TNA FCO 31/ 720, 'British Parliamentary Papers', 15 May 1970.
11. See TNA FCO 31/ 1331, 'Ministry of Foreign Affairs Uganda to British High Commission, Note, 9 June 1970'.
12. See TNA FCO31/720, 'R L Wade-Gery to Counsell (EAD), FCO restricted memo dated 13 May 1970'.
13. TNA FCO31/720, 'R M Purcell (EAD), FCO restricted memo, 28 September, 1970'
14. See Para 32 of IDA/ R 70-55 (TNA T 317/ 1530).
15. TNA T 317/ 1530, 'FCO to UK Director in IMF/ World Bank, Confidential Telegram, 17 July 1970'.
16. See TNA T 317/ 1530, 'Douglas-Home (FCO) to UK Director (IMF/ IBRD Confidential Telegram, 20 July 1970'.
17. TNA T 317/ 1530, 'Letter by D A Truman dated, 20 July 1970'.
18. See TNA T 317/ 1530, 'Restricted Telegram from UK Director IMF and IBRD to FCO (London), 22 July 1970'.
19. See TNA T 317/ 1530, 'D A Truman to E H Counsell, letter, 27 July 1970'.
20. See TNA FCO 31/724, 'Minutes of Community Meeting Held at the British High Commission on 11 June 1970'.
21. Bernard Weinraub, 1972, Abrupt Shifts Mark Amin Rule of Uganda, The New York Times, August 26, page 2
22. World Bank International Development Association, Annual Report, 1970, September 21
23. Examples of the big companies include the United African Company, Tobacco Company BAT, and British Oxygen.
24. See T317/ 1530, 'Confidential Telegram from Slater to FCO, 15 September 1970'.
25. TNA T 317/ 1530, 'D A Truman (FCO) to Steel Letter, 15 September 1970'.
26. TNA FCO31/720, 'R M Purcell (EAD), FCO restricted memo, 30 September, 1970'
27. TNA T 317/ 1530, 'D A Truman (FCO) to Steel Letter, 15 September 1970'.
28. See T 317/ 1530, 'Confidential Telegram from Slater to FCO, 15 September 1970'.
29. See T 317/ 1530, 'Confidential Telegram from Slater to FCO, 15 September 1970'.
30. See T317/ 1530, 'Note on the meeting of East African businessmen with Mr. A M K Slatter CMG, High Commissioner in Kampala held on 25 September 1970'.
31. The above dynamics explains the extensive focus of this paper on the banking sector in Uganda.
32. See Government of Unganda, 1969a. The official exchange rate of one Ugandan Shilling to one US Dollar by 1969, according to World Bank data, was US$0.07143.
33. See TNA FCO 31/52, 'Confidential memo "Nationalization of banks in Tanzania" Sir Morris James to Lord Beswick. dated 8th February 1967'.
34. For more on such Africanisation, see Decker (2005, 2018) and Pacquement (2020).

35. See London Metropolitan Archives File Number CLC/ B/ 207/ STO3/ 02/ 11/ 005, 'Letter from the Office of the General Manager, Standard Bank Uganda Limited to the Director of the Bank in London, dated 8 January 1971'.
36. For an account of the Tanzanian case, see Mittelman, J. H. (1978); Onah et al. (2022); Dias (1970).
37. See London Metropolitan Archives File Number CLC/ B/ 207/ STO3/ 02/ 11/ 005, 'Letter from the Office of the General Manager, Standard Bank Uganda Limited to the Director of the Bank in London, 3 August 1970'.
38. See TNA FCO 31/720, 'Confidential Memo by the Petroleum Division titled British Oil Interests in Uganda, 13 April 1970'.
39. See TNA FCO 31/ 723, 'C L Booth to Howell, Confidential Memo dated 15 June 1970'.
40. See TNA FCO 31/720, 'Notes of the meeting held in the Conference Room of the Ministry of Finance Entebbe on Wednesday 6 May 1970'. See also RNA FCO31/720, 'Restricted BHC Kampala memo, 14 May 1970'.
41. See TNA FCO 31/720, 'Notes of the meeting held in the Conference Room of the Ministry of Finance Entebbe on Wednesday 6 May 1970 compiled by Mr. Sultan Jaffer'. See also RNA FCO31/720, 'Restricted BHC Kampala memo dated 14 May 1970'.
42. International Bank for Reconstruction and Development (1971), Industrial Development in East Africa: Progress, Policies, Problems and Prospects, Eastern Africa Development, AE12 Volume 2, April 16, p. 22
43. International Bank for Reconstruction and Development (1971), Industrial Development in East Africa: Progress, Policies, Problems and Prospects, Eastern Africa Development, AE12 Volume 2, April 16, p. 23-24
44. TNA FCO31/720, 'R W Howell (BHC Kampala) to RK Paskins (Board of Trade London), Restricted letter, 15 May 1970'.
45. See London Metropolitan Archives File Number CLC/ B/ 207/ STO3/ 02/ 11/ 005, 'Letter from the Chairman, Standard Bank Uganda Limited to the Director of the Bank in London, dated 16 May 1970'.
46. Financial Times, 11 September 1970
47. See TNA T 317/ 1530, 'Slater (BHC Uganda) to FCO, Confidential Telegram, 17 July 1970'.
48. At the time, only six of the firms had reached a settlement agreement with the Government of Uganda – including Consolidated, Agip, Total, Brooke Bond, Uganda American Insurance, and Grindlays. The oil companies generally settled for a 51-49 percent division.

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